

Agenda - Supplementary

Meeting: Board

Date: Tuesday 25 July 2023

Time: 10:00am

**Place: Conference Rooms 1 & 2 -
Palestra, 197 Blackfriars Road,
London, SE1 8NJ**

In accordance with section 100(B)(4) of the Local Government Act 1972, the Chair has agreed to accept the following as an item of urgent business on the grounds that it needs to be considered as part of the Statement of Accounts. The document was omitted in error, however, it is unchanged from the version published with the papers for the meeting of the Audit and Assurance Committee on 5 June and, subject to the Board agreeing a delegation of authority, will be republished again when that Committee is asked to approve the Statement of Accounts.

Copies of the papers and any attachments are available on [tfl.gov.uk How We Are Governed](https://tfl.gov.uk/How-We-Are-Governed).

This meeting will be open to the public and will be webcast live on the [TfL YouTube channel](#) and on the [GLA website Mayoral Webcast page](#), except for where exempt information is being discussed as noted on the agenda. There is access for disabled people and induction loops are available. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available on www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Shamus Kenny, Head of Secretariat Email: ShamusKenny@tfl.gov.uk.

For media enquiries please contact the TfL Press Office; telephone: 0343 222 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Wednesday 19 July 2023

**Agenda
Board
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6 TfL Annual Report and Statement of Accounts for the Year Ended 31 March 2023 (Pages 1 - 4)

Chief Customer and Strategy Officer and Chief Finance Officer

The Board is asked to approve the Annual Report and delegate to the Audit and Assurance Committee approval of: the TfL Statement of Accounts for the year ended 31 March 2023; and the provision of an ongoing parent company guarantee by Transport Trading Limited to most of TfL's subsidiary companies.

Annual Governance Statement

The CIPFA/SOLACE Delivering Good Governance in Local Government Framework (the Framework) requires local authorities, which includes TfL, to publish an Annual Governance Statement, and to be responsible for ensuring that:

- Its business is conducted in accordance with all relevant laws and regulations;
- Public money is safeguarded and properly accounted for; and
- Resources are used economically, efficiently, and effectively to achieve agreed priorities which benefit local people

As a functional body of the Greater London Authority (GLA), TfL is a signatory to the GLA Group Corporate Governance Framework Agreement (the Agreement), which was updated in March 2022. The Agreement is an overarching commitment in relation to the culture and individual behaviours of the GLA Group and contains specific corporate governance commitments. The Board agreed TfL has in place protocols and processes that address all the requirements of the Agreement.

TfL has approved and adopted a Code of Governance (the Code), which is consistent with the Framework and is published online at tfl.gov.uk. This statement explains how TfL complies with the Code and meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

TfL's governance framework has been in place since the year ended 31 March 2001 and remains in place at the date of approval of the 2022/23 Statement of Accounts. The key elements of the governance framework are set out opposite:

Key Elements of TfL's Governance Framework

Chair, Board, Committees and Panels	The Mayor appoints the Board and is the Chair. The Board provides leadership and determines and agrees TfL's strategic direction and oversees the performance of the Executive Committee to deliver the Mayor's Transport Strategy. The Budget, Business Plan and Capital Strategy set out how the Mayor's Transport Strategy will be delivered and are supported by TfL's Group and individual business area Scorecards. The Board's effectiveness is reviewed annually.
Decision Making	Standing Orders set out TfL's decision-making process and are regularly reviewed. The roles of Members and the executive are clearly defined. The Board, its Committees and Panels meet in public and all decisions taken are published. The approval of Financial, Programme and Project, Procurement and Land Authority by the Commissioner and Chief Finance Officer is also reported to Committees along with any Mayoral Directions to TfL.
Audit and Assurance Committee	The Committee reviews the effectiveness of the system of internal controls, including the integrated assurance framework and considers fraud and risk management issues. It also reviews the Annual Accounts prior to submission to the Board and TfL's compliance with the UK Corporate Governance Code (where applicable). The Risk and Assurance Directorate and External Auditors support the work of the Committee.
Risk Management	TfL has an Enterprise Risk management system that sets out TfL's Enterprise and Strategic Risks, supported by local risk registers throughout TfL, which are monitored by the appropriate senior manager. The Audit and Assurance Committee oversees the implementation of the risk management system, with individual Committees and Panels reviewing each Enterprise Risk within their remit as per the 12-month rolling schedule. The Executive Committee also regularly reviews all the Enterprise Risks.
Scrutiny and Review	The Board, Committees and Panels each receive regular quarterly reports on TfL's performance. These reports cover: performance against the Scorecard; financial performance; customer and operational performance; safety, health and environment; and human resources. The Audit and Assurance Committee reviews TfL's overall audit and assurance arrangements.
The Commissioner and the Executive Committee	The Commissioner and Executive Committee are responsible for the delivery of day-to-day operations. The statutory Chief Finance Officer (TfL's appointed officer under section 127 of the GLA Act 1999) is responsible for safeguarding TfL's financial position. The postholder reports directly to TfL's managing Chief Finance Officer and, while not on the Executive Committee, plays an active part in TfL strategic decision-making through involvement in all key decisions with a significant financial implication and has management responsibility to produce the Business Plan and statutory accounts. The General Counsel, along with the Commissioner, is responsible for ensuring compliance with the law and promoting good corporate governance and high standards of public conduct. The Director of Risk and Assurance annually comments on the effectiveness of the Code.

Applying the Framework Principles

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law: TfL’s Code of Conduct for Members and staff reinforces a public service ethos and high standards of behaviour. It is supported by more detailed guidance, including a Modern Slavery Statement, TfL’s whistleblowing procedures and guidance on conflicts of interest. The General Counsel and Commissioner have specific responsibilities to ensure that TfL’s decisions meet legal requirements. Inductions for new senior staff and the one new Member of the Board appointed in 2022/23 explicitly covered the importance of behaviours and ethical values. Declarations of interests for Members and the most senior staff are published on tfl.gov.uk and declared at meetings.

Principle B: Ensuring openness and comprehensive stakeholder engagement: TfL has a transparency strategy and publishes a substantial amount of information. It engages with stakeholders and partners through consultation and its work with London Councils and individual boroughs. It cooperates with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes. Board, Committee and Panel meetings are held in public and are routinely webcast contemporaneously on TfL’s YouTube channel to further enhance transparency in decision-making. TfL has an active social media presence including Facebook, Twitter and YouTube.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits: TfL meets this objective through its delivery of the Mayor’s Transport Strategy, supported by its Vision and Values, Business Plan and the annual Scorecard process. The Business Plan and Scorecard measures flow through to team and individual staff objectives. The quarterly reports to the Board, Committees and Panels, as well as papers seeking authority for projects, provide commentary on how they support the objective of delivering the Mayor’s Transport Strategy.

In September 2021, following a bottom-up staff engagement process, TfL’s Vision and Values were launched. These defined TfL’s purpose as “To move London forward safely, inclusively and sustainability” and its vision as “We’ll be a strong, green heartbeat for London”. TfL established five roadmaps to deliver the Vision and Values and these are reviewed annually. They guide planning and decision-making, provide direction while maintaining flexibility for different areas of the business to develop their own plans to contribute and support frequent, open reporting on how we are doing. The roadmaps cover:

- Colleagues – be a great place to work for everyone to thrive
- Customers – give customers more reasons to choose sustainable travel
- Finance – rebuild our finances, be more efficient and secure our future

- Green – reduce emissions in London and protect and improve our environment
- Our foundation – operational and project delivery

Principle D: Determining the intervention necessary to achieve intended outcomes. The Quarterly Performance Report and other key quarterly reports submitted to Committees and Panels track TfL’s activities in terms of key performance indicators and delivery of the Mayor’s Transport Strategy. These also highlight remedial actions taken where slippage occurs. TfL’s intervention in the governance of the Crossrail project in 2020, enabled the Elizabeth Line Delivery Group and Elizabeth Line Committee to drive the project forward, with the line opening on 24 May 2022, through running and Sunday services introduced on 6 November 2022 and the final integration of the railway on 21 May 2023. TfL has also recognised the need to enhance the governance and controls around its property programme to drive forward schemes that will deliver affordable housing for the Mayor and revenue for TfL. Its property subsidiary company, TTL Properties Limited (TTLP) has been given greater financial and governance autonomy and the Land and Property Committee was established, from 1 April 2022 to oversee the operation and delivery of TfL’s property programme through TTLP. The Committee has actively reviewed and overseen the governance of TTLP.

Principle E: Developing TfL’s capacity, including the capability of its leadership and individuals within it: The structure of the Executive Committee and the roles and responsibilities of its members were refreshed in February 2022 and revised governance arrangements below this level have been reviewed and implemented. TfL undertakes a wide range of human resources activities to develop the capacity of its people. Regular reports are submitted to the Safety, Sustainability and Human Resources Panel and the Remuneration Committee on this and key initiatives including the leadership programme, succession planning and TfL’s graduate and apprenticeship programmes. During the year, the Remuneration Committee reviewed and supported proposals in relation to resourcing at TfL, including the launch of a Strategic Resourcing Group and Our People Leaders programme in January 2023. TfL’s Vision and Values are also intended to develop capacity (see Principle C above). Board Members are developed through induction, briefings and site visits. One new Board Member was appointed and inducted during the year.

Principle F: Managing risks and performance through strong internal control and financial management: TfL's Enterprise Risk management system sets out TfL's main strategic risks and mitigations, with more detailed risk registers held throughout TfL. Following a review with the Board and the Executive Committee in May 2022, the Enterprise Risks were updated and the Enterprise Risk Management Framework was changed to reflect TfL's Vision and Values roadmaps. A 12-month rolling schedule of reviews for the Level 0 Enterprise Risks was also put in place, with risks reviewed and updates provided to the Executive Committee and the relevant Committees and Panels following the schedule. The Audit and Assurance Committee maintains overall responsibility for scrutinising TfL's approach to risk and receives reports to each meeting. The Finance Committee scrutinises TfL's financial performance and reports on this to the Board. It monitors the effectiveness of rigorous cost control and scrutiny measures introduced as a result of the impact of the coronavirus pandemic on TfL's funding and TfL's progress in meeting the conditions attached to the Government's funding settlements. TfL has also continued to embed the TfL Health, Safety and Environment Management System and has continuous improvement plans in place to enhance the system and strengthen the maturity of compliance.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability: TfL follows the Government Communication Service guidance on providing clear and accurate information. It has a published transparency strategy and has developed its website and the format of its reports to improve transparency and accessibility. Minutes of meetings, key decisions taken outside of meetings, the registers of Members and the most senior staff's interests and acceptance of gifts and hospitality, along with details of contracts awarded over £5,000 are published on tfl.gov.uk.

Review of Effectiveness

TfL conducts, at least annually, a review of the effectiveness of its governance framework including the system of internal control, which is reported to the Audit and Assurance Committee. There is also an annual Board Effectiveness Review.

TfL continually reviews the effectiveness of its governance arrangements, including all aspects of TfL's operations including its relationships with its group entities. The Risk and Assurance Annual Report and Assurance Statement includes the opinion of the Head of Internal Audit on the overall framework of TfL's governance, risk management and internal control in the year. The opinion for the year ending 31 March 2023 concluded that the overall framework of TfL's governance, risk management and internal control is generally adequate for TfL's business needs

and operated in an effective manner. There were no matters raised for the attention of the Board. The scope of an externally led Board Effectiveness Review was agreed in 2022 and that review is underway and due to report in July 2023.

The significant impact of the coronavirus pandemic on TfL's operational activities and its finances continues to be felt. A 19-month funding settlement was agreed with Government on 30 August 2022 to 31 March 2024 and discussions are ongoing in relation to securing long-term capital funding to enable TfL to plan effectively.

Conclusion

TfL is satisfied that appropriate governance arrangements are in place. It recognises that there is always more that can be done and remains committed to maintaining and where possible improving these arrangements. The key ways of doing this are:

- Keeping its governance arrangements under continuous review, including through the Board Effectiveness Review;
- Addressing issues identified by Internal Audit as requiring improvement;
- Reviewing and enhancing performance reporting to focus on key risks and areas for improvement; and
- Listening to feedback from key stakeholders

SIGNATURE

Sadiq Khan
Chair of TfL
XX Date 2023

SIGNATURE

Andy Lord
Commissioner
XX Date 2023

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