

TRANSPORT FOR LONDON

AUDIT COMMITTEE

SUBJECT: REVISIONS TO THE CODE OF GOVERNANCE

MEETING DATE: 12 MARCH 2008

1 PURPOSE AND DECISION REQUIRED

- 1.1 The purpose of this paper is to enable the Committee to recommend to the Board for approval proposed changes to the TfL Code of Governance, attached as an appendix to the report, and to note the methodology for the compilation of the annual Statement of Corporate Governance Assurance.

2 BACKGROUND

- 2.1 Using the nationally recognised CIPFA/SOLACE framework, tailored to its own circumstances, TfL developed and published a Code of Corporate Governance in 2002 making explicit its adopted practices in this area.
- 2.2 TfL agreed that, on an annual basis, the General Counsel should undertake a review to determine the degree to which TfL's actions conform to the Code's requirements. This review is reported to the Audit Committee. Together with a report from the Director of Internal Audit this forms the basis of the Statement of Corporate Governance Assurance, which the Audit and Accounts Regulations 2003 require to be included in TfL's annual Statement of Accounts.
- 2.3 The CIPFA/SOLACE framework has recently been revised to take account of the changing public sector environment and developing best practice in the corporate governance field.
- 2.4 At its September 2007 meeting the Audit Committee received a report on the nature of the revisions to the CIPFA/SOLACE framework and agreed that in the light of this TfL should revise its Code of Corporate Governance.

3 THE REVISED CIPFA/SOLACE FRAMEWORK

- 3.1 The revised CIPFA/SOLACE framework confirms the underlying principles of corporate governance that were found in the original. However there have been significant changes in presentation and

some adjustments of emphasis to reflect the latest corporate governance thinking.

- 3.2 The first CIPFA/SOLACE Framework was based on the Cadbury definition of corporate governance and reflects Cadbury's three principles, adapted to reflect the public sector context and Nolan's seven principles of public life.
- 3.3 In 2004, the independent Commission on Good Governance in Public Services published a set of common principles that it wants all public sector organisations to adopt. The Commission, set up by CIPFA in conjunction with the Office for Public Management and encouraged by Central Government, says there should be a common governance standard for public services similar to the private sector's Combined Code.
- 3.4 The Good Governance Standard for Public Services builds on the Nolan principles for the conduct of individuals in public life by setting out six core principles that it says should underpin the governance arrangements of all bodies. These are:
 - well-defined functions and responsibilities;
 - an appropriate corporate culture;
 - transparent decision making;
 - a clear definition of the body's purpose and desired outcomes;
 - a strong governance team; and
 - real accountability to stakeholders.
- 3.5 For the purpose of developing Delivering Good Governance in Local Government, the six core principles from the Good Governance Standard for Public Services have been adapted for the local authority context.
- 3.6 The six core principles have supporting principles, each of which in turn translates into a range of specific requirements to ensure good governance.

4 REVISING TfL's CODE OF GOVERNANCE

- 4.1 The TfL Code of Corporate Governance has been in place for five years and irrespective of the CIPFA/SOLACE framework revision it would have been appropriate to review its contents and consider its continuing applicability. However the revision of the framework provided an external benchmark that has been used in the review process.
- 4.2 The first revision is to follow the Audit Commission's lead and change the title by removing the word Corporate and so making the revised version a Code of Governance.

- 4.3 In this context governance is about how TfL ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which it directs and controls and through which it accounts to, engages with and where appropriate leads its stakeholders.
- 4.4 In line with the revised CIPFA/SOLACE framework the TfL Code of Governance is now organised into six sections. Each section is headed to reflect one of the six core principles and is prefaced by a statement setting out the nature of each as follows:
- **Leadership**
Focusing on the purpose of TfL and on outcomes for London's citizens and service users and creating and implementing a transport vision for London.
 - **Relationship Management**
Members and officers working together to achieve a common purpose with clearly defined functions and roles.
 - **Standards of Conduct**
Promoting the values of TfL and demonstrating good governance through upholding high standards of conduct and behaviour.
 - **Risk Management**
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
 - **Capacity Development**
Developing the capacity and capability of members and officers to be effective.
 - **Public Accountability**
Engaging with the public and other stakeholders to ensure robust public accountability.
- 4.5 Each section includes the supporting principles for the relevant core principle. Each supporting principle is cast as an undertaking by TfL that is intended to deliver the desired governance outcome e.g. the first supporting principle in the leadership section commits TfL as follows:
- 4.6 TfL will provide leadership by developing and clearly communicating its vision of safe, integrated, efficient and economic transport facilities that are in tune with the priorities of the public, commerce, the voluntary and public sectors.

5 THE GOVERNANCE STATEMENT

- 5.1 TfL needs to prepare and publish an annual governance statement as part of the annual Statement of Accounts process in order to meet the statutory requirement set for authorities to prepare and publish such a document in accordance with proper practices.
- 5.2 With effect from 2007/08 the definition of proper practices is based on the revised CIPFA/SOLACE Governance Framework. A supplement to the framework provides guidance on the information that should be included in the Governance Statement. The information is in line with what TfL has provided for the past four years with the publication of its Annual Statement of Corporate Governance.
- 5.3 The annual review by the General Counsel to determine the degree to which TfL's actions conform to TfL's Code's of Governance requirements is based on an analysis of the extent to which TfL is meeting best practice compliance criteria for each undertaking.
- 5.4 The best practice compliance criteria will need to be recast to reflect the revised Code of Governance. Although the revised Code of Governance is very different in format from the current Code of Corporate Governance the revised best practice compliance criteria will carry over many elements of the current criteria.
- 5.5 The review will be reported to the June Audit Committee. Together with a report from the Director of Internal Audit this will form the basis of the 2007/08 Statement of Corporate Governance Assurance.

6 IMPLICATIONS FOR EQUALITIES AND INCLUSION, CRIME AND DISORDER AND SUSTAINABILITY

- 6.1 A Code of Governance that ensures a coherent framework is in place to direct, manage and monitor an organisation and to relate to its external environment is an essential pre-requisite for the successful delivery of TfL's aspirations in relation to equality and inclusion, crime and disorder and sustainability.

7 RECOMMENDATIONS

- 7.1 The Committee is asked to -
- RECOMMEND to the Board for approval of the revised TfL Code of Governance; and
 - NOTE the methodology for the compilation of the annual Statement of Corporate Governance Assurance to be included in the Statement of Accounts.

Revised TfL Code of Governance

1. Leadership

Focusing on the purpose of TfL and on outcomes for London's citizens and service users and creating and implementing a transport vision for London.

- 1.1 TfL will provide leadership by developing and clearly communicating a set of objectives and associated activities that support the Mayor's vision for London.
- 1.2 TfL will ensure that users receive a high quality of service whether directly or indirectly.
- 1.3 TfL will ensure that it makes best use of resources and that tax payers and service users receive value for money.

2. Relationship Management

Members and officers working together to achieve a common purpose with clearly defined functions and roles

- 2.1 TfL will ensure effective leadership throughout the organisation and be clear about executive and non-executive functions and of the roles and responsibilities of the assurance function.
- 2.2 TfL will ensure that a constructive working relationship exists between members and officers and that the responsibilities of members and officers are carried out to a high standard.
- 2.3 TfL will ensure relationships between it and the public are clear so that each knows what to expect of the other.

3. Standards of Conduct

Promoting the values of TfL and demonstrating good governance through upholding high standards of conduct and behaviour

- 3.1 TfL will ensure members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.
- 3.2 TfL will ensure that its values are put into practice and are effective.

4. Decision Making and Risk Management

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- 4.1 TfL will be rigorous and transparent about how decisions are taken and will listen to and act on the outcome of constructive scrutiny.
- 4.2 TfL will have good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.
- 4.3 TfL will ensure that an effective risk management system is in place.
- 4.4 TfL will use its legal powers to the full benefit of the citizens and communities in their area.
- 4.5 TfL will maintain an objective and professional relationship with its external auditors and statutory inspectors.

5. Capacity Development

Developing the capacity and capability of members and officers to be effective

- 5.1 TfL will make sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.
- 5.2 TfL will develop the capability of people with governance responsibilities and evaluate their performance, as individuals and as a group.
- 5.3 TfL will encourage new talent so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

6. Public Accountability

Engaging with the public and other stakeholders to ensure robust public accountability

- 6.1 TfL will exercise leadership through robust interaction, which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.
- 6.2 TfL will take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by TfL, in partnership or by commissioning.