

Date: 29 November 2023

Item: Places for London Assurance Update

This paper will be considered in public

1 Summary

- 1.1 This paper reports on progress with assurance activity across Places for London (Places), TfL's property company, during Quarter 2 of 2023/24 (25 June to 16 September 2023) (Q2).
- 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 Places Integrated Assurance Framework is based on a Three Lines of Defence model comprising:
 - (a) Line 1 – Management functions of Places 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-Places).
- 3.2 This paper reports specifically on Line 2 (PA), Line 3 (Internal Audit) and Line 3 (IIPAG-Places) 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.

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. We have had excellent engagement from the Places team in all assurance activities which is appreciated.

- 4.2 Two TARs were completed in Q2, Governance and the Vacant Possession Plan for Lillie Bridge Depot. The governance review identified areas within Places, and where Places interacts with TfL, where governance arrangements could be strengthened. The Lillie Bridge Depot review found that there was good interaction between Places and TfL in the development of the vacant possession plan but highlighted the need for better documentation of key scope decisions, roles and responsibilities and governance arrangements.
- 4.3 Alongside IIPAG-Places, PA is undertaking continuous assurance on the Limmo development and the Electric Vehicle Charging Hubs Programme.
- 4.4 The PA team still remains concerned about the time being taken to produce a detailed first line assurance improvement plan. We are working closely with the Places team and commenting on first line assurance proposals, such as the introduction of a Programme Management Office, as they emerge.
- 4.5 More detail of assurance activities is contained in Appendices 1 and 2 and further TARs will be undertaken as required to support investment decisions. There were no overdue recommendations from previous TARs at the end of Q2.

5 Line 3 (Internal Audit) Assurance

- 5.1 Two audits completed fieldwork and were in reporting at the end of Q2. These are Revenue Collection and Debt Management, and the Due Diligence Process (new tenants). Findings will be presented to 21 December 2023 meeting of the Land and Property Committee. An audit of Voids Management is due to start in Quarter 4 of 2023/24. More detail of audit activities is contained in Appendices 1 and 2. There were no overdue actions from previous audits at the end of Q2.

6 Line 3 (IIPAG-Places) Assurance

- 6.1 IIPAG-Places' work for Q2 and Q3 is set out in Appendices 1 and 2. Q2 activity focussed on delivery confidence in residential sector targets and joint venture structuring and management. Both reviews are now complete.
- 6.2 IIPAG-Places' assessment of the residential sector is that the target, to have started on sites that will deliver 20,000 homes, is capable of being met but stresses that there are a number of challenges to doing so. It also highlights the challenges of delivering 50 per cent affordable homes at more complex sites. Recommendations include the development of a top-down residential strategy and a strategic plan for affordable home delivery.
- 6.3 IIPAG-Places considers there to be considerable good practice in the creation, structuring and management of joint ventures and identified some areas where existing good practice could be improved. This includes the need for an increased focus on harnessing the benefits of Places' strategies including environmental, social and governance and strengthening some of the Places' support functions.
- 6.4 A review of the Capital Receipts Programme, focussing on asset disposals, is underway and findings will be presented to the next Committee meeting.

6.5 There were no overdue recommendations from the previous IIPAG-Places assurance reviews at the end of Q2.

7 Enterprise Risk Management

- 7.1 The review of the second Level 0 risk 'Attraction, retention, health, wellbeing and capability of our employees' is now complete. The risk is defined as "where significant challenges to attracting and retaining people with critical skills may affect the ability of Places for London to achieve its business plan, deliver homes for Londoners and generate value for both its customers and TfL".
- 7.2 Failure to attract and retain suitably skilled employees could result in business underperformance, failure to deliver against shareholder milestones, reductions in income from tenants or development schemes, missed housing targets, negative impacts on safety and a deterioration in the reputation of Places.
- 7.3 There has been an ongoing pattern of experienced people leaving and being replaced with non-permanent employees. Currently, this risk is assessed as high. While some controls for this risk are already in place, further controls are under development. As such, the current management status of this risk is assessed as "requires improvement".
- 7.4 The Places team has identified a number of key controls and actions, with action owners and outline timescales assigned. These actions include the introduction of a resourcing strategy alongside creating and articulating an effective development and career progression framework for employees at all stages of their career.
- 7.5 The procurement of a Strategy Partner and Delivery Partner will be a parallel approach to ensure Places maintains the required pace of delivery.
- 7.6 While some new actions are being proposed, others are already underway with all due to be completed within the next 12 months. Progress against these actions will be reviewed in 12 months' time and this risk is assessed as medium once the identified actions are completed.
- 7.7 Details of the seven Places Level 0 risks are set out in Appendix 3. Each risk will have a paper submitted to the Land and Property Committee on a rolling basis.

List of Appendices:

Appendix 1: Places Integrated Assurance and Audit Schedule – Work in Progress
Appendix 2: Places Integrated Assurance and Audit Schedule – Forward Plan
Appendix 3: Places Level 0 Enterprise Risks

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

Contact Officer: Lorraine Humphrey, Director of Risk and Assurance
Email: lorraine.humphrey@tube.tfl.gov.uk