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Howard Carter, General Counsel
Tuesday 14 June 2022

**Agenda
Finance Committee
Wednesday 22 June 2022**

1 Apologies for Absence and Chair's Announcements

2 Declarations of Interests

General Counsel

Members are reminded that any interests in a matter under discussion must be declared at the start of the meeting, or at the commencement of the item of business.

Members must not take part in any discussion or decision on such a matter and, depending on the nature of the interest, may be asked to leave the room during the discussion.

3 Minutes of the Meeting of the Committee held on 9 March 2022

(Pages 1 - 12)

General Counsel

The Chair, following consultation with the Committee, is asked to approve the minutes of the meeting of the Committee held on 9 March 2022 and to sign them.

4 Matters Arising and Actions List (Pages 13 - 18)

General Counsel

The Committee is asked to note the updated actions list.

5 Use of Delegated Authority (Pages 19 - 24)

General Counsel

The Committee is asked to note the paper.

6 Finance Report - To Follow

Chief Finance Officer

The Committee is asked to note the report.

7 Update on Income from Developers Through Planning Obligations and Other Funding Mechanisms to Deliver TfL Transport Priorities (Pages 25 - 36)

Director City Planning

The Committee is asked to note the paper.

8 Funding Update on TTL Properties Limited (Pages 37 - 48)

Director Commercial Development

The Chair, following consultation with the Committee, is asked to note and approve the paper and the exempt supplementary information on Part 2 of the agenda.

9 Revenue Collection Contract Extension (Pages 49 - 52)

Director Strategy and Chief Technology Officer

The Chair, following consultation with the Committee, is asked to note and approve the paper and the exempt supplementary information on Part 2 of the agenda and approve additional Procurement Authority.

10 Speed Awareness Courses Contract Award (Pages 53 - 54)

Chief Capital Officer

The Chair, following consultation with the Committee, is asked to note and approve the paper and the exempt supplementary information on Part 2 of the agenda and approve Procurement Authority.

11 Enterprise Risk Update - Supply Chain Disruption (ER5) (Pages 55 - 62)

Chief Capital Officer

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

12 Members' Suggestions for Future Discussion Items (Pages 63 - 68)

General Counsel

The Committee is asked to note the forward plan and is invited to raise any suggestions for future discussion items for the forward plan and for informal briefings.

13 Any Other Business the Chair Considers Urgent

The Chair will state the reason for urgency of any item taken.

14 Date of Next Meeting

Thursday 6 October 2022 at 10.00am.

15 Exclusion of the Press and Public

The Committee is recommended to agree to exclude the press and public from the meeting, in accordance with paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business.

Agenda Part 2

16 Funding Update on TTL Properties Limited (Pages 69 - 102)

Exempt supplementary information relating to the item on Part 1 of the agenda.

17 Revenue Collection Contract Extension (Pages 103 - 112)

Exempt supplementary information relating to the item on Part 1 of the agenda.

18 Speed Awareness Courses Contract Award (Pages 113 - 118)

Exempt supplementary information relating to the item on Part 1 of the agenda.

19 Enterprise Risk Update - Supply Chain Disruption (ER5)

(Pages 119 - 124)

Exempt supplementary information relating to the item on Part 1 of the agenda.

Transport for London

Minutes of the Finance Committee

**Conference Rooms 1 and 2, Ground Floor, Palestra,
197 Blackfriars Road, London, SE1 8NJ
10.00am, Wednesday 9 March 2022**

Members of the Committee

Anne McMeel (Chair)
Ben Story (Vice-Chair)
Seb Dance
Anurag Gupta (via Teams)
Dr Nina Skorupska CBE (via Teams)

Government Special Representative

Becky Wood

Board Member also in attendance

CLlr Julian Bell (via Teams)

Executive Committee

Andy Byford	Commissioner (via Teams)
Howard Carter	General Counsel
Simon Kilonback	Chief Finance Officer
Lilli Matson	Chief Safety, Health and Environment Officer

Staff

Andrea Clarke	Director of Legal (via Teams)
Graeme Craig	Director of Commercial Development
Darren Crowson	Policy Manager, Taxi and Private Hire (via Teams)
Daniel Curry	Senior Safety, Health and Environment Manager (via Teams)
Patrick Doig	Group Finance Director and statutory Chief Finance Officer
Jackie Gavigan	Secretariat Manager
Joanna Hawkes	Director of Corporate Finance (via Teams)
Lorraine Humphrey	Director of Risk and Assurance (via Teams)
Shamus Kenny	Head of Secretariat
Glyn Lenton	Lead Commercial Manager, Category Management (via Teams)
Paul Mason	Group Treasurer (via Teams)
Rachel McLean	Chief Finance Officer, Crossrail and Finance Director, TfL Operations (via Teams)
James Norris	Interim Head of Project Assurance (via Teams)
Graham Robinson	General Manager, Taxi and Private Hire (via Teams)
Rachel Shaw	Head of Financial Accounting and Tax (via Teams)
Jonathan Wharfe	Supply Chain Director, London Underground

Also in attendance

Alison Munro	Chair of Independent Investment Programme Advisory Group (IIPAG) (via Teams)
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01/03/22 Apologies for Absence and Chair's Announcements

The Chair welcomed everyone to the meeting, including the new Committee Members Seb Dance and Anurag Gupta. Howard Carter reported that that an apology for absence had been received from Professor Greg Clark CBE. Anurag Gupta and Dr Nina Skorupska CBE were attending via Teams and were able to take part in the discussions but were not counted toward the quorum. Dr Nina Skorupska CBE indicated that she would need to leave for part of the meeting. The meeting was quorate with three Committee members attending in person.

In her new role as Chair of the Committee, Anne McMeel expressed her thanks for the advice and support she had received, in particular from Ben Story as her predecessor as acting Chair and Vice-Chair, and from key staff. She looked forward to continuing the important work of the Committee.

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, to ensure the public and press could observe the proceedings and decision-making.

On behalf of the Committee, the Chair thanked Simon Kilonback who, after 12 years at TfL, was leaving the organisation in April 2022 to take on a new challenge as Chief Finance Officer (CFO) of G.Network. During his impressive career at TfL, he had played a central role in bringing the organisation to the cusp of financial sustainability before the coronavirus pandemic and in making it ever more efficient. He had been key to stabilising TfL's finances during the pandemic, securing support from Government and setting the organisation on a path to future financial sustainability. The Chair wished him all the very best for the future.

In January 2022, it was announced that following Simon Kilonback's departure in April, Rachel McLean would be the interim CFO. Following medical advice, she had made the difficult decision not to take up the post of interim CFO but would continue in her current role as CFO, Crossrail Limited and Finance Director, TfL Operations. A full internal and external recruitment process would commence to select a new permanent CFO as soon as possible and a shorter recruitment process would commence to select an interim CFO until the role could be filled permanently. Members would be kept updated on this.

Andy Byford welcomed Anne McMeel to her first meeting as Chair of the Committee. On behalf of TfL, he also thanked Simon Kilonback for his responsible financial stewardship which meant TfL was able to withstand the critical months of the pandemic and for his exhaustive work on the funding negotiations.

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.

02/03/22 Declarations of Interests

The agenda item on the Funding Update on TTL Properties Limited included information on potential lenders. Professor Greg Clark CBE had a potential conflict of interest due to his role with HSBC. He had not been provided with the exempt information in the Part 2 paper and was not present at the meeting.

All other Members confirmed that their declarations of interests, as published on tfl.gov.uk, were up to date and there were no interests to declare that related specifically to items on the agenda.

03/03/22 Minutes of the Meeting of the Committee held on 24 November 2021

The minutes of the meeting of the Committee held on 24 November 2021 were approved as a correct record and signed by the Chair.

04/03/22 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.

05/03/22 Use of Delegated Authority

Howard Carter introduced the paper. Members noted that, since the meeting on 24 November 2021, there had been seven uses of Chair's Action, five exercising authority delegated by the Board in relation to TfL's funding arrangements and two relating to the extension of contracts for Premises and Fabric Maintenance and Security Services.

There had been no use of Procurement Authority by the Commissioner or the Chief Finance Officer and no use of Land Authority.

There had been one Mayoral Direction to TfL in relation to March 2022 fare changes (MD2937, 14 February 2022).

The Committee noted the paper.

06/03/22 Finance Report – Period 11, 2021/22

Patrick Doig introduced the report, which set out TfL's financial results to the end of Period 11, 2021/22 – the year-to-date period ending 5 February 2022. Variances were shown against the Revised Budget approved by the Board in July 2021.

A further funding settlement was finalised with Government on 25 February 2022. The settlement extended to 24 June 2022 and would provide revenue top up, up to an agreed level, for passenger income, as well as base funding of £200m.

Total passenger journeys were at 66 per cent of pre-coronavirus pandemic levels in the Period, which was slightly below target, with Tube journeys at 58 per cent and buses at 72 per cent of pre-pandemic levels. Total journeys began to pick up again towards the end of the Period, following the easing of working from home guidance from 27 January 2022. Journeys in the week commencing 26 February 2022, before industrial action, were 77 per cent of pre-pandemic demand, with Tube journeys at 68 per cent and buses at 84 per cent. These high volumes were very close to those experienced in the latter weeks of Period 9 and were expected to continue.

The success of the expansion of the Ultra Low Emission Zone (ULEZ) scheme in October 2021 resulted in very high levels of compliance and consequently TfL received less revenue than anticipated when the Budget was set. The challenge in estimating the number of unique vehicles travelling in the zone without cameras in operation had resulted in lessons learnt from the experience, with improved modelling and extrapolation of data for future schemes.

On the net cost of operations, the day-to-day operating deficit including capital renewals and financing costs, before Government funding, was £1.8bn which was £295m better than Budget. The current deficit was almost £1.3bn better than last year, largely driven by higher passenger journeys income and higher operating income, mainly from Road User Charging. Passenger income was £2.58bn in the year to date, almost 90 per cent higher than last year, but just over £250m lower than Budget.

Total operating costs were £337m lower than Budget. Underlying costs were £118m better due to lower staff costs, service and demand related savings and some timing differences. Contingency of £80m was budgeted to mitigate high risks on the operating account, including ULEZ expansion income and costs.

Staff levels were 360 lower than pre-pandemic levels and had recently increased following the introduction of Northern Line Extension operations, as well as ramping up preparations for Elizabeth line services. Permanent employee numbers were broadly in line with last year and TfL faced recruitment and retention challenges as a result of funding uncertainty. Further information on the impact and complications of short-term funding had been provided to the Audit and Assurance Committee and would also be circulated to this Committee. **[Action: Patrick Doig]**

Total capital expenditure was £368m lower than Budget, partly a result of the stop-start nature of funding agreements, as well as their short-term nature. The Docklands Light Railway project was £26m lower than Budget, with costs delayed pending the outcome of the recent funding settlement.

Cash balances were just over £1.2bn and were expected to maintain around this level during the current funding agreement.

The Committee discussed the ongoing impact and additional cost of deferring capital expenditure due to short-term funding settlements and the steps being taken to ensure that capital budgets were utilised before the year end. Discussions continued with Government on the need to build up cash reserves, so TfL was able to absorb future shocks. The Committee noted that inflation would be a serious cost pressure for 2022/23.

The Committee noted the report.

07/03/22 Treasury Management Strategy 2022/23

Joanna Hawkes and Paul Mason introduced the paper and related supplemental information on Part 2 of the agenda, which set out the proposed Treasury Management Strategy (TMS) for 2022/23. The TMS included TfL's proposed strategies for investment, borrowing, liquidity and risk management for the financial year 2022/23, as well as proposed counterparty exposure limits. It also set out TfL's borrowing requirement. The Chartered Institute of Public Finance and Accountancy (CIPFA) had recently updated its Treasury Management and Prudential Codes, which were reflected in the

TMS for 2022/23. Environmental, social and governance investment considerations had been introduced to the counterparty credit review process and such factors would continue to be considered in TfL's supply chain. It was proposed to change the commercial paper maturity limit, in response to the changes in Public Works Loan Board lending terms, to aim to have no more than £200m of short-term borrowing maturing in any six-business-day period during 2022/23. It was also proposed to adjust the derivative counterparty exposure limits to align with investment counterparty exposure limits.

TTL Properties Limited (TTLP) would start to become more financially independent on 1 April 2022, with TfL managing the treasury related tasks on its behalf. The proposed draft TTLP TMS comprised strategies for borrowing, investment, liquidity, as well as banking and cash management. Committee approval would be sought at a future meeting, once TTLP's future arrangements had been finalised.

[Action: Joanna Hawkes/Graeme Craig]

Approval of the TMS was a matter reserved to the Board. On 29 July 2020, the Board delegated to the Committee approval of the TMS and any changes to the TMS during any year. The Committee was asked to exercise that authority in relation to the TMS for 2022/23.

The Committee noted the paper and the exempt supplemental information on Part 2 of the agenda, and under the authority delegated by the Board:

- 1 approved the Treasury Management Strategy (TMS) 2022/23, as set out in Appendix 1 of the paper, including the Investment Strategy, the Borrowing Strategy, the Liquidity Strategy, the Risk Management Strategy and the Counterparty Exposure Limits; and**
- 2 following approval of the TMS 2022/23 ((1) above) and approval of the TfL Group Policy Relating to the Use of Derivative Investments (Derivatives Policy) (Minute 08/03/22), approved, pursuant to Section 49 of the Transport for London Act 2008 (as amended by the Transport for London Act 2016, together the Act), and in accordance with the Derivatives Policy for 2022/23, Transport for London Finance Limited (as a qualifying TfL subsidiary for the purposes of the Act) entering into derivative investment(s) in relation to:**
 - (a) mitigating exchange rate risk related to specific currency exposures arising from the procurement of goods or services by any member of the TfL Group or grants or revenues payable in currencies other than Sterling to any member of the TfL Group in the ordinary course of business as soon as practicable once the quantum of exchange rate risk to any member of the TfL Group is established;**
 - (b) mitigating exchange rate risk arising from any TfL Group investments in foreign currencies in accordance with the TMS 2022/23;**
 - (c) mitigating commodity rate and/or price risk related to specific commodity (including fuel and electricity) exposures arising from the procurement of goods or services by any member of the TfL Group in the ordinary course of business as soon as practicable once the quantum of commodity risk to any member of the TfL Group is established;**

- (d) **mitigating interest rate risk and if applicable currency risk related to any existing, imminent and future TfL Group borrowing (including any leases), once the borrowing has become certain and authorised in accordance with the TMS 2022/23;**
- (e) **mitigating inflation risk related to specific exposures arising from the procurement of goods or services by any member of the TfL Group once the quantum of inflation risk to any member of the TfL Group is established; and**
- (f) **mitigating risk related to any index reflecting any of the above matters referred to in resolutions 2 (a) to (e).**

08/03/22 Treasury Management and Derivative Investments Policies

Joanna Hawkes and Paul Mason introduced the paper, which set out the proposed Treasury Management Policies and TfL Group Policy Relating to the Use of Derivative Investments, which supported the commitment to financial prudence through risk management. There were no material changes to the proposed policies for 2022/23.

The Pension Schemes Act 2021 introduced new Pensions Regulator powers and civil and criminal offences regarding the operation of defined benefit occupational pension schemes, such as the TfL Pension Fund. Proposed new notifiable events were anticipated to come into effect on 6 April 2022 and the proposed TfL Pension Fund Policy on Notifiable Events was included in draft form. It was also proposed that the managing Chief Finance Officer be authorised to approve any changes they considered necessary once the final regulations were published and to issue a final form.

The proposed draft TTL Properties Limited (TTLP) Treasury Management Policies were in line with TfL's and would be submitted to a future meeting of the Committee for approval once TTLP's future arrangements had been finalised.

[Action: Joanna Hawkes/Graeme Craig]

Approval of the Treasury Management Policies and the TfL Group Policy Relating to the Use of Derivative Investments were matters reserved to the Board. On 29 July 2020, the Board delegated to the Committee approval of the Treasury Management Policies and the TfL Group Policy Relating to the Use of Derivative Investments and any changes to these policies during any year. The Committee was asked to exercise that authority in relation to the Treasury Management Policies, the TfL Group Policy Relating to the Use of Derivative Investments and the TfL Pension Fund Policy on Notifiable Events.

The Committee noted the paper and under the authority delegated by the Board:

- 1 approved the Treasury Management Policies, as set out in Appendix 1 of the paper;**
- 2 approved the TfL Group Policy Relating to the Use of Derivative Investments, as set out in Appendix 2 of the paper;**
- 3 approved the TfL Pension Fund Policy on Notifiable Events in draft form in Treasury Management Policies, as set out in Appendix 4 of the paper, and authorised the managing Chief Finance Officer to approve any changes they**

consider necessary, once the final regulations have been published, and to issue a final form; and

- 4 noted the draft Treasury Management Policies for TTL Properties Limited, as set out in Appendix 3 of the paper.**

09/03/22 Treasury Activities

Joanna Hawkes and Paul Mason introduced the paper and related supplemental information on Part 2 of the agenda, which provided a brief update on key treasury activities for the reporting period from 17 September 2021 to 17 February 2022.

During the reporting period, TfL had complied at all times with the Treasury Management Strategy, the Treasury Management Policies and the TfL Group Policy relating to the use of Derivative Investments, including the Greater London Authority Responsible Investment Policy. There were no issues to draw to the attention of the Board.

On borrowing, refinancing for TfL for 2022/23 would be £694m, with a £500m bond maturing and £194m of other debts. It was planned to fully refinance all maturities and borrow £13bn at the end of the financial year including TTL Properties Limited borrowing. TfL would refinance through the Public Works Loan Board and would monitor pricing on all other markets at that time.

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

10/03/22 Investment Management Strategy 2022/23 – Non-Financial Assets

Graeme Craig and Joanna Hawkes introduced the paper, which set out the proposed Investment Management Strategy 2022/23 – Non-Financial Assets. The strategy set out how TfL planned to manage and grow its various commercial assets.

Statutory guidance required the strategy to include reference to other non-financial assets held primarily for or partially to generate profit. The strategy sat alongside TfL's Treasury Management Strategy, which addressed financial investments.

Approval of the Investment Management Strategy – Non-Financial Assets was a matter reserved to the Board. On 29 July 2020, the Board delegated to the Committee approval of the Investment Management Strategy – Non-Financial Assets and any changes to it during any year. The Committee was asked to exercise that authority in relation to the Investment Management Strategy – Non-Financial Assets for 2022/23.

The Committee noted the paper and, under the authority delegated by the Board, approved the Investment Management Strategy 2022/23 – Non-Financial Assets, as set out in Appendix 1 to the paper.

11/03/22 Independent Investment Programme Advisory Group Procurement Process Review

James Norris and Alison Munro introduced the report and related supplemental information on Part 2 of the agenda, which set out the Independent Investment Programme Advisory Group (IIPAG) review of the Procurement Process.

At the request of the Committee, IIPAG had reviewed TfL's Procurement Process. The purpose of the review was to identify ways that TfL could reduce the risk of a challenge to its procurements by learning from recent experience. It included benchmarking with HS2 and National Highways on actions taken to minimise the risk of successful challenge.

While the review concluded that there were no major or systemic failings, risks remained in the evaluation of bids and how these were uniformly and methodically recorded to reduce the risk of successful legal challenge. The management response set out in the report accepted the IIPAG recommendation to establish a 'three lines of defence' assurance framework for procurements. This framework should be risk-based with the level and detail of assurance being proportionate to the size, complexity and risk of the procurement in question.

Following a review of how comparator organisations undertook procurement assurance and further dialogue with IIPAG, the TfL model would be submitted to the Audit and Assurance Committee and other issues raised by IIPAG would be addressed as part of the continuous improvement programme. **[Action: Jonathan Patrick]**

The Committee noted the report and the exempt supplemental information on Part 2 of the agenda and the management response set out in the report.

12/03/22 Funding Update on TTL Properties Limited

Graeme Craig and Joanna Hawkes introduced the paper and related supplemental information on Part 2 of the agenda, which provided a summary of the recent work undertaken on the property workstream of the Financial Sustainability Plan and the wider activity to operate TTL Properties Limited (TTLP), a wholly owned subsidiary entity of TfL, as a dedicated commercial property company.

Access to capital had constrained the progress of the housing programme since 2020. The proposed model would see TTLP become one of the major housing development companies in London, delivering both the Mayor's affordable housing objectives and contributing to TfL's long-term financial sustainability. With access to funding, TTLP was expected to bring forward 2,853 new homes next year, in addition to the 1,314 homes already being built.

Significant activity was underway towards setting up TTLP as a financially separate commercial property company within TfL from April 2022. Discussions continued with potential lenders to set up an unsecured revolving credit facility of up to £200m to cover the first three years of TTLP's capital requirements. A detailed Business Plan was being completed and stress tested to ensure the organisation remained viable under simultaneous headwind scenarios. The operating model was being developed to utilise the new TfL value chain work within TTLP. Operational benefits enabled TTLP to

leverage the significant skills and expertise of TfL's Corporate Finance and People and Change teams.

At its meeting on 23 March 2022, the Board would be asked to establish a Land and Property Committee to provide oversight of TTLP activity.

[Action: Howard Carter/Graeme Craig]

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

13/03/22 Taxi Fares and Tariffs Update

Graham Robinson and Darren Crowson introduced the paper, which provided an update on the taxi fares and tariffs review. If approved, the changes to the fares and tariffs would come into effect on 30 April 2022. It also provided an update on the impact of the coronavirus pandemic on London's taxi trade.

TfL was responsible for the licensing and regulation of London's taxi and private hire services. It also regulated taxi fares and set the maximum taxi fares that could be charged. Taxi fares and tariffs were normally reviewed annually.

Reviews were undertaken to ensure a sustainable trade by balancing two competing needs. The costs of operating a taxi had substantially increased and so there needed to be an appropriate level of remuneration to attract and retain drivers. Inflation, particularly with fuel prices, was likely to be a key issue in the year ahead. Taxis also provided an important service as part of the transport mix, including for disabled people and to enable safe travel at night, so fares needed to be affordable.

No review of taxi fares and tariffs had been undertaken in 2020 due to the impact on the trade of the measures taken to manage the coronavirus pandemic. A review was undertaken in 2021 and a consultation commenced in December 2021. The Committee noted the significant impact of the coronavirus pandemic on taxi drivers and the taxi trade, and the outcome of the consultation on three proposals for fares and tariffs. Following the consultation, a modified version of the third option was proposed.

The Committee also noted specific proposals in relation to Heathrow Airport. The Airport operator had increased its fees and introduced a new charge, partly in response to the impact of the coronavirus pandemic on its income and partly to address its own air quality targets by encouraging greater use of public transport.

Members noted how the industry was engaged with in relation to fares and tariffs and for other TfL and Mayoral policies that might impact the trade. A further review would be undertaken within 12 months. In the interim, Members requested an update paper in six-month's time to show the impact of the fare changes, cost pressures such as fuel prices and the situation at Heathrow, particularly once the Elizabeth line opened.

[Action: Howard Carter]

The Committee noted the paper and approved:

- 1 increasing the minimum fare from £3.20 to £3.80;**
- 2 increasing Tariffs 1 and 2 by 5.51 per cent;**

- 3 freezing Tariffs 3 and 4;
- 4 increasing the maximum Heathrow Extra from £2.80 to £3.60; and
- 5 introducing a charge of up to £5.20 which taxi drivers can add when dropping off passengers in one of the terminal drop-off zones at Heathrow Airport unless their taxi has been registered for a Blue Badge concession.

14/03/22 GLA Group Collaborative Procurement of Power Purchase Agreements

Lilli Matson introduced the paper, which provided an update on TfL's engagement with the GLA Group Energy Procurement Collaboration Programme with the Greater London Authority (GLA), the Metropolitan Police, the London Fire Commissioner and the London Legacy Development Corporation (the GLA Group), and the proposed entry into a Memorandum of Understanding (MoU).

The Programme aimed to pool the electricity demand of TfL with that of other GLA Group bodies with smaller energy requirements, to allow the GLA Group to benefit from enhanced purchasing power, reduce carbon emissions and reduce the cost of the electricity procured, through the joint procurement of renewable Power Purchase Agreements (PPAs).

Members noted the update on this work and an overview of the proposed MoU between members of the GLA Group, which had been produced to establish cooperation for future joint procurement of renewable energy. Upon signing the MoU, TfL would be committing to evolve from its current own energy procurement strategy for PPAs, to developing one with the rest of the GLA Group in respect of electricity demand. Members supported this approach subject to it meeting the needs of TfL in terms of procurement and timing, as it was the largest consumer of electricity within the GLA Group.

Members noted that alongside, but independently of this, the GLA had been working to establish a financing facility with the GLA as a minority investor, that could contribute to the funding of the renewable assets developed to deliver those PPAs (the GLA Financing Facility).

The Committee noted the paper and the proposed entry by TfL into the Memorandum of Understanding described in the paper.

15/03/22 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.

It was confirmed that, as was usual practice, Members would be briefed in advance on the Business Plan and Capital Strategy items that were scheduled to be considered at the meeting of the Committee on 23 November 2022.

The Committee noted the forward plan.

16/03/22 Any Other Business the Chair Considers Urgent

There was no other urgent business.

17/03/22 Date of Next Meeting

The next scheduled meeting of the Committee would be held on Wednesday 22 June 2022 at 10.00am.

18/03/22 Exclusion of the Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972 (as amended), when it considered the exempt information in relation to the items on: Treasury Management Strategy 2022/23; Treasury Activities; Independent Investment Programme Advisory Group Procurement Process Review; and Funding Update on TTL Properties Limited.

The meeting closed at 12.38pm.

Chair: _____

Date: _____

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Finance Committee



Date: 22 June 2022

Item: Matters Arising and Actions List

This paper will be considered in public

1 Summary

1.1 This paper informs the Committee of progress against actions agreed at previous meetings of the Finance Committee.

2 Recommendation

2.1 **The Committee is asked to note the Actions List.**

List of appendices to this report:

Appendix 1: Actions List

List of Background Papers:

Minutes of previous meeting of the Finance Committee.

Contact Officer: Howard Carter, General Counsel
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Finance Committee Actions List (to be reported to the meeting on 22 June 2022)

Actions from the meeting held on 9 March 2022

Minute No.	Item/Description	Action By	Target Date	Status/Note
06/03/22	Finance Report – Period 11, 2021/22 Further information on the impact and complications of short-term funding had been provided to the Audit and Assurance Committee and would also be circulated to this Committee.	Patrick Doig	June 2022	Completed: Information on the impact of short-term funding was circulated to the Committee on 26 May 2022.
07/03/22	Treasury Management Strategy 2022/23 The proposed draft TTL Properties Limited (TTLP) Treasury Management Strategy comprised strategies for borrowing, investment, liquidity, as well as banking and cash management. Committee approval would be sought at a future meeting, once TTLP's future arrangements had been finalised.	Joanna Hawkes/ Graeme Craig	June 2022	Completed: The Funding Update on TTLP paper including the Treasury Management Strategy is on the agenda for this meeting.
08/03/22	Treasury Management and Derivative Investments Policies The proposed draft TTL Properties Limited (TTLP) Treasury Management Policies were in line with TfL's and would be submitted to a future meeting of the Committee for approval once TTLP's future arrangements had been finalised.	Joanna Hawkes/ Graeme Craig	June 2022	Completed: The Funding Update on TTLP paper including the Treasury Management Policies is on the agenda for this meeting.

11/03/22	<p>Independent Investment Programme Advisory Group Procurement Process Review</p> <p>Following a review of how comparator organisations undertook procurement assurance and further dialogue with the Independent Investment Programme Advisory Group (IIPAG), the TfL model would be submitted to the Audit and Assurance Committee and other issues raised by IIPAG would be addressed as part of the continuous improvement programme.</p>	Lorraine Humphrey/ James Norris	October 2022	Further benchmarking with comparator organisations including Network Rail and National Highways is being undertaken. The outcome and proposed changes will then be reported to the Committee.
12/03/22	<p>Funding Update on TTL Properties Limited</p> <p>At its meeting on 23 March 2022, the Board would be asked to establish a Land and Property Committee to provide oversight of TTL Properties Limited activity.</p>	Howard Carter/ Graeme Craig	March 2022	Completed: The Board approved the establishment of a Land and Property Committee at its meeting on 23 March 2022.
13/03/22	<p>Taxi Fares and Tariffs Update</p> <p>A further review would be undertaken within 12 months. In the interim, Members requested an update paper in six-month's time to show the impact of the fare changes, cost pressures such as fuel prices and the situation at Heathrow, particularly once the Elizabeth line opened.</p>	Howard Carter	October 2022	On the forward plan for the meeting of the Committee on 6 October 2022.

Actions from previous meetings

Minute No.	Item/Description	Action By	Target Date	Status/Note
60/11/21	<p>Finance Report – Media Programme Variance TfL had seen a strong return in advertising revenue as more people started using the system and there had been some significant investment in advertising assets. Clarification of the figure of 3,859 per cent variance for media shown on the Capital Expenditure slide would be provided.</p>	Gareth Powell	March 2022	Completed: Clarification of the media figure was sent to the Committee on 27 May 2022.
63/11/21	<p>Enterprise Risk Update – Changes in Customer Demand (ER09) Members asked that information be provided in future on measuring how the risk changed over time, to map any deterioration or improvement in the risk so as to better understand the impact of the actions being taken in the current environment.</p>	Gareth Powell	November 2022	On the forward plan for the meeting of the Committee on 23 November 2022.
47/10/21 (1)	<p>Funding Update on TTL Properties Limited (TTLP) – Affordability Report An Affordability Report was being produced and would be shared with the Committee to accompany the TTLP Business Plan in due course.</p>	Graeme Craig	June 2022	Completed: The Funding Update on TTLP paper including the Affordability Report is on the agenda for this meeting.

<p>47/10/21 (2)</p>	<p>Funding Update on TTL Properties Limited (TTLP) – Investment Strategy and Business Plan More remained to be done over the course of the next six months to refine TTLP’s Investment Strategy and Business Plan. These would be brought back to the Committee for approval. In parallel, approvals would be sought for the timing, quantum and mechanism for any debt funding, clearly setting out the implications and risks of such funding.</p>	<p>Graeme Craig</p>	<p>June 2022</p>	<p>Completed: The Funding Update on TTLP paper is on the agenda for this meeting.</p>
<p>31/06/21</p>	<p>Update on Income from Developers Through Planning Obligations and Other Related Funding Mechanisms to Deliver TfL Transport Priorities – Levelling Up Investment Presentation Lucinda Turner 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.</p>	<p>Lucinda Turner</p>	<p>June 2022</p>	<p>Completed: An update on levelling up investment is included in the paper on the agenda for this meeting.</p>

Finance Committee



Date: 22 June 2022

Item: Use of Delegated Authority

This paper will be considered in public

1 Summary

- 1.1 The use of delegated authority is a standing item on the agenda to inform the Committee of any use of delegated authority by the Committee, through Chair's Action or of Procurement or Land Authority (in respect of matters within the Committee's remit) granted by the Commissioner and the Chief Finance Officer in accordance with delegated authorities under TfL's Standing Orders since the last meeting of the Committee. The paper also provides information on Mayoral Directions to TfL within the Committee's remit.
- 1.2 Since the meeting of the Committee on 9 March 2022, there has been:
 - (a) four uses of Chair's Action, one relating to the Actuarial Valuation of the TfL Pension Fund, and three contract extensions relating to Cleaning Services, iBus and Mechanical and Electrical Maintenance Services;
 - (b) two uses of Procurement Authority by the Commissioner, in relation to High Voltage Power Upgrade Framework call-off contracts and the SAP Master Service Agreement contract variation, and no use by the Chief Finance Officer;
 - (c) no use of Land Authority by the Commissioner nor the Chief Finance Officer; and
 - (d) no Mayoral Directions to TfL.
- 1.3 A similar paper is submitted to the Programmes and Investment Committee in respect of any use of Chair's Action or Procurement Authority and Programme and Project Authority granted by the Commissioner and the Chief Finance Officer in respect of matters within that Committee's remit, together with relevant Mayoral Directions.

2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

3 Use of Authority Delegated by the Board

- 3.1 There has been no use of authority delegated by the Board since the last meeting.

4 Use of Chair's Action

- 4.1 Under Standing Order 113, in situations of urgency, the Board delegates to each of the Chair and the Chairs of any Committee or Panel the exercise of any functions of TfL on its behalf, including the appointment of Members to Committees and Panels. Any use of Chair's Action is reported to the next ordinary meeting.
- 4.2 There have been four uses of Chair's Action since the last meeting. One related to the Actuarial Valuation of the TfL Pension Fund. Three related to contract extensions for Cleaning Services, iBus and the Mechanical and Electrical Maintenance Services.

Actuarial Valuation of the TfL Pension Fund

- 4.3 A paper was issued to Members on 18 March 2022, which provided an update on the triennial actuarial valuation of the TfL Pension Fund as at 31 March 2021. It sought approval of certain proposed provisions in response to that valuation.
- 4.4 On 24 March 2022, the Chair of the Committee, in consultation with available Members, granted authority for commitments to be made to the TfL Pension Fund.
- 4.5 The use of Chair's Action for this item was considered appropriate as consideration of the matter was required in the very short term, outside of the meeting cycle.
- 4.6 The paper has been published on the TfL website but the appendix remains exempt from publication.

Contract extensions

(a) Cleaning Services Contract Extension

- 4.7 A paper was issued to Members on 24 March 2022.
- 4.8 On 28 March 2022, the Chair of the Committee, in consultation with available Members, approved the requested additional Procurement Authority for the extension of a contract for the supply of cleaning and associated services across the TfL estate.

(b) iBus Contract Extension

- 4.9 A paper was issued to Members on 27 April 2022.
- 4.10 On 29 April 2022, the Chair of the Committee, in consultation with available Members, approved the requested Procurement Authority for the extension of the contract for the supply and maintenance of the iBus system with Trapeze ITS Switzerland GmbH (Trapeze) until 2 May 2025, with additional annual options to extend for a further two years until 2 May 2027.

- 4.11 The extension will ensure a continuation of the current iBus services until these have been transferred to iBus2, a successor system which is currently being procured.

(c) Mechanical and Electrical Maintenance Services Contract Extension

- 4.12 A paper was issued to Members on 13 May 2022.
- 4.13 On 16 May 2022, the Chair of the Committee, in consultation with available Members, granted the requested additional Procurement Authority for the extension of a contract for the supply of mechanical and electrical maintenance services across the TfL estate.
- 4.14 The use of Chair's Action for each of these extensions was considered appropriate as a decision was required ahead of this meeting.
- 4.15 The papers have been published on the TfL website but the appendices remain exempt from publication.
- 4.16 In response to the consultation with Members on the number of contract extensions for which approval had currently been sought, the Chair asked for a report on the overall procurement strategy on the major contracts with expiry dates within the next two years, which is on the forward plan for the October 2022 meeting.

5 Procurement and Land Authority Approvals

- 5.1 Procurement Authority is the authority to make a binding or contractual commitment with a supplier for the purchase of goods, services, land or works or to receive income arising from TfL Group activities in the areas of goods, services, land or works.
- 5.2 Land Authority is the authority to engage in a Land Transaction or to dispose of any assets.
- 5.3 The Board had delegated to the Committee approval of unlimited Procurement Authority and Land Authority in relation to Transactions and Commercial Development opportunities. The approvals delegated to the Commissioner and the Chief Finance Officer are set out in the Table of Authorities in Standing Order 169.
- 5.4 Since the last meeting, the Commissioner has approved Procurement Authority for two High Voltage Power Upgrade Framework call-off contract awards on 31 March 2022 and for the SAP Master Service Agreement contract variation on 13 June 2022. The Commissioner has not granted any Land Authority.
- 5.5 Since the last meeting, there has been no use of delegated authority to approve Procurement Authority nor Land Authority by the Chief Finance Officer.

6 Mayoral Directions to TfL

- 6.1 The Greater London Authority (GLA) Act 1999 (as amended), permits the Mayor to issue to TfL general directions as to the manner in which TfL is to exercise its functions or specific directions as to the exercise of its functions (or not to exercise a power specified in the direction). Directions are also often made in relation to the implementation of matters in respect of which the Mayor delegates statutory powers to TfL.
- 6.2 The Mayor makes Mayoral Directions through Mayoral Decisions. Papers for Mayoral Directions set out the financial and other implications. If those implications change over time, that will be reported to the GLA.
- 6.3 All Mayoral Decisions are issued in writing, with the information that is not exempt from publication included on the GLA's Decisions Database on its website: <https://www.london.gov.uk/about-us/governance-and-spending/good-governance/decisions?order=DESC>.
- 6.4 Mayoral Directions fall into three broad categories: those addressing technical issues relating to statutory powers; those related to commercial development activities; and those related to projects and programmes. Mayoral Directions relating to TfL are reported to the Board's Committees for discussion as soon as possible after they are received by TfL or published. Regular reports will list the relevant Directions for as long as they are applicable.
- 6.5 Annually the Audit and Assurance Committee considers the list as part of its consideration of the annual audit plan to ensure that appropriate audit resource is applied to assurance on TfL's work in implementing Mayoral Directions. This will also be kept under review at each quarterly meeting of that Committee.
- 6.6 A summary of current Mayoral Directions to TfL is maintained on the "How we are governed" page on our website, with links to the relevant Mayoral Decisions: <https://tfl.gov.uk/corporate/about-tfl/how-we-work/how-we-are-governed>. That page will be updated as and when further Directions are made.
- 6.7 Mayoral Directions to TfL addressing technical issues with our statutory powers or related to our commercial development activities are reported to this Committee.
- 6.8 There have been no Directions issued to TfL since the last meeting.

List of appendices to this report:

None.

List of Background Papers:

Minutes from previous meetings of the Committee.

Greater London Authority Decision Making Database.

Chair's Action papers – issued on 18 and 24 March, 27 April and 13 May 2022 and subsequently published on tfl.gov.uk

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Finance Committee



Date: 22 June 2022

Item: Update on Income from Developers Through Planning Obligations and Other Funding Mechanisms to Deliver TfL Transport Priorities

This paper will be considered in public

1 Summary

- 1.1 This paper provides an update on the Mayoral Community Infrastructure Levy (MCIL) income, which supports the delivery of the Elizabeth line (Crossrail), for the year ending 2021/22. It also gives an overview of other developer contributions, as well as several other third-party funding sources (for example, the Housing Infrastructure Fund (HIF) and Levelling Up Fund (LUF)) that have been secured to contribute towards the delivery of the Mayor's Transport Strategy (MTS).
- 1.2 In summary, this year we have secured: £143m in MCIL, £66m in Section 106 (S106) agreements, £26m in Section 278 (S278) agreements, and the boroughs have reported on £187m in Borough Community Infrastructure Levy (BCIL), much of which is expected to be spent on transport and public realm.
- 1.3 Income from developers in 2021/22 has shown some positive signs of recovery, with MCIL receipts being the highest since collecting began. BCIL income has fallen during the pandemic, albeit expenditure by the boroughs has been steady for two years running, with sixty per cent of income spent, a positive trend given historical problems with establishing governance and having shovel-ready projects to spend income on. We have also leveraged third-party funding through our work, including via the Growth Fund (£100m), the Levelling Up Fund (£66m), the Housing Infrastructure Fund (£361m), and the Royal Docks Enterprise Zone (£35m). Lastly, we have secured funding for feasibility studies for both the DLR extension to Thamesmead and the West London Orbital.
- 1.4 Given the financial situation TfL has found itself in since 2020, we are more reliant on these sources of income to continue to develop much-needed transport schemes that mitigate and drive growth and enable us to deliver the MTS and London Plan.

2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

3 Background

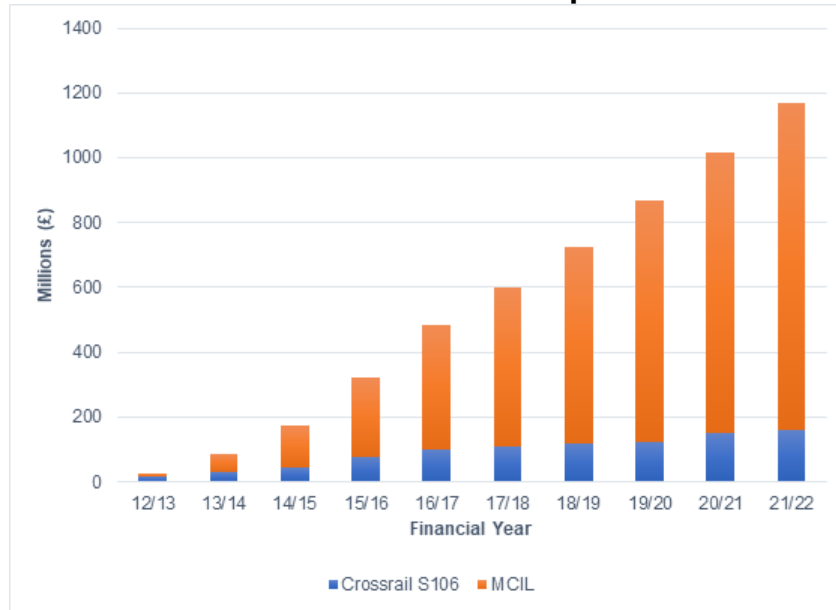
- 3.1 TfL City Planning appraises the transport impacts of proposed developments and negotiates appropriate transport mitigations with developers and boroughs to ensure 'good growth'. The team is responsible for:
- (a) advising the Mayor on the transport issues related to planning applications of potential strategic importance referred to him. The team attends weekly Mayoral and Deputy Mayoral Planning meetings to ensure that TfL's requirements and priorities are understood; and
 - (b) responding to consultations carried out by local planning authorities in London on the transport implications of planning applications which are not referable to the Mayor.
- 3.2 The amount of developer income secured is intrinsically linked to the level of development activity and implementation of planning permissions. Development activity tends to be cyclical, and it is strongly influenced by local, national, and international factors including the impact of the pandemic, the UK's departure from the EU, and the impact of fuel and construction material prices, exacerbated by inflation and the war in Ukraine. More than 800 applications were referred to the Mayor in 2021/22, many involving significant TfL input.
- 3.3 This paper provides information for the 2021/22 financial year on:
- (a) contributions for Crossrail through the MCIL and the Crossrail Supplementary Planning Guidance (SPG);
 - (b) income from BCIL;
 - (c) S106 and other developer contributions for transport projects; and
 - (d) other funding mechanisms contributing to transport.

4 Developer contributions for Crossrail

- 4.1 The Crossrail funding agreement between Government and TfL required us to raise £600m by 31 March 2019 from developer contributions. This would be through a combination of Crossrail S106 planning obligations (as set out in Crossrail SPG) and MCIL. By the deadline, £726m had been collected, however, due to an increase in cost, a funding package including a £1.3bn loan between the Department for Transport and the GLA was agreed between Government, the GLA and TfL. This loan is due to be repaid using Business Rate Supplement (BRS) and MCIL. This requires MCIL to support Crossrail beyond the original, agreed amount.
- 4.2 In 2020, a revised funding package was agreed due to further cost increases. For this, the GLA borrowed £825m, which is to be repaid through BRS and MCIL. This required an amendment to the CIL Regulations 2010, which allows the GLA to use MCIL to fund Crossrail until 31 March 2043. Given trends in MCIL income, we currently anticipate paying off the debt before 2043.
- 4.3 In 2019 a revised MCIL charging schedule (MCIL2) superseded both MCIL1 and the Crossrail SPG. MCIL2 charges apply to development granted planning permission

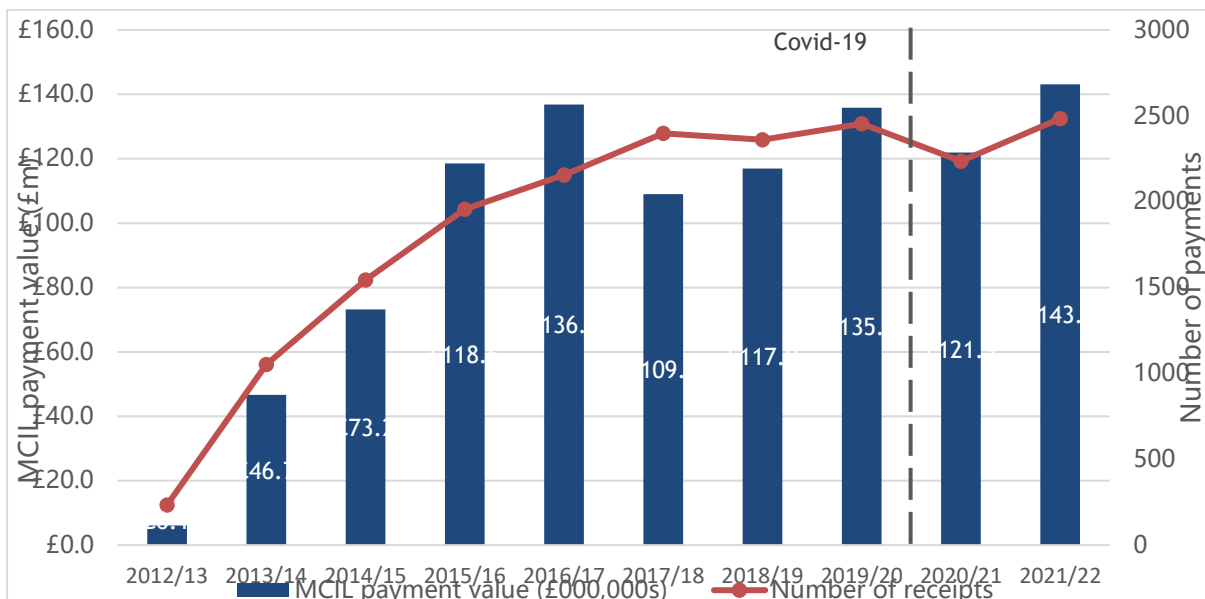
from 1 April 2019. Developer contributions (MCIL1, MCIL2 and Crossrail SPG receipts) are a vital funding stream for the project. The cumulative value of combined MCIL and Crossrail SPG receipts since 2012 (shown in Figure 1) has now reached almost £1.2bn.

Figure 1: Cumulative MCIL and S106 Crossrail receipts



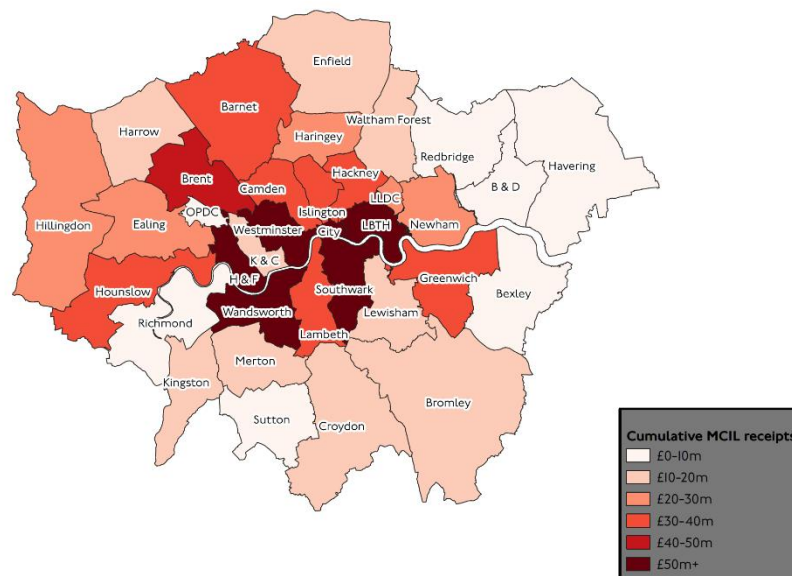
4.4 MCIL is paid as development commences, and the number of individual payments is an indicator of developer activity. Figure 2 shows MCIL income and the number of payments. This shows that payments were static in 2017/18-2019/20 (around 2,400 per year), and that in 2020/21 the number of payments dropped only marginally during the pandemic (to 2,236). Payments have since bounced back and income from MCIL was £143.1m, the highest return since charging commenced. Factors which may have contributed to this include Government’s ‘Help to Buy’ initiative (which ends this year) and increased activity in the Build to Rent sector, both of which have bolstered development activity.

Figure 2: Annual MCIL receipts and number of payments since April 2012



- 4.5 Figure 3 shows the distribution of cumulative MCIL receipts in London. Tower Hamlets and Westminster have the highest returns, with total receipts of £102.7m and £98m, respectively. Authorities that have returns of more than £50m continue to be concentrated in central and inner London, either side of the river Thames, including City of London, Wandsworth, and Westminster.
- 4.6 A block of authorities in outer east London (Redbridge, Havering, Barking and Dagenham and Bexley), have cumulative receipts of less than £10m each. This contrasts some outer north and west London authorities, for example Barnet and Hounslow have returns of more than £30m, and Brent has a return exceeding £40m.

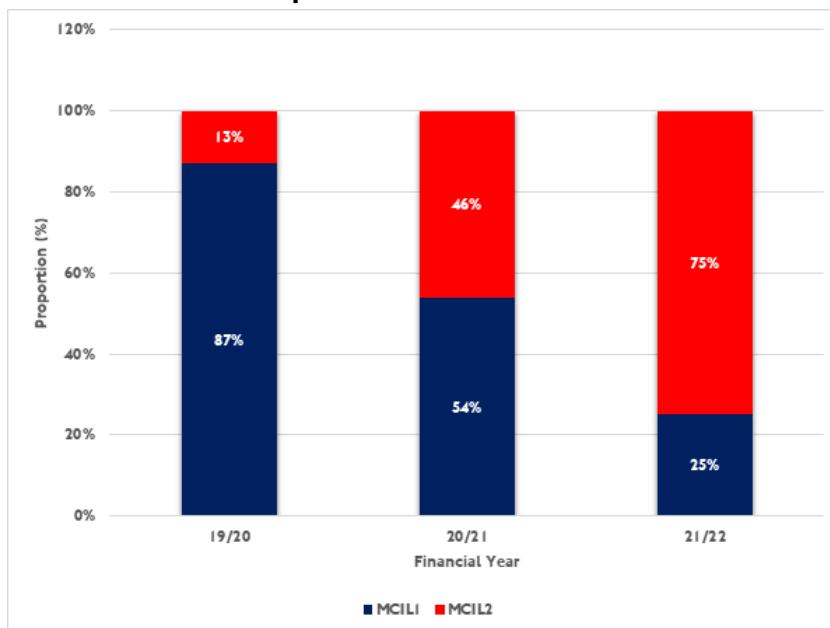
Figure 3: Total MCIL received by collecting authority



MCIL2 uplift and the biennial review

- 4.7 Figure 4 shows the proportion of income comprised of MCIL1 and MCIL2 since the latter was introduced in 2019. The value of MCIL2 payments has continued to increase; MCIL2 receipts are now 75 per cent of the return (£106.9m). We anticipate that this will continue next year, but the value of MCIL2 payments may settle at around 90 per cent as the collection of historic MCIL1 payments continues.

Figure 4: Proportion of income comprised of MCIL1 and MCIL2 since 2019/2020



4.8 As part of the Mayor’s commitment to monitoring the operation of MCIL, a biennial review was due to take place in 2021. However due to market uncertainty created by the pandemic, this was put on hold and will now commence in Autumn 2022.

Crossrail SPG

4.9 On 1 April 2019, the Crossrail SPG was superseded by the MCIL2 Charging Schedule. However, TfL continues to collect obligations that were secured prior to the implementation of MCIL2 on sites that are still under development.

4.10 Crossrail S106 payments received in 2021/22 were £11.2m (less than half of the £25.4m collected last year). Last year’s receipt was an outlier, and income this year reflects the expected decline in these receipts and is comparable to previous years (£6.8m in 2019/20 and £9m in 2018/19). Payments in 2021/22 are from nine developments in City of London, Islington, and Tower Hamlets. This brings the cumulative total of Crossrail S106 payments £161.3m, which represents 16 per cent of Crossrail payments received to date.

5 Local Planning Authority CIL (BCIL)

5.1 BCIL is a charge on new development that creates more than 100m² net additional floorspace or creates a new dwelling where it is less than this. The boroughs, City of London, and Mayoral Development Corporations (MDCs), in their role as Local Planning Authorities, can set BCIL rates and collect funds which are for infrastructure to support growth. A portion of funds collected, between 15-25 per cent, is required to be spent in consultation with the local community and is known as Neighbourhood CIL (NCIL).

5.2 BCIL receipts make a significant contribution to the delivery of a range of infrastructure projects across London. Currently, there are only two out of the 35 collecting authorities in London without an adopted BCIL charging schedule (Ealing and Old Oak and Park Royal Development Corporation).

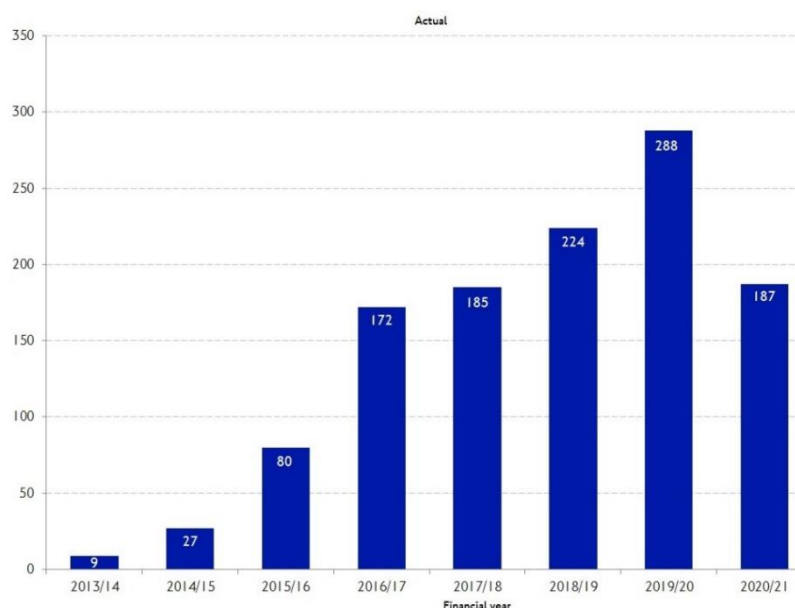
5.3 The data set out in this paper is from Infrastructure Funding Statements (IFS) that charging authorities are required to produce under the CIL Amendment Regulations 2019. The IFSs include details of CIL and S106 income and expenditure, and future committed spend. They must be published by 31 December each year, and as CIL reporting is retrospective, the BCIL figures in this paper refer to the 2020/21 financial year.

2020/21 BCIL receipts in London

5.4 There is substantial variation in the level of BCIL receipts generated, reflecting several factors including levels of development activity and BCIL rates (which are linked to viability). In 2020/21, Tower Hamlets (£47.7m), Wandsworth (£23m) and Brent (£15.3m) had the highest receipts, while Greenwich (£1.02m) and Havering (£511k) had the lowest. Notably, Havering only adopted their CIL Charging Schedule in late 2019 and it is anticipated that their income will increase as developments subject to the new charge commence. Similarly, Bromley adopted their first charging schedule in 2021 and will report BCIL income from 2022/23.

5.5 Figure 5 shows annual BCIL receipts collected by the charging authorities with levies in place in 2020/21. BCIL receipts passed the £1bn mark in 2020/21 and amounted to £1.136bn by the end of the financial year. Figure 6 shows a year-on-year increase since 2013/14 to £288m in 2019/20. However, in 2020/21 there was a substantial decrease in annual income due to the pandemic and its impact on development activity. It is important to note that there are still three authorities which have yet to report, and these include some areas which historically have had high levels of development. Therefore, it is likely that the final figure will be above £200m. If the BCIL trend follows that of MCIL in 2021/22, BCIL income is likely to quickly rebound to pre-pandemic levels. Moreover, BCIL receipts from authorities that have either introduced BCIL for the first time or have increased their rates should bolster the BCIL total next year.

Figure 5: Annual Borough CIL receipts (excluding admin fee)

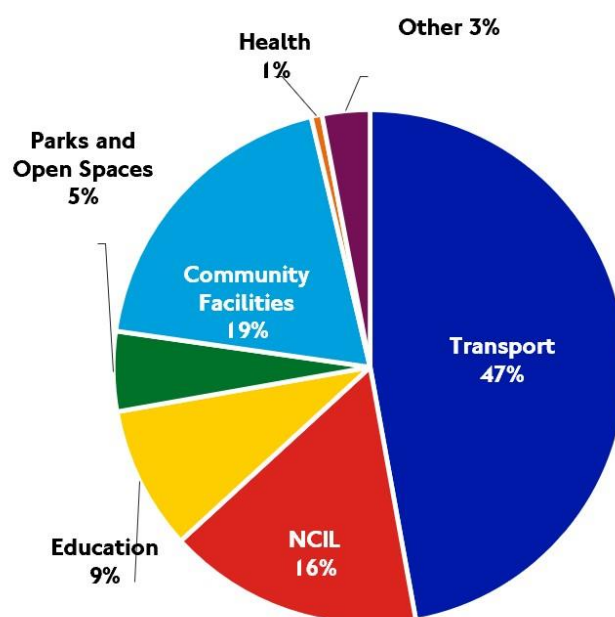


5.6 Unlike MCIL, which can only be spent on strategic transport infrastructure, BCIL can be spent on a range of infrastructure that supports growth in line with local plans.

This means that collecting authorities face competing demands for this funding, from healthcare and education to open space and transport, and these pressures are only increasing with the impacts of austerity and the pandemic.

- 5.7 2020/21 saw a decrease in BCIL expenditure, from £167.7m in 2019/20 to £110m, although this is around 60 per cent of all funds received, similar to the proportion spent in 2019/20. Figure 6 shows a breakdown of BCIL spend in 2020/21 by infrastructure type. Almost half of all expenditure (£51.3m) was spent on transport and public realm. It is expected that the pressures faced by local authorities may increase the competition transport projects face when applying for this funding in coming years.
- 5.8 BCIL continues to be spent on a wide range of transport projects both of value to TfL and the delivery of the MTS. Some headline examples include Greenwich spending £412k toward the fit-out costs for the new Woolwich Arsenal Elizabeth line station. This is part of a £15m allocation of S106 and BCIL funds towards the station fit out. Similarly, a significant amount (£7.1m) was spent by Barnet on roads and pavements and Brent spent £6.2m on public realm improvements in Wembley.

Figure 6: BCIL expenditure by infrastructure type 2020/21



TfL and BCIL

- 5.9 The London Plan reflects the fundamental importance of transport provision in enabling ‘good growth’ and unlocking sites. Future allocations of BCIL indicate that there is currently around £70m of BCIL allocated but not spent, with 64 per cent of this allocated to transport and public realm projects. Hounslow West station is an example where TfL and LB Hounslow have worked closely to allocate funding for Step Free Access (SFA). This culminated in TfL submitting a successful BCIL bid for more than £1m towards initial phases of the project. TfL will continue to work with Hounslow to identify further funding for the project.
- 5.10 TfL will continue to work with the BCIL charging authorities to identify opportunities to fund shared transport priorities using BCIL, with work currently ongoing to create

a strategic process for this within TfL. This will enable us to be proactive in supporting authorities that are allocating BCIL towards transport.

Neighbourhood CIL (NCIL)

- 5.11 In 2020/21 NCIL spend was £17.9m (See Figure 6). Unlike BCIL, NCIL is spent in consultation with the local community. In some areas communities have identified transport as a priority. This is often where there are concerns about road safety. Whilst these are often smaller projects with lower values, they represent opportunities for TfL to engage with Londoners and apply for funding for improvements to transport infrastructure. In 2022, Camden allocated around £30k to two projects on the TLRN (Transport for London Road Network) through this process.

6 Ensuring appropriate transport mitigations – S106

- 6.1 Planning applications are often approved subject to a package of mitigation measures (including transport) which reflect negotiations by TfL and the GLA with developers and the local planning authority. TfL seeks for transport requirements to be prioritised and aims for developments to promote active travel, contribute appropriately to public transport, and minimise road network impacts.
- 6.2 Measures we negotiate vary in type and scale but must all be within the established legal test for S106 planning obligations (related to the development, necessary to make the development acceptable in planning terms, and fairly and related in scale and kind to the development) as defined by the Community Infrastructure Levy Regulations 2010. These obligations can cover works and projects at any scale, from minor works (for example bus stop improvements or wayfinding) up to large multimillion pound projects, such as the Barking Reach Power Station project – a package of transport mitigation that includes funding for a station and significant bus service enhancements and prioritisation.
- 6.3 TfL negotiated a total of £65.9m in S106 contributions in 2021/22. This is a 26 per cent increase on the previous year which secured a total of £50.2m of contributions. Most of these contributions were for bus network improvements, (£45m in 2021/22). This is more than double that secured in 2020/21 (£20.6m).
- 6.4 As well as securing funds, we also secure works carried out by developers on site, for instance a new entrance to King's Cross station from the Belgrove House development. It is important not to underestimate the significance of benefits derived from this; it materially contributes to the continued improvement of London's transport network despite not always being quantified in financial terms.
- 6.5 In 2021/22, 88 new agreements (27 per cent up on 2020/21) were added to those we actively monitor for implementation each quarter, bringing the total to 947. Of these, TfL is a signatory to 109 agreements. Notably, there is a time lag between negotiation/signing of S106 agreements and receipt of funds, with income linked to delivery of the development and triggers within the agreement being met.
- 6.6 TfL also negotiates S278 agreements for highway improvements on the TLRN ranging from small-scale improvements such as footway renewal to larger works. In 2021/22 £4.5m was recovered from developments to cover TfL resourcing costs and around £26m of capital improvements were delivered on critical infrastructure to

support delivery of homes and jobs in London and delivering Healthy Streets and Vision Zero in developments. These schemes are funded (and often maintained) by developers at no cost to TfL. Examples of large-scale work completed this year are: Victoria Nova Development signalisation and asset renewal (£1.2m), Southall Green Quarter bridge infrastructure (£20m) and public realm/highway improvements facilitating development around Bishopsgate (£3m) and Nine Elms Battersea Power Station developments (£2.1m).

7 Other third-party funding sources

7.1 TfL continues to face a challenging financial situation following the coronavirus pandemic, so it is even more important for TfL to proactively seek new sources of funding. We are currently unable to commit to Growth Fund projects and the halting of work across programmes, combined with uncertainty, has created significant challenges for agreed schemes which assumed a TfL contribution in an overall funding package.

7.2 Nonetheless, we have continued efforts during 2021/22 to maintain and identify further third-party funding to deliver the MTS and contribute to infrastructure priorities. Updates and brief information on some key projects are provided below.

Using the TfL Growth Fund to secure third-party contributions to schemes

7.3 The Growth Fund is focused on leveraging significant third-party funding (from developers, boroughs, and Government) to maximise the benefits of TfL's contribution. Importantly, the Growth Fund does not just enable new homes, but also delivers wider TfL Business Plan and MTS priorities, including mode shift, net zero ambitions, step-free access, Healthy Streets, and station upgrades.

7.4 The Growth Fund's current portfolio unlocks and supports over 55,000 homes and has currently secured around £100m third party funding against £93m TfL spend on projects scheduled for delivery up to 2029/30 (including Colindale, Leyton, Tottenham Hale, and Pontoon Dock).

7.5 TfL's revised budget classifies all Growth Fund schemes as fully meeting the Mayoral objectives but 'contingent on additional funding'. This means that despite Growth Fund projects having a strong commitment and significant degree of third-party funding secured, a further commitment by Government or other sources – and/or a more certain position on TfL funding and finances – is needed to progress them. Under the 'managed decline' scenario, the Growth Fund would end. Under 'Financially Constrained', the pre-pandemic programme could continue, with a small pipeline of future projects targeted at the most critical areas.

7.6 Over the last year, we have continued to review the programme, considering the recent funding agreement with Government and, where necessary, identifying other funding streams to progress the projects. Colindale station upgrade and Leyton station upgrade are two projects with particularly urgent deadlines and decision points in 2022/23. We are working closely with the GLA, Government, boroughs, and other partners to discuss these matters.

Levelling Up Fund (LUF)

7.7 Government recently announced the second round of the LUF following the first round in 2021. This £4.8bn fund supports capital investment in local infrastructure to

2024/25 (round 1) and 2025/26 (round 2) across culture, regeneration, and transport themes. All transport bids require the approval of the relevant authority responsible for delivering them, which means that TfL has a role in endorsing bids.

- 7.8 TfL supported borough bids for transport, and £56.2m was allocated in the first round to proposals across three boroughs:
- (a) Newham: Connections to Opportunity bid (building a new bridge over the River Lea (£19.8m)) and 15 Minute Neighbourhoods bid (connecting 75,000 residents to vital infrastructure by a 15-minute walk or cycle (£19.9m));
 - (b) Ealing: Connecting Northolt Station to White Hart Roundabout bid (£7.2m);
and
 - (c) Tower Hamlets: Transforming Whitechapel Road bid (£9.3m).
- 7.9 As well as working with boroughs to deliver their projects, we are also providing support for the second round of LUF. Bidding for this round has commenced (the deadline for submissions is 6 July). All areas in the UK, including London boroughs, are invited to submit bids of up to £20m each. The GLA/TfL is eligible to submit one transport bid of £20m, or up to £50m by exception.

Royal Docks

- 7.10 The Royal Docks Enterprise Zone Delivery Plan (EZ) is a programme that seeks to transform the Royal Docks and accelerate the delivery of commercial space. The GLA will forward fund the EZ delivery plan through prudential borrowing, to be repaid from business rates generated over the life of the EZ. Developer contributions will also contribute to infrastructure required.
- 7.11 The EZ is expected to contribute £35.7m to the DLR upgrade, with potential further monies earmarked post plan. TfL has received £3.75m for feasibility and design work on several stations. However, a review in early 2020 has (following some increases in costs and risk) led to a reprioritisation of the work, which will now focus on Pontoon Dock, Royal Victoria, Thames Wharf and Canning Town.

Housing Infrastructure Fund (HIF)

- 7.12 The HIF is a Government capital grant programme of up to £5.5bn which the Department for Levelling Up, Housing and Communities (DLUHC) expects to deliver hundreds of thousands of new homes across England. Grant funding has been awarded to local authorities on a competitive basis for new infrastructure that will unlock homes in the areas of greatest demand. TfL, working with the GLA, successfully bid for two packages of investment for the DLR and the East London line (ELL) to support development in Newham and Tower Hamlets, and Southwark and Lewisham, respectively. Over the past year, there has been significant ongoing work to seek to maintain the highest priority elements of these projects considering the challenges created by the pandemic and cost increases. TfL has continued working with Government to agree the terms and conditions attached to the funding.
- 7.13 On the DLR HIF bid, TfL entered a grant determination agreement (GDA) with the GLA and DLUHC in December 2020 to receive £281m from Government to purchase up to 14 additional DLR trains and to expand Beckton DLR depot. This agreement went “unconditional” in July 2021 when, after further analysis and

discussion with Government, the number of additional trains was reduced from 14 to 11. With 11 additional trains, the updated estimated final cost is £257.5m. We have received £45m for the depot land and infrastructure works, and £74m is due for an initial payment towards the trains. The DLR HIF is one of the largest single contributions that TfL can make to delivering the New Homes and Jobs objective of the MTS by supporting or enabling the delivery of up to 12,000 homes in total, including up to 1,740 homes by TfL at Poplar.

- 7.14 The ELL HIF programme was awarded £80.1m from Government to increase the capacity of the core section of the line from 16 to 20 trains per hour, as well as an expansion of Surrey Quays station, improvements to Canada Water bus station and a new station at Surrey Canal Road. This will enable development at major housing sites in the area - in total unlocking 14,000 homes.

Third-party feasibility funding for major projects

- 7.15 Transport investment is essential for unlocking the delivery of new homes and in particular ensuring that development is not car dependent but instead supports net zero, mode shift and accessibility objectives. Over the last year we have worked closely with Homes England and DLUHC on feasibility work on the case for a DLR extension to Thamesmead via Beckton Riverside. This project unlocks 20,000-30,000 homes in East London. Homes England, RB Greenwich, LB Newham, the GLA and developers/landowners have provided £1.3m to support work towards a strategic outline case which can be submitted to Government.
- 7.16 The West London Alliance has commissioned feasibility work for the West London Orbital (WLO) – a new rail service on existing, underused rail lines in west London - that TfL are involved in and are working on to consider options for a specific BCIL charge that could contribute towards the scheme's cost. TfL has been investigating the opportunities that development along the route might provide through S106 and, for example, Carbon Offset funding (which boroughs collect from development to offset the carbon impact of development). The WLO would be an extension of the London Overground between Hounslow and Hendon/West Hampstead via Old Oak Common, supporting 15,800 new homes.

8 Summary and next steps

- 8.1 Income from developers in 2021/22 has shown some positive signs of recovery, with MCIL receipts being the highest since collecting began and continued spending of BCIL on transport. We have negotiated significant mitigations through S106 and continue to work with partners to identify and bid for a wide range of funding opportunities, supporting the delivery of the MTS. TfL continues to focus on building and maintaining relationships and engaging effectively in all aspects of the planning system to ensure that opportunities to shape 'good growth' and deliver essential transport improvements are maximised.
- 8.2 As in previous years, third-party funding has continued to play a vital role in delivering transport infrastructure and improvements during 2021/22. It provides an opportunity to mitigate the financial pressures faced by TfL in coming years, and to add to our ability to deliver vital enhancements to the transport network (e.g. step-free access). However, there are significant and growing challenges as we have had to pause schemes due to uncertainty of our longer-term funding position.

- 8.3 There are clearly benefits of third-party funding multiplying TfL's funding and enabling us to deliver more on the ground. Continued work to identify opportunities to deliver aligned priorities (with boroughs, government, developers, and others) is key to delivering mode shift, SFA and other aims set out in the London Plan and the MTS. We must continue to develop relationships with potential funding partners so that these opportunities are as effective as possible. But this is likely to require TfL having at least some match funding to leverage.
- 8.4 The context for developer funding could change significantly. The Queen's speech on 10 May 2022 set out Government's intention to proceed with an Infrastructure Levy, which will replace the CIL and S106 systems with a new levy. Proposals for this were subsequently included in the Levelling Up and Regeneration Bill published on 11 May and indicate that MCIL will be retained but BCIL will be replaced by the new levy. While S106 could remain for the largest developments, there would be new, complex arrangements which are likely to make it more difficult to secure infrastructure to make developments sustainable, workable, and acceptable to Londoners. While the detail of the proposals and wider implications for TfL are still being clarified, there is a risk that the availability of funding for transport is reduced, particularly given that affordable housing is proposed to be part of the new levy (and is likely to be a high priority for most authorities). Further detail of how the levy will operate in practice will be set out in draft regulations that will follow, likely in 2023.

List of appendices to this report:

None

List of Background Papers:

MCIL2 Charging Schedule: Mayor of London Community Infrastructure Levy 2 Charging Schedule (January 2019)

CIL Regulations 2010, as amended 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020 and 2021.

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Finance Committee



Date: 22 June 2022

Item: Funding Update on TTL Properties Limited

This paper will be considered in public

1 Summary

- 1.1 This paper updates the Committee on the assurance work undertaken since its meeting on 9 March 2022. This assurance work provides comfort that TTL Properties Limited (TTLP) can operate as a financially independent company within Transport for London (TfL) and secure the approvals necessary to enable TTLP to enter a committed, three-year, non-recourse revolving credit facility (RCF) for up to £200m.
- 1.2 As has previously been described to the Committee and agreed with HM Government, non-recourse debt is being proposed at the subsidiary TTLP level on the basis that TfL cannot afford to service any incremental borrowing from its core transport activities.
- 1.3 As a non-recourse facility TfL will have no obligation to support TTLP and the lenders will have no claim on TfL. TfL needs to be aware that the implication of this is that in extremis TfL would need to be prepared to let TTLP fail. This could mean the loss to the TfL Group of some or all of the assets vested in TTLP.
- 1.4 Affordability analysis has demonstrated that TTLP can operate without financial support from TfL. TTLP is a viable and sustainable business with mitigating options that will ensure it will not fail even under multiple stress scenarios.
- 1.5 In order to facilitate the non-recourse nature of the funding, a number of existing guarantees will need to be removed or not renewed.
- 1.6 The paper also seeks approval for a bespoke TTLP Treasury Management Strategy and Policy, which is a matter reserved to the Committee. The proposed policy sets out how TfL will continue to manage the funding, liquidity and cash arrangements for TTLP, as it does now, albeit with cash managed on a segregated basis and within revised authority limits and tighter liquidity requirements (a draft version was previously presented to the Committee at its meeting on 9 March 2022).
- 1.7 The paper also seeks approval for the proposed dividend policy: that 100 per cent of all operating profit will be returned to TfL as a dividend. Funds from any capital disposal and Joint Venture dividends will be recycled into the TTLP business.

- 1.8 Finally, the paper provides an update on governance, insofar as this relates to the debt funding. A fuller update will be given to the Land and Property Committee at its first meeting on 30 June 2022.
- 1.9 A paper is included on Part 2 of the agenda which contains supplemental 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 financial and 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 Recommendations

2.1 The Chair, following consultation with the Committee, is asked to note the paper and the exempt supplementary paper on Part 2 of the agenda and:

- (a) approve the Treasury Management Strategy and Policy for TTLP, as attached in Appendix 1;**
- (b) endorse TTLP entering into the non-recourse revolving credit facility for up to £200m, as described in this paper, approval to be sought from the TfL Chief Finance Officer in accordance with the Treasury Management Strategy and Policy for TTLP (subject to its approval);**
- (c) approve the non-renewal and/or phasing out of the existing TfL and Transport Trading Limited guarantees in favour of TTLP and its subsidiaries over the next year, as described in this paper;**
- (d) approve the issuance of new guarantees, for the current financial year and subsequent years, and approve Land Authority for the provision by TTLP in respect of any of its subsidiaries (whether presently existing or to be formed) of:**
 - (i) letters of financial comfort to the relevant subsidiary's directors setting out that, while they remain a subsidiary, they will be put in funds to pay their debts as they fall due; and**
 - (ii) guarantees under section 479C of the Companies Act 2006; and**
- (e) approve the dividend policy for TTLP described in this paper.**

3 Background

- 3.1 On 9 March 2022, an update was provided to the Committee on how TTLP would achieve its target of building 20,000 homes and a growing net operating profit that is returned to TfL in the form of a dividend.
- 3.2 Since that meeting, further work has been undertaken on assurance of the TTLP Business Plan and the actions needed for TTLP to operate financially independently from TfL. In parallel, negotiations have progressed with funders.

- 3.3 The Land and Property Committee has now been established to oversee the effective operation of TfL's land and property activities, delivered through TTLP. The Land and Property Committee will meet for the first time on 30 June 2022.
- 3.4 The Land and Property Committee will approve annually the TTLP Business Plan and key performance indicators and Authorities in relation to opportunities for TTLP and its subsidiaries. All matters relating to the financing of TTLP remain within the remit of the Finance Committee and the Schemes of Authorities and Delegation within Standing Orders remain unchanged.
- 3.5 From 1 April 2022, TTLP began operating on the basis that no further funding would be provided by TfL and that TTLP would operate purely from its own financial resources. TTLP was separated from the TfL cash pooling arrangements and now runs independent banking arrangements.
- 3.6 It should be noted however that the Committee previously approved the establishment of an intercompany RCF of £25m from TfL to TTLP in its meeting on 25 November 2020. It is intended to implement this as a stand-by facility for working capital to facilitate the flow of monthly trading balances and/or short term credit between the two entities.

4 Affordability Analysis and Stress Testing

- 4.1 The TTLP Business Plan has been tested by TfL Corporate Finance for a number of specific and combined downside stress scenarios which include economic downturn, delayed market sales, extended inflation and interest rate rises, cost increases, delayed build, and lower income.
- 4.2 These scenarios have been set against both mitigating actions that could be reasonably deployed in any stressed scenario and the loan covenants that have now been negotiated into the draft term sheet (loan to value, net tangible worth and interest cover). The testing horizon was over five years.
- 4.3 The analysis concludes that in all stressed scenarios the loan covenants were either not breached or capable of being fully mitigated and there was no call on TfL for further funding
- 4.4 The work also identified recommendations for controls and processes that will be taken forward in order to support ongoing affordability and debt management.
- 4.5 The Affordability Report produced by TfL Corporate Finance has been included in the related paper on Part 2 of the agenda.

5 CIPFA Prudential Code

- 5.1 Further assurance has been sought on the ability of TTLP to borrow, given recent changes to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, which TfL is legally obliged to have due regard to.
- 5.2 The Prudential Code (updated in December 2021) now states that Local Authorities "must not borrow to invest primarily for financial return". Finance Committee had previously asked we confirm compliance to the code.

- 5.3 We believe that TTLP is not borrowing purely for financial return for reasons that include: i) it is investing in affordable housing delivery; ii) its delivery is in line with the Mayor's Transport Strategy; iii) development of TfL's estate is specifically permitted under legislation – the GLA Act 1999 states that "Transport for London may develop its land in such a manner as it thinks fit."
- 5.4 This assessment has been tested with counsel who confirmed it is reliable.

6 Non-recourse Implications for Guarantees

- 6.1 The non-recourse nature of the proposed RCF has implications for the current TfL parent company guarantee structure and for the directors of TTLP, in that if the debt is truly non-recourse then all guaranteed support from TfL should be released.
- 6.2 Currently, as with other subsidiaries, TfL provides a letter to TTLP's directors providing comfort that the company will be funded to pay its debts as they fall due.
- 6.3 TTL also provides a parent company guarantee to TTLP under s479C of the Companies Act 2006, registered at Companies House, whose purpose is primarily to avoid the need for TTLP's accounts to be audited. These arrangements are replicated for TTLP's subsidiaries.
- 6.4 It is proposed that this parent support for TTLP and its subsidiaries is removed. In the case of TTLP's subsidiaries, that support will be replaced by a guarantee in substantially the same terms by TTLP.
- 6.5 In preparation, TTLP is already producing audited accounts for 2021/22.
- 6.6 Separately, there are a number of guarantees from TTL to joint venture partners in respect of ongoing development projects. These guarantee the equity investment in the project. For several projects, the contractually committed equity investment has already been made so those guarantees will not be called upon. Of the remaining projects, some may be subject to contractual variations so opportunities may exist to substitute in TTLP as guarantor. On the rest, there are still contributions to be made so the guarantees still apply, and we are intending to leave these guarantees in place and allow them to fall away over time. For any new projects, TTLP will be offered as guarantor so there will be no further call on TfL.

7 Non-recourse Implications for Directors

- 7.1 In the absence of recourse to TfL and in addition to the affordability analysis described above, TTLP's directors will need to be satisfied on an ongoing basis that the company remains solvent.
- 7.2 TTLP's directors have been engaged and assurance will be provided to them through quarterly briefings and regular updates of the following documents:
- (a) business performance;
 - (b) cash flow and liquidity forecast and headroom;
 - (c) affordability, stress testing and mitigation updates;

- (d) strategic risk register;
- (e) future reporting;
- (f) assurance matters – audits, directors’ disclosures and controls;
- (g) TTLP Business Plan; and
- (h) financial accounts.

7.3 Based on the affordability and stress testing scenarios, we are confident in the financial viability of TTLP. A plan to mature the business processes, controls and assurance is in place and has been agreed by senior TfL Finance teams.

8 Treasury Management Strategy and Policy

8.1 As a result of the change in funding arrangements and TTLP’s financial independence, a new Treasury Management Strategy and Policy have been drafted for TTLP. These were presented to the Committee on 9 March 2022, in draft, where the Committee was requested to note the documents.

8.2 They set out how TfL will continue to manage the funding, liquidity and cash arrangements for TTLP. Cash will be managed on a segregated basis within policy limits, required changes to authority limits and the need for tighter liquidity requirements.

8.3 The Liquidity Policy will require that there is sufficient undrawn borrowing commitment and cash in bank to meet financial commitments over the next 18 months and that a cash reserve of £10m is maintained.

8.4 These documents are attached as Appendix 1 and approval is now sought [there have been no changes to the documents presented to the Committee on 9 March 2022].

9 The Revolving Credit Facility

9.1 Discussions have progressed with selected lenders in relation to the £200m non-recourse RCF. The proposed terms have been considered with each lender on a bilateral basis and a coordinator was selected from the lender group to progress negotiations with TTLP.

9.2 A detailed term sheet has now been agreed and prospective lenders are currently seeking credit approval. Alongside this, work is progressing with the coordinator to agree a draft of the full facility agreement. Supplementary information on the RCF is included in the related paper on Part 2 of the agenda.

9.3 An update on progress will be provided at the Committee. Subject to the Committee’s approval, it is expected to have the facility in place by the end of June 2022.

10 Dividend Policy

10.1 The dividend policy forms an integral part of TTLP’s overall corporate strategy by supporting TTLP’s objectives of growing net operating profit that is returned to TfL whilst also building 20,000 new homes. To support these aims, it is proposed that the dividend is equal to profit after tax attributable to recurring

income. Profit after tax attributable to non-recurring income, such as dividends from 'for sale' joint ventures and profits on disposal proceeds, will be recycled into the TTLP Business Plan to support further investment.

- 10.2 It is proposed that dividends will be declared and paid out annually, post confirmation of the year-end position as a single 12-month trailing dividend payment.

11 Governance and Assurance

- 11.1 Established by the Board on 23 March, the Land and Property Committee will set the strategic direction of TTLP and will oversee and provide assurance on behalf of the Board of delivery against TTLP's Business Plan. The Land and Property Committee is expected to meet at least four times a year and the first meeting will be held on 30 June 2022.
- 11.2 As set out in the Terms of Reference for the Land and Property Committee, consideration and approval of matters relating to the financing of TTLP (including the RCF referred to in this paper) will remain within the remit of the Finance Committee.
- 11.3 With TTLP operating as a financially separate entity, the role of TTLP as a corporate entity becomes more important. The appointment of TTLP directors is a matter for TfL as the shareholder. The current TTLP directors comprise the Chief Customer and Strategy Officer (Chair), the Director Commercial Development and the Property Development Director. Additional directors will be appointed once the new TTLP Executive structure is finalised.
- 11.4 The TTLP directors will receive periodic performance updates and a formal briefing will be provided at a TTLP company meeting on a quarterly basis. The decisions that TTLP will ordinarily be expected to make as a company include:
- (a) endorsement of the TTLP Business Plan and Investment Strategy before submission to the Land and Property Committee;
 - (b) approval of letters of comfort to directors of TTLP's subsidiaries;
 - (c) approval of accounts and auditor letter of representation annually; and
 - (d) approval of a guarantee of its subsidiaries under s479C of the Companies Act 2006.
- 11.5 On assurance, it is proposed to put in place a formal three lines of defence assurance model. TTLP will have its own Integrated Assurance Plan and Enterprise Risk Framework, both modelled on TfL's current arrangements. This will include a TTLP Independent Investment Programme Advisory Group (IIPAG) sub-group, with a chair and two members to cover TTLP's functions. The new roles will operate to a plan set by the Audit and Assurance Committee and the Land and Property Committee. The assurance will be reported to TTLP management and to both the Audit and Assurance and Land and Property Committees.
- 11.6 Working arrangements are being put in place to articulate the interface between TfL and TTLP. This considers similar models currently in use, including for the London Transport Museum, and will set out the principles for engagement.

11.7 With the new governance arrangements in place, it is not considered necessary to continue with the Commercial Development Advisory Group (CDAG) and it is therefore proposed to close that Group. TfL and TTLP remain grateful for the significant contribution that CDAG members have made in helping TfL develop its property portfolio and setting up TTLP as a commercial property company.

12 Conclusion

12.1 A financially independent commercial property vehicle in TfL was envisaged in 2019 when the Committee agreed to the consolidation of TfL's property assets to create a new balance sheet that could be used to attract new streams of funding and create focus for improved management and financial returns.

12.2 As a direct result, TfL was able to respond quickly to the financial challenges brought about by the coronavirus pandemic and accelerate plans to attract new funding streams.

12.3 With commercial funding in place, TTLP will be able to build dozens of medium-density, high-amenity, high-accessibility, low-carbon developments across the capital. TTLP will be delivering tens of thousands of new homes and millions of square feet of new sustainable commercial space where Londoners most want to live and work.

12.4 TTLP will also generate a growing dividend of tens of millions of pounds a year to TfL, and manage an asset base whose value will double to £4bn in a decade. TTLP will do so while taking no funding from TfL and assuming no direct grant funding from Government.

List of appendices to this report:

Appendix 1: TTLP Treasury Management Strategy and Policy

List of Background Papers:

None

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TTL Properties Limited TREASURY MANAGEMENT POLICIES (Appendix to TfL Treasury Management Policies)

1 BACKGROUND

- 1.1 This document sets out TTL Properties Limited (TTLP) policies and practices, authorities and delegations of its treasury management activities which apply to TTLP and its subsidiaries.
- 1.2 Transport for London (TfL) will provide borrowing, investment, liquidity and banking services to TTLP in line with the policies set out in this document. TfL will recharge for these services.
- 1.3 This document is an appendix to the main TfL Treasury Management Policies. TTLP is subject to the same policies and practices as they apply to TfL and all its subsidiaries save where specified otherwise in this Appendix.

2 LIQUIDITY

- 2.1 TTLP will produce each month a cash flow forecast that will show liquidity demand each month over the next 18 months. TTLP will ensure that it has sufficient liquidity through a combination of its undrawn committed facilities and its cash balances to meet liquidity requirements.
- 2.2 For prudent financial management purposes, TTLP will aim to maintain a minimum level of cash reserves of at least £10m. Cash reserves include cash and short-term investments.
- 2.3 Actual cash balances fluctuate on a daily basis and could temporarily fall below the minimum requirement. In this event, an assessment will be made as to whether any action is required by the Director of Corporate Finance and/or the Group Treasurer to address such temporary fluctuations, taking into account any undrawn credit facilities and forecast cash movements.
- 2.4 Liquidity be will assessed on an annual basis against downside scenarios.
- 2.5 The statutory and managing Chief Finance Officers¹ will be notified of any breaches of expected liquidity needs.

¹ References to statutory Chief Finance Officer in this document mean the Chief Finance Officer under sections 114 and 115 of the Local Government and Finance Act 1988 and section 127 of the Greater London Authority Act 1999. References to managing Chief Finance Officer mean the managing Chief Finance Officer.

3 BORROWING

- 3.1 The managing Chief Finance Officer is authorised to approve, notwithstanding the value of the borrowing, any new borrowings (subject to this falling within TfL's Authorised Limit). The Director of Commercial Development, Finance Director of Commercial Development or Director of Corporate Finance is authorised to approve, notwithstanding the value of the borrowing, any new borrowings (subject to this falling within TfL's Authorised Limit) for a tenor of not more than 12 months.
- 3.2 The Director of Commercial Development, Finance Director of Commercial Development, Director of Corporate Finance and Group Treasurer are authorised to approve and enter into any required agreements or other documentation in relation to the implementation of permitted borrowing.
- 3.3 Authorised Treasury officers may execute drawdowns under existing debt facilities.
- 3.4 The Director of Commercial Development, Finance Director of Commercial Development or the Director of Corporate Finance are authorised to approve the pre-payment or refinancing of loans, or re-purchase or redeeming of existing debt.
- 3.5 TTLP can enter into borrowing facilities and to borrow without recourse to TfL.
- 3.6 TTLP can enter into short term loan facilities with TfL Group entities for working capital purposes.

4 INVESTMENTS

- 4.1 Surplus cash will be invested in accordance with the TfL Treasury Management Strategy and TfL Treasury Management Policies.

5 BANKING

- 5.1 The Director of Corporate Finance or the Group Treasurer shall as and when necessary be authorised to:
 - (a) supply to financial institutions, lists of officials authorised to sign in respect of each and any account(s) of TTLP with specimen signatures;
 - (b) open further accounts for and on behalf of TTLP and supply to the financial institutions, details of the signatories together with specimen signatures in respect of such account(s);
 - (c) notify the financial institutions of any restrictions on the operation of any such accounts; and
 - (d) agree on behalf of TTLP the terms of any facility or service provided by the financial institutions including but not limited to general banking services, bonds, guarantees and credit limits.
- 5.2 The financial institutions shall be entitled to rely on any such details or notifications supplied by the Director of Corporate Finance, Group Treasurer or any Treasury officer confirmed in writing as having the same authority as the Director of Corporate Finance or the Group Treasurer.

6 RESPONSIBLE OFFICERS

- 6.1 The TTLP Treasury Management Policies will apply to TTLP. The TTLP Treasury Management Policies will be implemented, operated and administered through the Treasury team within the Corporate Finance Directorate of TfL.
- 6.2 The Finance Director of Commercial Development is responsible for advising the Land and Property Committee on investments, borrowing, derivatives, financial risk management, capital financing and also for banking arrangements necessary for TTLP. On an operational basis, this will be discharged through the Director of Corporate Finance and the Group Treasurer.
- 6.3 The Finance Director of Commercial Development is responsible for ensuring the execution of the TTLP Treasury Management Policies. On an operational basis, this will be discharged through the Director of Corporate Finance and the Group Treasurer.
- 6.4 The Finance Director of Commercial Development will be responsible for advising the managing Chief Finance Officer of TfL that it is in full compliance with all of the TTLP Treasury Management Policies. The managing Chief Finance Officer is responsible for ensuring that TTLP is in compliance with the TTLP Treasury Management Policies and updating the TfL Finance Committee accordingly.
- 6.5 The statutory or managing Chief Finance Officers or the Director of Corporate Finance or the Group Treasurer will appoint relevant Treasury officers to be authorised signatories for the purposes of paragraph 3.3
- 6.6 Subject as otherwise provided for within these policies, no investments, borrowings or entry into credit arrangements (including, but not limited to any lease or other such arrangement that might count towards TfL debt or liabilities under relevant accounting standards) shall be permitted without the consent of the statutory or managing Chief Finance Officer or Director of Corporate Finance or the Group Treasurer.

The managing Chief Finance Officer or Director of Corporate Finance or Group Treasurer will provide guidance for accepting financial guarantees, performance bonds, letters of credit and other credit enhancing products, and this must be followed by TTLP and/or its subsidiaries at all times.

7 TREASURY MANAGEMENT PRACTICES

Treasury Management Reporting

- 7.1 The following reports will be produced
 - (i) an annual report to the Land and Property Committee on the TTLP Treasury Management Strategy for the coming year and;
 - (ii) a monthly cash flow report to the Finance Director of Commercial Development and to the Director of Corporate Finance that will show liquidity demand for the next 18 months.

Cash Flow and Cash Flow Management

- 7.2 Cash flow projections and cash management will be managed outside of the TfL Group aggregation.

Finance Committee



Date: 22 June 2022

Item: Revenue Collection Contract Extension

This paper will be considered in public

1 Summary

- 1.1 The Revenue Collection Contract (RCC) was let to Cubic Transportation Systems Limited (Cubic) in August 2014, with an initial term of seven years commencing in August 2015 and expiring in August 2022. In September 2017, TfL exercised its option to extend the RCC for a period of three years until August 2025. In order to plan and deliver the replacement of the RCC (under a project referred to as Proteus) in an orderly and prudent manner, in particular to manage the various contingent factors that will affect market engagement and potentially bidder solutions, it is now proposed that the RCC is extended by a further year to August 2026. The Committee's approval is sought for that extension.
- 1.2 A paper is included on Part 2 of the agenda, which contains exempt supplementary information. The information is exempt from publication by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL and information which is legally privileged. Any discussion of that information must take place after the press and public have been excluded from this meeting.

2 Recommendations

- 2.1 **The Chair, in consultation with the Committee, is asked to note the paper and the supplementary information in Part 2 of the agenda and:**
- (a) approve additional Procurement Authority at the amounts set out in the supplementary paper on Part 2 of the agenda for the extension of the revenue collection contract, as described in this paper; and**
 - (b) note that, as extended, the revenue collection contract will have a duration beyond the end of the current TfL Budget, future Business Plans and Budgets will need to provide for the remaining years of operation.**

3 Background

- 3.1 The RCC provides the front office devices (gates, validators, vending equipment, docking stations and their associated control systems), back office and other services to support Oyster, contactless payment, the national "ITSO" smartcard scheme, magnetic tickets and Cycle Hire rentals. Service performance overall has been good throughout the contract.

- 3.2 Today, 75 per cent of TfL's public transport revenue is collected from customers using pay as you go on either contactless or Oyster, and this figure is growing over time. This means that the card reader used by customers to record their journeys is a critical element of the systems maintained by the RCC. This is especially the case on buses where, if the reader is unavailable, there is a direct impact on TfL revenue.
- 3.3 The current readers were installed around 2010 and are now reaching the end of their design life. A project to replace the reader is currently progressing through TfL governance steps, with the business case based on modelling that shows a significant risk of revenue loss on the bus network if action were not taken within the life of the RCC.
- 3.4 One of the salient contingent factors that we are seeking to manage with this extension is the ongoing programme for replacing the card readers. Recent developments mean that the absence of an extension to the RCC would likely jeopardise the competitiveness of the Proteus tender to replace the RCC.
- 3.5 Potential bidders for the RCC successor contract have been asked to assume that they will inherit a new, stable reader on buses, with there being various options for the installation of the less time-critical rail element of the project. This position was based on an early programme for the reader replacement project showing completion of a roll out on buses by July 2025.
- 3.6 Over recent months, due to various factors (including the component supply difficulties arising from the war in Ukraine) it has become apparent that the July 2025 date is not achievable. Taking into account the new information regarding component lead times, TfL is now working with a revised programme targeting completion of the replacement of the bus readers by June 2026.
- 3.7 The contract being proposed under project Proteus to replace the current RCC requires bidders to take responsibility for the operation of our revenue collection systems, including contactless and Oyster. The Oyster system is proprietary to Cubic, although we have full rights to use and modify the system. Through early market engagement, we understand that while there is appetite from potential bidders to operate the revenue collection system, one of the key elements of the future contract is a migration away from the bespoke technology currently used for Oyster, which is approaching 20 years old. Feedback through the early market engagement for Proteus indicates that potential bidders would like to do this as quickly as possible to de-risk the delivery of the services for them.
- 3.8 It is important to the Proteus competition to ensure that we have a demonstrably working reader that the successful bidder can inherit and operate. Any alternative approach would require the Proteus bidders to fully familiarise themselves with the extensive Oyster software before being able to deliver an alternative reader. As well as increasing risk for the bidders, this would likely dampen competition and/or make it more difficult to provide a level playing field for all bidders in the Proteus procurement.
- 3.9 Therefore, the consequences of attempting to transition to a new supplier without a new, stable reader on buses would likely be damaging to the market's appetite for the RCC replacement tender, as non-incumbent bidders would likely struggle

to assess the revenue risk we will be allocating to them (75 per cent of revenue comes through the reader directly due to the demand for pay as you go travel). Furthermore, TfL would face a significant additional risk of revenue loss through an extended programme.

- 3.10 The additional time would also increase competitiveness by allowing Proteus bidders more time and greater interaction with TfL in relation to the current RCC systems (and Cubic's underlying technology), affording TfL more flexibility when shaping key stages of the Proteus procurement programme and de-risking the transition of the services from RCC to Proteus.
- 3.11 It is proposed that TfL enters into a one-year extension to the RCC and the terms proposed are considered reasonable and value for money in the circumstances. In order to maintain the RCC position in relation to RCC asset management and associated risk allocations between TfL and Cubic, this one-year extension requires that TfL funds a number of additional asset health projects for assets that would otherwise reach the end of their useful life between August 2027 and August 2028. This expenditure would be required with a replacement supplier if the one-year extension was not agreed, as asset health would still need to be addressed.
- 3.12 For the purpose of calculating the required level of Procurement Authority, there are a number of business developments and routine works, which will result in adjustments to the revenue collection services during the current term and will extend into the extension period. These initiatives do not currently have detailed requirements, plans or forecast charges and so have not been presented with specific costs, however, the total estimated expenditure is set out in the paper on Part 2 of this agenda. Procurement Authority is being sought now for these initiatives, but any expenditure will be drawn down in line with TfL's financial controls.

4 Financial Implications

- 4.1 Details of the financial implications of the proposal are provided in the paper on Part 2 of this agenda.

List of appendices to this report:

A paper containing exempt supplementary information is included on Part 2 of the agenda.

List of Background Papers:

None

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Finance Committee



Date: 22 June 2022

Item: Speed Awareness Courses Contract Award

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to request the Procurement Authority required for TfL to enter into a contract to provide Speed Awareness Courses (SAC) across London from 6 September 2022 to 5 September 2025.
- 1.2 This contract will facilitate the ongoing commitment by TfL to deliver road safety education through SAC to eligible offenders caught speeding and to further contribute to the safety of London's roads.
- 1.3 A paper is included on Part 2 of the agenda, which contains exempt supplementary information. The information is exempt from publication by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains commercially sensitive information relating to the financial affairs of TfL as well as being legally privileged. Any discussion of that information must take place after the press and public have been excluded from this meeting.

2 Recommendations

The Chair, following consultation with the Committee, is asked to note the paper and the supplementary information in Part 2 of the agenda and:

- (a) **approve Procurement Authority of the amount set out in the paper included on Part 2 of the agenda for the proposed contract for Speed Awareness Courses as described in this paper; and**
- (b) **note that the Speed Awareness Courses contract will have a duration beyond the end of the current TfL Budget, future Business Plans and Budgets will need to provide for the remaining years of operation.**

3 Background

- 3.1 TfL's Compliance, Policing, Operations and Security directorate is responsible for making London's transport system safer and more secure, by working in partnership with TfL's operational businesses and policing partners. TfL directly funds and runs the safety camera technology that operates across the capital to detect offences, and therefore tenders and owns contracts relating to the operation of safety cameras.
- 3.2 The safety camera network contributes significantly to reaching the targets for casualty reduction and the objective to reduce the number of people being killed or seriously injured on London's roads, in line with our Vision Zero goal of

eliminating all deaths and serious injuries from London's transport network by 2041. The safety camera network also contributes significantly to traffic management and keeping traffic moving in a safe, efficient manner.

3.3 TfL therefore has a requirement to offer SAC training to those who are eligible and convicted of a speeding offence, which is the subject of this request. TfL has been offering SAC since 2012.

3.4 A compliant procurement process was followed in accordance with the Public Contract Regulations 2015 utilising the Competitive Procedure with Negotiation. This procedure provided TfL with the option to negotiate with the tenderers to both optimise the solution as well as explore cost savings and secure best value.

4 Financial Implications

4.1 The budget to fund this contract is included in the budget approved by the Board on 28 July 2021.

List of appendices to this report:

A paper containing exempt supplementary information is included on Part 2 of the agenda.

List of Background Papers:

None

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Finance Committee



Date: 22 June 2022

Item: Enterprise Risk Update - Supply Chain Disruption (ER5)

This paper will be considered in public

1 Summary

- 1.1 This paper describes TfL's current position on supply chain disruption following the impact of global supply chain disruptors, including Brexit, the coronavirus pandemic and the Russia-Ukraine conflict. It is an update to the Enterprise Risk Supply Chain Disruption (ER5) papers submitted to Committee on 23 June 2021.
- 1.2 This paper outlines the preventative controls and mitigating actions Procurement & Commercial (P&C) have undertaken to actively manage our supply chain disruption and appropriately reduce risk.
- 1.3 A paper is included on Part 2 of the agenda, which contains exempt supplementary information. The information is exempt 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 supplementary information on Part 2 of the agenda.**

3 Background and Causes

- 3.1 TfL heavily relies on contracted goods, works and services to enable safe and reliable journeys. These goods, works and services are provided by our Tier 1 suppliers and their sub-contractors (the supply chain), many of whom are key to TfL's operations.
- 3.2 Failure to sufficiently identify and appropriately manage supply chain disruption due to global supply chain disruptors could result in an increase in TfL's costs, delays to project delivery and interruption to operational services.
- 3.3 Although our supply chain risks have been identified and are being actively managed, global disruptors still have the potential to cause lasting adverse impact on TfL in the medium to long term (between six and 24 months).
- 3.4 As a result of the coronavirus pandemic, the following factors have caused disruption to the supply chain over the past 12 months:

- (a) a reduction in TfL's cash-flow due to reduced passenger demand has had a disruptive impact on some suppliers;
 - (b) staff illness and absence;
 - (c) unavailability of materials;
 - (d) labour shortages;
 - (e) transportation and logistics disruption;
 - (f) delays to scheduled maintenance; and
 - (g) legislation and guidance introduced by the Government in response to the coronavirus pandemic.
- 3.5 The completion of a Brexit agreement by the Government on 24 December 2020 provided greater assurance on the cost impact and availability of goods and materials. However, some supply chain disruptions remain, including:
- (a) border delays for goods and services from the EU, either directly contracted or part of the supply chain;
 - (b) post-Brexit import arrangements, customs charges and terms;
 - (c) quotas and tariff charges on materials imported to the UK;
 - (d) shortage of non-UK labour sourced from the EU;
 - (e) unavailability of materials;
 - (f) HGV driver shortages;
 - (g) fuel shortages; and
 - (h) energy price increases.
- 3.6 The implementation of full customs controls on 1 January 2022 has worsened disruption from the EU, including increased congestion at ports and has further exacerbated disruption caused by other ongoing global issues.
- 3.7 As a result of the ongoing Russia-Ukraine conflict, the following factors have caused disruption to the supply chain:
- (a) unavailability of materials;
 - (b) transportation and logistics issues;
 - (c) energy price increases;
 - (d) fuel shortages;
 - (e) commodity price increases;

- (f) sanctions on companies with ties to Russia or Belarus; and
 - (g) suppliers cutting ties with Russia and Belarus.
- 3.8 Outside Brexit, coronavirus and the Russia-Ukraine conflict, further key supply chain risks have been identified, including:
- (a) increases in insurance premiums leading to higher pricing, changes to policies and coverage restrictions and cyber security;
 - (b) global logistics pressures, including a lack of empty shipping containers, capacity limits and congestion in shipping ports, record high ocean freight rates and disruption to rail freight shipping routes leading to the disruption of goods and raw materials;
 - (c) climate change increasing the risk of climate related hazards leading to global manufacturing disruptions, increased sourcing costs and fuel stability issues;
 - (d) the impact on the UK economy from high rates of inflation, rises to interest rates, corporate insolvencies, and the possibility of a recession in 2022/23 leading to the increased prices; and
 - (e) TfL's continued short term funding arrangements leading to a negative impact on our suppliers and their sub-contractors.
- 3.9 A number of factors span each of TfL's main supply chain disruptors, exacerbating the risk and requiring significant action to manage these. They include:
- (a) unavailability of materials: Material shortages have been the most disruptive factor of the past year. Analysis of TfL's supply chain indicated significant issues relating to materials shortages or increases in material costs in 2021, which has been exacerbated by the Russia-Ukraine conflict. P&C have managed these issues by working with suppliers to better forecast requirements and increase lead times on impacted materials; However, with costs continuing to rise, TfL is having to work with suppliers to actively manage these cost increases as a result of these material shortages;
 - (b) labour shortages: Many sectors across the UK have experienced labour shortages in the past year with job vacancies reaching a record high of 1.3m in January 2022. Factors such as pandemic related restrictions and post-Brexit changes to immigration rules have exacerbated problems leading to challenges in sourcing staff across TfL's cleaning, security, and call centre contracts. In addition, P&C have also experienced problems in sourcing skilled commercial construction resource; and
 - (c) logistics and transportation: Global logistics have seen unprecedented disruption over the past year. Shipping costs have increased dramatically, stemming from a global shortage in capacity, closure of

ports, congestion and shortage of workers due to coronavirus. With rail and air trade routes significantly impacted by the Russia Ukraine conflict, shipping lead times are unlikely to reduce in the coming months and rates are predicted to remain high in 2022.

- 3.10 TfL currently monitors the financial health of 258 suppliers who are critical to TfL's operations.
- 3.11 Forty-nine of the 258 monitored suppliers (19 per cent) are currently considered to be at high financial risk, decreasing from 22 per cent at the time of the last update.
- 3.12 Substantial government support provided to suppliers throughout the coronavirus pandemic masked the total impact on the financial health of TfL's suppliers following Brexit and the coronavirus pandemic. As government support reduced, TfL saw some disruption arising from Supplier financial difficulties in TfL's Tier one suppliers, however it is assumed that greater impact has been experienced by the wider supply chain (Tiers two and three).
- 3.13 All government coronavirus related financial protections were removed with effect from 1 April 2022, leading to a rise in businesses facing financial distress.
- 3.14 Across the UK the number of voluntary liquidations has doubled in the past year, suggesting that organisations are choosing to close in the face of rising costs. As interest rates rise, this may put even more pressure on indebted businesses.
- 3.15 Failure to identify and respond appropriately to poor Tier 1 supplier financial health could also result in significant disruption to TfL, including further increase to our costs, wider supply chain disruption, project delivery delays and interruption to operational services.
- 3.16 Therefore, TfL's P&C directorate have preventative and corrective controls in place to manage supply chain risk (see section 5 and 6).

4 Consequences

- 4.1 Without preventative controls and processes to effectively manage supply chain risk, TfL would be at risk of adverse operational and financial implications:
 - (a) Increased costs: Increased cost of materials, commodities, finished products, contracted services, customs and tariff costs, labour, energy, shipping, increased insurance premiums, interest rates, inflation and wage growth;
 - (b) Project delivery delays: Project delays due to the unavailability of materials, commodities, finished products and contracted services, shortages of skilled and unskilled labour, transportation and logistics

issues, fuel shortages and border delays on imported goods and materials; and

- (c) Operational services disruption: Disruption to operational services due to the unavailability of materials, commodities, finished products and contracted services, shortages of skilled and unskilled labour, transportation and logistics issues and increased lead times.

5 Preventative Controls

5.1 The following controls and processes have been implemented across all business areas to increase TfL's understanding and management of supply chain risks, issues and financial exposure:

- (a) supply chain risks and issues register with mitigation plans: P&C's risk and issues register continues to be used to capture and manage supply chain risks, issues and mitigation plans. A central view of supply chain risks and issues across the whole organisation allows TfL to gain an understanding of the relative actions required, and the appropriate prioritisation needed to manage these action plans to effectively mitigate risks and issues. The risks and issues register is used in each of the P&C's teams to provide an accurate understanding of supply chain risks and issues in each business area. It is a fundamentally important tool for liaising with business stakeholders to help with the planning and control of mitigating actions being undertaken;
- (b) a supplier financial health monitoring process which includes a ratio to measure a Supplier's financial dependency on TfL (exposure rating): TfL's financial monitoring process continues to be used to proactively highlight high risk suppliers. Alerts are given and contingency plans are being developed where appropriate;
- (c) reporting and executive review: Regular reporting cycles have been established for supply chain risks and issues and supplier financial health. Regular reports are provided to the Chief Procurement Officer and P&C Senior Leadership Team;
- (d) centralised management of supply chain risks within P&C: P&C's approach to monitoring and managing risks is being actively managed by the central Governance and Assurance team, allowing for a consistent approach to risk management and providing guidance and support across the P&C teams;
- (e) commercial lessons learned: P&C undertook a lessons-learned process to identify opportunities to improve the capture, monitoring and management of supply chain risks following Brexit and the coronavirus pandemic and is using those lessons to implement improvements to our wider risk management process;

- (f) commercial guidance: Commercial guidance has been developed to advise the P&C teams on TfL's approach to supply chain issues when engaging with suppliers to ensure organisational consistency;
- (g) Supply Chain Management and Risk Management analytics: analytics reporting has been developed to enable live monitoring and management of risks and issues across P&C allowing for increased engagement with business stakeholders around identification and management of their key risks and issues and appropriate mitigation plans;
- (h) commercial cross cutting meetings: Regular commercial cross cutting meetings are used to identify common risks and issues arising across P&C teams and ensure these are being managed consistently;
- (i) the Governance, Risk and Assurance team within P&C: In the recent P&C transformation the Governance, Risk and Assurance team was established with a dedicated team to support the effective management of risk in P&C;
- (j) supplier communication and engagement: P&C staff are in regular communication with their suppliers to identify and understand the scale of risks and issues;
- (k) engagement and collaboration with industry bodies: The Governance, Risk and Assurance team regularly engages with industry bodies and trade associations, of which a number of TfL suppliers are members, to understand the current and future perception of risk in these industries, provide updates and ensure regular engagement;
- (l) Cabinet Office and Department for Transport (DfT) engagement and collaboration: The P&C team regularly engage with the DfT, attending their Strategic Supplier Working Group and working collaboratively to share non-confidential information on suppliers' financial standing and best practice;
- (m) Bus operator engagement and mutual aid: The contracted bus operators and thus their supply chains are managed through their full life cycle by the Bus Operations team. The integrated and continuous tendering process ensures strong oversight of financial stability and performance of the bus operators themselves. Regular TfL / bus operator engagement ensure there are opportunities to flag and share concerns over supply issues. The Bus Operations team have used those forums to effectively manage supply risks ahead of Brexit, during fuel shortages and the pandemic, and where risks and issues are identified, 'mutual aid' is used to minimise the impact of supply chain disruption; and
- (n) Crossrail procurement processes: In order to mitigate delays due to Brexit import issues, Crossrail developed new procurement processes which have helped to speed up the customs imports of plant and materials.

6 Corrective Controls

- 6.1 Supplier insolvency: TfL has noted disruption from the supply chain due to the removal of the government's financial support provided during the Coronavirus pandemic. However, at present this has not been as substantial as originally thought, with only one of TfL's monitored suppliers going into administration. A greater number of suppliers have improved their financial position following end of year results.
- 6.2 Many suppliers are yet to submit accounts that cover the peak of the pandemic and it is too early to observe the financial impact of the Russia-Ukraine conflict.
- 6.3 In order to understand the full financial impact on TfL's supply chain, we must further develop our understanding of both TfL's tier 1 suppliers and in the wider supply chain (tiers 2 and 3).
- 6.4 We continue to monitor its supply chain and where a risk of insolvency is identified, this is communicated to the relevant P&C teams as well as the wider business, and contingency plans are developed and implemented where necessary.
- 6.5 Supply chain risks and issues register: Implementation across all P&C staff has been successfully executed resulting in full visibility of TfL's supply chain risks and issues. These are regularly reviewed along with the assigned mitigation plans.
- 6.6 Crossrail risk management: Crossrail have seen an impact from the supply chain disruptors listed above and have managed these through contracts by agreeing long term realistic end dates via the Workforce Plan and contractor resource schedule rather than numerous incremental extensions in order to give staff greater certainty. However, notwithstanding these effects, the position has been managed successfully to allow the central section of the Elizabeth line to go live to the public on 24 May 2022.

7 Actions

- 7.1 An in depth review of TfL's risk exposure from the Russia-Ukraine conflict is ongoing and outputs will be shared with relevant stakeholders across TfL.
- 7.2 P&C will consider opportunities to prioritise and increase TfL's regional or local supply chains in the medium to long term. Whilst more local supply may not be available for raw materials and commodities, prioritising regional and local supply chains where possible could support the growth of UK industries and reduce the risk from global disruptors including shipping delays and the ongoing impact of the coronavirus pandemic particularly across Asia. Any such prioritisation will be subject to compliance with procurement regulations.
- 7.3 Work is ongoing to develop a process to ensure risks and issues aligned to all commercial contracts are consistently captured and recorded as a standard process in P&C.

- 7.4 Ongoing collaboration continues to take place across P&C with TfL's operational business areas and with professional support from legal and finance teams to develop contingency plans for all financially high risk suppliers.
- 7.5 SAP Ariba, an end to end procurement software solution, is being implemented across P&C including a risk management tool that will support the management of supply chain risks and issues.
- 7.6 A Supplier Relationship Management programme is being implemented by the Capability and Supplier Management team in P&C, developing strong supplier relationships with TfL's key suppliers focusing on collaboration, risk identification and mitigation, cost reduction and strategic value enhancement across core contracts.

List of appendices to this report:

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

List of Background Papers:

None

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Finance Committee



Date: 22 June 2022

Item: **Members' Suggestions for Future Discussion Items**

This paper will be considered in public

1 Summary

- 1.1 This paper presents the current forward plan for the Committee and explains how this is put together. Members are invited to suggest additional future discussion items for the forward plan. Members are also invited to suggest items for future informal briefings.

2 Recommendation

- 2.1 **The Committee is asked to note the forward plan and is invited to raise any suggestions for future discussion items for the forward plan and for informal briefings.**

3 Forward Plan Development

- 3.1 The Board and its Committees and Panels have forward plans. The content of the plans arise from a number of sources:
- (a) Standing items for each meeting: Minutes; Matters Arising and Actions List; and any regular quarterly or periodic reports. For this Committee, these are the Finance Report and Group Treasury Activities.
 - (b) Regular items (annual, half year or quarterly) which are for review and approval or noting: Examples for this Committee include the Prudential Indicators Outturn.
 - (c) Matters reserved for annual approval or review: Examples include the Treasury Management Strategy and policies on derivative investments.
 - (d) Programmes, Projects and Land Transactions at a level requiring Committee approval or review prior to Board approval. These are scheduled following advice from the operating business.
 - (e) Items requested by Members: The Deputy Chair of TfL and the Chair of this Committee will regularly review the forward plan and may suggest items. Other items will arise out of actions from previous meetings (including meetings of the Board or other Committees and Panels) and any issues suggested under this agenda item.

4 Current Plan

- 4.1 The current plan is attached as Appendix 1. Like all plans, it is a snapshot in time and items may be added, removed or deferred to a later date.

List of appendices to this report:

Appendix 1: Finance Committee Forward Plan

List of Background Papers:

None

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Finance Committee Forward Plan 2022/23

Membership: Anne McMeel (Chair), Ben Story (Vice-Chair), Prof Greg Clark CBE, Seb Dance, Anurag Gupta and Dr Nina Skorupska CBE

Abbreviations: CCO (Chief Capital Officer), CFO (Chief Finance Officer), CTO (Chief Technology Officer), D (Director), CCSO (Chief Customer and Strategy Officer), Comm Dev (Commercial Development), CSHEO (Chief Safety, Health and Environment Officer), GC (General Counsel)

6 October 2022		
Use of Delegated Authority	GC	To note.
Finance Report	CFO	To note.
TfL Prudential Indicators Outturn	CFO	To note.
Treasury Activities	CFO	To note.
Taxi Fares and Tariffs Update	GC	To note.
Procurement Strategy on Major Contracts	CCO	To note.
Enterprise Risk Update – Financial Sustainability (ER7)	CFO	To note.

23 November 2022		
Use of Delegated Authority	GC	To note.
Finance Report	CFO	To note.
TfL Business Plan 2022/23	CFO	To recommend Board approval.
TfL Capital Strategy 2022/23	CFO	To recommend Board approval.

Finance Committee Forward Plan 2022/23

General Fund Balance – deferred from March 2021	CFO	To approve.
Enterprise Risk Update – Changes in Customer Demand (ER9)	CCSO	To note.

8 March 2023		
Use of Delegated Authority	GC	To note.
Finance Report	CFO	To note.
Treasury Activities	CFO	To note.
Treasury Management Strategy 2023/24	CFO	To approve (delegated by the Board).
Treasury Management and Derivative Investments Policies 2023/24	CFO	To approve (delegated by the Board).
General Fund Balance	CFO	To approve.
TfL Budget 2023/24 - informal	CFO	To note and recommend Board approval.
TfL Prudential Indicators 2023/24 to 2025/26 - informal	CFO	To note and recommend Board approval.
TfL Investment Management Strategy 2023/24 – Non-Financial Assets	D Comm Dev	To note and recommend Board approval.

Regular items:

- Use of Delegated Authority (covers Chair's Action, Procurement Authority etc.) (GC)
- Finance Report (progress against budget including revenue generation targets like fares and Commercial Development activities) (CFO)
- Business Plan (annual – November) (CFO)
- Capital Strategy (annual – November) (CFO)
- Budget (annual informal – March) (CFO)
- Prudential Indicators Outturn (outcome from previous year – October) (CFO)

Finance Committee Forward Plan 2022/23

- Prudential Indicators (setting for current year - annual informal - March) (CFO)
- Treasury Activities (semi-annual – October and March) (CFO)
 - Additional updates to be provided where necessary
- Treasury Management Strategy (annual – March) (CFO)
- Treasury Management and Derivative Investments Policies (annual – March) (CFO)
- Developer Income (MCIL/CIL/s.106) (annual – June) (D City Planning)
- Enterprise Risk Update – Supply Chain Disruption (ER5) (annual – June) (CCO)
- Enterprise Risk Update – Financial Sustainability (ER7) (annual – October) (CFO)
- Enterprise Risk Update – Changes in Customer Demand (ER9) (annual – November) (CCSO)

Additional items to be scheduled:

- Spending Review Issues (e.g. Business Rates Devolution) (CFO)
- Income Generation Proposals (CFO & CCSO)
- Securing New Income Streams (CFO & CCSO)
- TfL Strategy on Working Capital
- Commercial Development: Royal Oak
- Southwark Station Development Update
- Victoria Coach Station
- App Based Culture – paper to cover TfL perspective on the strategy, plans and issues for TfL e.g. TPH regulation
- Applied Solutions – pending the outcome of review on Consulting (D Comm Dev)
- Cubic and NY RUC Bid (D Strategy & CTO)

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