

Date: 28 June 2023

Item: **TTL Properties Limited Assurance Update**

This paper will be considered in public

1 Summary

- 1.1 This paper reports on progress with assurance activity across TTL Properties Limited (TTLP) during Quarter 1 of 2023/24 (1 April to 24 June 2023) (Q1).
- 1.2 A paper is included on the Part 2 agenda which contains supplementary information that is exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda.**

3 Background

- 3.1 The TTLP Integrated Assurance Framework is based on a Three Lines of Defence model comprising:
 - (a) Line 1 – Management functions of TTLP and key interfaces;
 - (b) Line 2 (LoD2) – Project Assurance (PA) and Quality, Safety and Security Assurance (QSSA); and
 - (c) Line 3 (LoD3) – TfL Internal Audit and a sub-group of the Independent Investment Programme Advisory Group (IIPAG-TTLP).
- 3.2 This paper reports specifically on Line 2 (PA), Line 3 (Internal Audit) and Line 3 (IIPAG-TTLP) assurance progress and provides an update on Enterprise Risk management. Work in progress for LoD2 and LoD3 is set out in Appendix 1 and work starting next quarter is in Appendix 2.
- 3.3 The LoD2 and LoD3 teams meet periodically to ensure that assurance is carried out by the right team at the right time and to avoid duplication.

4 Line 2 (PA) Assurance

- 4.1 LoD2 continues to provide assurance on an ongoing basis as well as carrying out Targeted Assurance Reviews (TARs) on key areas.

- 4.2 Two TARs were completed in Quarter 4 of 2022/23 (11 December 2022 to 31 March 2023) (Q4), Resourcing, and Procurement and Commercial. The resourcing review identified that more needs to be done to prioritise resources against key business objectives. The commercial review recommended more detailed planning of activities required to successfully deliver the proposed procurement frameworks. Emerging plans for the commercial operating model will be considered through continuous assurance.
- 4.3 Two further reviews are underway focussing on Governance and the Vacant Possession Plan for Lillie Bridge Depot. We have had excellent engagement from the TTLP team and findings will be presented at the next meeting. A review of first line assurance proposals is planned when they are developed.
- 4.4 More detail is contained in Appendix 1 and 2 and further targeted reviews will be undertaken as required to support investment decisions.

5 Line 3 (Internal Audit) Assurance

- 5.1 Two audits were completed in Q4, Property Transfer Accounting, and Accounting and Cash Management. The two audits due to start in Q1 are in planning and more detail is contained in Appendix 1 and 2. There are currently no overdue actions from previous audits.
- 5.2 The Property Transfer Accounting audit found that there were gaps in the audit trail supporting the assets transferred from TfL to TTLP. This included asset descriptions not matching the live asset, inconsistencies in asset values across documentation, discrepancies in financial posting in SAP and Asset Values, assets not found on TTLP asset register and legal documentation not in the standard format. We also identified weaknesses in planning the delivery of activities as neither a project team nor consideration of the resources required for the delivery of property transfer accounting from TfL to TTLP were established at the outset.
- 5.3 We worked with TTLP in real time on the accounting and cash management processes and while a high-level financial readiness plan was in place the detailed work required to deliver the plan had not been developed or shared with the Executive Leadership Group. As with property transfer accounting, there was also no project resource plan with reliance placed on existing staff. Key stakeholders had not been formally or consistently identified or documented as part of a stakeholder management plan and there was an absence of a communications plan.
- 5.4 We found that the risk log for accounting and cash management processes in TTLP had not been systematically thought through. The severity of the risk/issues had not been assessed using the standard methodology, leaving the project exposed to uncertainties materialising and management having to direct scarce resources to manage the consequences. Actions to address this including the correct and consistent application of the Red Amber Green (RAG) status of issues and risks were completed in February 2023.

6 Line 3 (IIPAG-TTLP) Assurance

- 6.1 IIPAG-TTLP work for Q4 and Q1 is set out in Appendix 1 and 2. Activity is currently focussed on delivery confidence in the short and longer term housing objectives and Joint Venture structuring and management. We have had good engagement from the TTLP team and both reviews are nearing conclusion with no critical issues identified. Reports will be presented at the next meeting of the Committee.
- 6.2 The Retail Strategy Review which examined deliverability and risks of generating the increased income targets, is now complete. IIPAG's assessment is that the Gross Retail Income targets over the forecast period should be achievable. The caveat to this assessment is that there are some key risks that need to be managed and mitigated, which are already known by management. This includes the urgent requirement to generate a fully unified retail strategy, and to settle the operating model and resourcing approach.
- 6.3 As IIPAG-TTLP obtain an even more detailed understanding of the business they will add additional workstreams to the Integrated Assurance and Audit Schedule.

7 Enterprise Risk Management

- 7.1 The review of the first Level 0 (L0) risk (TTLP-L0-06) is now complete and has been submitted to this meeting for consideration. Work on reassessing Level 1 risks is now being planned. Work has begun on developing the next risk TTLP-L0-02 - 'Attraction, retention, health, wellbeing and capability of our employees' and that will be submitted to the next meeting.
- 7.2 Details of the seven TTLP L0 risks are set out in Appendix 3.

List of Appendices:

Appendix 1: Integrated Assurance and Audit Schedule – work in progress
Appendix 2: Integrated Assurance and Audit Schedule - forward plan
Appendix 3: TTLP Enterprise Risks

Exempt supplementary information is contained in a paper on Part 2 of the agenda.

List of Background Papers:

None

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