Transport for London

Minutes of the Finance Committee

Teams Virtual Meeting
10.00am, Wednesday 23 June 2021

Members of the Committee
Ben Story (Vice-Chair - in the Chair)
Heidi Alexander
Prof Greg Clark CBE
Anne McMeel
Dr Nina Skorupska CBE (until Minute 37/06/21 (part))

Board Members
Cllr Julian Bell
Kay Carberry CBE

Executive Committee

Andy Byford	Commissioner
Howard Carter	General Counsel
Graeme Craig	Director of Commercial Development
Vernon Everitt	Managing Director, Customers, Communication and Technology
Simon Kilonback	Chief Finance Officer
Lilli Matson	Chief Safety, Health and Environment Officer
Shashi Verma	Chief Technology Officer and Director of Strategy

Staff

Neil Carron	Senior Property Development Manager
Andrea Clarke	Director of Legal
Daniel Curry	Senior Safety, Health and Environment Manager
Stephen Dadswell	Head of Corporate Finance
Patrick Doig	Finance Director, Surface Transport and Interim Statutory Chief Finance Officer
Jackie Gavigan	Secretariat Manager
Joanna Hawkes	Director of Corporate Finance
Philip Hewson	Head of Procurement, Strategy and Performance
Lorraine Humphrey	Interim Director of Risk and Assurance
Emma Humphreys	Commercial Manager
Shamus Kenny	Head of Secretariat
Glyn Lenton	Lead Commercial Manager, Category Management
Laura McNeil	Head of Finance (Renewals Enhancements) for Rachel McLean, Chief Finance Officer, Crossrail and London Underground
Andrew Morsley	Director of London Underground Planning
Pritesh Patel	Head of Financial Planning and Analysis
Jonathan Patrick	Chief Procurement Officer
Jennifer Payne	Corporate Finance, Senior Manager
Chris Reader	Head of Commercial Media
Rajiv Sachdeva	Head of Financial Planning and Analysis
Lucinda Turner	Director of Spatial Planning

Ken Youngman	Divisional Finance Director, Commercial Development
Francis Salway	Chair of Commercial Development Advisory Group

21/06/21 Apologies for Absence and Chair's Announcements

The Chair welcomed everyone to the meeting. Howard Carter reported that no apologies for absence had been received. Dr Nina Skorupska CBE indicated that she would need to leave the meeting at 12.30pm, as she had a speaking engagement to attend elsewhere.

The meeting was being broadcast live on YouTube, except for the discussion of the information on Part 2 of the agenda, which was exempt from publication. While Members would discuss as much of the items in public as possible, information related to TfL's business and financial affairs would need to be discussed in private. When the exempt information needed to be considered, the recording would be stopped for the press and public.

The flexibility of meetings regulations, which applied to TfL from August 2020 and enabled it to take decisions via videoconference, expired on 6 May 2021. As staff and Members were unable to meet in person due to social distancing measures, any decisions required would be taken by the Chair, exercising Chair's Action, following the discussion of the item with Members.

The Chair confirmed that under section 100B(4)(b) of the Local Government Act 1972, he had agreed that the late item for the agenda that was published on 21 June 2021 would be considered as a matter of urgency. The item was the Procurement and Supply Chain Improvement Programme and was accepted as urgent so that the project to strengthen capability in the Procurement and Supply Chain function could be progressed to achieve the savings required in the funding settlement.

The Chair reordered the agenda to take item 9 (Sale of Lillie Bridge Depot) immediately after agenda item 12 (Enterprise Risk Update – Supply Chain Disruption (ER5)), to allow for key staff to be present to introduce the paper. The minutes reflect the original meeting order.

The Government had appointed Becky Wood as its representative to attend meetings of the Finance Committee, the Programmes and Investment Committee and the Board going forward. Becky Wood was not attending this meeting, but the Chair welcomed her as the new representative and looked forward to working with her in future.

On behalf of the Committee, the Chair congratulated Lorraine Humphrey on her appointment as the interim Director of Risk and Assurance and Patrick Doig as the interim statutory Chief Finance Officer. Patrick's appointment followed the departure of Tony King from TfL and the Chair thanked Tony for his service to TfL, including in the preparation of the accounts for this year and, in particular, his support to Andy Byford and Simon Kilonback as a key part of the staff team that worked with Government on the funding agreements. He wished him every success in his new venture.

The Chair reminded those present that safety was paramount at TfL and encouraged Members to raise any safety issues during discussions on a relevant item or with TfL staff after the meeting. There were no specific issues raised at the meeting.

22/06/21 Declarations of Interests

Howard Carter introduced the item. Members' declarations of interests were published on tfl.gov.uk and were up to date.

At the last meeting of the Committee, he reported that Dr Nina Skorupska CBE had been nominated to be appointed to the Royal BAM Group Supervisory Board. That appointment was subsequently made and her declaration and biography had been updated.

Howard Carter added that he was not aware of any items on the agenda where a Member would need to declare a specific interest and leave the meeting during its discussion. No Members declared any interests that were relevant to items on the agenda.

23/06/21 Minutes of the Meeting of the Committee held on 10 March 2021

The Chair, following consultation with the Committee, approved the minutes of the meeting held on 10 March 2021 as a correct record. The minutes would be provided to the Chair for signature at a future date.

24/06/21 Matters Arising and Actions List

Howard Carter introduced the paper, which set out progress against actions agreed at previous meetings of the Committee.

The Committee noted the actions list.

25/06/21 Use of Delegated Authority

Howard Carter introduced the paper. Members noted that, since the meeting of the Committee on 10 March 2021, there had been no use of authority delegated by the Board nor use of Procurement or Land Authority granted by the Commissioner or the Chief Finance Officer.

There had been four uses of Chair's Action, in consultation with members of the Committee, in relation to: extending the funding arrangements with Government; statutory Chief Finance Officer interim arrangements; the Greater London Authority Collaborative Recruitment Services Contract; and the Telecommunications Commercialisation Project.

There had been one Mayoral Direction to TfL on 11 May 2021 in relation to the zoning stations for Northern Line Extension (MD2810).

The Committee noted the paper.

26/06/21 Finance Report

Simon Kilonback and Rajiv Sachdeva introduced the report, which set out TfL's financial results to the end of Period 2, 2021/22 – the year-to-date period ending 29 May 2021. Variances were shown against the Budget approved by the Board in March 2021. Total passenger income was £373m in the year to date, £142m higher than Budget. Overall journeys were 53 per cent of pre-coronavirus pandemic level, with demand for buses around 60 per cent of pre- pandemic levels and Tube journeys just over 40 per cent.

On London Underground, journeys and passenger income was £168m in the year to date, £67m (67 per cent) higher than Budget and £121m higher than last year, which was during the first wave of the pandemic. Journeys were 40 per cent of pre-pandemic levels in the latest period, up from 25 per cent at the start of the year. Journey growth was strongest in the outer zone areas with demand levels over 50 per cent of pre-pandemic levels. Demand growth in peak flows to central London remained low at just over 30 per cent of pre-pandemic levels, but off-peak and weekend travel was reasonably buoyant, driven by recovery of retail and leisure activity.

Operating costs were £325m in the year to date, £15m lower than Budget as a result of lower headcount, lower traction costs, lower costs for the London Heathrow agreement, early delivery of savings and consultancy savings. Net cost of operations was a deficit of £284m, which was £118m better than Budget. Capital expenditure for total renewals and new capital investment was £29m lower than Budget, due to slippage and holding off on expenditure approvals while faced with the uncertainty of no funding deal.

On buses, streets and other operations, journeys and passenger income was £146m in the year to date, £49m (50 per cent) higher than Budget and £96m higher than last year during the first wave of the pandemic. Journeys were 61 per cent of pre-pandemic levels, up from 53 per cent at the start of the year. Step 2 of the Government's roadmap saw around a 45 per cent increase in bus journeys, ranging from 42 per cent in the central areas to 55 per cent in outer boroughs. There were lower geographic differences overall across buses, with almost all areas of London seeing bus journeys at around 60 per cent of pre-pandemic demand, increasing to 75 per cent in some outer suburbs.

Operating costs were £435m in the year to date, £9m higher than Budget. Core operating costs were £12m higher from phasing of Compliance, Policing and On-street Services operating costs. Net cost of operations was a deficit of £284m, which was £118m better than Budget. On capital expenditure, total renewals and new capital investment was £29m lower than Budget, with the holding off on expenditure approvals due to the uncertainty of no funding deal.

On revenue and journey trends, some significant growth was forecast over future periods, following the final relaxation of restrictions on 19 July 2021. TfL was currently reassessing its journey and revenue assumptions in light of both recent trends and the four-week delay in relaxing of restrictions, with the revised forecasts forming the basis of the Revised Budget.

Bringing movements together on the operating account had seen the combination of the higher revenue and lower costs resulting in nearly £250m improvement in the net cost of operations. Grant line phasing in the Budget was pre-funding negotiations so would be addressed again in the Revised Budget. The period end cash balance was £1.5bn and was maintained above £1.2bn throughout the period.

On the Group capital account, property and asset receipts were £18m lower than Budget, as a result of the delayed disposal for Wembley Park.

Vernon Everitt confirmed that all the customer research showed that, once people had travelled on the network, they were enormously confident in doing so, which demonstrated that the messaging around cleanliness, safety and wearing face coverings was getting through. The network was running at near full capacity with the reintroduction of the Waterloo and City line in the central activity zone. Following Step 4 of the Government's roadmap, there would be a concerted promotional effort in concert with the work of the Mayor, partners and businesses to reconnect Londoners with the attractions they had missed. Future models of working and the impact on travel was still uncertain so testing and trialling would continue over the next six months, with the first major clues on how it had shifted expected around September time, after the summer holidays.

Since approval by the Board of the Budget in March 2021, a new funding arrangement with Government for 2021/22 had been finalised. The Budget outlined a £2.7bn full year funding requirement against an assumed passenger revenue forecast of £3.5bn. The funding agreement required TfL to find £300m of savings and/or other income, however when taken together with the amount of funding already provided under the recent funding extensions, along with funding to be provided under the latest agreement, TfL would be required to find £900m of cash savings this year compared to the approved Budget. These savings would be met through a combination of utilising cash reserves in excess of the £1.2bn minimum cash level, additional non-passenger income and reduced and/or deferred costs. Whilst there were encouraging signs of passengers returning to the network, there was a high degree uncertainty on future journeys, especially through the winter. These measures and other matters contained in the funding arrangements would be fully worked through in the revised Budget submission to be considered by the Board at its next meeting.

Simon Kilonback confirmed that, in the absence of a funding deal from December 2021 to March 2022 and with no certainty over what it may contain, TfL had to assume it would need to find the £600m of additional savings, making £900m in total, and he would be negotiating with Government to secure additional funding.

Andy Byford confirmed that, given that Government anticipated financial revenue support being available to TfL until spring 2023, albeit tapering down, providing further base funding this year would enable work to be organised in a way that provided better value for money to the public purse, as work on assets would be more expensive if deferred into the next year. His discussions with Government and the Financial Sustainability Plan were predicated on TfL offering a solution in partnership with Government's own objectives of levelling up, an infrastructure jobs-led recovery and an environmental recovery. TfL's recent credit rating downgrade from Moody's, which was mainly because TfL was subject to short-term funding deals, had worsened the position and increased expense. A longer-term funding deal would save government money in the long-term and fuel the economy, as investment in transport in London was complimentary to the levelling up agenda. If TfL showed material progress on each of the conditions set in the short-term funding agreement, the Government would be open to agreeing a longer-term deal.

The Chair commented that the Committee provided good scrutiny, governance and assurance around how the business was performing financially and asked that performance on key commitments made under the financial settlement be brought to the

Committee going forward, particularly around the longer-term funding structure and how multiple tills might operate across the organisation. **[Action: Simon Kilonback]**

The Committee noted the report.

27/06/21 TfL Roadside Advertising

Simon Kilonback and Joanna Hawkes introduced the paper and related supplemental information on Part 2 of the agenda, which set out the options and made proposals for the future strategy for roadside advertising assets. Most of TfL's advertising revenue came from London Underground and bus shelters, which were not in the scope of this proposal and were more complex due to their operational interface.

TfL owned 234 roadside advertising panels across London that were situated on its land or assets and which, prior to the coronavirus pandemic, generated rent receipts of around £9m per annum which equated to six per cent of advertising income. These included traditional fixed hoardings as well as newly developed digital screens. Use of the panels was sold by several companies on TfL's behalf, typically on 10-year licences tendered on the open market. TfL generally received a fixed rental or guaranteed minimum return and, at some locations, an agreed share of outperformance over the contract term.

The Financial Sustainability Plan (FSP) set out a clear strategy for TfL's transport and commercial businesses to achieve financial sustainability and deliver a decarbonised public transport network, alongside a number of other outcomes, by 2030. TfL had looked at what commercial activities made sense to continue and form part of the FSP and what to consider for divestment. It was more preferable to manage its commercial portfolios as a commercial business, to realise investments that were not core to the commercial strategy and to reinvest the proceeds in future business.

The Committee noted the paper and the exempt supplemental information on Part 2 of the agenda.

28/06/21 TfL Energy Purchasing and GLA Energy Procurement Collaboration Programme

Lilli Matson, Jennifer Payne and Glyn Lenton introduced the paper and related supplemental information on Part 2 of the agenda, which provided an update on the preparation of two Power Purchase Agreement (PPA) procurements, current energy market conditions and the progress that had been made on the Greater London Authority (GLA) Energy Procurement Collaboration Programme. The paper sought endorsement of the GLA, along with a small pool of investors, offering an optional finance instrument to potential bidders for PPA 2.

On 25 November 2020, the Committee had endorsed the proposed procurement by TfL of renewable energy through two PPAs, each representing around 10 per cent of TfL's estimated demand, as part of a staged approach to meet its ambition to operate a zero-carbon railway by 2030.

TfL had been engaged in the GLA Energy Procurement Collaboration Programme with the GLA and the other functional bodies over the last six months, which sought to identify GLA Group synergies in the procurement of PPAs for renewable energy from new build assets and establish a financing facility that could potentially contribute to the funding of the renewable assets developed to deliver those PPAs. The recommendations of the Programme were expected to conclude later this year. As an early output, there was an appetite to test a finance instrument in conjunction with TfL's procurement of its PPA 2. The finance instrument was being developed by the GLA with the aim of delivering a lower PPA cost. Renewable developers would not be required to utilise the finance instrument as part of their tender for TfL's PPA 2.

The wholesale cost of electricity had recovered to at least pre-coronavirus pandemic levels. Market forecasts suggested that prices would remain elevated until at least spring 2022, which would likely negatively impact the cost of energy procured under PPAs, particularly PPA 1. Work on PPA 1 to purchase existing renewable assets, that would deliver renewable energy to TfL from 2022/23 with a term of seven-10 years, was advanced and procurement was due to start in July 2021. Work on PPA 2 to invest in new renewable energy assets, that would deliver renewable energy to TfL by 2023/24 with a term of 10-20 years, was also progressing well and procurement was due to start in September 2021. An update on the procurement process would be provided to a future meeting. **[Action: Lilli Matson]**

Since November 2020 and following further detailed consideration, the proposed use of the Crown Commercial Service (CCS) HELGA Dynamic Purchasing System was deemed unsuitable for this specific TfL requirement and would now be done through a standalone procurement. TfL would continue to monitor market fluctuations, forecasts and availability of operational generating assets as part of its ongoing management of energy procurement. TfL could accommodate changes to the programme, as a result of the current uncertain market conditions, by securing any shortfall of energy via its existing flexible purchasing arrangements with the CCS.

The programme phases and target dates for procurement, contracts and delivery were subject to certainty of TfL's long-term funding and the ability for TfL to enter into long-term financial commitments. Any subsequent contract award recommendations would be brought to the Committee.

The Chair, following consultation with the Committee:

1 **noted the paper and the exempt supplemental information on Part 2 of the agenda; and**

2 **endorsed the Greater London Authority (along with a small pool of investors) offering an optional finance instrument to potential bidders for Power Purchase Agreement 2 (PPA 2) as set out in the paper.**

29/06/21 Sale of Lillie Bridge Depot

Graeme Craig, Andrew Morsley and Francis Salway introduced the paper and related supplemental information on Part 2 of the agenda, which sought approval of Land Authority for the disposal of Lillie Bridge Depot and Ashfield House (referred to as LBD) to Earls Court Partnership Limited (ECPL), the joint venture between Delancey/APG and TfL.

The proposal was to consolidate the depot land into the ECPL, making it the most valuable development site in London. TfL would vacate the depot site only if planning permission and funding were obtained and it was confident it could cover all the relocation costs and generate a capital receipt. The work was being undertaken by a multi-disciplinary team to deliver savings and wider operational benefits with no upfront cost to TfL, as well as generate a capital receipt and ongoing revenue.

The opportunity would create a mixed-use development site including at least 3,000 homes both for sale and rent. Relocating activities from LBD was also an opportunity to re-plan the operational footprint, deliver synergies, replace old buildings with new and reduce whole-life costs.

ECPL had approached TfL to acquire LBD in May 2020 and terms had been negotiated and formed the basis of the proposal. The arrangements for the proposed sale were flexibly structured so as to require no net investment by TfL as the owner of LBD nor as a shareholder in ECPL. The condition requiring ECPL to secure third-party funding for TfL's vacant possession costs meant that TfL would not be required to contribute equity to ECPL for these costs. The joint venture arrangements within ECPL allowed TfL to reduce its shareholding rather than contribute equity to the net land receipt payable by ECPL over and above the externally funded vacant possession costs. TfL's land at LBD was owned by London Underground and other subsidiaries were and may be involved in the proposed sale, either directly or through TfL's interest in ECPL.

The proposal offered significant operational and financial benefits to TfL. Assuming that all conditions were met, the target timescale to vacate the depot would start in 2024.

The Chair, following consultation with the Committee:

1 noted the paper and the exempt supplemental information on Part 2 of the agenda; and

2 approved Land Authority for the disposal of Lillie Bridge Depot and Ashfield House (LBD), as set out in the paper and the supplementary paper on Part 2 of the agenda, and for TfL and/or any other of its subsidiary entities to grant a long leasehold interest of LBD to Earls Court Partnership Limited (ECPL) or a group company, taking a leaseback of the same length, and to agree, subject to conditions, to grant ECPL an option to acquire additional land and to provide vacant possession of LBD and surrender TfL's leaseback, the principle conditions being:

(a) ECPL obtaining planning permission for the development of Earls Court and LBD;

(b) ECPL securing third-party funding for TfL's estimated costs of providing vacant possession of LBD; and

(c) TfL developing and committing to deliver a plan to provide vacant possession of LBD.

30/06/21 Funding Update on TTL Properties Limited

Simon Kilonback and Graeme Craig introduced the paper, which provided a funding update on TTL Properties Limited (TTLP). TfL's landholdings had the potential to deliver thousands of homes across London and create substantial sums to reinvest in the transport network.

The coronavirus pandemic had accelerated the need to bring forward homes and unlock growth in the Capital. Given wider financial pressures, a TfL property vehicle would be structured in such a way as to avoid diverting any investment from transport, while continuing to maximise the long-term return available to reinvest in the transport network.

Property had been a specific workstream in the discussions with Government on TfL's Financial Sustainability Plan (FSP). A condition of the funding agreement was to agree to a plan for housing delivery through a dedicated commercial property company that met the shared ambitions of the Mayor and the Government to deliver housing in a high demand area and to provide an increased revenue stream. The plan would include a clear milestone for housing to be delivered by the end of 2024.

TfL welcomed the condition and the update included the FSP property workstream and the wider activity to have a fully self-financing property vehicle within TfL, as well as the nature of the property vehicle, business plan options that had been considered and the work to date on funding options.

TfL had worked with Deloitte to review and evaluate potential funding options to meet TTLP's capital requirements. The preferred option to fund TTLP was non-recourse debt secured on TTLP's asset base and there was sufficient capacity in the current commercial property portfolio to secure the required level of debt. Deloitte concluded that the level of debt was manageable and the cost affordable. It confirmed there was market appetite for the preferred approach and TfL was satisfied that the proposals were within its powers.

TfL had a range of Business Plan scenarios, with the default being the Baseline Plan which assumed commercial debt. This would result in a viable commercial entity with no dependency on TfL. It would bring forward more than 13,000 homes and grow the asset value to more than £5bn.

Options for a Housing Growth Plan would bring forward tens of thousands of homes, create hundreds of thousands of jobs and address wider industry failures, including constructions skills and modern methods of construction. The Housing Growth Plan would however require government grant to bring forward otherwise unviable sites. Even without government grant, the debt funding approach would allow TTLP to bring forward thousands of homes that already had planning consent but could not proceed due to TfL's current inability to enter into new financial commitments.

A paper would be submitted to the meeting of the Committee in October 2021, seeking all necessary approvals to allow TTLP to be funded by secured commercial debt that was non-recourse to TfL, including some detail on the cost of capital and what the potential conflicts and trade-offs might be with this approach going forward.

[Action: Graeme Craig]

The Committee noted the paper.

31/06/21 Update on Income from Developers Through Planning Obligations and Other Related Funding Mechanisms to deliver TfL Transport Priorities

Lucinda Turner introduced the paper, which provided an end of year (2020/21) update on the Mayor's Community Infrastructure Levy (MCIL) that supported the funding of Crossrail, as well as a brief overview of a range of other developer contributions and funding mechanisms, such as Section 106 (s106) and Borough CILs (BCIL) that contributed towards other TfL transport priorities.

Monies raised from developer contributions toward Crossrail were vital to deliver the project and more than £1bn had been received cumulatively from these sources, which was a great achievement. While the majority of receipts (over £865m) were in MCIL payments, Crossrail s106 payments were over £150m.

There were approximately 240 referable planning applications involving significant TfL input last year, as well as just under 2,000 non-referable applications with transport implications. Securing developer income was inherently related to the level of development activity and the implementation of relevant planning permissions. Development activity tended to be cyclical and was strongly influenced by local, national and global factors, including unprecedented events such as the coronavirus pandemic and the UK departure from the European Union.

Uncertainties associated with the pandemic had less of an impact than envisaged on the Mayoral CIL receipt which was £121.9m. Receipts from two authorities helped bolster the annual return with £25.1m from Tower Hamlets and £16.6m from Hammersmith and Fulham, with combined receipts comprising over 34 per cent of total monies received.

BCIL receipts made a significant contribution to delivering a range of infrastructure projects across London. Reporting was retrospective and by the end of 2019/20, BCIL receipts totalled a substantial £974m. Notably, the BCIL receipt for 2019/20 of £277m was the highest recorded. Looking ahead, it was anticipated that BCIL receipts would remain at around £280m, although the forecast was tempered by the potential impact of the pandemic on development activity and BCIL review progress.

Leveraging third party funding was vital to delivering transport infrastructure and improvements for the city and would play an increasingly important role as TfL faced major financial pressures. These funding sources were needed to deliver TfL priorities around step-free access, Healthy Streets and mode shift, as well as underpinning sustainable development and supporting wider objectives around housing and regeneration.

The Government had recently announced a levelling up fund of £4.8bn to support capital investment in local infrastructure up to 2024-25 across culture, regeneration and transport themes. £600m was available to bid for this year and all areas in the UK, including London boroughs, were invited to submit bids of up to £20m. TfL had been working with the Greater London Authority who submitted one transport bid of £9.1m for Bean Park station which was part of the mainline rail network. The station was located in one of the most deprived parts of London and would make a real difference to the amount of housing that could be delivered there.

Lucinda Williams confirmed that, to make a stronger case for levelling up investment in London which had some of the most deprived boroughs in the country, the City Planning team was putting together a presentation with a compelling narrative on the greater contribution and delivery of outcomes that TfL made and Government wanted to see around carbon reduction, mode shift and as a catalyst for economic growth, and which would be shared with the Committee as it emerged. **[Action: Lucinda Williams]**

The recently announced intention by Government to replace CIL and s106 developer contributions with an Infrastructure Levy would continue to be monitored closely, including the impact of the new levy on the MCIL funding stream and its ability to repay Crossrail financing, and the capacity to secure developer contributions generally.

The Committee noted the paper.

32/06/21 Enterprise Risk Update – Supply Chain Disruption (ER5)

Simon Kilonback and Philip Hewson introduced the paper and related supplemental information on Part 2 of the agenda, which provided an update on Enterprise Risk 5 - Supply Chain Disruption. It outlined TfL’s current position on supply chain disruption following the Brexit agreement on 24 December 2020 and a second coronavirus wave.

Failure to sufficiently identify and manage supply chain disruption could result in an increase in TfL's cost base, delays to project delivery and interruption to operational services. There had been some disruption as a result of Brexit uncertainty and the application of the new trading rules and from the impacts of the coronavirus pandemic. These had been effectively mitigated and managed by the close working of TfL business and commercial contract owners.

The financial impact of both the pandemic and Brexit may have been masked and delayed due to the significant support Government made available to businesses. As this support was withdrawn, TfL may see some disruption to the supply chain due to financial difficulties and would maintain close checks on supplier financial health. It also monitored the financial exposure some suppliers may have due to their reliance on revenue from TfL, as these suppliers may have their ability to invest and secure funding affected by the nature of TfL’s short-term funding position.

A wide range of preventative controls had been implemented and a range of corrective controls had been applied. TfL had been working closely with bus operators to manage financial risks, provide support and manage costs out to ensure a viable supply chain post-pandemic. The ‘Safe Stop’ applied across construction projects affected Crossrail and its supply chain including loss of human and plant resource, however effective management through contractual agreement meant that re-start was effective and productive and at a cost of less than £10m.

A risk and issues register had been implemented, resulting in full visibility of TfL's supply chain risks and issues which were regularly reviewed along with the mitigation plans.

The Committee noted the paper and the exempt supplemental information on Part 2 of the agenda.

33/06/21 Members' Suggestions for Future Discussion Items

Howard Carter introduced the item. No additional suggestions were raised for future discussion items on the forward plan or for informal briefings.

The Committee noted the forward plan.

34/06/21 Any Other Business the Chair Considers Urgent

There was no other urgent business.

35/06/21 Procurement and Supply Chain Improvement Programme

The Chair had agreed to the late urgent publication of the paper and related supplemental information on Part 2 of the agenda, so that the project to strengthen capability in the Procurement and Supply Chain function could be progressed to achieve the savings required in the funding settlement.

Simon Kilonback and Jonathan Patrick introduced the paper and related supplemental information on Part 2 of the agenda, which provided an update on the progress of the Procurement and Supply Chain Improvement Programme, following the previous overview provided to the Committee in November 2020, and sought endorsement of the recommended approach set out in the paper on Part 2 of the agenda. The Audit and Assurance Committee was also updated on progress at its meeting in March 2021.

The Programme managed estimating, procurement, contract and cost management across TfL, as well as supporting procurement related activities for the Greater London Authority as part of a shared services agreement. The Programme would transform the end to end procurement and supply chain process across all the organisational areas of TfL.

The Programme would deliver phases of change, recognising the need to transform quickly across the following elements: updated operating model for working consistently across the business; consistent and efficient Source to Pay processes across TfL; upgraded technology systems landscape to support the process; fit for purpose data architecture; and an end to end reporting suite, driving insights for timely decision making.

The Chair, following consultation with the Committee:

1. **noted the paper and the exempt supplemental information on Part 2 of the agenda; and**

2. **endorsed the recommended approach as set out in the paper on Part 2 of the agenda.**

36/06/21 Date of Next Meeting

The next scheduled meeting of the Committee would be held on Wednesday 6 October 2021 at 10.00am.

37/06/21 Exclusion of the Press and Public

The Chair, following consultation with the Committee, agreed to exclude the press and public from the meeting, in accordance with paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended), when it considered the exempt information in relation to the items on: TfL Roadside Advertising; TfL Energy Purchasing and GLA Energy Procurement Collaboration Programme; Sale of Lillie Bridge Depot; Enterprise Risk Update – Supply Chain Disruption (ER5); and Procurement and Supply Chain Improvement Programme.

The meeting closed at 1.10pm.

Chair: ___________________________________

Date: ____________________________________