MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Agenda

Meeting: Finance Committee

Date: Thursday 6 October 2022

Time: 10:00am

Place: Conference Rooms 1 and 2, Ground Floor, Palestra, 197 Blackfriars Road, London, SE1 8NJ

Members

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

Government Special Representative
Becky Wood

Copies of the papers and any attachments are available on tfl.gov.uk How We Are Governed.

This meeting will be open to the public and webcast live on TfL YouTube channel, except for where exempt information is being discussed as noted on the agenda.

There is access for disabled people and induction loops are available. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available on www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Jackie Gavigan, Secretariat Manager; email: v_JackieGavigan@tfl.gov.uk

For media enquiries please contact the TfL Press Office; telephone: 0343 222 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Wednesday 28 September 2022

Agenda
Finance Committee
Thursday 6 October 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 22 June 2022
(Pages 1 - 12)

General Counsel

The Committee is asked to approve the minutes of the meeting of the Committee held on 22 June 2022 and authorise the Chair 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 - 82)

General Counsel

The Committee is asked to note the paper.

6 Finance Report (Pages 83 - 108)

Chief Finance Officer

The Committee is asked to note the report.

7 Prudential Indicators - Outturn for the year ending 31 March 2022 (Pages 109 - 114)

Chief Finance Officer

The Committee is asked to note the paper.

8 Treasury Activities (Pages 115 - 120)

Chief Finance Officer

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

9 GLA Investment Fund (Pages 121 - 122)

Chief Finance Officer

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

10 Taxi Fares and Tariffs Update (Pages 123 - 128)

General Counsel

The Committee is asked to note the paper.

11 Crossrail Asset Restructuring (Pages 129 - 134)

Chief Finance Officer

The Committee is asked to note the paper and, subject to receipt of the necessary consents from the Secretary of State, to approve the grant of Procurement Authority, to approve the disposal by Crossrail Limited of the Crossrail Central tunnel Operating Section asset and related station infrastructure assets to fellow subsidiary undertakings of Transport Trading Limited, and to approve the grant of Land Authority.

12 Premises and Fabric Maintenance for Elizabeth Line (Pages 135 - 136)

Director, Elizabeth Line

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

13 Connect Contract Extension (Pages 137 - 140)

Director of Strategy and Chief Technology Officer

The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda, to grant additional Procurement Authority and to grant additional Programme and Project Authority.

14 Bus Shelter Advertising Concession (Pages 141 - 142)

Director, Customer and Revenue

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

15 Members' Suggestions for Future Discussion Items (Pages 143 - 148)

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.

16 Any Other Business the Chair Considers Urgent

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

17 Date of Next Meeting

Wednesday 23 November 2022 at 10.00am.

18 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

19 Treasury Activities (Pages 149 - 154)

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

20 GLA Investment Fund (Pages 155 - 170)

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

21 Premises and Fabric Maintenance for Elizabeth Line (Pages 171 - 172)

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

22 Connect Contract Extension (Pages 173 - 174)

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

23 Bus Shelter Advertising Concession (Pages 175 - 184)

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

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Transport for London

Minutes of the Finance Committee

Teams Virtual Meeting
10.00am, Wednesday 22 June 2022

Members of the Committee
Anne McMeel (Chair)
Prof. Greg Clark CBE
Seb Dance
Anurag Gupta
Dr Nina Skorupska CBE

Government Special Representative
Becky Wood

Board Members also in attendance
Julian Bell
Bronwen Handyside
Marie Pye
Peter Strachan (except for Minute 28/06/22)

Executive Committee

Andy Byford	Commissioner
Howard Carter	General Counsel
Stuart Harvey	Chief Capital Officer

Staff

Andrew Anderson	Head of Payments Products Transformation
Fiona Brunskill	Director of People and Culture Change
Graeme Craig	Director, Commercial Development
Patrick Doig	Group Finance Director and statutory Chief Finance Officer
Sarah Gasson	Chief of Staff, Commissioner
Jackie Gavigan	Secretariat Manager
Charlotte Gohil	Commercial Manager – Vehicles Category
Laura Grant	Head of Procurement Professional Services
Joanna Hawkes	Director of Corporate Finance
Philip Hewson	Head of Procurement, Strategy and Performance
Lorraine Humphrey	Director of Risk and Assurance
Shamus Kenny	Head of Secretariat
Emma Lucas	Chief of Staff, Chief Finance Officer
Pritesh Patel	Head of Financial Planning and Analysis
Jonathan Patrick	Chief Procurement Officer
Stuart Reid	Head of Insights and Direction
Rajiv Sachdeva	Interim Group Finance Director
Shashi Verma	Director of Strategy and Chief Technology Officer
Alex Williams	Director of City Planning
Ken Youngman	Divisional Finance Director, Commercial Development

19/06/22 Apologies for Absence and Chair's Announcements

The Chair welcomed everyone to the meeting which was held virtually to avoid any potential disruption to travel arrangements due to the industrial action on the railway network during that week. As the meeting was not held in person, all decisions would be taken using Chair's Action.

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.

Howard Carter reported that an apology for absence had been received from Ben Story. Julian Bell, Bronwen Handyside, Marie Pye and Peter Strachan were attending as members of the Board.

The Chair confirmed that under section 100B(4)(b) of the Local Government Act 1972, she had agreed that the late item for the agenda that was published on 17 June 2022 would be considered as a matter of urgency. The item was the Finance Report – Period 2, 2022/23 and was accepted as urgent to allow for the latest financial information available to be provided.

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.

20/06/22 Declarations of Interests

Since the last meeting of the Committee, and as reported to the Board on 8 June 2022, there had been two changes to declarations made by Members:

1. Professor Greg Clark CBE had stepped down from his role at HSBC Group on 26 May 2022; and

2. Ben Story had started a new role as Chief Operating Officer of Sustainable Development Capital LLP, at the start of May 2022.

For transparency, Peter Strachan declared a potential conflict of interest due to his role as a Board Member of UKROEd (UK Road Offender Education), which was included in his declarations of interest. On that basis, he would leave the meeting and not take part in the Committee discussion of agenda Items 10 and 18, Speed Awareness Courses Contract Award.

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.

21/06/22 Minutes of the Meeting of the Committee held on 9 March 2022

The Chair, following consultation with the Committee, approved the minutes of the meeting of the Committee held on 9 March 2022 as a correct record and would sign them at a later date.

22/06/22 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.

23/06/22 Use of Delegated Authority

Howard Carter introduced the paper. Members noted that, since the meeting on 9 March 2022, there had been four uses of Chair's Action: one relating to the Actuarial Valuation of the TfL Pension Fund; and three contract extensions for Cleaning Services, iBus, and Mechanical and Electrical Maintenance Services. There had been 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.

There had been no approval of Procurement Authority by the Chief Finance Officer nor any approval of Land Authority by the Commissioner or the Chief Finance Officer. There had also been no Mayoral Directions to TfL within the remit of the Committee.

During the recent consultations with Members on the extension of contracts through the use of Chair's Action, Members had requested a report on the overall procurement strategy on the major contracts with expiry dates within the next two years and this had been added to the forward plan for the next meeting of the Committee on 6 October 2022.

Regarding the Cleaning Services Contract Extension, which was approved by the use of Chair's Action on 28 March 2022, Board Member Bronwen Handyside asked if there was any option for the decision to be brought back to the Board, using the three-month break clause in the contract, with a view to bringing the cleaning services back in-house. The National Union of Rail, Maritime and Transport Workers (RMT) had said that it was not involved in the consultation of the review process in a meaningful way or given the opportunity to make alternative proposals. There had also been no update on the review of free travel for cleaners.

Howard Carter confirmed that the use of Chair's Action was sometimes necessary if a decision was urgent and needed to be taken before the next scheduled meeting of the Committee. The decision to approve the cleaning services contract extension had been taken correctly by Chair's Action, with Members given the opportunity to comment and the outcome of the decision reported to the Board. There were various types of delegations set out in TfL's Standing Orders and a summary note would be sent to Committee Member Anurag Gupta. **[Action: Howard Carter]**

Jonathan Patrick confirmed that, following the approval by Chair's Action, the contract had been extended and outsourced for a further three years.

Fiona Brunskill confirmed that the team had met with the RMT on three occasions to discuss the details of the review process and that there was a significant cost to bringing the cleaning services in-house. The contract had already been reviewed at the point of the three-month break clause and the decision was made to extend for a further three years. Work would begin in 18-months' time to prepare for the review ahead of the next break clause and TfL would continue to keep the contract under review, as it did for all large contracts.

Seb Dance said that he would be keen to see any alternative proposals that did not increase the financial pressure on TfL, at a time when resources were very limited and all expenditure was being examined.

Fiona Brunskill confirmed that, once the travel review for cleaners was concluded, the outcome would be presented back to the appropriate parties. **[Action: Fiona Brunskill]**

The Committee noted the concerns and issues raised by Bronwen Handyside in relation to the extension of the cleaning services contract, which reinforced the concerns shared by Members on the need to limit the use of Chair's Action to agree contract extensions to allow their debate at Committee meetings. The issues would be addressed as part of the overall procurement strategy on major contracts report that would be brought to the next meeting of the Committee. **[Action: Jonathan Patrick]**

The Committee noted the paper.

24/06/22 Finance Report – Period 2, 2022/23

The Chair had agreed to the late publication of the paper, to allow for the latest financial information available to be provided.

Patrick Doig and Pritesh Patel introduced the report, which set out TfL's financial results to the end of Period 2, 2022/23 – the year-to-date period ending 28 May 2022.

TfL was on target to deliver the Budget approved by the Board on 23 March 2022, including meeting the declining trajectory of Government support required due to the coronavirus pandemic, and therefore on track to achieve financial sustainability by April 2023 as required by Government.

Although TfL was on a declining trajectory of Government revenue support required due to the pandemic, £1.2bn of Government revenue support was still required this financial year. Of this, £0.3bn was secured in the last funding agreement to 24 June 2022 so TfL needed to secure around £900m for the remainder of the financial year.

TfL also needed to secure longer-term capital funding from Government. Without long-term capital funding an approach of managed decline saw deteriorating asset conditions and no new enhancement schemes beyond those already underway and those required to be compliant with safety and other statutory regulations. Managed decline also meant very significant service reductions, specifically an 18 per cent reduction of the bus network and a nine per cent reduction on the Underground.

Results showed TfL was on track through a combination of increasing income and careful cost control, which was reducing net cost of operations. Passenger income was in line with Budget with journeys at 77 per cent of pre-pandemic levels, which was up from 68 per cent at the end of the last financial year. The opening of full Elizabeth line services on 24 May 2022 showed Elizabeth line journeys were up two million, a 50 per cent increase from Period 1, 2022/23. The opening week had significant interest and more data was required to observe the underlying trends. Other operating income including Road User Charging income, advertising and property was £14m better than Budget, mainly from higher advertising revenue.

Total operating costs showed an overall variance of just £3m on £1.1bn of costs to date, although there were some headwinds of almost £20m from bad debt pressures. Inflation pressures were also crystallising on some rail contracts, which had been offset by one-off savings so far. Like-for-like operating costs in real terms were down on the same period time last year, showing the continued progress made in keeping the cost base as low as possible.

Total capital expenditure, including renewals and new capital investment to enhance the network, was just £5m or three per cent higher than Budget, with some acceleration of programmes to earlier in the year. This demonstrated the strength of delivery despite the challenges of short-term funding agreements.

Based on the current funding agreement, TfL was managing cash to an average level of £1.2bn. Cash balances were just over £1.1bn, slightly lower than Budget, largely a result of a delayed payment of Government extraordinary revenue grant.

TfL was facing some significant external headwinds and risks which were starting to emerge. The Budget assumed further journey growth over the coming year but continued industrial action disruption and the cost of living crisis would likely cause a downward pressure on demand, with post-pandemic travel patterns and new behaviours not yet clear. Reduced volumes on both Congestion Charging and Ultra Low Emission Zone payment rates were leading to a higher level of bad debt, likely driven by cost of living challenges and increasing fuel prices. Inflation continued to increase beyond budget assumptions and the UK economy had contracted for the last two months, with higher inflation starting to emerge in some of TfL’s supply chain contracts.

TfL had worked diligently and tirelessly to ensure that it met the conditions that came with the Government funding, including setting a path back to financial sustainability by April 2023. At the time of the Committee meeting, the current funding settlement was due to expire on 24 June 2022 and an extension was expected to be agreed to allow discussions to conclude. Members would continue to be kept updated on progress.

The Committee noted the report.

25/06/22 Update on Income from Developers Through Planning Obligations and Other Funding Mechanisms to Deliver TfL Transport Priorities

Alex Williams introduced the paper, which provided an update for the 2021/22 financial year on the Mayoral Community Infrastructure Levy (MCIL) income, which supported the delivery of the Elizabeth line, and an overview of other developer contributions that had been secured to contribute towards the delivery of the Mayor's Transport Strategy (MTS).

During the year, TfL secured: £143m in MCIL, £66m in Section 106 agreements, £26m in Section 278 agreements, and the boroughs had reported on £187m in Borough Community Infrastructure Levy (BCIL), much of which was expected to be spent on transport and public realm.

Income from developers had shown some positive signs of recovery, with MCIL receipts being the highest since collecting began. BCIL income had fallen during the coronavirus pandemic, albeit expenditure by the boroughs had been steady for two years running with 60 per cent of income spent, a positive trend given historical problems with establishing governance and having shovel-ready projects to spend income on. TfL had leveraged third-party funding through its work, including via the Growth Fund (£100m), the Levelling Up Fund (£66m), the Housing Infrastructure Fund (£361m), and the Royal Docks Enterprise Zone (£35m). TfL had also secured funding for feasibility studies for both the Docklands Light Railway extension to Thamesmead and the West London Orbital railway.

Given TfL's financial situation as a result of the pandemic, it was more reliant on these sources of income to continue to develop much-needed transport schemes that mitigated and drove growth, and enabled it to deliver the MTS and London Plan.

The context for developer funding could change significantly in future, under the Government's intention to proceed with a new Infrastructure Levy, which would replace the CIL and Section 106 systems. Proposals indicated that MCIL would be retained but BCIL would be replaced by the new levy. While Section 106 could remain for the largest developments, there would be new, complex arrangements that would likely make it more difficult to secure infrastructure to make developments sustainable, workable, and acceptable to Londoners.

The detail of the proposals and wider implications for TfL were still being clarified. There was a risk that the availability of funding for transport was reduced, particularly given that affordable housing was proposed to be part of the new levy and likely to be a high priority for most local authorities. Further detail of how the levy would operate in practice would be set out in draft regulations expected in 2023. The Committee would continue to be kept updated of any significant changes.

Alex Williams would check and inform Prof. Greg Clark CBE whether the revenues generated from development activity under the Infrastructure Levy would be retained in the local authority they related to. **[Action: Alex Williams]**

The Committee noted the paper.

26/06/22 Funding Update on TTL Properties Limited

Graeme Craig and Joanna Hawkes introduced the paper and related supplementary information on Part 2 of the agenda, which provided an update on the assurance work undertaken since the last meeting. TTL Properties Limited (TTLP) would operate as a financially independent company within TfL with a committed three-year, non-recourse revolving credit facility for up to £200m. As a non-recourse facility, TfL had no obligation to support TTLP and the lenders had no claim on TfL but, in extremis, TfL would need to be prepared to let TTLP fail, which could mean the loss to the TfL Group of some or all of the assets vested in TTLP.

Affordability analysis had demonstrated that TTLP could operate without financial support from TfL. TTLP was a viable and sustainable business with mitigating options that would ensure it would not fail even under multiple stress scenarios. To facilitate the non-recourse nature of the funding, several existing guarantees would need to be removed or not renewed.

The paper sought approval for a bespoke TTLP Treasury Management Strategy and Policy, which was a matter reserved to the Committee. The proposed policy set out how TfL would continue to manage the funding, liquidity and cash arrangements for TTLP, albeit with cash managed on a segregated basis and within revised authority limits and tighter liquidity requirements. The appendix to the paper had been republished as one combined appendix containing both the Treasury Management Strategy and the Treasury Management Policies for TTLP. Both documents were unchanged from the drafts published and considered by the Committee at its meeting on 9 March 2022.

The paper also sought approval for the proposed dividend policy: that 100 per cent of all operating profit would be returned to TfL as a dividend. Funds from any capital disposal and Joint Venture dividends would be recycled into the TTLP business. An update on governance, insofar as this related to the debt funding, was included and a fuller update would be provided to the Land and Property Committee at its first meeting on 30 June 2022.

With commercial funding in place, TTLP would be able to build dozens of medium-density, high-amenity, high-accessibility, low-carbon developments across the capital. TTLP would 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. TTLP would also generate a growing dividend of tens of millions of pounds a year to TfL, and manage an asset base whose value would double to £4bn in a decade. TTLP would do so while taking no funding from TfL and assuming no direct grant funding from Government.

The Chair, following consultation with the Committee, noted the paper and the exempt supplementary information in Part 2 of the agenda and:

1 approved the Treasury Management Strategy and Policy for TTL Properties Limited (TTLP), as attached in Appendix 1;

2 endorsed TTLP entering into the non-recourse revolving credit facility for up to £200m, as described in the paper, approval to be sought from the TfL Chief Finance Officer in accordance with the Treasury Management Strategy and Policy for TTLP (approved above);

3 approved 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 the paper;

4 approved the issuance of new guarantees, for the current financial year and subsequent years, and approved Land Authority for the provision by TTLP in respect of any of its subsidiaries (whether presently existing or to be formed) of:

(a) 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

(b) guarantees under section 479C of the Companies Act 2006; and

5 approved the dividend policy for TTLP described in the paper.

27/06/22 Revenue Collection Contract Extension

Shashi Verma introduced the paper and related supplementary information on Part 2 of the agenda, which sought additional Procurement Authority for the extension of the Revenue Collection Contract (RCC). The RCC was let to Cubic Transportation Systems Limited, with an initial term of seven years commencing 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 in an orderly and prudent manner, in particular to manage the various contingent factors that would affect market engagement and potentially bidder solutions, it was now proposed that the RCC be extended by a further year to August 2026.

The Oyster readers were a critical component of the revenue collection system and had performed well since their installation in 2011. They were coming to the end of their design life and needed to be replaced to mitigate the risk to TfL's revenue collection. There was a programme in place to replace the multi-application readers, however external factors such as the semi-conductor shortages exacerbated by the war in Ukraine meant it had become apparent that the August 2025 delivery date was not achievable and a one-year extension on this was proposed.

The RCC was one of TfL's biggest outsourced contracts and the programme in place ensured the contract remained competitive. A critical factor at the point of transition was the need to provide the incoming contractor with a clean system of new, stable readers to retain the competitiveness of the tender to the market, so the terms of the proposed extension were considered reasonable and value for money in the circumstances. The Committee would be kept updated on the wider procurement process around the RCC.

[Action: Shashi Verma]

The Chair, following consultation with the Committee, noted the paper and the supplementary information in Part 2 of the agenda and:

1 approved 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 (RCC), as described in the paper; and

2 noted that, as extended, the RCC 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.

28/06/22 Speed Awareness Courses Contract Award

Peter Strachan declared a potential conflict of interest in this item due to his role as a Board Member of UKROEd (UK Road Offender Education), which was included in his declarations of interest. He left the meeting and took no part in the discussion of this item.

Stuart Harvey and Laura Grant introduced the paper and related supplementary information on Part 2 of the agenda, which sought Procurement Authority for TfL to enter into a contract to provide Speed Awareness Courses (SAC) across London from 6 September 2022 to 5 September 2025.

The contract would 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.

The safety camera network to detect offences contributed 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 TfL's Vision Zero goal of eliminating all deaths and serious injuries from London's transport network by 2041. The safety camera network also contributed significantly to traffic management and keeping traffic moving in a safe, efficient manner.

TfL had a requirement to offer SAC training to those who are eligible and convicted of a speeding offence and had been offering SAC since 2012. It operated as a cost recovery opportunity for TfL to reinvest in safety camera operations. The contract had been competitively tendered under procurement regulations and the preferred vendor outlined, based on the most economically advantageous tender, which was a move away from incumbent supplier. It was a three-year contract with a two-year extension, with a clear rebate mechanism and termination of convenience clause that could be exercised by TfL.

The Chair, following consultation with the Committee, noted the paper and the supplementary information in Part 2 of the agenda and:

1. **approved 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 (SAC), as described in the paper; and**

2. **noted that the SAC 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.**

29/06/22 Enterprise Risk Update – Supply Chain Disruption (ER5)

Stuart Harvey and Philip Hewson introduced the paper and related supplementary information on Part 2 of the agenda, which provided an update on Enterprise Risk 5 - Supply Chain Disruption. It outlined TfL's current position on supply chain disruption following the impact of global supply chain disruptors, including Brexit, the coronavirus pandemic and the Russia-Ukraine conflict.

It outlined the preventative controls and mitigating actions the Procurement & Commercial team had undertaken to actively manage the supply chain disruption and appropriately reduce risk.

It was an important time to look at this Enterprise Risk as TfL was starting to see impacts in the supply chain such as logistics issues, lack of availability of materials, labour shortages and inflation effects. Work on supplier relationship management was enabling TfL to develop strong relationships to support suppliers.

TfL had been dealing with the effects of the risks posed by the pandemic for the last three years and had successfully repurposed the established risk process for Brexit to deal with the effects. There were still supply chain issues arising from the pandemic, particularly with supply from the Far East and China. Residual risks and effects from Brexit remained in certain supply chains, such as trams which were manufactured and had parts reconditioned in Austria.

TfL was in a strong position working alongside its suppliers, other industry groups and Government to understand the nature of the risks and the measures to take to deal with supply chain disruption. As a result of the recent establishment of the Procurement & Commercial function, TfL had a governance, risk and assurance function that specifically looked at the broader range of risks, such as supply financial risks and commercial risks as they emerged. This approach ensured that risks were understood and treated consistently, and suppliers were treated equitably, using an holistic approach to risk management.

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

30/06/22 Members' Suggestions for Future Discussion Items

Howard Carter introduced the item. It was suggested that, as high inflation continued and the general business environment weakened, plus the delay in the funding settlement from Government, some analysis on the potential adverse rating reactions and what the adverse consequences might be for TfL be added to the forward plan for future discussion at an appropriate date. **[Action: Patrick Doig / Secretariat]**

No other suggestions were raised for future discussion items on the forward plan or for informal briefings.

The Committee noted the forward plan.

31/06/22 Any Other Business the Chair Considers Urgent

There was no other urgent business.

32/06/22 Date of Next Meeting

The next scheduled meeting of the Committee would be held on Thursday 6 October 2022 at 10.00am.

33/06/22 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: Funding Update on TTL Properties Limited; Revenue Collection Contract Extension; Speed Awareness Courses Contract Award; and Enterprise Risk Update – Supply Chain Disruption (ER5).

The meeting closed at 12.30pm.

Chair: ___________________________________

Date: ____________________________________

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Finance Committee

Date: **6 October 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
Email: HowardCarter@tfl.gov.uk

Appendix 1

Finance Committee Actions List (to be reported to the meeting on 6 October 2022)

Actions from the meeting held on 22 June 2022

Minute No.	Item/Description	Action By	Target Date	Status/Note
23/06/22 (1)	**Use of Delegated Authority – Delegations in Standing Orders Summary Note** The decision to approve the cleaning services contract extension had been taken correctly by Chair's Action, with Members given the opportunity to comment and the outcome of the decision reported to the Board. There were various types of delegations set out in TfL's Standing Orders and a summary note would be sent to Committee Member Anurag Gupta.	Howard Carter	July 2022	**Completed:** The delegations summary note was sent on 29 July 2022.
23/06/22 (2)	**Use of Delegated Authority – Review of Travel Concessions for Cleaning Contractors** Fiona Brunskill confirmed that, once the travel review for cleaners was concluded, the outcome would be presented back to the appropriate parties.	Tricia Wright/ Fiona Brunskill	October 2022	**Completed:** The Mayor has made an announcement on 25 September 2022 on changes to travel concessions and this is being progressed.

23/06/22 (3)	**Use of Delegated Authority – Overall Procurement Strategy on Major Contracts** The Committee noted the concerns and issues raised by Bronwen Handyside in relation to the extension of the cleaning services contract, which reinforced the concerns shared by Members on the need to limit the use of Chair's Action to agree contract extensions to allow their debate at Committee meetings. The issues would be addressed as part of the overall procurement strategy on major contracts report that would be brought to the next meeting of the Committee.	Stuart Harvey	November 2022	On the forward plan for the meeting of the Committee on 23 November 2022.
25/06/22	**Update on Income from Developers Through Planning Obligations and Other Funding Mechanisms to deliver TfL Transport Priorities** Alex Williams would check and inform Prof. Greg Clark CBE whether the revenues generated from development activity under the Infrastructure Levy would be retained in the local authority they related to.	Alex Williams	September 2022	**Completed:** Confirmation that the income from the Infrastructure Levy would be retained by the local authority where it was generated was sent on 27 September 2022.
27/06/22	**Revenue Collection Contract Extension** The Committee would be kept updated on the wider procurement process around the Revenue Collection Contract (RCC).	Shashi Verma	November 2022	A Market Briefing event in July 2022 was well attended and well received by potential bidders. Commencement of the procurement process for the successor contract remained on target for early November 2022.

30/06/22	**Members' Suggestions for Future Discussion Items: TfL's Credit Rating** It was suggested that, as high inflation continued and the general business environment weakened, plus the delay in the funding settlement from Government, some analysis on the potential adverse rating reactions and what the adverse consequences might be for TfL, be added to the forward plan for future discussion at an appropriate date.	Patrick Doig/ Secretariat	November 2022	This will be address in the papers for the meeting of the Committee on 23 November 2022.

Actions from previous meetings

Minute No.	Item/Description	Action By	Target Date	Status/Note
11/03/22	**Independent Investment Programme Advisory Group Procurement Process Review** 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.	Lorraine Humphrey/ James Norris	October 2022	**Completed:** Benchmarking has been undertaken and it is proposed that, when a procurement action of sufficiently high value or risk is next undertaken by TfL, Project Assurance (PA) will use similar best practice approaches identified during the benchmarking activity.
13/03/22	**Taxi Fares and Tariffs Update** 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.	Howard Carter	October 2022	**Completed:** The update paper on the impact of the fare changes is on the agenda for this meeting.

63/11/21	**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.	Alex Williams	November 2022	On the forward plan for the meeting of the Committee on 23 November 2022.

Finance Committee

Date: **6 October 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 22 June 2022, there has been:

(a) five uses of Chair's Action since the last meeting:

(i) three in relation to extensions to the funding settlement with Government (prior to a long-term settlement being agreed by the Board on 30 August 2022);

(ii) one in relation to changes to the Santander Cycles – 2022 Scheme Tariff Change; and

(iii) one in relation to extending the terms of the Elizabeth line Concession Agreement by two years;

(b) five uses of Procurement Authority or Land Authority by the Commissioner or the Chief Finance Officer; and

(c) two Mayoral Directions to TfL in relation to: revision of the Mayor's Transport Strategy (MTS) and road-user charging guidance; and September 2022 fares revision.

1.3 Similar papers are submitted to the Land and Property Committee and 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 the remit of those Committees, 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 five uses of Chair's Action since the last meeting. Three in relation to extensions to the funding settlement with Government (prior to a long-term settlement being agreed by the Board on 30 August 2022), one in relation to changes to the Santander Cycles – 2022 Scheme Tariff Change and one in relation to extending the terms of the Elizabeth line Concession Agreement by two years.

Funding

4.3 Following the meeting of the Committee on 22 June 2022, a letter was received from the Department for Transport (DfT) proposing a further extension of the funding arrangements on the same terms up to 13 July 2022. The letter set out the Government's rationale for the extension.

4.4 On 23 June 2022, a paper was issued to Members. The Chair, in consultation with available Members of the Board, noted the paper and, subject to receipt of a signed letter from the Secretary of State in the terms described in the paper, accepted the recommendation of a further extension to the funding agreement with the DfT for TfL to 13 July 2022, as described in the paper, to allow discussions to continue. Agreement to the proposal did not indicate agreement to the reason for the extension as outlined in the letter from the Secretary of State for Transport.

4.5 On 12 July 2022, a paper was issued to Members. The Chair, in consultation with available Members of the Board, noted the paper and, subject to receipt of a signed letter from the Secretary of State in the terms described in the paper, accepted the recommendation of a further extension to the funding agreement with the DfT for TfL to 28 July 2022, as described in the paper, to allow discussions to continue.

4.6 Following the extension of the funding settlement to 28 July 2022, the DfT issued a letter late on 22 July 2022 that provided TfL with a draft proposal for a Long-Term Funding Settlement, which included several new conditions beyond those included in the previous funding agreements. To allow time for officers to properly consider and respond to the proposals from the DfT a further extension to the funding agreement was requested. The DfT had consented only to an extension to 3 August 2022.

4.7 On 27 July 2022, a paper was issued to Members. On 28 July 2022, the Chair, in consultation with available Members of the Board, noted the paper and, subject to receipt of a signed letter from the Secretary of State in the terms described in the paper, accepted the recommendation of a further extension to the funding agreement with the DfT for TfL to 3 August 2022, as described in the paper to enable discussions to continue.

4.8 No further extensions to the funding settlement were agreed by the DfT, though discussions on its offer continued throughout August 2022. On 30 August 2022, the Board met and approved a long-term funding settlement.

4.9 The use of Chair's Action for the extensions to the funding settlements were considered appropriate to enable discussions to continue with the DfT on a long-term funding settlement. The papers and final letters have been published on the TfL website.

Santander Cycles – 2022 Scheme Tariff Change

4.10 On 3 August 2022, Members were sent a paper and asked to approve amendments to the scheme tariff for the London Cycle Hire Scheme, also known as Santander Cycles. The proposals were part of the Cycle Hire Modernise, Electrify and Expand programme, which aims primarily to increase usage of Santander Cycles and, therefore, cycling volumes in London in line with Proposal 6 of the MTS to "increase the use of TfL's Cycle Hire scheme, and explore the potential new models of Cycle Hire". The new tariff is core to enabling the wider improvements within the programme, such as the rollout of 500 assisted peddling electric bikes (e-bikes).

4.11 The new tariff introduces a simplified single ride option, offers a new option of a monthly subscription, and increases the price of an annual subscription but with an extended hire period of 60 minutes. E-bikes are priced as a premium option which is reflective of the additional functionality. The proposal was informed by extensive research and engagement with customers.

4.12 On 5 August 2022, the Chair, in consultation with Members of the Board, noted the paper and approved a revised scheme tariff as set out in the paper for Santander Cycles for implementation in September 2022 and authorised the Commissioner to revise the scheme tariff from time to time, as they may consider appropriate, to reflect TfL's operational requirements and/or financial objectives.

4.13 Members noted that the authority for the Commissioner to revise the scheme tariff from time to time was consistent with the authorisation that had been in place since the scheme launched in 2014. Board approval had been sought for the latest changes as the introduction of the new tariff structure and of e-bikes into the scheme was a substantive change to the initial scheme approval. Future changes to the tariffs would continue to be reported to the

Board and Board approval would be sought for any future substantive changes to the scheme.

4.14 The use of Chair's Action was considered appropriate as a decision to vary the tariff was required to meet the proposed implementation timetable.

4.15 The paper has been published on the TfL website but the appendix remains exempt from publication.

Elizabeth line Train Operating Concession Extension

4.16 On 22 August 2022, Members were sent a paper and asked to approve Procurement Authority to enter into an extension to the existing Concession Agreement between Rail for London Limited (RfL) and MTR Corporation (Crossrail) Limited for the operation of passenger services on the Elizabeth line.

4.17 On 23 August 2022, the Chair, in consultation with Members of the Committee, noted the paper and approved additional Procurement Authority in the sum set out in the exempt appendix, for an extension to the current Concession Agreement for the Elizabeth line and for costs relating to regulatory access charges relating to the central section of the line.

4.18 The use of Chair's Action was considered appropriate as a decision to extend the term of the Concession Agreement was required before 28 August 2022, being the last date by which RfL was entitled to exercise the option to extend.

4.19 The paper has been published on the TfL website but the appendix remains exempt from publication.

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 Financial Authority, 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 following use of delegated authority has been exercised by the Commissioner and Chief Finance Officer.

Procurement Authority Commissioner:

(a) Old Street Design and Build contract variation;

(b) SAP Managed Services Agreement contract variation;

(c) Automatic Train Control Project – Appointment of a Programme Partner; and

(d) Speed Awareness Courses contract award; and

Land Authority Chief Finance Officer

(e) Aldgate High Street – disposal

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 are reported to this Committee.

6.8 There have been two Directions issued to TfL since the last report.

Revision of the MTS and road-user charging guidance MD2987 (20 May 2022)

6.9 The Mayor directed TfL to draft revised MTS text to provide for road user charging's role in addressing the triple challenges of toxic air pollution, the climate emergency and congestion and, as a first step, the potential London-wide expansion of the Ultra Low Emission Zone; arrange for an integrated impact assessment to be produced; and consult the public and stakeholders on his behalf. In addition, the Mayor issued supplementary guidance to TfL as to the consultation. The consultation ran from 20 May to 29 July 2022.

September 2022 fares revision MD3028 (2 September 2022)

6.10 The Mayor directed TfL to implement from 4 September 2022 an increase in the fee for obtaining an Oyster card from £5 to £7 and to make this fee non-refundable and to apply a peak fare to all journeys to/from Heathrow that include Zone 1 travel.

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 23 June, 12 July, 27 July, 3 August and 22 August 2022 and subsequently published on tfl.gov.uk

Contact Officer: Howard Carter, General Counsel
Email: HowardCarter@tfl.gov.uk

Finance Committee Chair's Action

Date Issued: **3 August 2022**

Title: **Santander Cycles – 2022 Scheme Tariff Change**

This paper will be published once the decision has been made.

1 Summary

1.1 The purpose of this paper is to request approval to amend the scheme tariff for the London Cycle Hire Scheme (LCHS), also known as Santander Cycles.

1.2 The proposal is part of the Cycle Hire Modernise, Electrify and Expand (MEE) programme, which aims primarily to increase usage of Santander Cycles and, therefore, cycling volumes in London in line with Proposal 6 of the Mayor's Transport Strategy to "increase the use of TfL's Cycle Hire scheme, and explore the potential new models of Cycle Hire". The new tariff is core to enabling the wider improvements within the programme, such as the rollout of 500 assisted peddling electric bikes (e-bikes).

1.3 The new tariff will introduce a simplified single ride option, offer a new option of a monthly subscription, and increase the price of annual subscription but with an extended hire period of 60 minutes. E-bikes are priced as a premium option which is reflective of the additional functionality. The proposal has been informed by extensive research and engagement with customers.

1.4 The use of Chair's Action is considered appropriate as a decision to vary the tariff is required before the date of the next meeting of the Finance Committee to meet the proposed implementation timetable.

1.5 Appendix 4 to this paper contains supplementary information that is exempt from publication. The information is exempt 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.

1.6 The Members of the Board are asked to consider the proposal and inform the Chair of the Finance Committee with their views, on or before 10am on 5 August 2022. The contents of this paper, and the exercise of Chair's Action, will be reported to the next meeting of the Finance Committee and the Board.

2 Recommendation

2.1 **The Chair, in consultation with Members of the Board, is asked to note this paper and the supplementary information in the exempt Appendix 4 and:**

(a) approve the revised scheme tariff as set out in this paper for Santander Cycles for implementation in September 2022; and

(b) **authorise the Commissioner to revise the scheme tariff from time to time, as they may consider appropriate, to reflect TfL's operational requirements and/or financial objectives.**

3 Background

3.1 The Cycle Hire Modernise and Electrify proposals, considered by the Programmes and Investment Committee at its meeting in December 2020, outlined the continuing review of the Santander Cycles scheme tariff. This review also included the tariff to support the roll out of e-bikes in line with Proposal 6 of the Mayor's Transport Strategy to "to increase the use of TfL's Cycle Hire scheme, and explore the potential new models of Cycle Hire".

3.2 The proposal is part of the MEE programme, which aims to increase usage of Santander Cycles and, therefore, cycling volumes in London, which directly supports the Mayor's Transport Strategy Policy 1 for 80 per cent of all trips in London to be made on foot, by cycle or using public transport, as well as Policy 2 for all Londoners to do at least 20 minutes active travel each day. The programme also aims to support TfL's financial sustainability plans.

3.3 Santander Cycles' growth has been broadly in line with wider cycling growth in London over the last 10 years and a three per cent annual growth, in line with TfL forecasts on total cycling demand, underpins the assumptions within this paper.

3.4 The current Santander Cycles scheme tariff, illustrated in Figure 1, was introduced in 2014 and offers two options for customers. To access the annual subscription, users must register online as members. Pay-as-you-go can be accessed by members (24-hour members) or as a turn-up-and-go service paying at on-street terminals.

3.5 The existing tariff is a known source of confusion for customers, especially in relation to the 24-hour access window. TfL frequently issue high volumes of refunds to customers who understood that the £2 provides unlimited access during the 24-hour period, rather than unlimited 30-minute rides.

PAY-AS-YOU-GO	ANNUAL SUBSCRIPTION
Valid for a 24 hour period	**Valid for 365 consecutive days**
£2.00 Includes unlimited rides of up to 30 minutes	**£90.00** Includes unlimited rides of up to 30 minutes
+£2.00 for every additional period of up to 30 minutes	**+£2.00** for every additional period of up to 30 minutes

Figure 1: Current scheme tariff since 2014

4 Proposal

4.1 The tariff proposal, illustrated in Figure 2, has been informed by extensive research and engagement with customers. A revenue model was developed to test the impacts of the tariffs on revenue and usage.

4.2 The proposal was revalidated in late 2021, considering changed usage during the coronavirus pandemic and expected travel patterns going forward. The revised model accounts for pre-coronavirus trends in 2019 and trends during the coronavirus pandemic in 2020.

4.3 The proposal introduces a simplified single ride option, offers a new option of a monthly subscription, and increases the price of annual subscription but with an extended hire period of 60 minutes. E-bikes are priced as a premium option which is reflective of the additional functionality. E-bikes will be available to registered users only initially.

SINGLE RIDE	MONTHLY SUBSCRIPTION	ANNUAL SUBSCRIPTION
Valid for a maximum of 24 consecutive hours	**Valid for 30 consecutive days**	**Valid for 365 consecutive days**
£1.65 for single rides up to 30 minutes	**£20.00** for unlimited rides up to 60 minutes	**£120.00** for unlimited rides up to 60 minutes
+£1.65 for each additional period up to 30 minutes	**+£1.65** for each additional period up to 60 minutes	**+£1.65** for each additional period up to 60 minutes
E-Bike Charges (Registered Users only)		
£3.30 for single rides up to 30 minutes	**£1.00** for up to 60 minutes *(in addition to the £20 monthly fee)*	**£1.00** for up to 60 minutes *(in addition to the £120 annual fee)*
+£3.30 for each additional period up to 30 minutes	**+£3.30** for each additional period up to 60 minutes	**+£3.30** For each additional period up to 60 minutes
Additional ride charges and e-bike charges will appear separately on customer billing. For example, a customer may receive multiple charges of £1.65 where rides exceed 30 minutes and/or for e-bike rides.		

Figure 2: Proposed scheme tariff

5 Benefits and Impacts

5.1 The proposal is expected to bring the following customer benefits:

(a) **easy to understand**: The existing tariff is a known source of confusion for customers, especially in relation to the 24-hour access window. The proposal introduces a simplified single ride structure;

(b) **flexible, personalised tariff options**: Alongside the changes to the existing tariff options, we are introducing a new monthly subscription targeted at user needs which are currently not met;

(c) **satisfaction from scheme improvements**: Operating a financially sustainable bicycle share scheme in the longer term will enable TfL to make a case for future improvements; and

(d) **fair tariff for a popular London transport mode**: Cycle Hire's existing tariff is characterised by high levels of customer satisfaction as "value for money" (around 98 per cent "fair" or "good" from customer research).

5.2 The structure of the tariff is expected to encourage repeat usage of Santander Cycles, and therefore repeat usage of an active and sustainable travel mode. A monthly user would need to take just 13 trips in a month to see value compared to paying per single ride, and an annual user just seven trips per month. The monthly option offers better value than the current pay-as-you-go tariff option for any user hiring a Santander Cycle on 11 days or more per month.

Table 1: Price Per Trip for Average Monthly Usage (classic bike)

Average Monthly Usage	Price Per Trip		
	Single (£2)	Monthly (£20)	Annual (£120)
40 trips per month	£1.65	£0.50	£0.25
30 trips per month	£1.65	£0.67	£0.33
20 trips per month	£1.65	£1.00	£0.50
15 trips per month	£1.65	£1.33	£0.67
10 trips per month	£1.65	£2.00	£1.00
5 trips per month	£1.65	£4.00	£2.00

6 Delivery Approach

6.1 The changes to the back-office and on-street infrastructure to implement the tariff will be delivered by TfL's supplier Cubic under TfL's Revenue Collection Contract. The associated mobile app updates, and e-bike rollout, is being delivered by Serco Limited, under TfL's Bike Management Services contract. This is being delivered and governed as part of the MEE programme.

6.2 The transition of users from the existing to the new scheme tariff is planned to take place over a weekend in September 2022 as part of a wider back-office upgrade, including the launch of 500 e-bikes. It is expected that Santander Cycles will be closed during this transition period.

6.3 The change to the scheme tariff, and how users will be transitioned to the new tariff, will be communicated via a targeted marketing and communications campaign. The plans have been finalised and are due to commence four weeks prior to the launch of the tariff change.

7 Legal Considerations

7.1 TfL has the power to approve the proposed tariff change by virtue of Paragraph 7 of Schedule 11 to the Greater London Authority Act 1999 (GLA Act), which allows TfL to make or waive charges for the use of services and facilities. The LCHS is not a public passenger transport service, and so the tariff does not fall to be approved by the Mayor under sections 155(1) and 174 of the GLA Act.

8 Equality Considerations

8.1 The Public Sector Equality Duty set out in Section 149 of the Equality Act 2010 requires TfL, when carrying out our functions and taking decisions, to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between people with protected characteristics and those who do not share those characteristics. The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

8.2 Equality Impact Assessments (EqIAs) have been produced to assess the impacts of the proposals on those with protected characteristics, as defined by the Equality Act 2010. The EqIAs found that while the new scheme tariff will apply to all users, it may disproportionately impact several Protected Groups with statistically lower earnings, typically lower and higher age groups, females, LGBT+ individuals, black, Asian and minority ethnic people, those on maternity leave and those considered disabled.

8.3 However, a survey of nearly 1,000 users and non-users of Santander Cycles, to understand attitudes towards the proposal by demographic group, did not identify a statistically significant and disproportionately negative response amongst these groups compared with the current tariff. Survey respondents were shown a proposed tariff structure with a higher single ride of £2, compared to the £1.65 set out in this paper. It is acknowledged that these findings cannot be considered conclusive of the eventual impact, therefore the impacts of the proposal on Santander Cycles demographic user base will be monitored once implemented.

8.4 Considering the proposal is estimated to increase the cost for some users, there remains a risk of increased underrepresentation of demographic groups with statistically lower earnings amongst Santander Cycles users. The available data, included in Appendix 1, suggests that those in the higher age groups, females and black, Asian and minority ethnic people are underrepresented across the Santander Cycles user base compared with the London population. As above, the impacts of the proposals will be monitored once implemented.

8.5 The monthly and annual tariff options are expected to encourage repeat usage, given frequent users can benefit from a low cost per trip. The monthly option offers better value than the current pay-as-you-go tariff option for any user hiring a Santander Cycle on 13 days or more per month.

8.6 A communications campaign will support the launch of the tariff, with focus on;

(a) targeted communications to underrepresented groups and those that may be disproportionately impacted by the proposal;

(b) ensuring the new scheme tariff is clearly explained, that users understand each tariff option and know what charges to expect; and

(c) helping users to identify the most economically advantageous option to suit their needs.

List of appendices to this report:

Appendix 1: Santander Cycles Demographic Data

Appendix 2: London Cycle Hire Scheme – E-Bikes Equality Impact Assessment

Appendix 3: London Cycle Hire Scheme – New Tariffs Equality Impact Assessment

Appendix 4: Exempt supplemental information

List of Background Papers:

Cycle Hire Modernisation paper, submitted to the Programmes and Investment Committee, December 2020

Contact Officer: Gareth Powell, Chief Customer and Strategy Officer
Email: GarethPowell@tfl.gov.uk

Appendix 1: Santander Cycles Demographic Data

1 Demographic data for Santander Cycles users was collected through a TfL 'Customer Pulse' London representative survey, of over 1,000 people, in December 2020. Potential users living outside of the 32 London boroughs and/or visitors to London were not included, however, registered users living in a London borough account for the majority of registered users (59 per cent). It is acknowledged that data is not available for all protected characteristics.

2 The data is summarised in Figure 3 with the key findings as follows:

(a) Gender: Females are underrepresented (33 per cent) compared with the London population (50 per cent). Four per cent of users listed themselves as 'other', however there is no comparable data on London's population.

(b) Age: High usage amongst the 16-34 year age group (60 per cent) compared with London population (30 per cent). Representation in the 35-54 year age group (35 per cent) is similar, but not directly comparable, to the London population (35-49 years 23 per cent, 50-64 years 16 per cent), however there is low representation in the 55+ age group (five per cent).

(c) Ethnicity: Black, Asian and minority ethnic people are slightly underrepresented (40 per cent) compared with London population (43 per cent).

(d) Disability: Disabled users are represented (19 per cent) compared to the London average (19 per cent).

(e) Working status: 73 per cent of Santander Cycles users are working and 27 per cent are not. This includes all respondents and does not only account for the economically active population.

(f) Social grade: 63 per cent of Santander Cycles users are ABC1 and 37 per cent C2DE, compared with UK average of 57 per cent and 43 per cent respectively.

London population data is taken from London Datastore[1].

[1] Greater London Authority, 2019. London's diverse population Available from: https://data.london.gov.uk/dataset/london-s-diverse-population- [Accessed 01/11/2019]

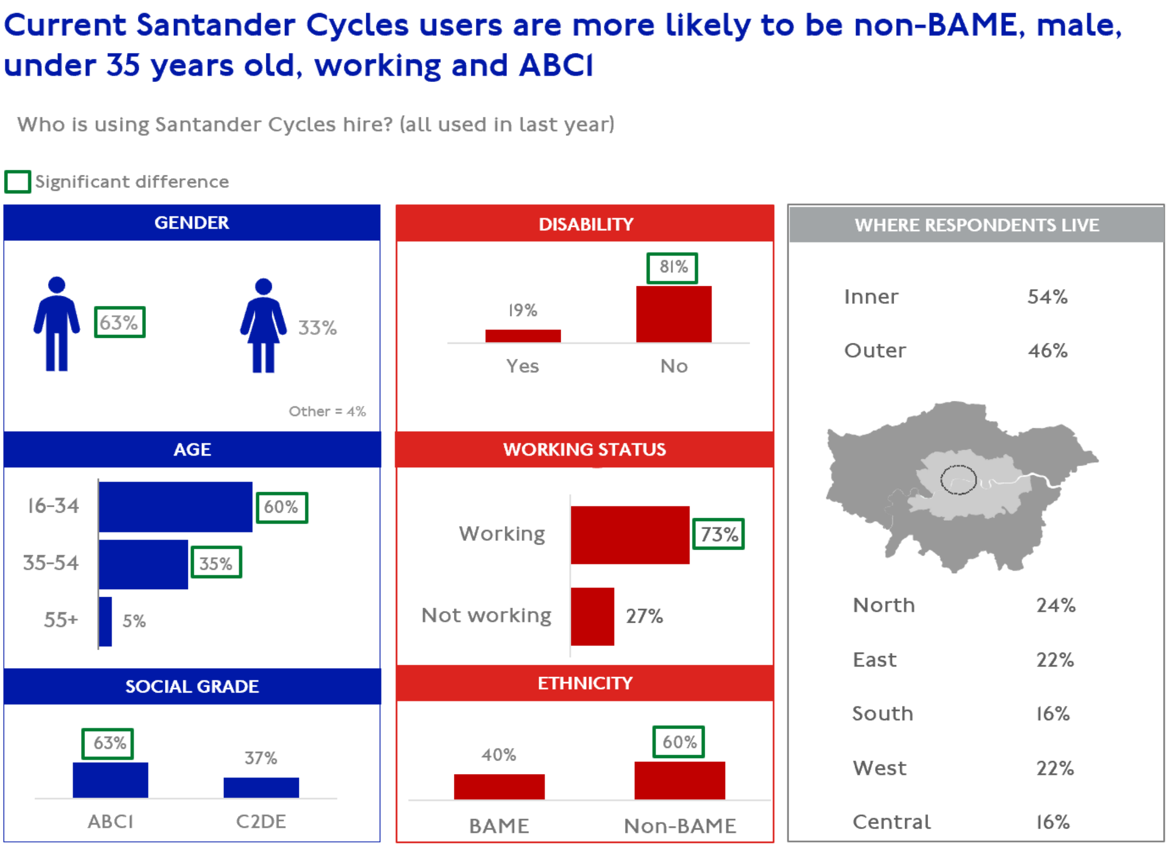

Figure 3: Demographic Data of Santander Users from TfL Customer Pulse (December 2020)

F1457 A1 Equality Impact Assessment (EqIA) form

Programme Project	London Cycle Hire Scheme (LCHS) – E-Bikes

Accountable	Director of Rail & Sponsored Services	Tricia Ashton
	Signature: Trish Ashton	Date: 02/12/2021

Assurance Checked By	Director of Diversity, Inclusion & Talent	Marcia Williams
	Signature: *Marcia Williams*	Date: 24 November 2021

Step 1: Clarifying Aims

Q1. Outline the aims/objectives/scope of this piece of work

This proposal is to introduce electric bikes (e-bikes) into the London Cycle Hire Scheme (LCHS), also known as Santander Cycles. E-bikes are motorised bikes that provide assistance when the user begins peddling to make cycling less strenuous. The plan is to rollout e-bikes in the first half of 2022.

The introduction of e-bikes to the Santander Cycles scheme aims to increase usage of Santander Cycles and cycling in London by keeping pace with the latest technology and trends, as well as introducing a more inclusive product targeting those put off by cycling due to the physical demands. This is with consideration to TfL's financial objectives, ensuring that the rollout is financially sustainable for TfL. This proposal aligns to the Mayor's Transport Strategy and Healthy Streets approach by increasing active travel and providing inclusive travel options.

The initial introduction of e-bikes will involve the rollout of 500 e-bikes for public use as part of the Santander Cycles scheme. The e-bikes will use the existing Santander Cycles infrastructure and be hired in the same way as a classic bike. For this rollout, the placement of e-bikes will focus on central zones at docking stations with the highest current usage but this may alter as e-bike usage data is collected. Users will be able to identify e-bikes through unique branding as well as locate an e-bike through the existing mobile app and website. The e-bikes will comply with UK e-bike legislation, including the assisted speed limit of 15.5mph and restricting use to those aged 14 or over.

An additional charge will be incurred for e-bikes on top of the tariff for classic bikes to ensure e-bikes are financially sustainable. The pricing for e-bikes has been developed with a specialist pricing consultant as part of a wider tariff revision for the entire scheme, summarised in Figure 1. A deposit for users to hire any bike is being considered as part of the wider tariff revision to address losses associated with failed follow on payments due to late or non-returned bikes. A further review of whether to implement the deposit is due in Autumn 2022, after review of actual losses incurred following introduction of the new tariff. The equality impacts for the wider tariff revision, including the deposit proposal, are captured in a separate document and this document will capture the equality impacts of the e-bike pricing only.

	SINGLE RIDE	MONTHLY SUBSCRIPTION	ANNUAL SUBSCRIPTION
	Single trip valid for 30 minute period	Unlimited 60 minute rides for a month	Unlimited 60 minute rides for a year
Classic Bikes	£2.00	£20.00	£120.00
	+£2 for every additional 30 minutes	+£2 for every additional 60 minutes	+£2 for every additional 60 minutes
E-Bike	£4.00	+£1.00 per 60 minute ride	+£1.00 per 60 minute ride
	+£4 for every additional 30 minutes	+£4 for every additional 60 minutes	+£4 for every additional 60 minutes

Figure 1: Tariff Proposal

Q2. Does this work impact on staff or customers? Please provide details of how.

The introduction of e-bikes will impact all existing and new users of Santander Cycles who wish to hire an e-bike. The 500 e-bikes will replace 500 existing classic bikes; however the impact to availability of the existing bikes is expected to be minimal.

The impact of introducing e-bikes on customers can be summarised as follows:

- E-bikes are heavier than classic bikes so may be more challenging to manoeuvre; estimated e-bike weight of 27kg compared with 24kg for a classic bike; the additional weight is expected to be less noticeable once the user is moving due to the pedal assistance
- Users may be able to travel faster on an e-bike compared to a classic bike due to the electric assisted peddling, set to the UK speed limit for e-bikes
- Availability may be limited due to the number of e-bikes introduced and users may not be able to access an e-bike, however this is the first phase of introduction to monitor usage
- There will be an additional cost to hire an e-bike

Staff employed by a contractor for TfL for maintenance and redistribution of Santander Cycles will be required to locate and redistribute e-bikes, replace and charge their batteries, and undertake maintenance to keep the e-bikes in good condition. The staff impacts can be summarised as follows:

- E-bikes are heavier than classic bikes so may be more challenging to manoeuvre as part of redistribution
- E-bikes operate on batteries, which require charging and changing, so there are additional operational requirements
- E-bikes have additional components, such as batteries and motors, which may have additional maintenance regimes

Changes to the back-office system, mobile app and website will be required to introduce e-bikes. This is to ensure customers and the system can differentiate between classic bikes and e-bikes for hires, access the same features as classic bikes and additional features for e-bikes such as battery levels of e-bikes at individual docking stations and pricing information.

The scheme may be inactive for a period whilst the system updates and customers will be unable to hire a bike during this period. This is expected to be no more than a weekend for each of the three delivery phases, however the delivery plan is not finalised (due Autumn 2021). Access around the docking stations will not be affected during this period.

Updates to visual information on-street, on the website and mobile app will be required. The changes will be consistent with the existing format in line with TfL and regulatory standards.

Step 2: The Evidence Base

Q3. Record here the data you have gathered about the diversity of the people potentially impacted by this work. You should also include any research on the issues affecting inclusion in relation to your work

Data is not available for all protected characteristics within the categories below.

London Population Data

The following data for the London population has been collected from London Datastore[1].

- **Gender:** There are an equal percentage of males (50%) and females (50%)
- **Age:** The age demographic in London is as follows:
  - 0-15 20%
  - 16-24 11%
  - 25-34 19%

[1] Greater London Authority, 2019. London's diverse population Available from: https://data.london.gov.uk/dataset/london-s-diverse-population- [Accessed 01/11/2019]

- 35-49 23%
- 50-64 16%
- 65+ 11%

- **Ethnicity:** The London population is mostly white (57%) compared to Black Asian and Minority Ethnics (43%)
- **Religion:** The religion demographic in London is as follows:
    - Christian 48%
    - Buddhist 1%
    - Hindu 5%
    - Jewish 2%
    - Muslim 14%
    - Sikh 2%
    - Other 2%
    - None 26%
- **Disability:** 19% of the London population are disabled
- **Sexual orientation:** The sexual orientation demographic in London is as follows:
    - Heterosexual 90%
    - Gay or lesbian 2%
    - Bisexual 1%
    - Other 1%
    - Don't know/refuse 6%

Income Data

As the impact of the new tariff is primarily financial, data on income across those with protected characteristics has been collected where available. It is acknowledged that data is not available for all protected characteristics.

The following findings are from London Datastore[2] for employed earnings and GOV.UK[3] for unemployment rates:

- **Gender:** Employed females earn an average of 21.7% less than males in London. Males represent 56% of those that are unemployed.
- **Ethnicity:** Employed Black Asian and Minority Ethnic individuals earn an average of 23% less than white individuals. Black, Pakistanis and Bangladeshi people have the highest unemployment rate out of all ethnic groups (8%)
- **Disability:** Those considered disabled earn an average of 13% less than those not considered disabled in employment. The unemployment rate was 6.7% for disabled people compared with 3.7% for non-disable people in 2019[4].

The figure below published by Parliament using date from the Office for National Statistics (ONS)[5] illustrated the median weekly pay age group. Those in the 16-24 and 25-49 age groups represent the highest proportion of those that are unemployed; 36% and 43% respectively.

[2] Greater London Authority, 2019. *Economic Fairness* Available from: https://data.london.gov.uk/economic-fairness/labour-market/ [Accessed 01/11/2019]
[3] GOV.UK, 2021. *Unemployment* Available from: https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/unemployment-and-economic-inactivity/unemployment/latest#by-ethnicity
[4]Office for National Statistics (ONS), 2019. *Disability and employment, UK:2019*. Available from: https://www.ons.gov.uk
[5] Parliament, 2019. *Average earning by age and region* [Online] Available from: https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8456 [Accessed 25/11/2019]

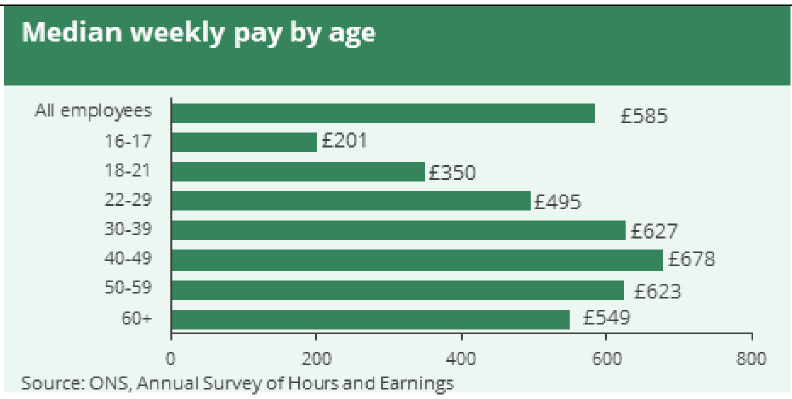

Figure 2: Median weekly pay by age

Income data based on sexual orientation and gender reassignment is less readily available, however a recent YouGov and LinkedIn survey[6] identified Lesbian, Gay, Bisexual and Trans (LGBT+) individuals earn an average of 16% less than others.

Santander Cycles Data

Demographic data for users of Santander Cycles was collected through a TfL Customer Pulse survey in December 2020. The data was collected from a representative survey of over 1,000 Londoners. It should be noted that potential users living outside of the 32 London Boroughs and/or visitors to London are not included, however registered users living in a London Borough account for most registered users (59%). It is acknowledged that data is not available for all protected characteristics.

The data is summarised in Appendix 1 with the key findings as follows:

- **Gender:** Females are underrepresented (33%) compared with the London population (50%). 4% of users listed themselves as 'other', however there is no data on London population to compare to
- **Age:** High usage amongst 16-34 age group (60%) compared with London population (30%). Representation in the 35-54 age group (35%) is similar to the London population (35-49 23%, 50-64 16%), however there is low representation in the 55+ age group (5%)
- **Ethnicity:** Black Asian and Minority Ethnics are slightly underrepresented (40%) compared with London population (43%)
- **Disability:** Disabled users are represented (19%) compared with the London population (19%)
- **Working status:** 73% of Santander Cycles users are working and 27% are not. This includes all respondents and does not account for economically active population only.
- **Social grade:** 63% of Santander Cycles users are ABC1 (middle class) and 37% C2DE (working class), compared with UK average of 57% and 43% respectively[7]

London Cycling Trends

To compare Santander Cycles to general cycling trends in London, data has been collected from the Travel in London Report 13[8] available on the TfL Website. This data covers 2019/20, prior to the Coronavirus pandemic which significantly altered travel patterns in London.

- **Age:** The percentage within each age group of those that cycled at least once in 2019/20:
  - 5-24 31%
  - 25-34 19%
  - 35-44 21%
  - 45+ 29%

  It is not possible to directly compare these results to those of Santander Cycles due to the different age group ranges within the datasets.
- **Gender:** Of those that cycled at least once in 2019/20, 62% were male. This demonstrates there are generally more male cyclists; however, the percentage of male

users of Santander Cycles is much higher (70-76%). There is no data in the report for other genders.

- **Ethnicity:** Of those that cycled at least once in 2019/20, 77% were white. This is relatively consistent with the data for Santander Cycles users, where Black Asian and Minority Ethnics are significantly underrepresented.
- **Employment/household income:** Of those that cycled at least once in 2017/18, 60-65% were employed. The average household income is split as follows:
  - <20k 11%
  - 20k-75k 51%
  - >75k 38%

E-Bikes Data

The information in this section is taken from the Royal Society for the Prevention of Accidents (RoSPA) factsheet, which has collated data from various sources on e-bikes[9].

The data suggests key barriers to cycling include safety, the weather, inconvenience, a lack of fitness, a lack of time or cycling being perceived as too much effort. It also claims e-bikes can benefit those with physical limitations, in higher age groups and those cycling in hilly areas. Other reported benefits include being able to achieve a higher speed whilst cycling with less effort, reduced journey times and finding it less challenging to ride up hills compared to a conventional bike.

RoSPA note safety concerns, particularly amongst those in higher age groups, due to the weight of e-bikes, speed and the user. One study states the casualty risk on a standard bike and e-bike is the same for riders aged 25-49, but the casualty risk doubles for rides over 50 on an e-bike. Similarly, another study states the injury risk for those over the age of 75 doubles when using an e-bike compared to a standard bike.

E-Bikes Pricing – Market Research

A two-stage research study was undertaken to inform the tariff proposal; the first stage sought qualitative feedback through focus groups with users and the second stage sought quantitative feedback through on-street surveys with users. It should be noted that this on-street survey was undertaken in October. Given Santander Cycles usage varies by season, it is acknowledged that the data collected in October might not be representative of the user base for the entire year. Autumn/winter tends to see a higher proportion of member/commuter trips and less casual/leisure trips compared with Spring/Summer.

Stage one concluded the existing tariff is generally considered good value but noted some confusion around pricing, including how much users pay beyond 30 minutes, whether the pricing is capped and the options available. Demographic data was not collected for focus groups.

Stage two interviewed 830 users at docking stations across London to understand views on the existing tariff and potential new tariff proposals. This subsequently informed the fares structure and pricing for each option. Limited information on the demographics of those interviewed is

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[6] LinkedIn, 2019. *The UK has an LGBT pay gap* Available from: https://www.linkedin.com/feed/news/the-uk-has-an-lgbtq-pay-gap-4702500 [Accessed 01/11/2019]
[7] YouGov, 2019. *How well do ABC1 and C2DE correspond with our own class identity?* Available from: https://yougov.co.uk/topics/politics/articles-reports/2019/11/25/how-well-do-abc1-and-c2de-correspond-our-own-class [Accessed 12/08/2019]
[8] Transport for London, 2018. *Travel in London Report 13* Available from: http://content.tfl.gov.uk/travel-in-london-report-13.pdf [Accessed 01/11/2019]
[9] Royal Society for the Prevention of Accidents (RoSPA), 2018. *Road Safety Factsheet. Electric Bikes.* [PDF] Birmingham: RoSPA. Available from: https://www.rospa.com/rospaweb/docs/advice-services/road-safety/cyclists/e-bikes-factsheet.pdf [Accessed 22/11/2019]

available and it's not possible to analyse responses by demographic, which means the impact on existing users from protected characteristics cannot be fully addressed at this stage.

The known demographics of those interviewed include:

- User type: 552 members / 278 casuals
- User type: 417 'leisure' / 417 'commuter'
- Gender: 594 male / 232 female
- Age: 171 16-24 / 212 25-34 / 190 35-44 / 165 45-54 /84 55-64 / 8 65+
- Employment status: 605 full-time / 42 part-time / 40 self-employed / 121 student / 6 unemployed / 6 retired / 3 other / 7 prefer not to say

Tariff Proposal – September 2021 Survey

Considering the potential impacts of the new tariff proposal outlined in Step 3 of this document, a further survey was carried out to understand attitudes towards the tariff by demographic group.

The survey was responded to by nearly 1,000 London residents, including existing users and non-users of Santander Cycles. A range of demographic information was requested, including age, ethnicity, gender, socio-economic status, disability status and sexual orientation. The survey questions focused on value for money, simplicity and flexibility of the proposed classic bike and e-bike tariff, as well as the current tariff as a comparator. It also included questions to understand attitudes to a deposit, at both £30 and £50.

The responses were analysed for any trends amongst certain demographics that were statistically significant. The responses across all demographic groups are summarised in Appendix 2, with statistically significant findings highlighted where appropriate and summarised below.

The key statistically significant findings on the e-bike tariff include:

- Across all respondents the additional price per trip, whether that's £1 or £2, does not have a significant difference on the likelihood of e-bike hire
- Higher age groups are less likely to hire an e-bike under all price points tested, however responses suggest this is likely to be linked to attitudes towards cycling more generally (100% of 65+ and 76% of 55-64 age groups cited 'I am not interested in cycling' as a reason for not using an e-bike)
- Lower age groups are most interested in e-bikes but more sensitive to paying any extra price, with little difference in response at £1 or £2 more per trip

The equality impacts of the classic bike tariff and deposit is captured in the Tariff EqIA. The Tariff EqIA details the findings from the survey on the classic bike tariff and deposit.

Step 3: Impact

Q4. Given the evidence listed in step 2, consider and describe what potential short, medium and longer term negative impacts this work could have on people related to their protected characteristics?

Protected Characteristic	Y/N	Explain the potential negative impact
Age	Y	The evidence base suggests there could be an increased safety risk to those over the age of 50 or 75. While to the additional cost to hire an e-bike will apply to all ages, the lower and higher age groups may be disproportionately affected given the income data presented in the evidence base. The survey data indicates that the higher age groups are less interested in hiring an e-bike, but the responses do not indicate the additional cost as being a key driver. The lower age groups are more interested in hiring an e-bike and the majority of respondents up to the age of 35 would hire an e-bike at an extra cost, however more of the lower age groups cite cost as a reason for not hiring an e-bike than other age groups. Given the income data in the evidence base, there is a risk that the additional cost may prevent, or reduce, the benefit of e-bikes in increasing cycling in underrepresented groups, however the findings from the survey do not identify a statistically significant and disproportionately negative response to the cost amongst the older and younger age groups.
Disability including carers	Y	E-bikes are heavier than classic bikes and manoeuvres may be more difficult for those with physical disabilities. Stability due to the increased weight of the bike is cited as one of the main safety concerns in the evidence base. If an e-bike were to stop working, this may have more of an impact of those with physical disabilities who may be unable to return the bike to the nearest docking station. While the additional cost to hire an e-bike applies to all users, those with a disability could be disproportionately affected given the income data presented in the evidence base. The survey data for the classic bike tariff does not indicate a statistically significant and disproportionately negative response to the classic bike tariff amongst disabled respondents. The additional price to hire an e-bike compared to classic bikes may also add confusion, which may disproportionately impact neurodiverse individuals. Given the income data in the evidence base, there is a risk that the additional cost may prevent, or reduce, the benefit of e-bikes in increasing cycling in underrepresented groups, however the findings from the survey do not identify a statistically significant and disproportionately negative response to the cost disabled respondents.
Gender	Y	While the additional cost to hire an e-bike applies to all genders, females, trans and non-binary individuals could be disproportionately affected given the income data presented in the evidence base. The survey data for the classic bike tariff does not indicate a statistically significant and disproportionately negative response to the classic bike tariff amongst female respondents. The response to the survey amongst trans and non-binary individuals is too small to be considered.

		Given the income data in the evidence base, there is a risk that the additional cost may prevent, or reduce, the benefit of e-bikes in increasing cycling in underrepresented groups, however the findings from the survey do not identify a statistically significant and disproportionately negative response to the cost by gender.
Gender reassignment	Y	While the additional cost to hire an e-bike applies to all genders, females, trans and non-binary individuals could be disproportionately affected given the income data presented in the evidence base. This may prevent, or reduce, the benefit of e-bikes in increasing cycling in underrepresented groups. The response to the survey amongst trans and non-binary individuals is too small to be considered.
Marriage/civil partnership	N	
Other – e.g. refugees, low income, homeless people	Y	While the additional cost to hire an e-bike applies to all users, those on lower incomes could be disproportionately affected. The survey data for the classic bike tariff does not indicate a statistically significant and disproportionately negative response to the classic bike tariff amongst socio-economic groups. Given the income data in the evidence base, there is a risk that the additional cost may prevent, or reduce, the benefit of e-bikes in increasing cycling in underrepresented groups, however the findings from the survey do not identify a statistically significant and disproportionately negative response to the cost amongst socio-economic groups with typically lower average earnings.
Pregnancy/maternity	Y	E-bikes are heavier than classic bikes, which may create difficulty for those who are pregnant. Stability due to the increased weight of the bike is cited as one of the main safety concerns in the evidence base. Individuals unable to work or on maternity leave with reduced/no income may be disproportionately impacted by the additional cost to hire an e-bike. This may prevent, or reduce, the benefit of e-bikes in increasing cycling in underrepresented groups.
Race	Y	While the additional cost to hire an e-bike applies to all users, Black Asian and Minority Ethnics could be disproportionately affected given the income data in the evidence base. The survey data for the classic bike tariff does not indicate a statistically significant and disproportionately negative response to the classic bike tariff amongst any ethnic groups. Given the income data in the evidence base, there is a risk that the additional cost may prevent, or reduce, the benefit of e-bikes in increasing cycling in underrepresented groups, however the findings from the survey do not identify a statistically significant and disproportionately negative response to the cost amongst ethnic groups.
Religion or belief	N	There is limited data available on cycling volumes amongst different religions or beliefs, however there may be perceived cultural barriers. There is a risk the e-bike pricing proposal could restrict the opportunity to overcome these barriers. There is no data available to quantify the impact of the proposals by religion or belief.
Sexual orientation	Y	While the additional cost to hire an e-bike applies to all users, LGBT+ individuals could be disproportionately affected given the income data in the evidence base. The response to the survey amongst LGBT+ individuals is too small to be considered.

		Given the income data in the evidence base, there is a risk that the additional cost may prevent, or reduce, the benefit of e-bikes in increasing cycling in underrepresented groups. The survey attempted to collect data on attitudes to the proposal by sexual orientation, however the response rate was too small to make firm conclusions.

Q5. Given the evidence listed in step 2, consider and describe what potential positive impacts this work could have on people related to their protected characteristics?

Protected Characteristic	Y/N	Explain the potential positive impact
Age	Y	E-bikes provide power assistance and can be less strenuous, which may remove a barrier to cycling for those in the higher age groups. The assisted peddling will be restricted to a maximum speed of 15.5mph, in line with UK legislation.
Disability including carers	Y	E-bikes provide power assistance and can be less strenuous, which may remove a barrier to cycling to those with physical disabilities. The assisted peddling will be restricted to a maximum speed of 15.5mph, in line with UK legislation. To reduce risk of bike failure, battery levels will be shown to the user and e-bikes with a battery level lower than a set amount (expected at 20% or 15km of usage) will not be accessible. This will help reduce concerns for those with a physical disability. A battery failure during a trip is considered unlikely given the e-bikes must have a minimum of 20% (15km range) of battery and the battery life will be clearly displayed on the e-bike and App, however other e-bike failures are possible aside from battery failures. Should an e-bike fail, the user is asked to return the e-bike to the nearest docking station where possible, which are generally positioned no more than 500 metres apart within the scheme boundary. Alternatively, a user can contact the Contact Centre for assistance during its operating hours (7am-10pm weekdays and 9am-9pm weekends) and an operator can be sent out to assist. Outside of operating hours the user is advised to leave the e-bike in a safe, and secure place where possible, and inform TfL. The user will need to find an alternative mode of transport and refund claims can be submitted via the Contact Centre. These details will be communicated as part of the planned Marketing & Communications campaign. The contact centre number and email will feature on the e-bike.
Gender	Y	The evidence base identified that Santander Cycles is predominately used by men, but the evidence base also suggests e-bikes are known to remove a number of perceived barriers to cycling, some of which may positively alter the demographic of users.
Gender reassignment	N	
Marriage/civil partnership	N	
Other – e.g. refugees, low	N	

income, homeless people		
Pregnancy/maternity	Y	E-bikes provide power assistance and can be less strenuous, which may remove a barrier to cycling for those who are pregnant. The assisted peddling will be restricted to a maximum speed of 15.5mph, in line with UK legislation.
Race	Y	The evidence base identified that Santander Cycles is predominately used by those who are white but the evidence base also suggests e-bikes are known to remove a number of barriers to cycling, some of which may positively alter the demographic of users.
Religion or belief	Y	The introduction of e-bikes may help to overcome perceived cultural barriers and related obstacles, for example it may be easier for those in longer religious attire to use e-bikes compared to conventional bikes.
Sexual orientation	N	

Step 4: Consultation

Q6. How has consultation with those who share a protected characteristic informed your work?

List the groups you intend to consult with or have consulted and reference any previous relevant consultation?	If consultation has taken place what issues were raised in relation to one or more of the protected characteristics?
Santander Cycles User Groups/Customers	TfL have been working with a specialist consultant to develop the tariff proposals as part of a wider tariff review. In order to develop the proposal, feedback from users of Santander Cycles has been collected through on-street surveys and user group meetings to inform the proposal.
London residents of various demographics	An online survey was undertaken to understand attitudes to the proposed tariff, including the deposit functionality, amongst different demographics. This included existing users and non-users of Santander Cycles. The findings are summarised in the evidence base.

Q7. Where relevant, record any consultation you have had with other projects / teams who you are working with to deliver this piece of work. This is really important where the mitigations for any potential negative impacts rely on the delivery of work by other teams.

The Project Team have been developing the e-bikes proposal, which includes representatives in the Investment, Delivery and Santander Cycles teams of TfL. The TfL Diversity & Inclusion Team has been consulted separately.

Further consultation on the proposed pricing of e-bikes within TfL and the Greater London Authority (GLA) is planned as part of the approval process for the new tariff.

Step 5: Informed Decision-Making

Q8. In light of the assessment now made, what do you propose to do next?

1. Change the work to mitigate against potential negative impacts found	
2. Continue the work as is because no potential negative impacts found	
3. Justify and continue the work despite negative impacts (please provide justification)	To address safety concerns for specific groups and potential difficulties due to the added weight of the bike, consideration will be given to the design of the e-bike and appropriate safety messaging/training. It should be noted that the e-bikes will comply with UK legislation, including speed and age restrictions, and the bikes will feature the same safety messaging as classic bikes, such as beware of left turning lorries. The evidence base and impacts highlight a risk that the pricing proposal for e-bikes may disproportionately impact several protected characteristic groups and prevent, or reduce, the benefits of increasing underrepresentation in Santander Cycles/cycling in London as a result. However, a survey of users and non-users to understand attitudes towards the pricing proposal by demographic group did not identify a significantly more negative response amongst these groups. The proposed pricing structure for e-bikes is essential to support financial sustainability for Santander Cycles, in line with TfL's Financial Sustainability Plan, to ensure the scheme can continue operating in the long-term. The impacts of implementing a concessionary scheme for classic bikes and e-bikes was investigated. A 25% discount was considered; implementing this for disabled users would decrease revenue below levels at which Cycle Hire would break even. Extending this to users with other protected characteristics (for example, higher or lower age groups) would further decrease revenue. A higher tariff was considered for non-concessionary users to further offset revenue, however to secure the necessary increase in revenue a significantly higher tariff would be required (£5 per single e-bike trip, vs £4 proposed). Modelling based on customer feedback indicated this would significantly reduce the number of trips on Cycle Hire overall per year, compromising the scheme's aims to support usage of Santander Cycles and therefore cycling volumes in London. Therefore, implementation was not considered proportionate given the findings from the survey and the estimated potential revenue reduction, which would hinder the financial sustainability objective of the proposal. It is acknowledged that these findings and impacts cannot be considered conclusive of the eventual impact. The impacts of the proposal on Santander Cycles demographic user base will be monitored as part of the project. It is also acknowledged that the pricing survey was not able to collect any, or enough, data

	on all protected characteristics, including gender reassignment, marriage/civil partnership, pregnancy/ maternity, religion/belief and sexual orientation. To address potential negative impacts of the proposal, consideration will be given to the appropriate communications and/or engagement with users. This includes making pricing as clear as possible to users, as well as having clear safety messaging. This will be delivered through a communications and marketing campaign. The e-bike management and distribution supplier will be engaged to confirm mechanisms in place to ensure staff are briefed and equipped for the new operational regime required for e-bikes.
4. Stop the work because discrimination is unjustifiable and no obvious ways to mitigate	

Step 6: Action Planning

Q9. You must address any negative impacts identified in step 3 and 4. Please demonstrate how you will do this or record any actions already taken to do this. Please remember to add any positive actions you can take that further any positive impacts identified in step 3 and 4.

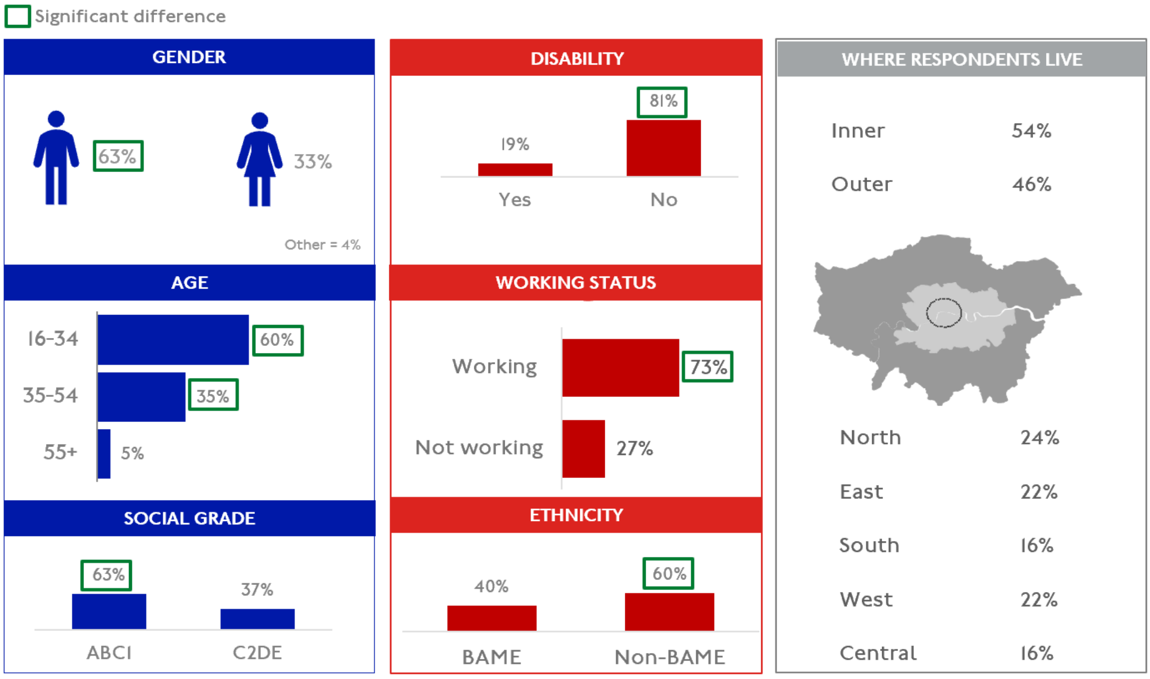
Action	Due / Status	Owner
Confirm plans for staff employed by TfL's supplier for e-bike management and distribution to ensure they are appropriately trained for the new operational regime.	• March 2022 *October 2021 update: Training plans are in progress and due to be finalised in the new year, for training in advance of e-bike launch.*	Project Manager
Consider customer communications and engagement, specifically amongst any protected characteristics likely to be impacted by e-bikes, in advance of the e-bike rollout. This includes the impacts of the additional tariff to hire an e-bike.	• Investment decision on e-bikes – December 2020 • Tariff proposal recommendation – March 2021 • Update EqIA – April 2021 *July 2021 update: A communications and marketing campaign is being developed with the TfL Customer, Marketing & Behaviour Change Team. There are objectives within the brief to target communications to underrepresented groups and those that may be disproportionately impacted by the tariff proposal.*	Project Sponsor
Ensure the e-bike design makes it clear to the user they are using an e-bike as opposed to a classic bike.	• E-Bike design finalised – January 2022 *July 2021 update: E-Bikes and classic bikes will be distinguishable within the Mobile App. The physical design (branding) of the e-bikes is being explored.*	Project Manager
Ensure the safety of e-bikes features within the marketing campaign on the lead up to launch of the e-bike. To consider: 1) E-bikes are heavier than classic bikes 2) What to do if an e-bike stops working during a journey 3) Safe practice for using an e-bike 4) Bike/e-bike training available	• Finalise proposal for marketing campaign - September 2021 • Marketing campaign – late 2021 – Summer 2022 *July 2021 update: The communications and marketing campaign will focus on encouraging the safe use e-bikes. The campaign is being planned and due to commence from Autumn 2021 until launch in Summer 2022.*	Cycle Hire Team
The initial rollout of e-bikes will include continuous monitoring of usage and impacts. The monitoring should assess both positive and negative impacts, such as safety and the risk of bike failures.	• Define monitoring plan – June-August 2021 *July 2021 update: The monitoring plan for e-bikes is defined in the benefits strategy. This includes collecting data on usage, customer satisfaction and any safety*	Project Sponsor / Cycle Hire Team

	incidents. Bike failures are monitored by the current supplier and reported to the Cycle Hire Operations Board. This action is closed.	
Collect further data on the impacts of the tariff proposal on the demographic groups that may be disproportionately affected. Terms to be agreed with the TfL Diversity & Inclusion Team.	• Market research complete – September 2021 • EqIA updated – October 2021 *October 2021 update: Further data has been collected via an online survey. The EqIA has been updated with the findings. This action is now closed.*	Project Sponsor / Cycle Hire Team
Confirm monitoring plans to assess the impact of the proposal on demographic groups, focusing on groups where potential disproportionate impacts have been identified	• Confirm monitoring plans (activity and timings) – January 2022	Project Sponsor

Appendix 1: Santander Cycles Demographic Data

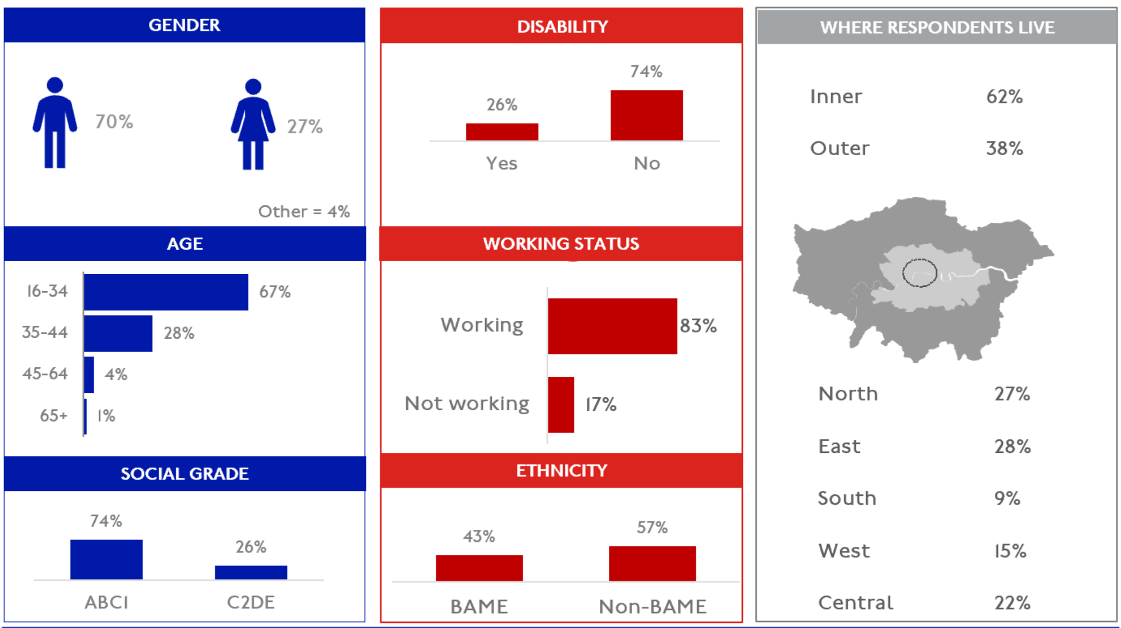
Current Santander Cycles users are more likely to be non-BAME, male, under 35 years old, working and ABC1

Who is using Santander Cycles hire? (all used in last year)



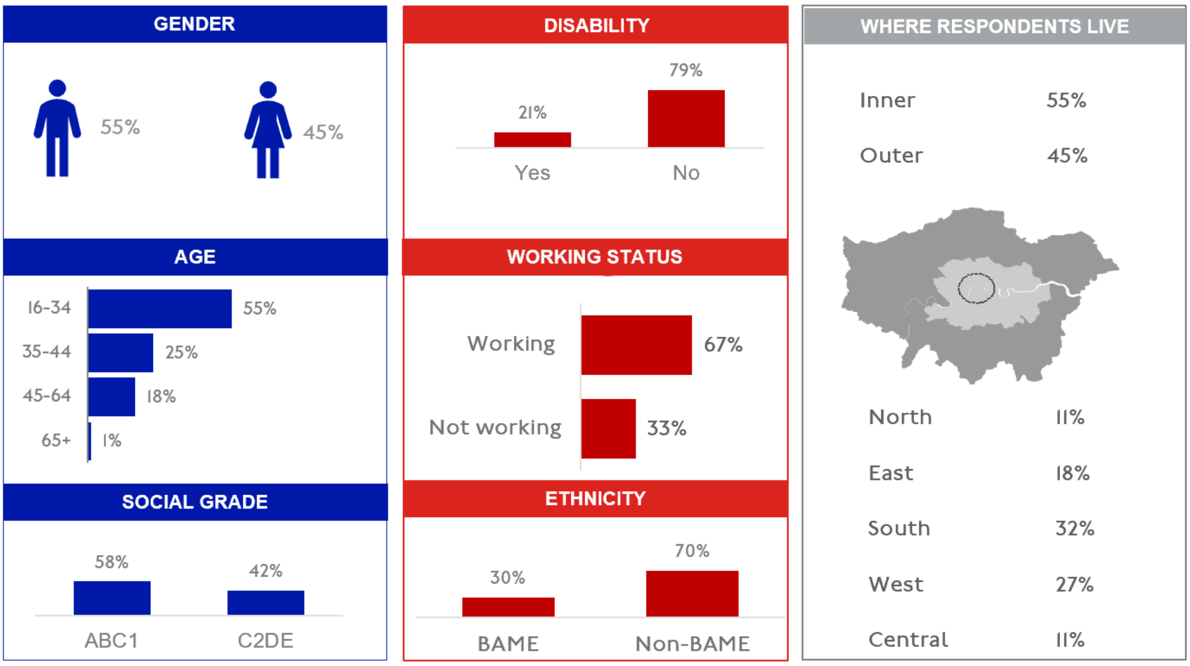
Weekly users of Santander Cycles are more likely to live in Inner London, be in employment, male and under 35

Who is using Santander Cycles hire? Use Santander Cycles at least weekly



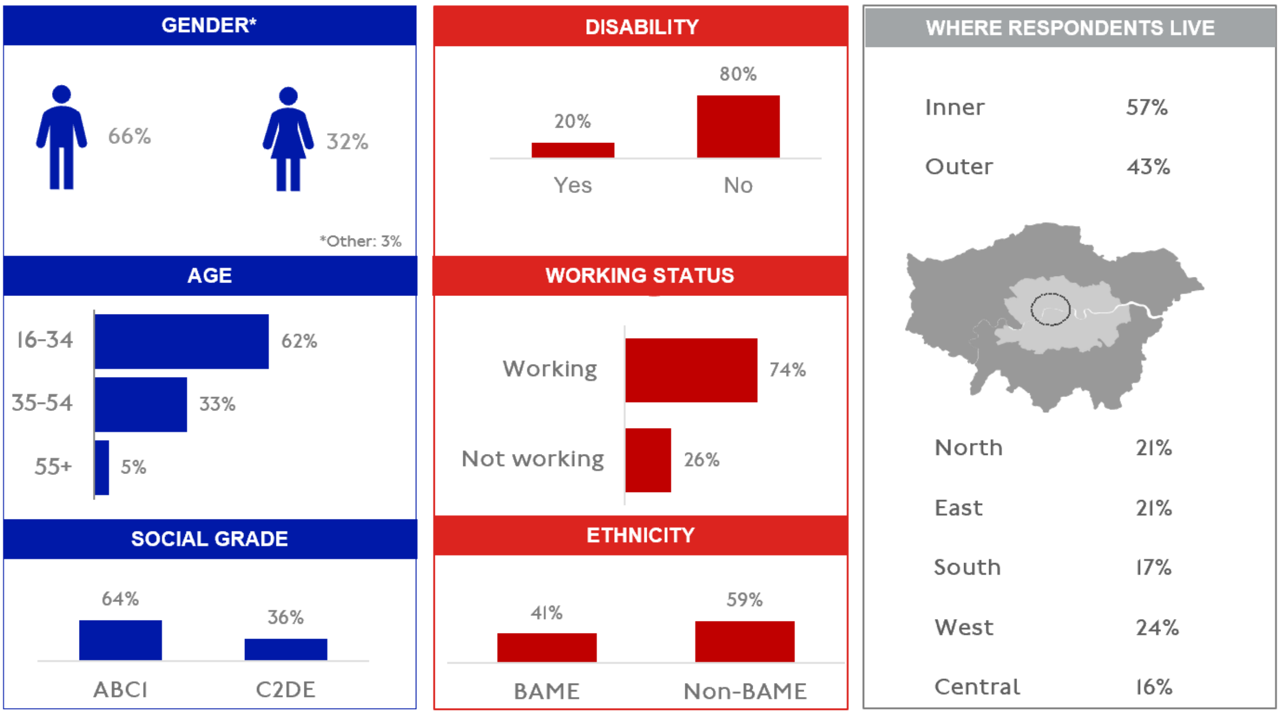
Those using Santander Cycles 1-2 times per month tend to be working and aged 16-34. There is less of a difference by gender and socioeconomic grade among this group

Who is using Santander Cycles hire? Use Santander Cycles 1-2 times per month

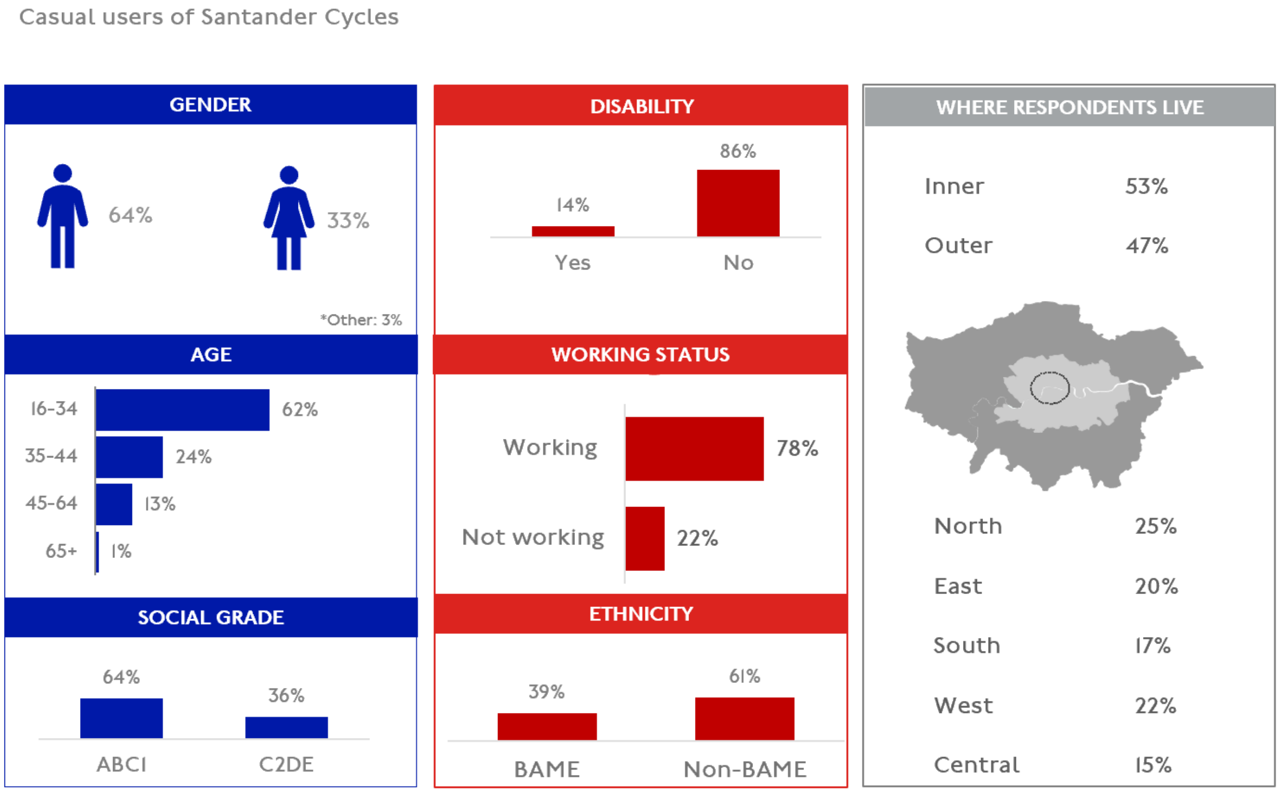


Profile of Regular Santander Cycles users: Regular users are more likely to be male, aged 16-34 and of a higher socioeconomic grade

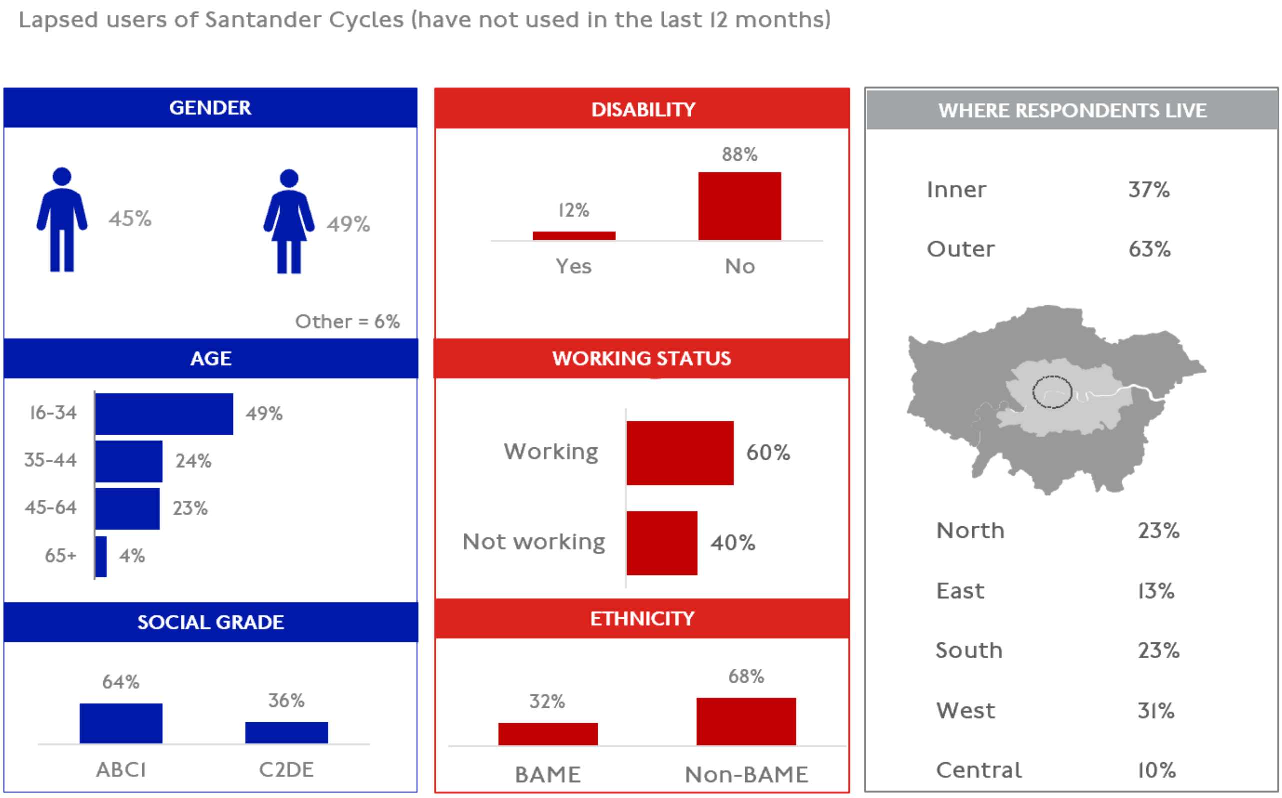
Who is using Santander Cycles hire? Regular Santander Cycles Users (last 6 months)



Casual Users of Santander Cycles

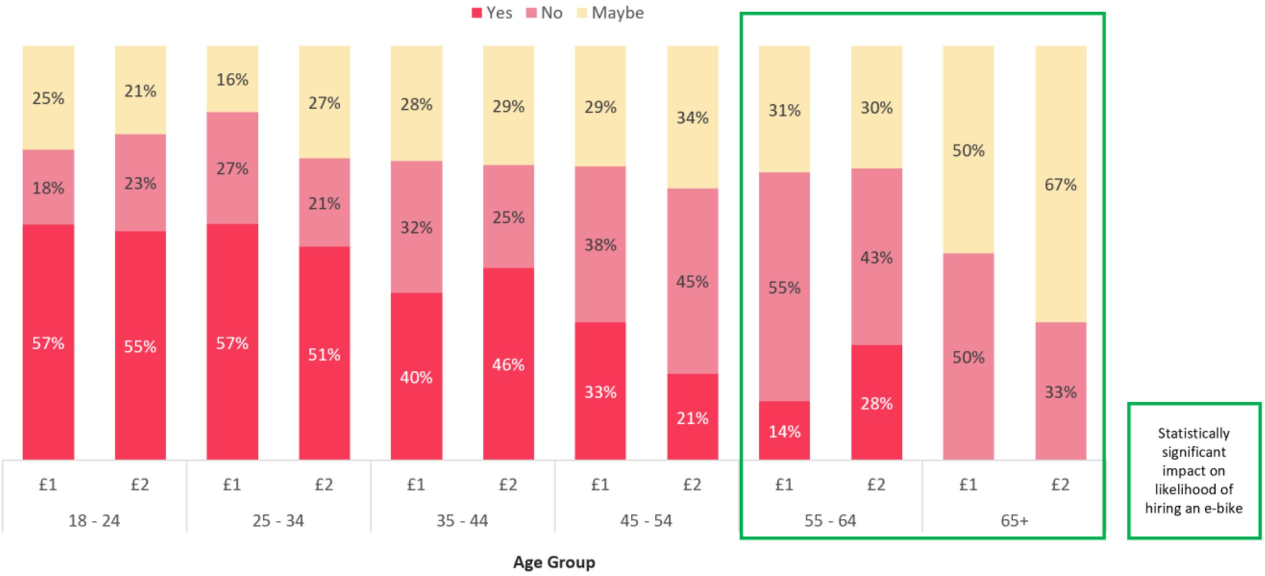


Lapsed Users of Santander Cycles

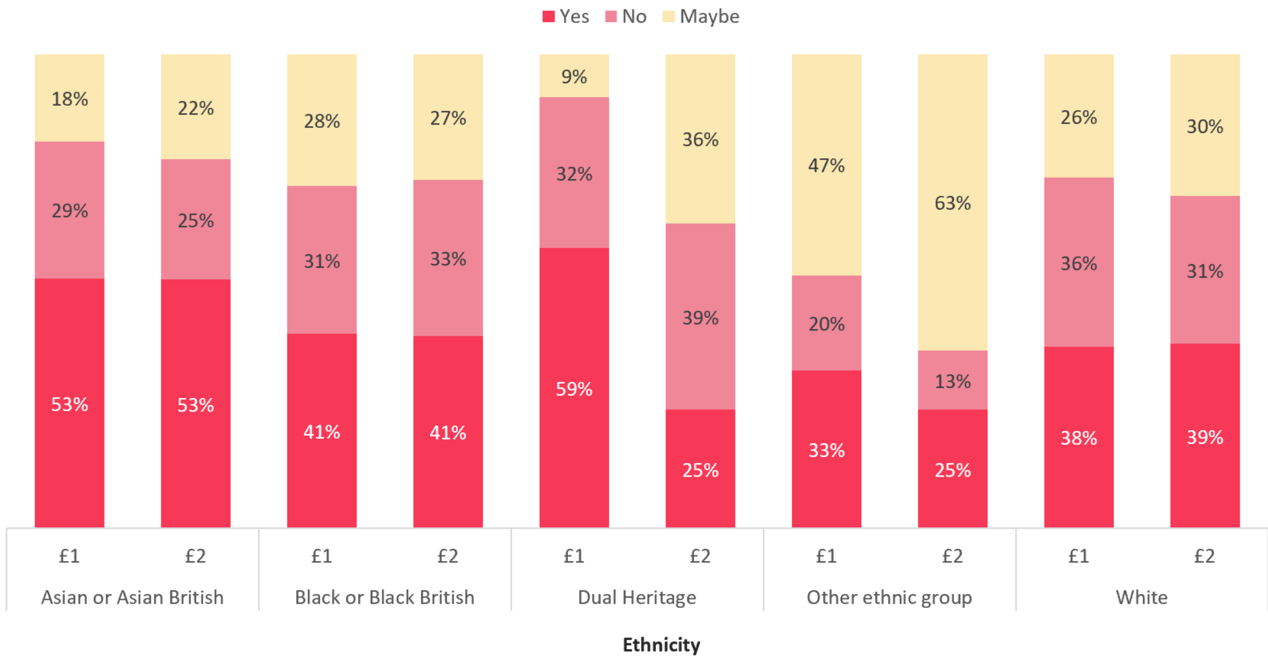


Appendix 2: Attitudes to Additional E-Bike Pricing by Demographic Group

Would you hire an eBike if one was available, and the cost was an additional £X per 30 minutes"



Would you hire an eBike if one was available, and the cost was an additional £X per 30 minutes"



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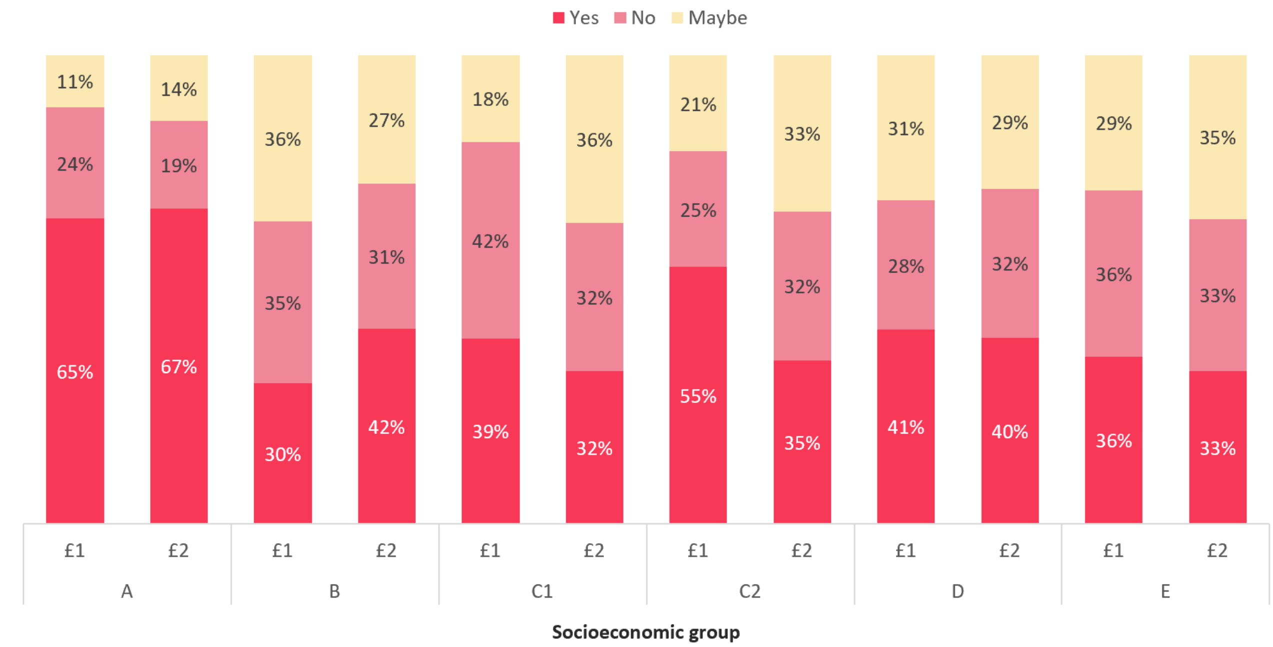
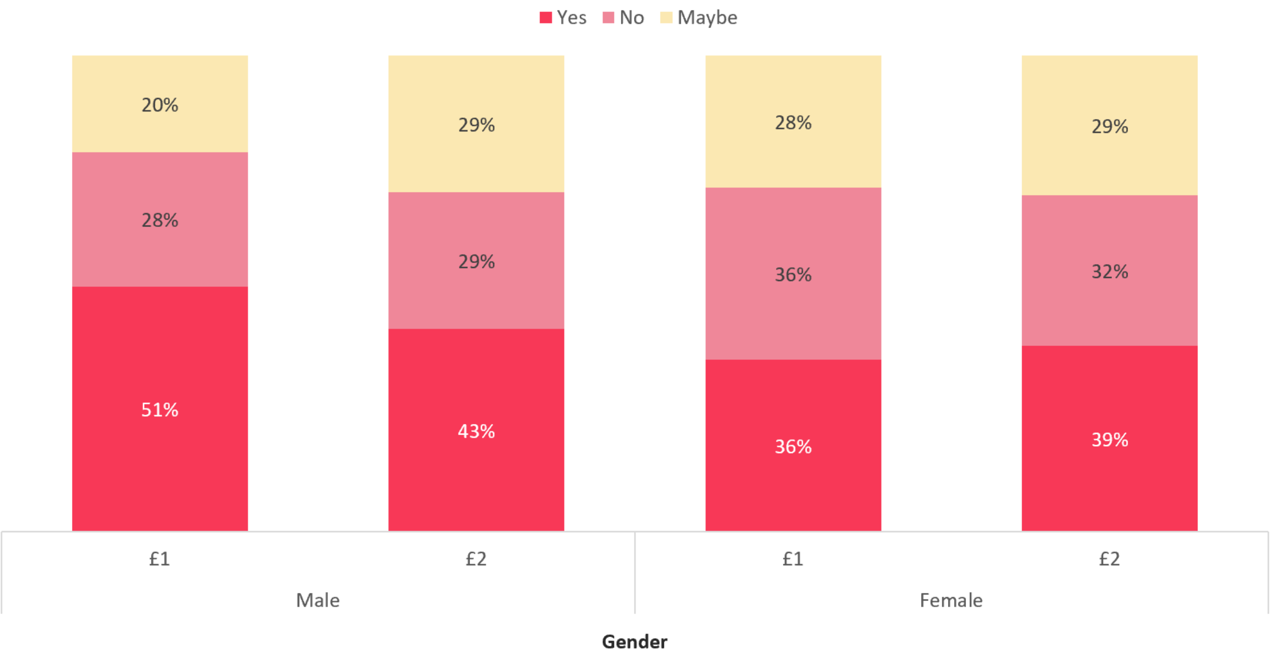
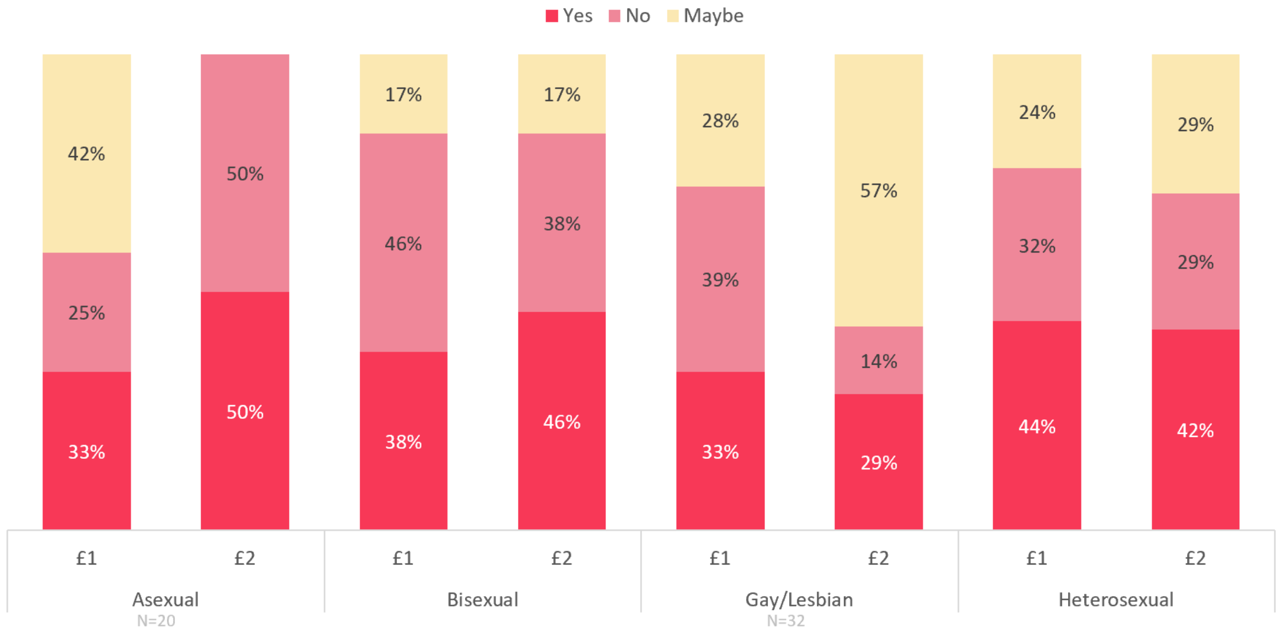


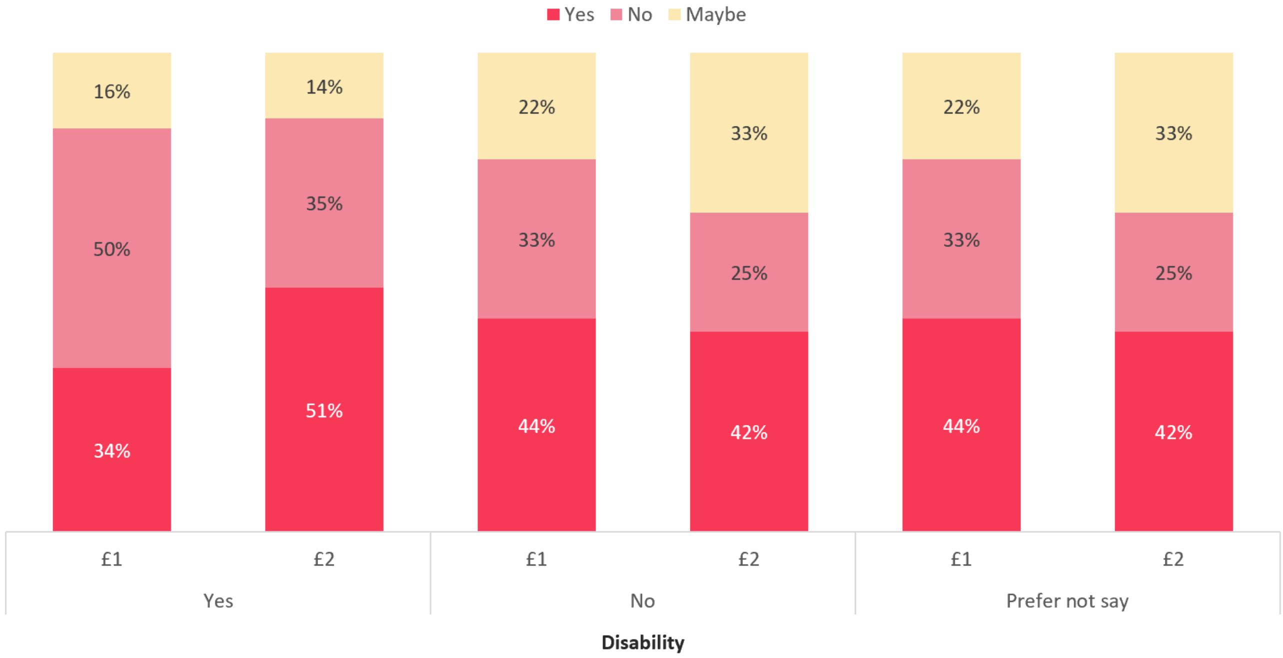
Would you hire an eBike if one was available, and the cost was an additional £X per 30 minutes"



Would you hire an eBike if one was available, and the cost was an additional £X per 30 minutes"



Would you hire an eBike if one was available, and the cost was an additional £X per 30 minutes"



F1457 A1 Equality Impact Assessment (EqIA) form

Project	London Cycle Hire Scheme (LCHS) – New Tariff

Accountable	Director of Rail & Sponsored Services	Tricia Ashton
	Signature:	Date: 02/12/2021

Assurance Checked By	Director of Diversity, Inclusion & Talent	Marcia Williams
	Signature *Marcia Williams*	Date: 24 November 2021

Step 1: Clarifying Aims

Q1. Outline the aims/objectives/scope of this piece of work

This proposal is to implement a new pricing structure for the London Cycle Hire Scheme (LCHS), also known as Santander Cycles. The new pricing structure is referred to as the new tariff throughout this document. As part of this initiative, TfL will also upgrade the Santander Cycles mobile app with the capability to extend hires by 15 minutes when a docking station is full, the ability to hire multiple bikes in one transaction, QR code bike release, docking confirmation and mis-docking notifications.

The proposal aims to support TfL's Financial Sustainability Plan by enabling us to operate a financially sustainable bicycle sharing scheme. It also aims to broaden the customer offering, providing more choice for users to suit their needs. Achieving financial sustainability will help to support a case for further investment and improvements in the scheme, including, but not limited to, the expansion of Santander Cycles to new areas of London, to offer accessible, convenient and affordable access to a cycle for more people.

With the current tariff, the only option for casual users (non-members) is a £2 fee for unlimited 30-minute rides for 24 hours. There are two member options; £2 per day (as per the casual option) or £90 per year for unlimited 30 minutes rides. For any rides longer than 30 minutes, it costs £2 for every additional 30 minutes.

	PAY-AS-YOU-GO	ANNUAL SUBSCRIPTION
	Unlimited 30 minute rides within a 24 hour period	Unlimited 30 minute rides for a year
Classic Bikes	£2.00	£90
	+£2 for every additional 30 minutes	+£2 for every additional 60 minutes

Figure 1: Current Santander Cycles tariff

The new tariff will introduce more pricing options, including a monthly option, as well as revise the price of existing options. The proposal is illustrated in Figure 2. An enhanced Business Accounts system to improve ease of sign up and account management for companies will also be introduced.

A deposit for users to hire a bike is also being considered to address losses associated with failed follow on payments due to late or non-returned bikes. The deposit is expected to improve bike availability for customers and may improve the overall condition of the bikes available for hire. The deposit will likely only apply to casual users of Santander Cycles and any user will be able to sign up as a member, providing personal and payment information, and hire a bike at the same rate without paying a deposit. A further review of whether to implement the deposit is due in Autumn 2022, after review of actual losses incurred following introduction of the new tariff.

	SINGLE RIDE	MONTHLY SUBSCRIPTION	ANNUAL SUBSCRIPTION
	Single trip valid for 30 minute period	Unlimited 60 minute rides for a month	Unlimited 60 minute rides for a year
Classic Bikes	£2.00	£20.00	£120.00
	+£2 for every additional 30 minutes	+£2 for every additional 60 minutes	+£2 for every additional 60 minutes

Figure 2: Tariff proposal

The proposal has been developed with specialist pricing consultants based on customer and market research. The proposal is due to be implemented in Summer 2022.

Q2. Does this work impact on staff or customers? Please provide details of how.

The new tariff will impact all existing and new users of Santander Cycles. The impacts on casual and member users are primarily financial, including:

- Casual users will pay £2 for every 30-minute ride as opposed to £2 for unlimited 30-minute rides for 24 hours
- Casual users will have access to the new monthly option, allowing unlimited 60-minute hires for a month
- Members will see an increase in the annual option from £90 to £120
- The annual subscription will double the amount of time users can hire a cycle for without incurring additional charges, to 60 minutes (previously 30 minutes)
- Members will have access to the new single ride and monthly options
- A deposit will impact all casual users if implemented; it will prevent users with insufficient funds from hiring a bike and also prevent users from spending the deposit amount until the deposit is returned (approximately 1-5 days from the return of bike, minus any extra ride charges due)

The process to implement the new tariff involves system changes to cater for the new pricing options. The scheme may be inactive for a period whilst the system transitions to the new tariff and customers will be unable to hire a bike during this period. This is expected to be no more than 48-hours for each of the three delivery phases, however the delivery plan is not finalised (due late 2021). Access around the docking stations will not be affected during the transition due to the limited on-street work required.

The new tariff will require changes to visual pricing information on-street, as well as on the website and mobile app. The changes will be consistent with the existing format in line with TfL and regulatory standards.

The new tariff will not require any changes to staff roles. There will be changes to the back-office system to align reporting to the new tariff.

Step 2: The Evidence Base

Q3. Record here the data you have gathered about the diversity of the people potentially impacted by this work. You should also include any research on the issues affecting inclusion in relation to your work

Data is not available for all protected characteristics within all the categories below.

London Population Data

The following data for the London population has been collected from London Datastore[1].

- **Gender:** There are an equal percentage of males (50%) and females (50%)
- **Age:** The age demographic in London is as follows:
  - 0-15 20%
  - 16-24 11%
  - 25-34 19%
  - 35-49 23%
  - 50-64 16%
  - 65+ 11%
- **Ethnicity:** The London population is mostly white (57%) compared to Black Asian and Minority Ethnics (43%)
- **Religion:** The religion demographic in London is as follows:
  - Christian 48%
  - Buddhist 1%
  - Hindu 5%
  - Jewish 2%
  - Muslim 14%
  - Sikh 2%
  - Other 2%
  - None 26%
- **Disability:** 19% of the London population are disabled
- **Sexual orientation:** The sexual orientation demographic in London is as follows:
  - Heterosexual 90%
  - Gay or lesbian 2%
  - Bisexual 1%
  - Other 1%
  - Don't know/refuse 6%

Income Data

As the impact of the new tariff is primarily financial, data on income across those with protected characteristics has been collected where available. It is acknowledged that data is not available for all protected characteristics.

The following findings are from London Datastore[2] for employed earnings and GOV.UK[3] for unemployment rates:

- **Gender:** Employed females earn an average of 21.7% less than males in London. Males represent 56% of those that are unemployed.
- **Ethnicity:** Employed Black Asian and Minority Ethnic individuals earn an average of 23% less than white individuals. Black, Pakistanis and Bangladeshi people have the highest unemployment rate out of all ethnic groups (8%)

[1] Greater London Authority, 2019. London's diverse population Available from: https://data.london.gov.uk/dataset/london-s-diverse-population- [Accessed 01/11/2019]
[2] Greater London Authority, 2019. *Economic Fairness* Available from: https://data.london.gov.uk/economic-fairness/labour-market/ [Accessed 01/11/2019]
[3] GOV.UK, 2021. *Unemployment* Available from: https://www.ethnicity-facts-figures.service.gov.uk/work-pay-and-benefits/unemployment-and-economic-inactivity/unemployment/latest#by-ethnicity

- **Disability:** Those considered disabled earn an average of 13% less than those not considered disabled in employment. The unemployment rate was 6.7% for disabled people compared with 3.7% for non-disable people in 2019[4].

The figure below published by Parliament using date from the Office for National Statistics (ONS)[5] illustrated the median weekly pay age group. Those in the 16-24 and 25-49 age groups represent the highest proportion of those that are unemployed; 36% and 43% respectively.

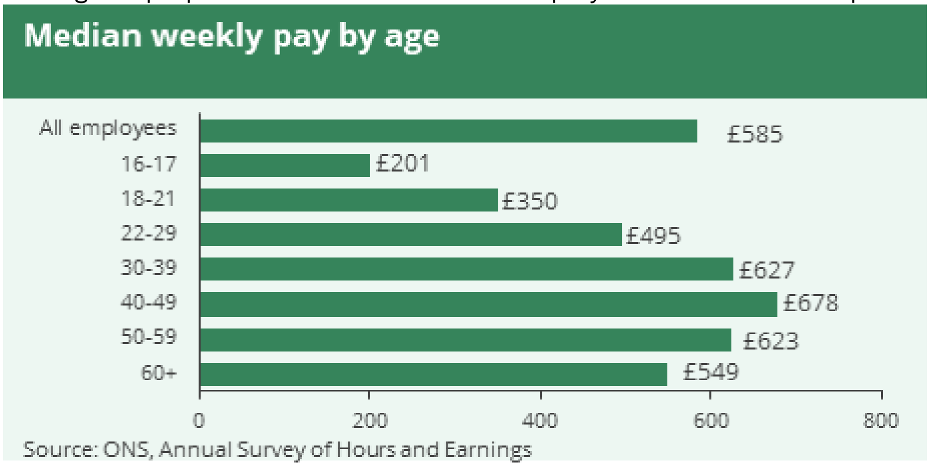


Figure 3: Median weekly pay by age

Income data based on sexual orientation and gender reassignment is less readily available, however a recent YouGov and LinkedIn survey[6] identified Lesbian, Gay, Bisexual and Trans (LGBT+) individuals earn an average of 16% less than others.

<u>Santander Cycles Data</u>
Demographic data for users of Santander Cycles was collected through a TfL Customer Pulse survey in December 2020. The data was collected from a representative survey of over 1,000 Londoners. It should be noted that potential users living outside of the 32 London Boroughs and/or visitors to London are not included, however registered users living in a London borough account for most registered users (59%). It is acknowledged that data is not available for all protected characteristics.

The data is summarised in Appendix 1 with the key findings as follows:

- **Gender:** Females are underrepresented (33%) compared with the London population (50%). 4% of users listed themselves as 'other', however there is no data on London population to compare to
- **Age:** High usage amongst 16-34 age group (60%) compared with London population (30%). Representation in the 35-54 age group (35%) is similar to the London population (35-49 23%, 50-64 16%), however there is low representation in the 55+ age group (5%)
- **Ethnicity:** Black Asian and Minority Ethnics are slightly underrepresented (40%) compared with London population (43%)
- **Disability:** Disabled users are represented (19%) compared with the London population (19%)
- **Working status:** 73% of Santander Cycles users are working and 27% are not. This includes all respondents and does not account for economically active population only.

[4] Office for National Statistics (ONS), 2019. *Disability and employment, UK:2019*. Available from: https://www.ons.gov.uk
[5] Parliament, 2019. *Average earning by age and region* [Online] Available from: https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-8456 [Accessed 25/11/2019]
[6] LinkedIn, 2019. *The UK has an LGBT pay gap* Available from: https://www.linkedin.com/feed/news/the-uk-has-an-lgbtq-pay-gap-4702500 [Accessed 01/11/2019]

- **Social grade:** 63% of Santander Cycles users are ABC1 (middle class) and 37% C2DE (working class), compared with UK average of 57% and 43% respectively[7]

<u>London Cycling Trends</u>

To compare Santander Cycles to general cycling trends in London, data has been collected from the Travel in London Report 13[8] available on the TfL Website. This data covers 2019/20, prior to the Coronavirus pandemic which significantly altered travel patterns in London.

- **Gender:** Of those that cycled at least once in 2019/20, 62% were male. This demonstrates there are generally more male cyclists and the percentage of male users of Santander Cycles is similar (63%). There is no data in the report for other gender identities.
- **Age:** The percentage within each age group of those that cycled at least once in 2019/20:
  - 5-24 31%
  - 25-34 19%
  - 35-44 21%
  - 45+ 29%

  It is not possible to directly compare these results to those of Santander Cycles due to the different age group ranges within the datasets.
- **Ethnicity:** Of those that cycled at least once in 2019/20, 77% were white. Black Asian and Minority Ethnics are significantly underrepresented in cycling volumes compared to the London population, but much better represented in the Santander Cycles user base (40%).
- **Employment/household income:** Of those that cycled at least once in 2017/18, 60-65% were employed. The average household income is split as follows:
  - <20k 11%
  - 20k-75k 51%
  - >75k 38%
- **Religion or belief:** There is limited data on cycling amongst different religions or beliefs. There may be some barriers to cycling for certain religions, for example it may not be appropriate due to religious clothing[9]

Tariff Proposal – Market Research

A two-stage research study was undertaken to inform the tariff proposal; the first stage sought qualitative feedback through focus groups with users and the second stage sought quantitative feedback through on-street surveys with users. It should be noted that this on-street survey was undertaken in October. Given Santander Cycles usage varies by season, it is acknowledged that the data collected in October might not be representative of the user base for the entire year. Autumn/winter tends to see a higher proportion of member/commuter trips and less casual/leisure trips compared with Spring/Summer.

Stage one concluded the existing tariff is generally considered good value but noted some confusion around pricing, including how much users pay beyond 30 minutes, whether the pricing is capped and the options available. Demographic data was not collected for focus groups.

Stage two interviewed 830 users at docking stations across London to understand views on the existing tariff and potential new tariff proposals. This subsequently informed the fares structure and pricing for each option. Limited information on the demographics of those interviewed is

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[7] YouGov, 2019. *How well do ABC1 and C2DE correspond with our own class identity?* Available from: https://yougov.co.uk/topics/politics/articles-reports/2019/11/25/how-well-do-abc1-and-c2de-correspond-our-own-class [Accessed 12/08/2019]

[8] Transport for London, 2018. *Travel in London Report 13* Available from: http://content.tfl.gov.uk/travel-in-london-report-13.pdf [Accessed 01/11/2019]

[9] WestTrans, 2010. *Have Faith in Travel Planning* Available from: http://www.westtrans.org/WLA/wt2.nsf/Files/WTA-138/$file/WestTrans_HaveFaithInTravelPlanningBooklet_2010+-+compressed1.pdf [Accessed 12/08/2021]

available and it's not possible to analyse responses by demographic, which means the impact on existing users from protected characteristics cannot be fully addressed at this stage.

The known demographics of those interviewed include:

- User type: 552 members / 278 casuals
- User type: 417 'leisure' / 417 'commuter'
- Gender: 594 male / 232 female
- Age: 171 16-24 / 212 25-34 / 190 35-44 / 165 45-54 /84 55-64 / 8 65+
- Employment status: 605 full-time / 42 part-time / 40 self-employed / 121 student / 6 unemployed / 6 retired / 3 other / 7 prefer not to say

An impact analysis of whether users will be better or worse off was undertaken, with consideration to known trip behaviour and the market research. The analysis is not broken down by demographic data, however the findings demonstrate that the majority of users will pay more.

Table 1: Impact Analysis (% of users that will not worse off or not better off)

User type	Not worse off*	Not better off
Annual members	28.9%	71.1%
24-hour members	40.7%	59.3%
Casual users	34.1%	65.9%
*Users paying the same or less		

Analysis of expected migration from the existing tariff options to the new tariff options was also undertaken based on known trip behaviour and the market research. The estimated migration is summarised in Table 2.

Table 2: Migration from current to new tariff (% migration)

Current tariff⟶ ↓New tariff	Annual	24-hour pay-as-you-go	pay-as-you-go
Annual	82.8%	0.6%	7.6%
Monthly	6.8%	4.6%	4.9%
Single ride	10.4%	92.8%	87.6%

<u>Tariff Proposal – September 2021 Survey</u>
Considering the potential impacts of the new tariff proposal outlined in Step 3 of this document, a further survey was carried out to understand attitudes towards the tariff by demographic group.

The survey was responded to by nearly 1,000 London residents, including existing users and non-users of Santander Cycles. A range of demographic information was requested, including age, ethnicity, gender, socio-economic status, disability status and sexual orientation. The survey questions focused on value for money, simplicity and flexibility of the proposed classic bike and e-bike tariff, as well as the current tariff as a comparator. It also included questions to understand attitudes to a deposit, at both £30 and £50.

The responses were analysed for any trends amongst certain demographics that were statistically significant. The responses across all demographic groups are summarised in Appendix 2, with statistically significant findings highlighted where appropriate and summarised below.

The key statistically significant findings on the tariff (excluding e-bikes) include:

- Most respondents perceive the current and proposed tariff as good value for money (see figure 3)

- On average, respondents do not consider the proposed tariff to be significantly different to the current tariff in terms of ease of understanding, value for money, or flexibility offered
- Across both tariffs, previous scheme users recognise the scheme as offering good value for money, to a greater extent than non-users
- Socio economic groups, with statistically lower earnings (C1, C2, D, E), consider the new tariffs easier to understand, while many of the same groups (C2, D) also consider them to be worse in terms of value for money

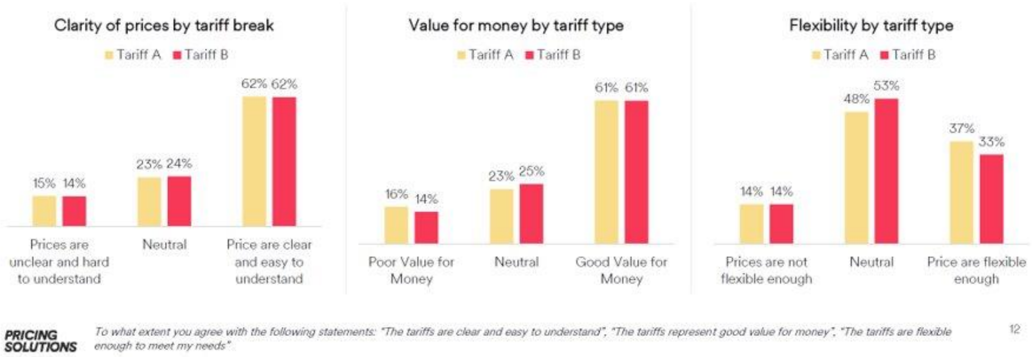


Figure 4: Overall Response Summary

The key statistically significant findings on the deposit include:

- The majority support the implementation of a deposit to improve bike availability and condition
- There was less support for a deposit amongst the lower age group and those from a dual heritage background, although the majority approve or have a neutral view
- The majority felt a £30 deposit was fair (51% fair versus 27% unfair), however support dropped significantly at a £50 deposit (40% fair versus 31% unfair)
- A higher proportion of disabled respondents would be less willing to hire a bike than non-disabled users due to the deposit

The equality impacts of e-bikes, including pricing, is captured in the E-Bikes EqIA. The E-Bikes EqIA details the findings from the survey on e-bike pricing.

Step 3: Impact

Q4. Given the evidence listed in step 2, consider and describe what potential short, medium and longer term negative impacts this work could have on people related to their protected characteristics?

Protected Characteristic	Y/N	Explain the potential negative impact
Age	Y	The impact analysis suggests most users will pay more under the new tariff proposal, however there is no data to quantify this by age group. While the proposal applies to all ages, the lower and higher age groups could be disproportionately affected given the income data presented in the evidence base. The survey data for the classic bike tariff does not indicate a statistically significant and disproportionately negative response to the proposal amongst these age groups. The deposit, which, if introduced, requires users to have sufficient funds available in their account, with the funds returned approximately 2-5 days from return of the bike, may disproportionately affect the lower and higher age groups given the income data presented in the evidence base. The survey data did indicate less support for the deposit amongst the lower age groups, but a minority disapproved completely. Support for a deposit was highest amongst the higher age groups. The 16-34 age group is well represented (60%) amongst Santander Cycles users, but the 55+ age group is underrepresented (5%). Given the income data in the evidence base, there is a risk that the proposals may result in increased underrepresentation of the lower and higher age groups amongst users. The findings from the survey do not identify a statistically significant and disproportionately negative response amongst these groups to the classic bike tariff but do indicate the lower age groups are more likely to be put off by the deposit.
Disability including carers	Y	The impact analysis suggests most users will pay more under the new tariff proposal, however there is no data to quantify the impact for those with a disability. While the proposal applies to all users, those with a disability could be disproportionately affected given the income data presented in the evidence base. The survey data for the classic bike tariff does not indicate a statistically significant and disproportionately negative response to the classic bike tariff amongst disabled respondents. The deposit, which, if introduced, requires users to have sufficient funds available in their account, with the funds returned approximately 2-5 days from return of the bike, may disproportionately affect those with a disability given the income data presented in the evidence base. The survey data does not indicate a statistically significant and disproportionately negative response to the £30 deposit amongst disabled users but did identify a lower propensity to hire a bike than non-disabled users if the deposit is set at £50. Individuals with neurological disabilities may be impacted by the additional pricing options and conditions, such as deposits, which could be perceived as added complexity to hiring a bike. The findings from the survey indicate that those with a disability found the proposed tariff to

		be clearer than the current tariff, however this was not a statistically significant findings. The Santander Cycles usage data suggests disabled people are relatively well represented in the user base. There is a risk that the proposals may result in increased underrepresentation of disabled users. The findings from the survey do not indicate a statistically significant and disproportionately negative response to the classic bike tariff and deposit amongst disabled users, providing the deposit is set at closer to £30.
Gender	Y	The impact analysis suggests most users will pay more under the new tariff proposal, however there is no data to quantify the impact by gender. While the proposal applies to all genders, female users could be disproportionately affected given the income data presented in the evidence base. The survey data for the classic bike tariff does not indicate a statistically significant and disproportionately negative response to the proposal amongst females. If introduced then a deposit, which requires users to have sufficient funds available in their account, with the funds returned approximately 2-5 days from return of the bike, may disproportionately affect female users given the income data presented in the evidence base. The survey data does not indicate a statistically significant and disproportionately negative response to the deposit amongst females. Females are underrepresented amongst Santander Cycles users (33%) compared to the London population (49%) and general cycling trends in London (38%). There is a risk that the proposals may result in increased underrepresentation of females amongst users, however the findings from the survey do not identify a statistically significant and disproportionately negative response amongst females. Those that do not identify as male or female represent 4% of the Santander Cycles user base. There is no general cycling in London data for comparison, however trans and non-binary people may be disproportionately affected by the proposal given the income data in the evidence base for LGBT+ people. The response to the survey amongst trans and non-binary individuals is too small to be considered. There is a risk that the proposals may result in increased underrepresentation within this group.
Gender reassignment	Y	The impact analysis suggests most users will pay more under the new tariff proposal, however there is no data to quantify the impact amongst those that have undergone gender reassignment. While the proposal applies to all users, the trans community could be disproportionately affected given the income data presented in the evidence base on average income for LGBT+ workers. This includes the deposit to hire a bike if introduced, which requires users to have sufficient funds available in their account, with the funds returned approximately 2-5 days from return of the bike. The response to the survey amongst trans individuals is too small to be considered. There is no data on the volume of Santander Cycles users or general cycling in London amongst those who identify as trans. There is a risk

		that the proposals may result in increased underrepresentation of those that have undergone gender reassignment.
Marriage/civil partnership	N	
Other – e.g. refugees, low income, homeless people	Y	The impact analysis suggests most users will pay more under the new tariff proposal, however there is no data to quantify the impact by demographic. While the proposal applies to all users, individuals on low incomes may be disproportionately affected. The survey data shows a mixed response to the classic bike tariff amongst socio-economic groups, with those in 'A', 'C2' and 'D' perceiving it as slightly less value for money than the current tariff, however the vast majority within these groups somewhat agree or agree the proposed tariff represents good value for money. Socio-economic group is not a direct indication on income, however there is a statistical trend that average earnings reduce through the social classes, from 'A' through to 'E'. If introduced then a deposit, which requires users to have sufficient funds available in their account, with the funds returned approximately 2-5 days from return of the bike, may disproportionately affect individuals on low incomes. The survey data does not indicate a disproportionately negative response to the deposit amongst any socio-demographic groups. There is no salary data for users of Santander Cycles, but the proposals could lead to an increased underrepresentation of those on lower incomes. The survey data indicates that some socio-economic groups with statistically lower earnings perceive the proposed tariff as less value for money than the current tariff, however the overwhelming majority still perceive the proposed tariff as good value for money.
Pregnancy/maternity	Y	The impact analysis suggests most users will pay more under the new tariff proposal, however there is no data to quantify the impact amongst pregnant users or those on maternity. Individuals unable to work or on maternity leave with reduced or no income may be disproportionately affected. This includes the deposit, which, if introduced, requires users to have sufficient funds available in their account, with the funds returned approximately 2-5 days from return of the bike. There is no data on the volume of Santander Cycles users or general cycling in London amongst pregnant users or those on maternity, however there is a risk that the proposals may result in increased underrepresentation.
Race	Y	The impact analysis suggests most users will pay more under the new tariff proposal, however there is no data to quantify the impact by race. While the proposal applies to all users, Black Asian and Minority Ethnic users may be disproportionately affected given the income data presented in the evidence base. The survey data for the classic bike tariff does not indicate a statistically significant and disproportionately negative response to the classic bike tariff amongst any ethnic groups respondents.

		The deposit, which, if introduced, requires users to have sufficient funds available in their account, with the funds returned approximately 2-5 days from return of the bike, may disproportionately affect Black Asian and Minority Ethnic users given the income data presented in the evidence base. The survey data indicates that, on average, all ethnic groups are mostly in favour of a deposit, however those with dual heritage are least likely to approve, and most likely to disapprove, of a deposit. Black Asian and Minority Ethnics are underrepresented as members (7%) and casuals users (21%) compared to the London population (43%) and general cycling volumes in London (23% non-white). There is a risk that the proposals may result in increased underrepresentation of Black Asian and Minority Ethnics, however the findings from the survey do not identify a statistically significant and disproportionately negative response amongst these ethnic backgrounds.
Religion or belief	Y	There is limited data available on cycling volumes amongst different religions or beliefs, however there may be perceived cultural barriers. There is a risk the proposal could deter, or further deter, users less willing to cycle due to their religion or belief. There is no data available to quantify the impact of the proposals by religion or belief.
Sexual orientation	Y	The impact analysis suggests most users will pay more under the new tariff proposal, however there is no data to quantify the impact by sexual orientation. While the proposal applies to all users, LGBT+ users may be disproportionately affected given the income data presented in the evidence base. This includes the deposit, which, if introduced, requires users to have sufficient funds available in their account, with the funds returned approximately 2-5 days from return of the bike. The response to the survey amongst LGBT+ individuals is too small to be considered. There is no data on the volume of Santander Cycles users or general cycling in London by sexual orientation, however there is a risk that the proposals may result in increased LGBT+ underrepresentation. The survey attempted to collect data on attitudes to the proposal by sexual orientation, however the response rate was too small to make firm conclusions.

Q5. Given the evidence listed in step 2, consider and describe what potential positive impacts this work could have on people related to their protected characteristics?

Protected Characteristic	Y/N	Explain the potential positive impact
Age	Y	The new tariff introduces a new monthly subscription. This offers unlimited 60-minute hires for a month, offering better value than the single ride option and current pay-as-you-go tariff option for any user hiring a bike on 11 or more days per month, without the upfront cost of an annual membership. It also offers greater flexibility for seasonal users of Santander Cycles. Data on trip behaviour indicates this option would be more economically advantageous for some users, and when combining this data with the

		market research, an estimated 12% of all trips are expected using the monthly subscription. In addition to the 60-minute hire time for monthly users, the free access period for annual users has been increased from 30-minutes to 60-minutes. This increases the value of the proposition and allows for longer and/or less rushed journeys.
Disability including carers	Y	The new tariff introduces a new monthly subscription. This offers unlimited 60-minute hires for a month, offering better value than the single ride option and current pay-as-you-go tariff option for any user hiring a bike on 11 or more days per month, without the upfront cost of an annual membership. It also offers greater flexibility for seasonal users of Santander Cycles. Data on trip behaviour indicates this option would be more economically advantageous for some users, and when combining this data with the market research, an estimated 12% of all trips are expected using the monthly subscription. In addition to the 60-minute hire time for monthly users, the free access period for annual users has been increased from 30-minutes to 60-minutes. This increases the value of the proposition and allows for longer and/or less rushed journeys.
Gender	Y	The new tariff introduces a new monthly subscription. This offers unlimited 60-minute hires for a month, offering better value than the single ride option and current pay-as-you-go tariff option for any user hiring a bike on 11 or more days per month, without the upfront cost of an annual membership. It also offers greater flexibility for seasonal users of Santander Cycles. Data on trip behaviour indicates this option would be more economically advantageous for some users, and when combining this data with the market research, an estimated 12% of all trips are expected using the monthly subscription. In addition to the 60-minute hire time for monthly users, the free access period for annual users has been increased from 30-minutes to 60-minutes. This increases the value of the proposition and allows for longer and/or less rushed journeys.
Gender reassignment	Y	The new tariff introduces a new monthly subscription. This offers unlimited 60-minute hires for a month, offering better value than the single ride option and current pay-as-you-go tariff option for any user hiring a bike on 11 or more days per month, without the upfront cost of an annual membership. It also offers greater flexibility for seasonal users of Santander Cycles. Data on trip behaviour indicates this option would be more economically advantageous for some users, and when combining this data with the market research, an estimated 12% of all trips are expected using the monthly subscription. In addition to the 60-minute hire time for monthly users, the free access period for annual users has been increased from 30-minutes to 60-minutes. This increases the value of the proposition and allows for longer and/or less rushed journeys.

Marriage/civil partnership	N	
Other – e.g. refugees, low income, homeless people	Y	The new tariff introduces a new monthly subscription. This offers unlimited 60-minute hires for a month, offering better value than the single ride option and current pay-as-you-go tariff option for any user hiring a bike on 11 or more days per month, without the upfront cost of an annual membership. It also offers greater flexibility for seasonal users of Santander Cycles. Data on trip behaviour indicates this option would be more economically advantageous for some users, and when combining this data with the market research, an estimated 12% of all trips are expected using the monthly subscription. In addition to the 60-minute hire time for monthly users, the free access period for annual users has been increased from 30-minutes to 60-minutes. This increases the value of the proposition and allows for longer and/or less rushed journeys.
Pregnancy/maternity	Y	The new tariff introduces a new monthly subscription. This offers unlimited 60-minute hires for a month, offering better value than the single ride option and current pay-as-you-go tariff option for any user hiring a bike on 11 or more days per month, without the upfront cost of an annual membership. It also offers greater flexibility for seasonal users of Santander Cycles. Data on trip behaviour indicates this option would be more economically advantageous for some users, and when combining this data with the market research, an estimated 12% of all trips are expected using the monthly subscription. In addition to the 60-minute hire time for monthly users, the free access period for annual users has been increased from 30-minutes to 60-minutes. This increases the value of the proposition and allows for longer and/or less rushed journeys.
Race	Y	The new tariff introduces a new monthly subscription. This offers unlimited 60-minute hires for a month, offering better value than the single ride option and current pay-as-you-go tariff option for any user hiring a bike on 11 or more days per month, without the upfront cost of an annual membership. It also offers greater flexibility for seasonal users of Santander Cycles. Data on trip behaviour indicates this option would be more economically advantageous for some users, and when combining this data with the market research, an estimated 12% of all trips are expected using the monthly subscription. In addition to the 60-minute hire time for monthly users, the free access period for annual users has been increased from 30-minutes to 60-minutes. This increases the value of the proposition and allows for longer and/or less rushed journeys.
Religion or belief	N	

Sexual orientation	Y	The new tariff introduces a new monthly subscription. This offers unlimited 60-minute hires for a month, offering better value than the single ride option and current pay-as-you-go tariff option for any user hiring a bike on 11 or more days per month, without the upfront cost of an annual membership. It also offers greater flexibility for seasonal users of Santander Cycles. Data on trip behaviour indicates this option would be more economically advantageous for some users, and when combining this data with the market research, an estimated 12% of all trips are expected using the monthly subscription. In addition to the 60-minute hire time for monthly users, the free access period for annual users has been increased from 30-minutes to 60-minutes. This increases the value of the proposition and allows for longer and/or less rushed journeys.

Step 4: Consultation

Q6. How has consultation with those who share a protected characteristic informed your work?

List the groups you intend to consult with or have consulted and reference any previous relevant consultation?	If consultation has taken place what issues were raised in relation to one or more of the protected characteristics?
Santander Cycles User Groups/Customers	TfL have been working with a specialist consultant to develop the tariff proposals. In order to develop the proposal, feedback from users of Santander Cycles has been collected through on-street surveys and user group meetings to inform the proposal.
London residents of various demographics	An online survey was undertaken to understand attitudes to the proposed tariff, including the deposit functionality, amongst different demographics. This included existing users and non-users of Santander Cycles. The findings are summarised in the evidence base.

Q7. Where relevant, record any consultation you have had with other projects / teams who you are working with to deliver this piece of work. This is really important where the mitigations for any potential negative impacts rely on the delivery of work by other teams.

The Project Team have been consulted on the tariff proposal, which includes representatives in the Investment, Delivery and Santander Cycles teams of TfL. The TfL Diversity & Inclusion Team has been consulted as part of the EqIA review.

Now that the tariff proposal is finalised, further consultation within TfL and the Greater London Authority (GLA) is planned as part of the approval process.

Step 5: Informed Decision-Making

Q8. In light of the assessment now made, what do you propose to do next?

1. Change the work to mitigate against potential negative impacts found	
2. Continue the work as is because no potential negative impacts found	
3. Justify and continue the work despite negative impacts (please provide justification)	The tariff proposal aims to support TfL's financial objectives and ensure TfL can continue operating the scheme in the long-term. The tariff is a necessary intervention to deliver financial sustainability for Santander Cycles. Research and modelling have been undertaken across a range of pricing options to identify the option that supports TfL's Financial Sustainability Plan, while minimising the impact on usage volumes. The proposal as described in Step 1 will be submitted for internal approval in Autumn 2021. The evidence base and impacts highlight a risk that the proposal may negatively impact on certain demographic groups, particularly those with statistically lower earnings, which could result in greater underrepresentation in Santander Cycles users as a result. However, a survey of users and non-users to understand attitudes towards the proposal by demographic group did not identify a statistically significantly and disproportionately negative response amongst these groups. The impacts of implementing a concessionary scheme were investigated. A 25% discount was considered; implementing this for disabled users would decrease revenue below levels at which Cycle Hire would break even. Extending this to users with other protected characteristics (for example, higher or lower age groups) would further decrease revenue. A higher tariff was considered for non-concessionary users to further offset revenue, however to secure the necessary increase in revenue a significantly higher tariff would be required (£3 per single trip, vs £2 proposed). Modelling based on customer feedback indicated this would significantly reduce the number of trips on Cycle Hire overall per year, compromising the scheme's aims to support usage of Santander Cycles and therefore cycling volumes in London. Therefore, implementation was not considered proportionate given the findings from the survey and the estimated potential revenue reduction, which would hinder the financial sustainability objective of the proposal. It is acknowledged that these findings and impacts cannot be considered conclusive of the eventual impact. The impacts of the proposal on Santander Cycles demographic user base will be monitored as part of the project. It is also acknowledged that the survey was not able to collect any, or enough, data on all protected characteristics, including gender reassignment, marriage/civil partnership, pregnancy/ maternity, religion/belief and sexual orientation. To address potential negative impacts of the new tariff, consideration will be given to the appropriate communications with existing, and potentially new, users. This includes making the tariff options as clear as possible to

	users and ensuring information is available to help users select the most suitable option for their needs. This will be delivered through the communications and marketing plan. Further consideration to the impacts and mitigations of the deposit should be given if a decision is taken to implement it.
4. Stop the work because discrimination is unjustifiable and no obvious ways to mitigate	

Step 6: Action Planning

Q9. You must address any negative impacts identified in step 3 and 4. Please demonstrate how you will do this or record any actions already taken to do this. Please remember to add any positive actions you can take that further any positive impacts identified in step 3 and 4.

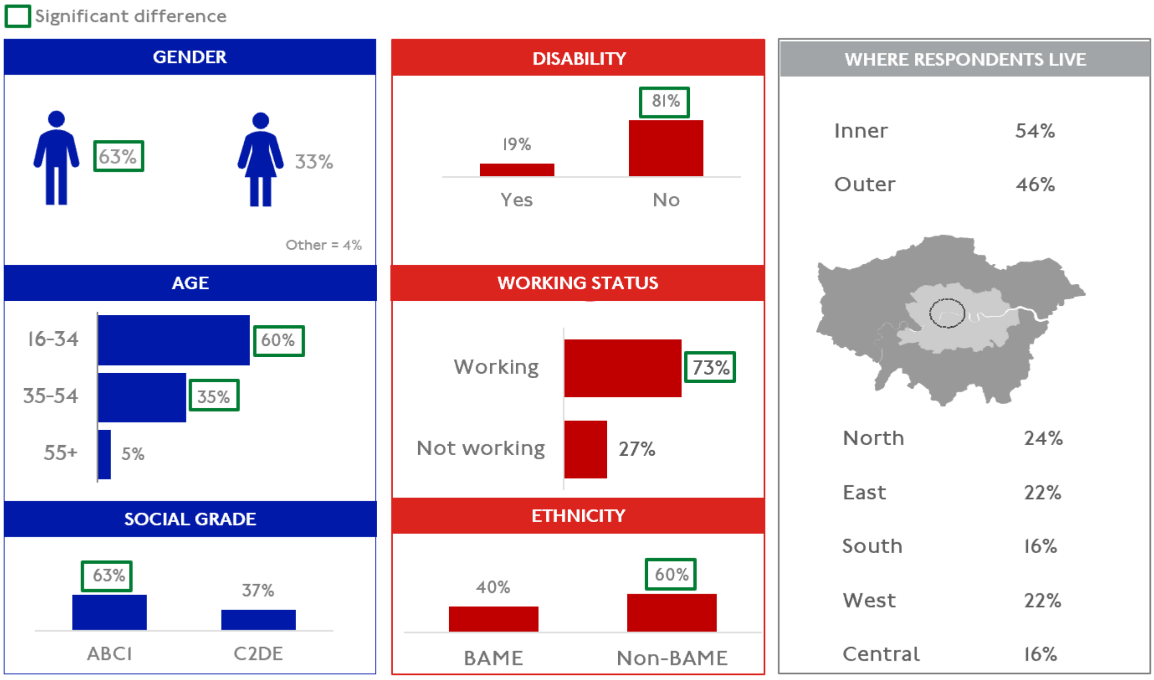
Action	Due / Status	Owner
Confirm whether deposits will be introduced and the deposit value, considering data on actual bike loss levels following implementation of proposals in Summer 2022. EqIA to be updated with associated impacts.	• Confirm approach to deposits & EqIA updated – Autumn 2023	Cycle Hire Team
Update the EqIA once the tariff proposal recommendation is finalised. This could include quantitative analysis of users that will benefit or not from the change.	• Tariff proposal recommendation – January 2021 *July 2021 update: The EqIA has been updated with details on the final tariff proposal and the percentage of users that will be better or not better off. Additional information from the market research has been included in the evidence base. This action is closed.*	Project Sponsor / Cycle Hire Team
Consider customer communications and engagement, specifically amongst any protected characteristics likely to be impacted, once tariff has final approval	• August 2021 *July 2021 update: A communications and marketing campaign is being developed with the TfL Customer, Marketing & Behaviour Change Team. There are objectives within the brief to target communications to underrepresented groups and those that may be disproportionately impacted by the tariff proposal. This is captured within the below action and this action is closed.*	Project Sponsor / Cycle Hire Team
Ensure the tariff change and new deposit is well communicated, as well as being clear and easy to understand; this will be achieved by clear pricing information on-street, on the website and mobile App, helping customers to choose the best tariff for their needs and a marketing campaign to publicise the new tariff. The marketing campaign will include targeted communications for underrepresented groups and those that may be disproportionately impacted by the proposal.	• Confirm brief for communications and marketing campaign – July 2021 • Finalise proposal for communications and marketing campaign - September 2021 • Marketing campaign – late 2021 – Summer 2022 • Rollout on-street pricing changes - Summer 2022 onwards	Cycle Hire Team / Customer, Marketing & Behaviour Change Team
Collect further data on the impacts of the tariff proposal on the demographic groups that may be disproportionately	• Market research complete – September 2021 • EqIA updated – October 2021	Project Sponsor / Cycle Hire Team

affected. Terms to be agreed with the TfL Diversity & Inclusion Team.	*October 2021 update: Further data has been collected via an online survey. The EqIA has been updated with the findings. This action is now closed.*	
Confirm monitoring plans to assess the impact of the proposal on demographic groups, focusing on groups where potential disproportionate impacts have been identified	• Confirm monitoring plans (activity and timings) – January 2022	Project Sponsor

Appendix 1: Santander Cycles Demographic Data

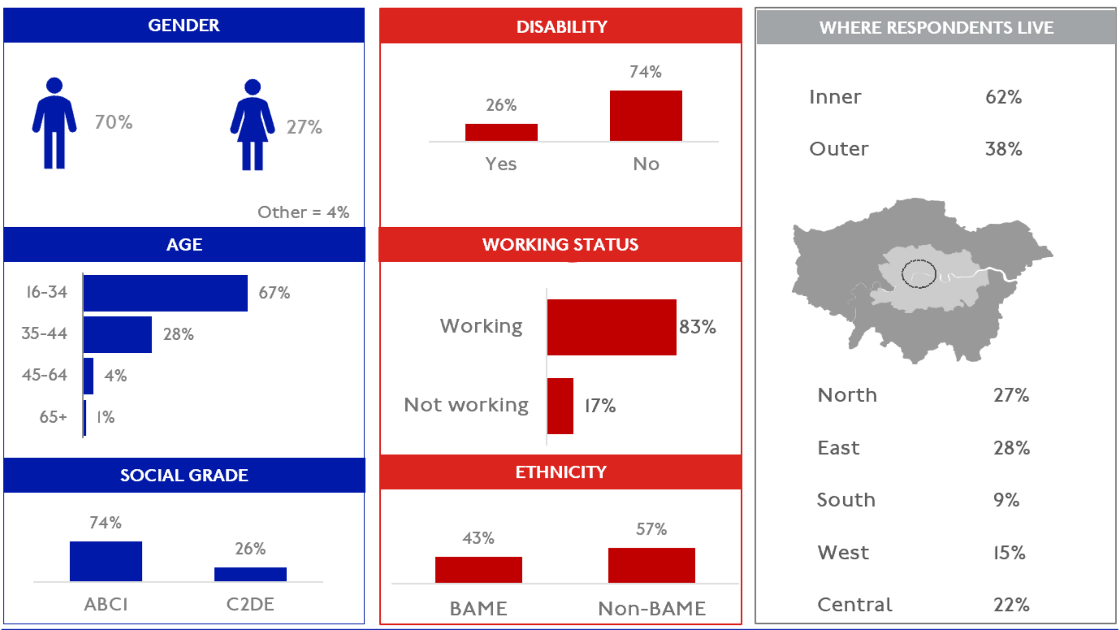
Current Santander Cycles users are more likely to be non-BAME, male, under 35 years old, working and ABC1

Who is using Santander Cycles hire? (all used in last year)



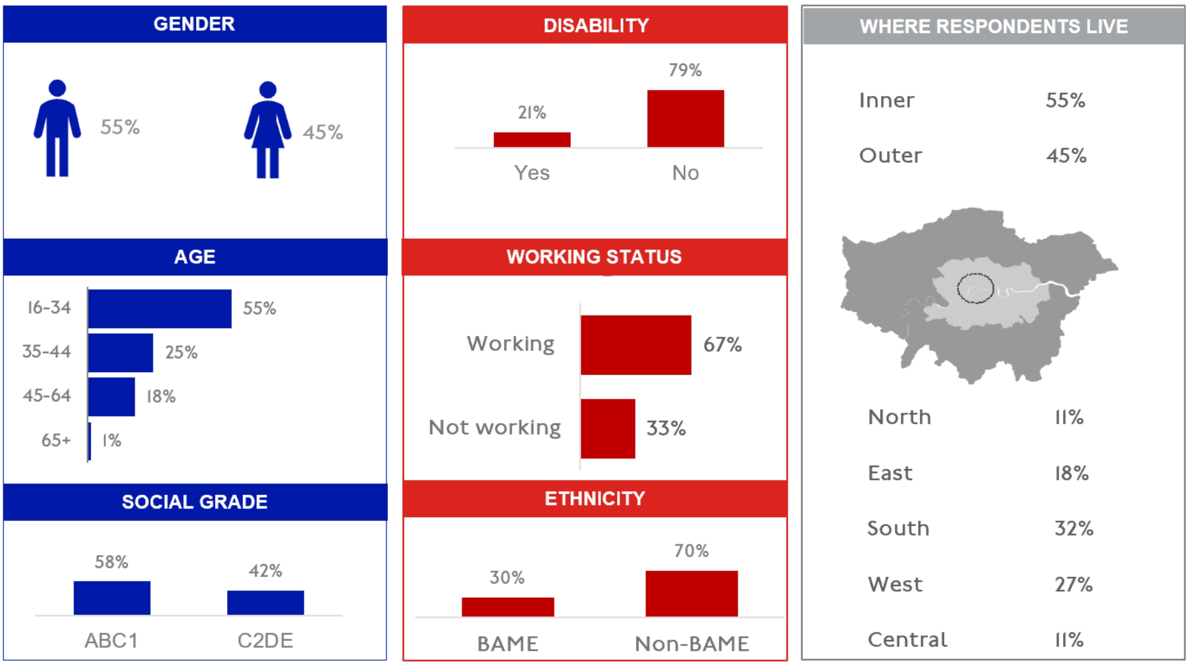
Weekly users of Santander Cycles are more likely to live in Inner London, be in employment, male and under 35

Who is using Santander Cycles hire? Use Santander Cycles at least weekly



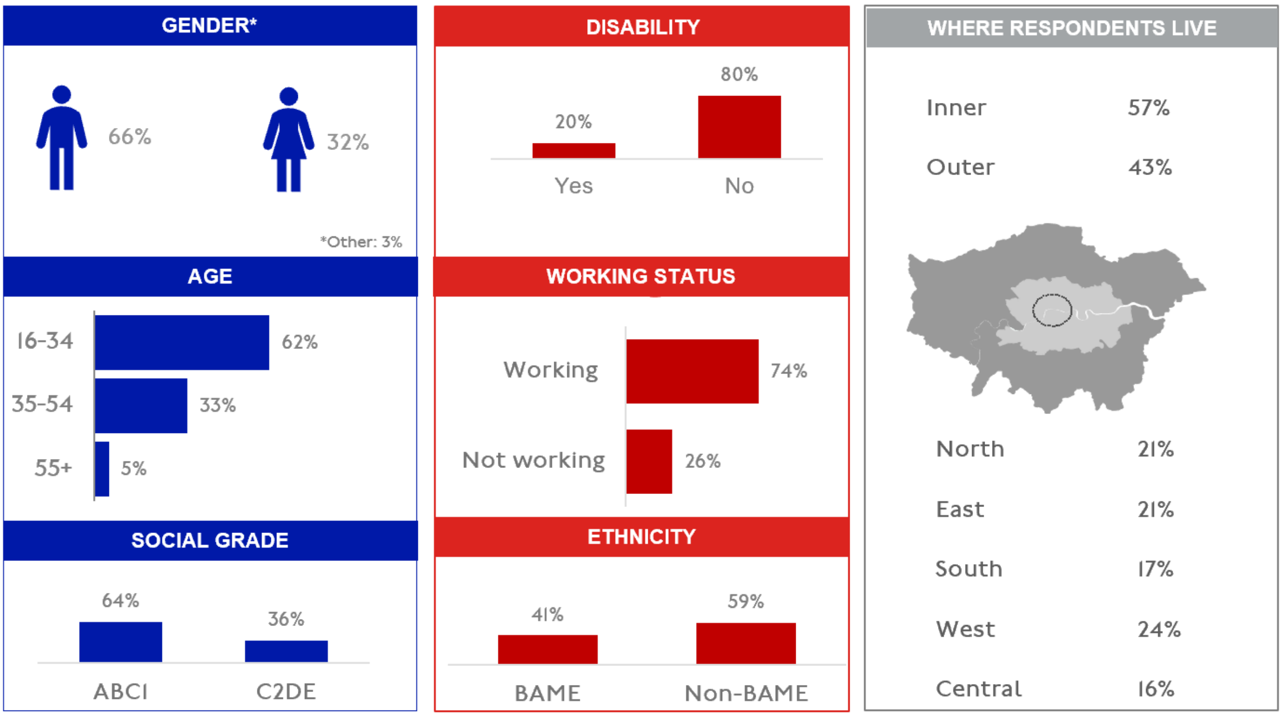
Those using Santander Cycles 1-2 times per month tend to be working and aged 16-34. There is less of a difference by gender and socioeconomic grade among this group

Who is using Santander Cycles hire? Use Santander Cycles 1-2 times per month



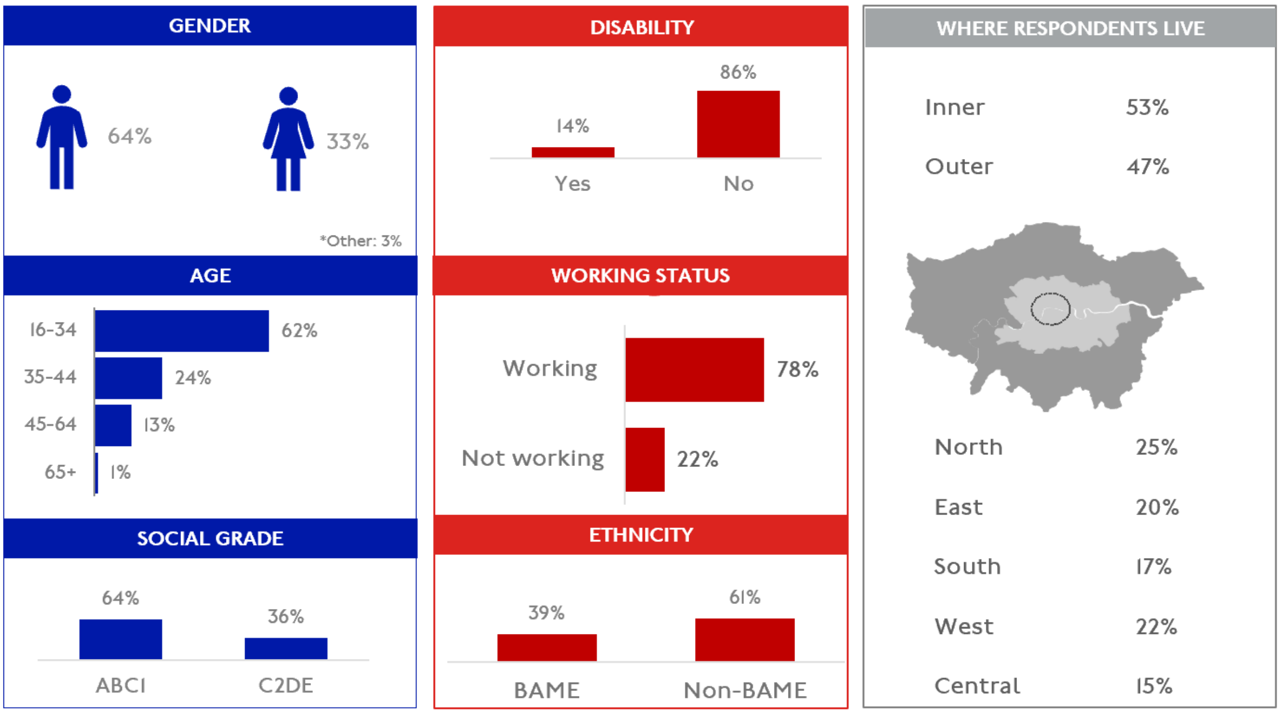
Profile of Regular Santander Cycles users: Regular users are more likely to be male, aged 16-34 and of a higher socioeconomic grade

Who is using Santander Cycles hire? Regular Santander Cycles Users (last 6 months)



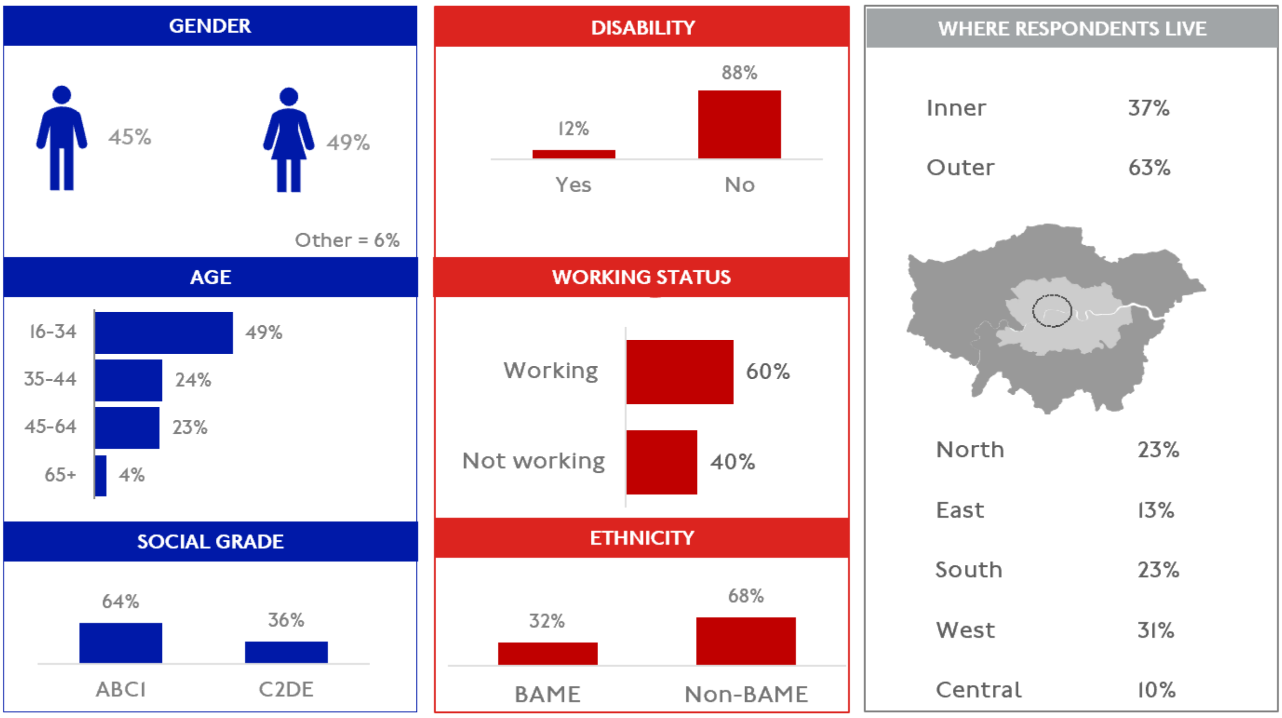
Casual Users of Santander Cycles

Casual users of Santander Cycles



Lapsed Users of Santander Cycles

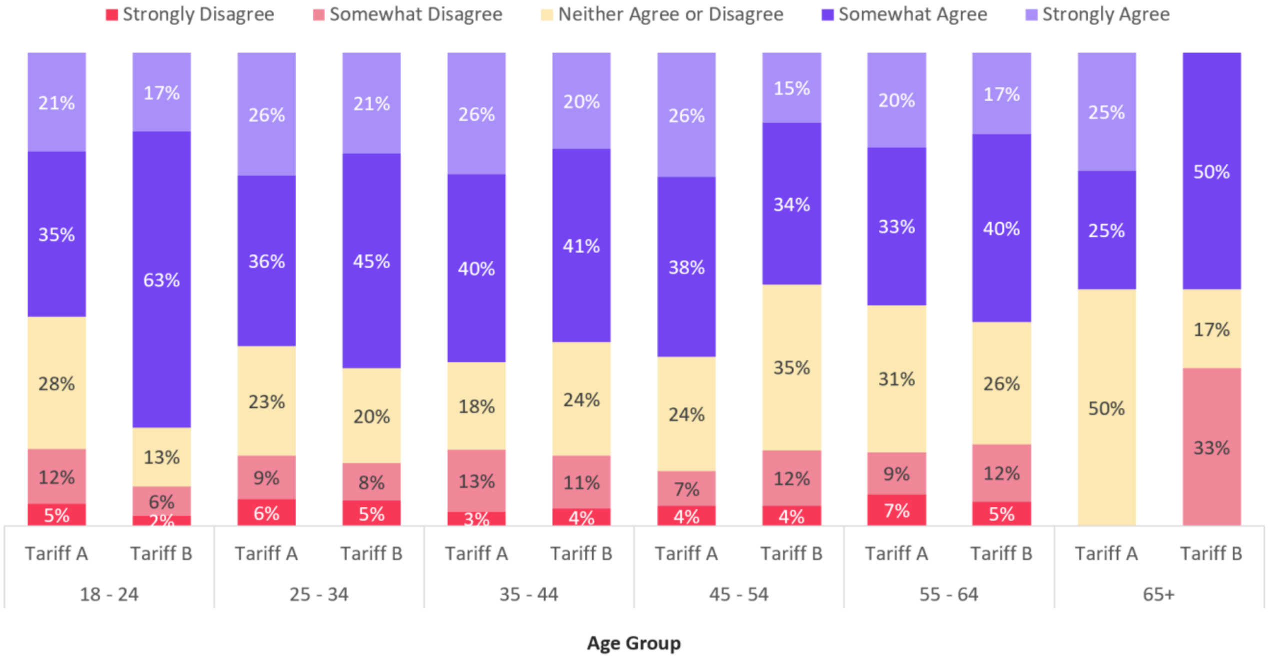
Lapsed users of Santander Cycles (have not used in the last 12 months)



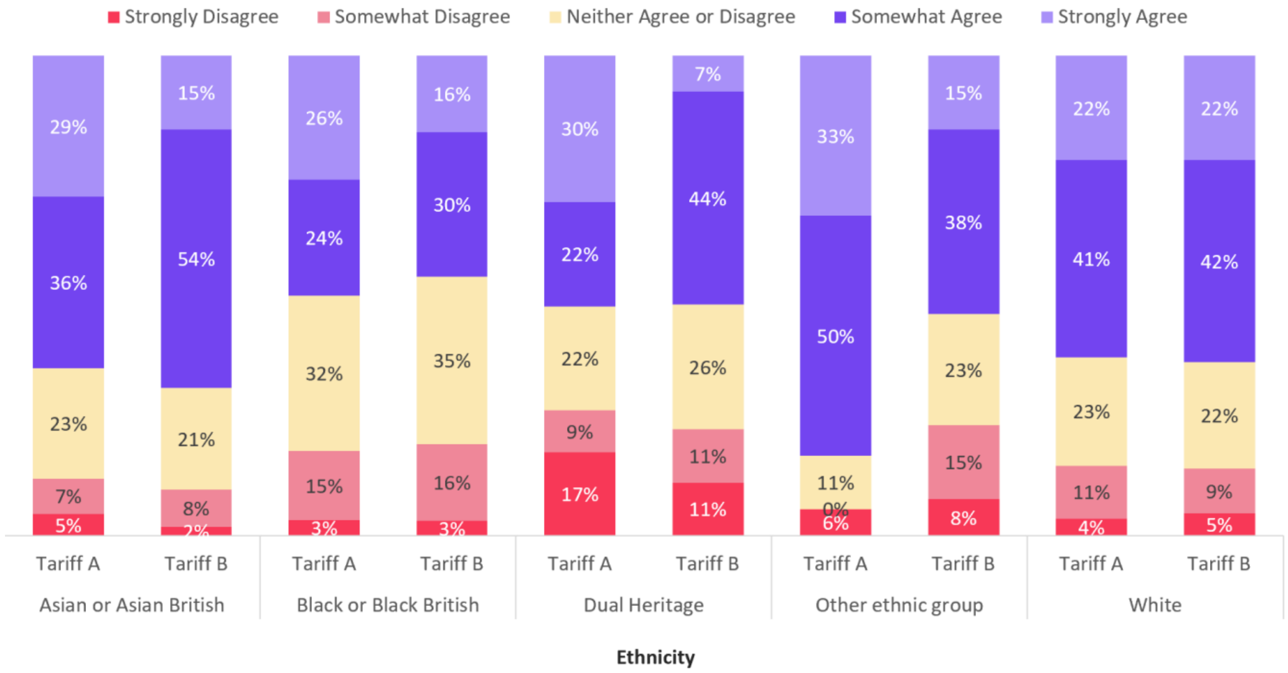
Appendix 2: Value for Money Response by Demographic Group

Note – Tariff A represents the current tariff and Tariff B represents the proposed tariff.

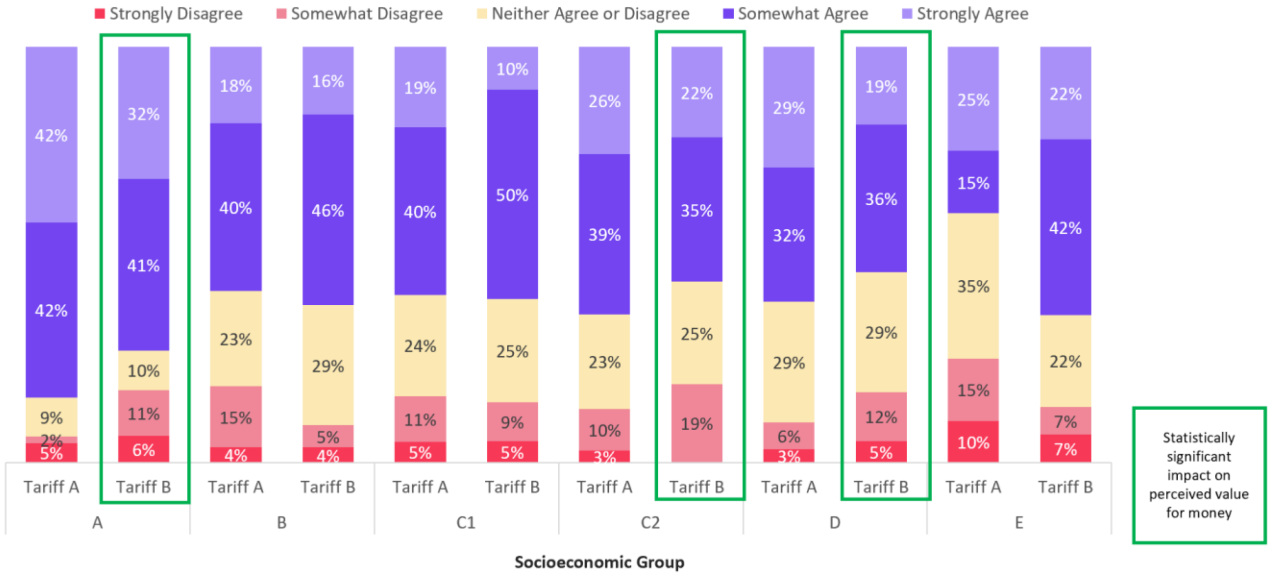
*To what extent do you agree with the following statement: "The tariffs represent **good value for money**"*



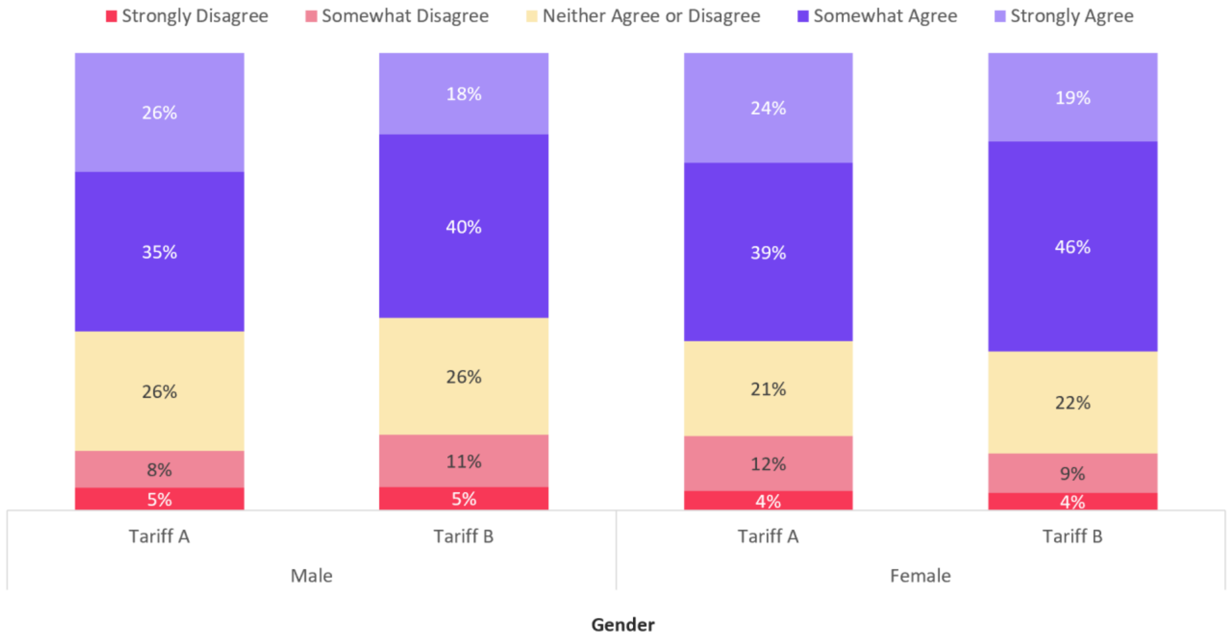
*To what extent do you agree with the following statement: "The tariffs represent **good value for money**"*

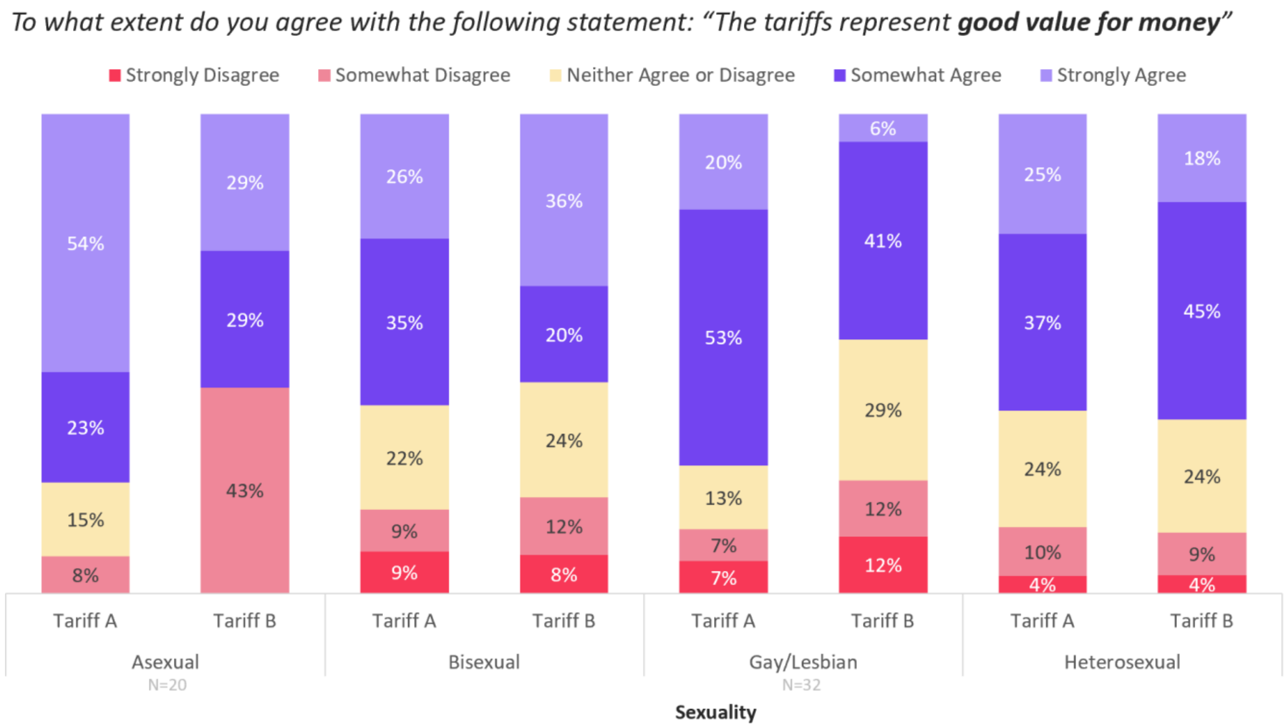


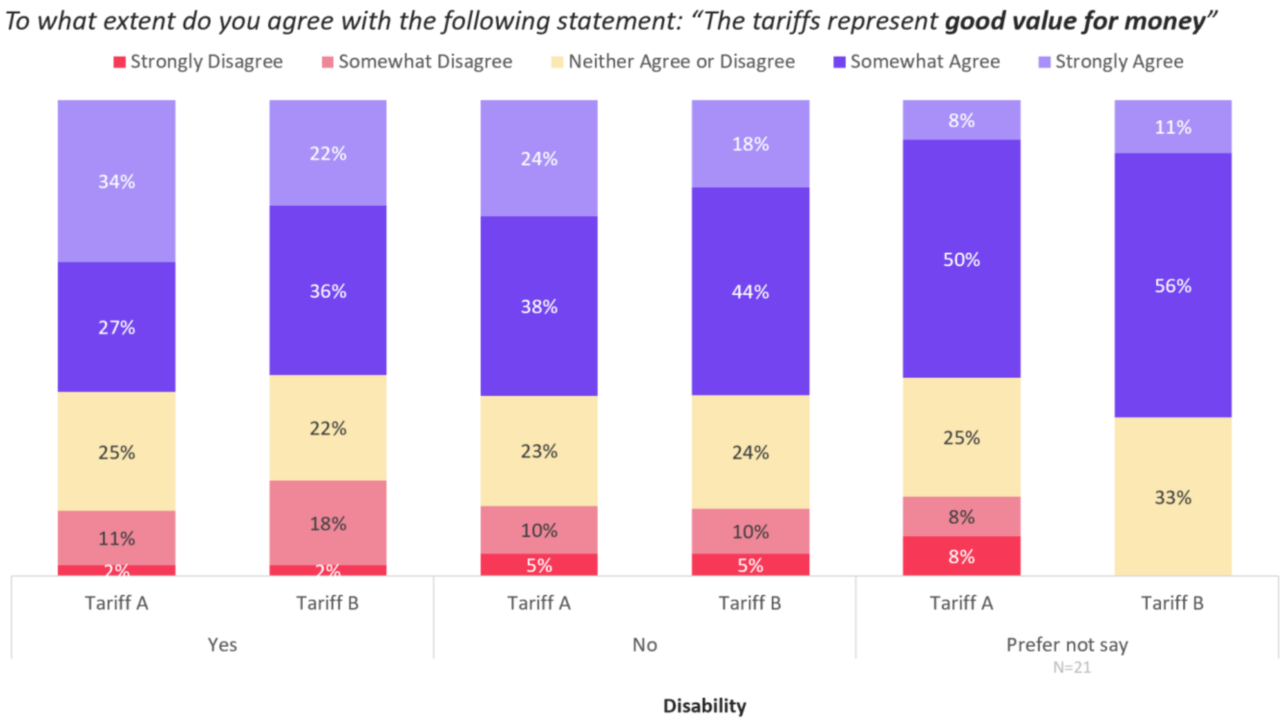
*To what extent do you agree with the following statement: "The tariffs represent **good value for money**"*



*To what extent do you agree with the following statement: "The tariffs represent **good value for money**"*




To what extent do you agree with the following statement: "The tariffs represent **good value for money**"
Strongly Disagree
Somewhat Disagree
Neither Agree or Disagree
Somewhat Agree
Strongly Agree
54%
23%
15%
8%
29%
29%
43%
26%
35%
22%
9%
9%
36%
20%
24%
12%
8%
20%
53%
13%
7%
7%
6%
41%
29%
12%
12%
25%
37%
24%
10%
4%
18%
45%
24%
9%
4%
Tariff A
Tariff B
Asexual
N=20
Bisexual
Gay/Lesbian
N=32
Heterosexual
Sexuality


To what extent do you agree with the following statement: "The tariffs represent **good value for money**"
Strongly Disagree
Somewhat Disagree
Neither Agree or Disagree
Somewhat Agree
Strongly Agree
34%
27%
25%
11%
2%
22%
36%
22%
18%
2%
24%
38%
23%
10%
5%
18%
44%
24%
10%
5%
8%
50%
25%
8%
8%
11%
56%
33%
Tariff A
Tariff B
Yes
No
Prefer not say
N=21
Disability

Finance Committee – Chair's Action

Date: **22 August 2022**

Item: **Elizabeth line Train Operating Concession Extension**

This paper will be published with the papers for the next meeting of the Finance Committee.

1 Summary

1.1 The purpose of this paper is to seek approval for the Procurement Authority to enter into an extension to the existing Concession Agreement between Rail for London Limited (RfL) and MTR Corporation (Crossrail) Limited (MTRC) for the operation of passenger services on the Elizabeth line.

1.2 Exempt supplementary information is included as an appendix to this paper.

1.3 The use of Chair's Action is considered appropriate as a decision to extend the term of the Concession Agreement is required before 28 August 2022, being the last date by which RfL is entitled to exercise the option to extend.

1.4 The contents of this paper and the exercise of the Chair's Action will be reported to the next meeting of the Committee.

2 Recommendation

2.1 **The Committee is asked to: note the paper and exempt supplementary appendix and approve additional Procurement Authority in the sum set out in the exempt appendix, for an extension to the current Concession Agreement for the Elizabeth line and for costs relating to regulatory access charges relating to the central section of the line.**

3 Background

3.1 RfL, a subsidiary of Transport for London (TfL), has a Concession Agreement for the operation of TfL Rail and Elizabeth line services with MTRC which is due to expire on 28 May 2023.

3.2 In March 2013, RfL issued a notice in the Official Journal of the European Union to commence a competitive procurement process to appoint an operator for the provision of TfL Rail and Elizabeth line services via a Concession Agreement for an initial period of eight years commencing on 31 May 2015.

3.3 The Procurement Authority for the initial eight-year concession term was granted by the Board on 17 July 2014 and MTRC was awarded the contract on 30 July 2014.

3.4 As part of the procurement, bidders were asked to price additional two year and seven reporting period extension options, which RfL could call upon at its discretion.

3.5 RfL retains all revenue risk on the Elizabeth line, as well as the right to specify services. MTRC is remunerated with a fixed fee, adjusted for performance against defined service performance metrics, with a package of incentives for increased performance and abatements for below target performance.

3.6 These metrics relate primarily to providing high levels train service performance, customer satisfaction and protection of TfL's passenger revenue. Since operations commenced in 2015, initially branded as TfL Rail, the railway has seen high levels of performance across all of these performance metrics.

3.7 Train service performance has improved on the eastern route between Liverpool Street and Shenfield from 92 per cent public performance measure (PPM) under the previous operator (part of the Greater Anglia franchise) to 95 per cent PPM today. On the western route between Paddington, Heathrow and Reading performance has improved from 84 per cent PPM prior to May 2018 under the previous operator (part of the Great Western Railway franchise) to 93 per cent PPM today.

3.8 Stage 3 services on the central section of the Elizabeth line commenced on 24 May 2022 and have been operating with high levels of reliability and customer satisfaction.

3.9 The final stage of the Crossrail programme, Stage 5, is a complex stage which involves integrating the three separate sections of the Elizabeth line across separate infrastructure managers. Stage 5 is crucial for TfL to realise forecast passenger revenue uplifts and continuity of the existing operator, MTRC, will be critical to the delivery of Stage 5 both from an industry planning perspective, as well as ensuring their train driver establishment are fully competent to operate across the complex geography of the Elizabeth line.

3.10 It is therefore recommended that Finance Committee approves additional Procurement Authority to allow the Concession Agreement with MTRC to be extended.

List of appendices to this report:

Appendix 1 – Exempt supplementary information.

Contact Officer: Howard Smith, Director Elizabeth line
Email: Howardsmith@tfl.gov.uk

Finance Committee

Date: **6 October 2022**

Item: **Finance Report – Period 5, 2022/23**

This paper will be considered in public

1 Summary

1.1 This paper sets out TfL's financial results to the end of period 2, 2022/23 - the year-to-date ending 20 August 2022.

2 Recommendation

2.1 **The Committee is asked to note the Finance Report.**

3 Financial Reporting to the Committee

Finance Report – Period 5, 2022/23

3.1 The Finance Report presentation included at Appendix 1 provides a summary of year-to-date financial performance against the Budget (approved by the Board on 23 March 2022) and last year.

List of appendices to this report:
Appendix 1: Finance Report Presentation

List of Background Papers:
None

Contact Officer: Patrick Doig, Group Finance Director and Statutory Chief Finance Officer
Email: patrick.doig@tfl.gov.uk

Finance Report

Period 5, 2022/23

Management results from 1 April 2022 – 20 August 2022

TfL Finance Committee

6 October 2022

We have agreed a new funding settlement – whilst not ideal, it secures our future, provides certainty and is far better than the alternative

On 30 August 2022, TfL agreed a new funding settlement with the Government covering a 19-month period until March 2024. This is significantly longer than any of our previous agreements, but significantly shorter than the genuine long-term funding for capital investment we would like and on which all metros around the world rely.

The key features of this settlement include:

- Providing £1.2bn of base funding.
- Maintaining the revenue true-up mechanism to March 2024.
- Introducing protection against increasing inflation, particularly in 2023/24 when our exposure is the greatest.
- The funding increases our capital investment by around £200m compared to our managed decline budget. This will help us to protect the critical assets on which Londoners depend and restore a level of expenditure to improve our network, alongside delivering our committed investment, including new Piccadilly line trains and DLR rolling stock, Four Lines Modernisation, Bank station upgrade and Old Street roundabout.

Ultimately, this agreement sets out the framework – but unfortunately not the full funding for – moving away from managed decline. Therefore, to secure that move away from managed decline, we will also need to deliver further efficiencies which we are looking at as part of our new budget and business plan and will be presented to the Board in December.

There remain significant risks to our financial position, including delivering the additional efficiency target of £230m over the next two years this funding settlement leaves us with. However, the GLA financing facility allows us to manage these risks and maintain confidence in our balanced budget position.

The alternative to not accepting this funding settlement is that we would have had to move even faster and harder on cuts to attempt to balance the budget, urgently look at what services we can provide, what we would have to stop doing, and whether we can continue to run some services at all. The Government would likely have been required to step in to meet payments to creditors, suppliers and colleagues. This funding settlement avoids this catastrophic outcome for London.

We are on track to deliver our budget and reshaped plan, but still face significant risks

YTD financial performance	In the year to date, we are on track to deliver our Budget that sets us on the path to financial sustainability and meet the funding conditions: • **Total income is within 2% of Budget** – journeys continue to recover, with latest journeys at 81% of pre-pandemic levels. Journeys and income are lower than Budget, a result of industrial action across the national rail network and within LU. • **Our core operating costs remain within 1% of Budget** – we have seen the previously identified full-year risks of £60m – the impact of rising inflation and increasing Road User Charging bad debt – starting to materialise in recent periods. These pressures have been offset through lower pension deficit payments as well as other tailwinds that will support us in delivering the remaining efficiencies that are required to close the funding gap for this year. • **Capital enhancement is within 3% of Budget** – due to slippage on third-party funded projects, largely because of factors outside our control. • **Capital renewals are 9% lower than Budget** – largely due to resource constraints, but we are actively managing our renewals portfolio and remain confident in delivering our full year budget.
Forward look	We are, however, facing several external headwinds and risks to achieving financial sustainability especially into next year, but we are working to mitigate them: • **Economic uncertainty** – economic growth remains poor; UK GDP contracted by 0.1% from April to June. Latest forecasts suggest this may continue for a second successive quarter. • **Continued cost of living challenges** – inflationary pressures reducing disposable income – may reduce discretionary spend , and reverse earlier journey growth. • **Inflationary pressures** on TfL cost base, including energy costs. • **Savings targets** are stretching, with a target of £230m additional savings by the end of 2023/24 following the new funding agreement with Government. The funding settlement provides protection on passenger demand volatility and inflation. We plan to mitigate the remaining risks through active management of our remaining contingency and the GLA financing facility. We remain confident we will achieve financial sustainability in 2023/24.

Section 1

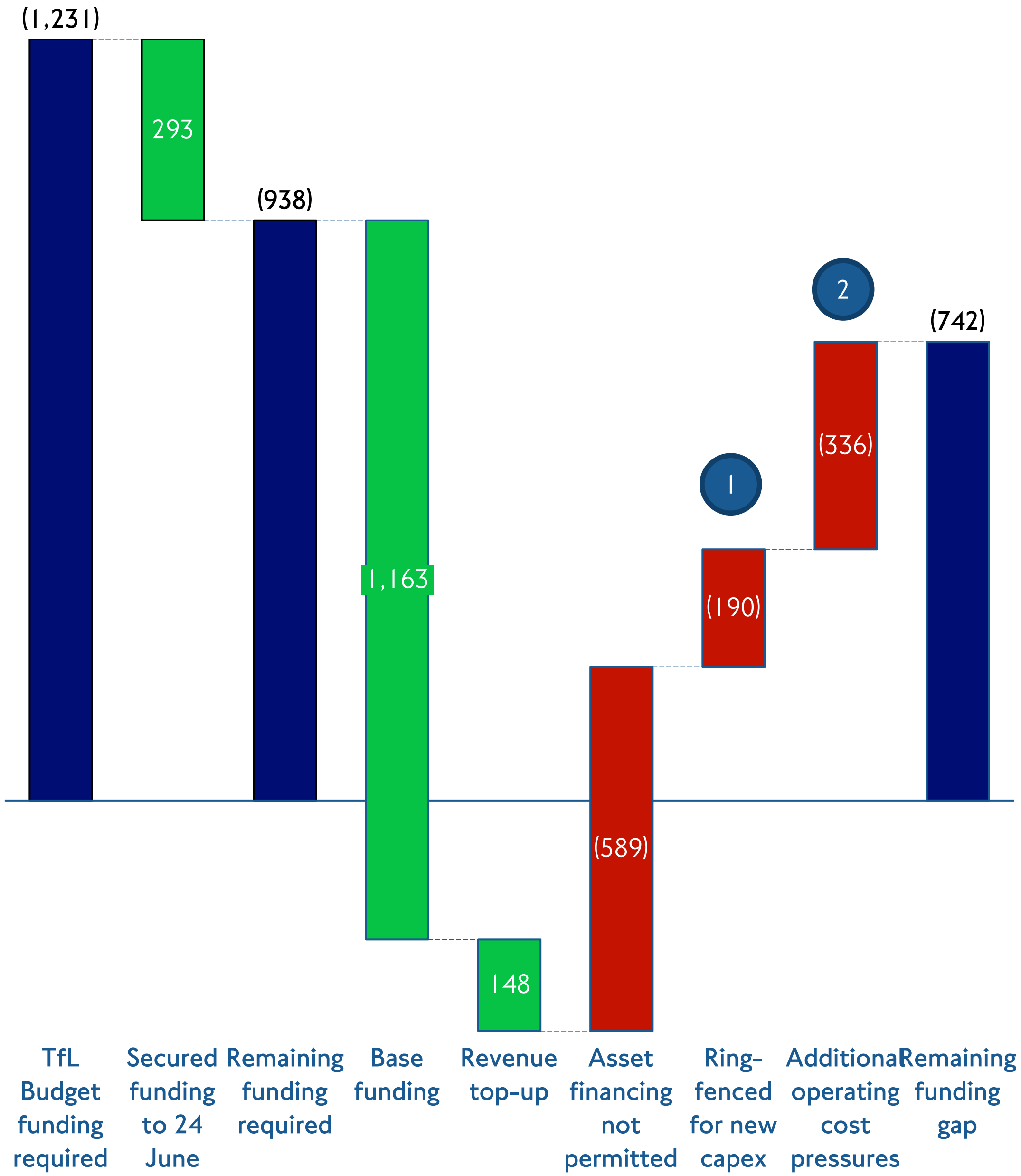
Funding settlement

The funding settlement does not fully cover the gap set out in our Budget

The base funding and revenue true up, along with the extra commitments and lack of funding sources means that the deal only provides £200m net revenue funding leaving us with a £740m gap to the end of the financial year of 2023/24.

Government assumed that gap can be closed with efficiencies, but our existing efficiencies programme is already stretching.

Funding settlement compared to our budget over two years, 2022/23 to 2023/24



1. Specific capital spend requirements:

a) £80m per year (on average) should be allocated to spending on active travel projects, which are defined as those which support cycling and walking only.

b) TfL should include spend to deliver at least 25km of new or improved bus lanes by 2024/25.

c) TfL will contribute along with Government and the London Borough of Hammersmith and Fulham to the repair of Hammersmith Bridge. As TfL does not control Hammersmith Bridge, this expenditure will be accounted for as operating expenditure but will count towards the capital envelope as it is capital in nature.

2. Specific operating requirements:

a) TfL should, at a minimum, maintain Local Implementation Plan (LIP) funding each year aligned with the funding provided in 2021/22 (£69m per annum).

b) TfL should not make service reductions of 18% on buses and 9% on rail

Our proposals to balance the budget and reshape our plan

With the greater certainty from this funding settlement, we can take several actions to reduce the £740m gap. With a funding settlement, we have protection on passenger demand risk and inflation risk. This means, we can hold lower cash balances and reduce our contingency levels.

The remaining gap is to be closed through efficiencies and savings of £230m.

£m	Total	
Remaining unfunded gap	(742)	
Cash balances to remain at £1.2bn	200	The 2022/23 TfL Budget assumed we would rebuild our cash reserves to £1.4bn which was required as the Budget assumed that TfL would take passenger revenue risk from April 2023. Given the funding settlement maintains the passenger revenue risk with HMG for a further year, we plan to remain at £1.2bn cash.
Release of TfL contingency	100	The 2022/23 TfL Budget held £100m operating contingency in both 2022/23 and 2023/24. The latest forecast for 2022/23 shows, with strong management action to mitigate remaining risks, it should be possible to release £50m of this contingency. In 2023/24, the proposed funding settlement reduces the risk profile to TfL through the revenue top-up and inflation mechanisms, therefore it is now appropriate to hold a lower level of contingency.
Other changes already reflected in Q1 forecast	55	Since the preparation of the 2022/23 TfL Budget, there have been several updates to our position based on latest data and trends, which result in an improvement of £55m over the two years.
Assumed benefit from inflation mechanism	160	The funding settlement includes a mechanism to increase the operating envelope (and therefore the level of funding) if inflation exceeds the level assumed in the 2022/23 TfL Budget. This is capped to £15m in 2022/23. In 2023/24 the latest estimate of the pressure is circa £145m but the mechanism is not capped (subject to DfT completing a review of the analysis and a final Ministerial decision).
Target for further efficiencies	230	The funding settlement assumes the remaining gap is to be closed through efficiencies and savings of £230m. This is over-and-above the £730m recurring savings programme already within the TfL Budget.
Final gap	0	

We now have a facility of up to £500m from the GLA to maintain a prudent, balanced budget

Risk analysis

There is a significant risk in delivering the additional efficiencies on top of an already challenging savings programme. Therefore, whilst we will endeavour to deliver these efficiencies, we need to have clear contingency plans to offset this risk if it crystallises. These risks are not the only risks in the funding settlement:

a) The inflation review mechanism adjustment in 2023/24 of £145m is subject to Ministerial approval so not guaranteed.

b) Although our current forecast shows we can release £50m of contingency in 2022/23 and 2023/24, this is a fluid position and further risks could crystallise. Therefore, we may be unable to release the contingency of £100m over two years.

c) Although the revenue mechanism removes the risk on passenger income, this does not protect non-passenger income.

d) The Q1 Forecast – aside from the inflation pressure – included around £55m of further net cost reductions. These may not all be delivered.

GLA £500m facility

A £500m facility has been established by the GLA, recoverable from future grants; it is only to ensure we can balance our budget, which is a legal requirement, as further efficiencies cannot be confirmed quickly. This allows us to continue to let longer-term contracts, including bus contracts, while we work through our plans for additional efficiencies.

The money would not be used for additional spending beyond what is already included in the TfL Budget, to reverse the four per cent bus cuts that we recently consulted on or be put towards the costs of the TfL Pension.

If it is necessary to draw upon the facility, a recovery profile will be agreed for future years, underpinned by our Business Plan, which will set out our financial position for the years ahead and detail how future GLA grants would be reduced.

Section 2

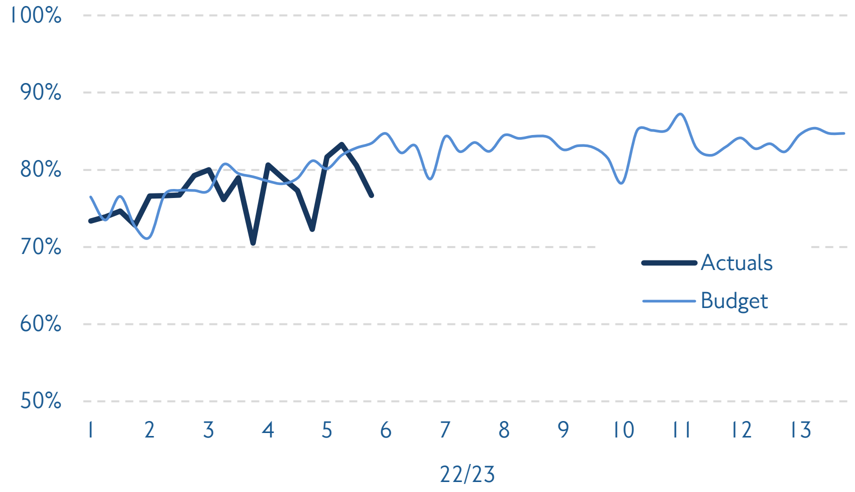
2022/23 Year-to-date performance

1 April 2022- 20 August 2022

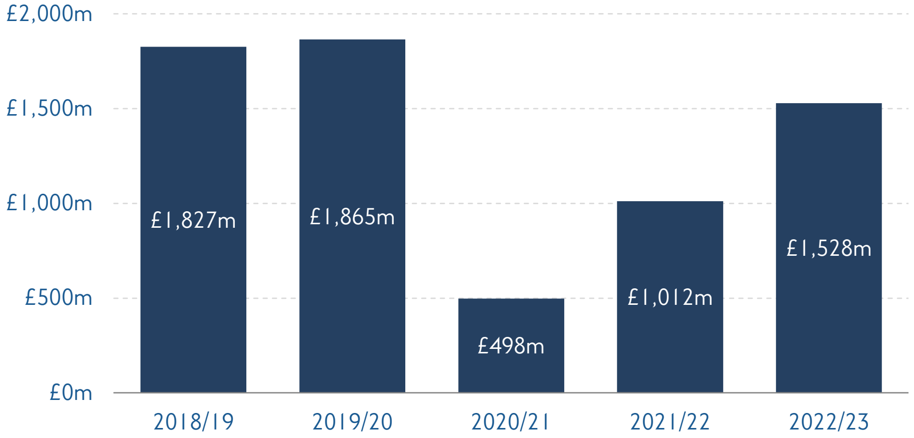
(YTD Period 5)

Headlines

Total passenger journeys 81% of pre-pandemic levels in Period 5, up from 68% at the end of 2021/22

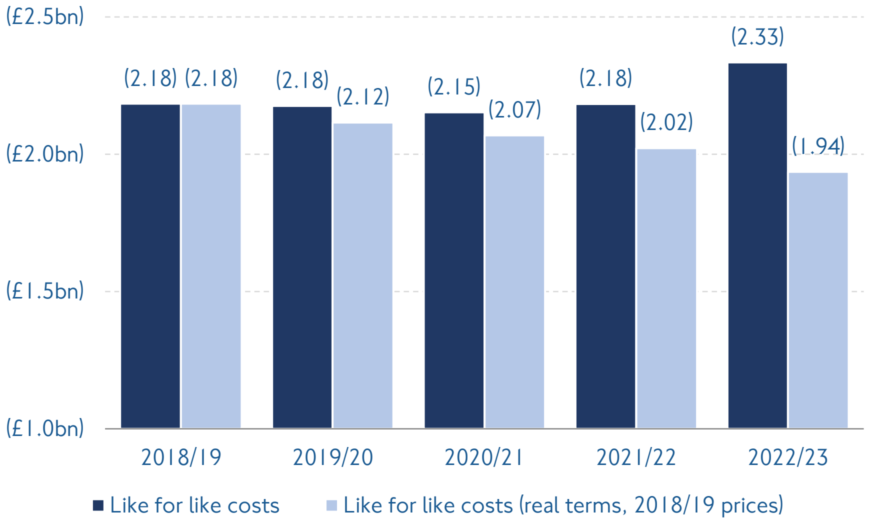


Passenger income of just over £1.5bn in the year to date, over £500m better than last year and £1bn up on 2020/21; year-to-date income over £300m lower than pre-pandemic levels, averaging £60m lower per period

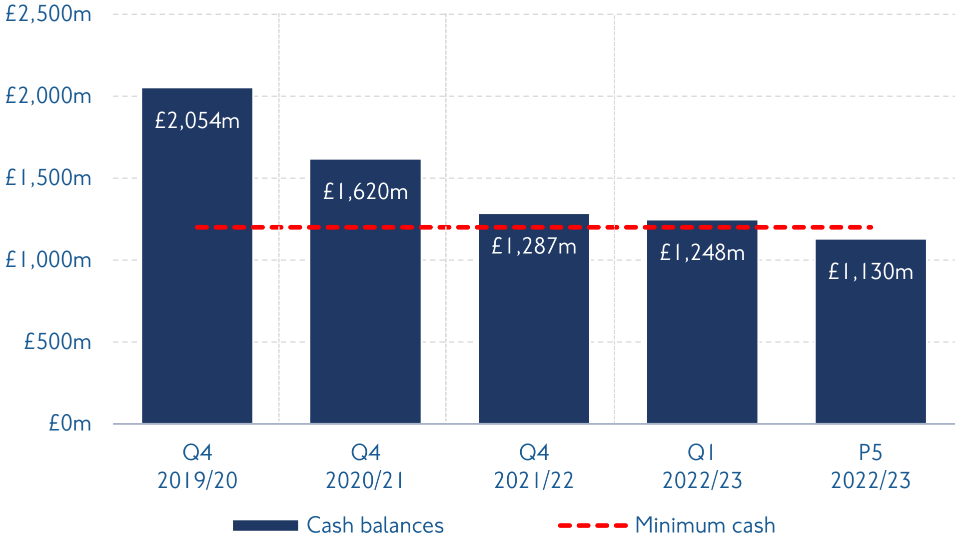


Charts show year-to-date passenger income to end of Period 5 for each year

Year to date like-for-like operating costs (adjusted for new services and one off costs) up on prior years as a result of inflationary pressures; real terms costs around £250m lower than in 2018/19



Cash balances down over £150m since end of last year; balances around £900m lower than 2019/20 levels. Cash expected to average £1.2bn over the funding settlement period



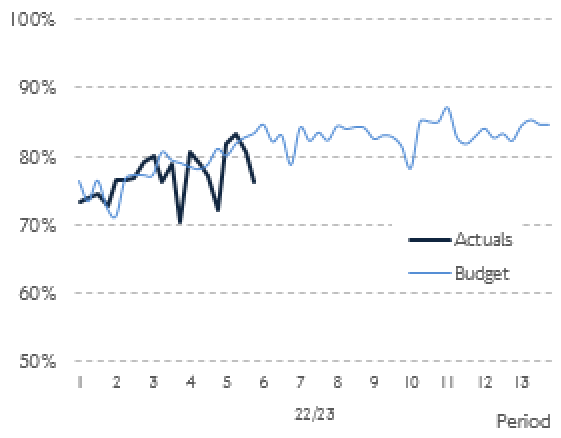
Passenger journeys

Journeys continue to show signs of growth. Total TfL journeys were 81% of pre-pandemic levels in Period 5, up from 77% in the prior period and from 68% at the end of last year.

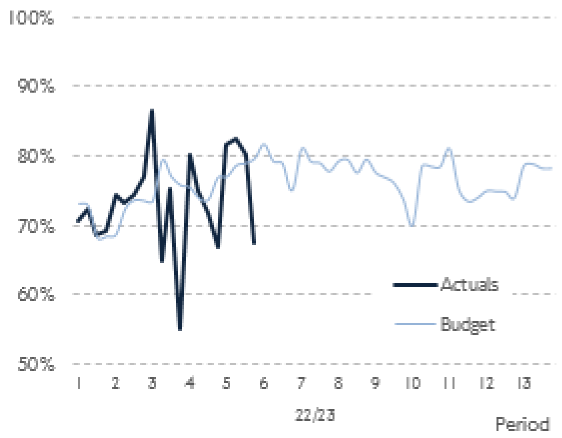
Tube journeys have increased to 78% and are broadly in line with Budget – journeys are slightly lower than expected from impacts of industrial action across National Rail network and LU. Bus journeys are 81% of pre-pandemic levels, slightly lower than Budget .

Journeys on the Elizabeth line (EL) have been above expectations the opening of full services on 24 May. Journeys are 14 million better than Budget in the year to date, with income £20m higher than expected.

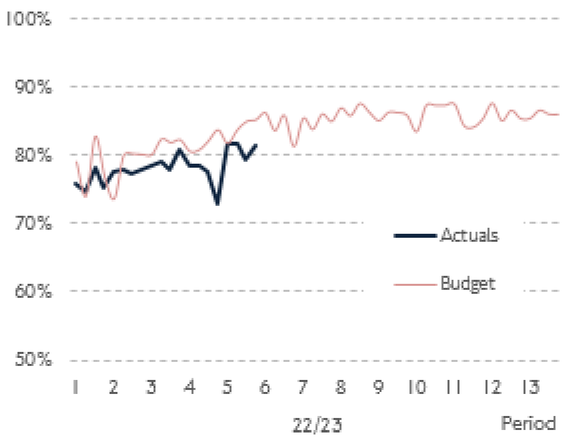
TfL	% vs Pre Covid period	% vs budget		Absolute m	Var to Bud m
	81%	82%	P	227	-4
			Y	1192	-11



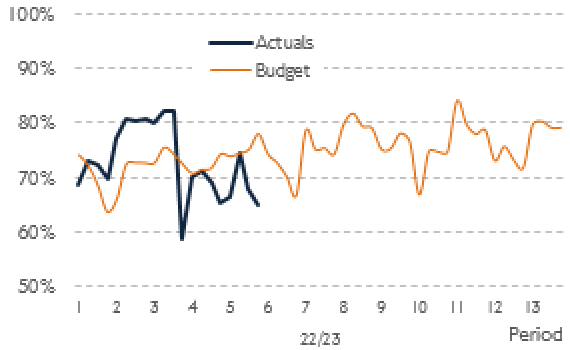
LU	% vs Pre Covid period	% vs budget		Absolute m	Var to Bud m
	78%	79%	P	78	-0.5
			Y	386	-7.1



Bus	% vs Pre Covid period	% vs budget		Absolute m	Var to Bud m
	81%	84%	P	123	-4.5
			Y	672	-18.7



Rail	% vs Pre Covid period	% vs budget		Absolute m	Var to Bud m
	68%	75%	P	17	-1.8
			Y	96	1.0

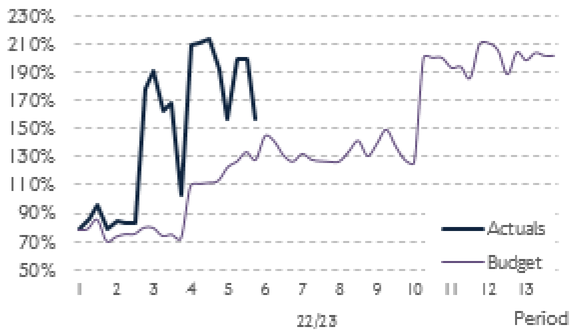


LO	% vs Pre Covid period	% vs budget		Absolute m	Var to Bud m
	65%	77%	P	9	-1.6
			Y	53	1.0

DLR	% vs Pre Covid period	% vs budget		Absolute m	Var to Bud m
	72%	71%	P	6	0.1
			Y	34	0.9

Tram	% vs Pre Covid period	% vs budget		Absolute m	Var to Bud m
	75%	84%	P	2	-0.2
			Y	8	-0.9

EL	% vs Pre Covid period	% vs budget		Absolute m	Var to Bud m
	177%	128%	P	9	2.6
			Y	39	14.0



Operating account

Passenger income is £1,528m in the year to date, over £0.5bn higher than last year, but slightly down on Budget.

Other operating income is (£11m) lower than Budget, largely a result of lower EL regulatory income (which is offset within operating costs). Underlying income is £9m better than Budget, driven by higher advertising income, but with downsides from Road User Charging, where we have seen lower volumes.

Operating costs are analysed in more detail overleaf.

The variance of £142m on extraordinary revenue grant was due to the delay in agreeing the new funding settlement with Government.

	Period 5 year to date, 2022/23				Period 5 year to date, 2021/22		
£m	Actuals	Budget	Variance to Budget	% variance to Budget	Last year	Variance to last year	% variance to last year
Passenger income	1,528	1,564	(36)	-2%	1,012	517	51%
Other operating income	600	612	(11)	-2%	371	229	62%
Business Rates Retention	341	341	-	0%	449	(108)	-24%
Council tax precept	21	21	-	0%	21	-	0%
Other revenue grants	5	2	3	150%	11	(5)	-45%
Revenue	**2,496**	**2,540**	**(44)**	**-2%**	**1,864**	**633**	**34%**
Operating cost	(2,710)	(2,810)	100	4%	(2,479)	(232)	-9%
Operating surplus before renewals & financing	**(214)**	**(270)**	**56**	**21%**	**(615)**	**401**	**65%**
Capital renewals	(198)	(217)	19	9%	(168)	(30)	-18%
Net financing costs	(166)	(167)	1	1%	(173)	7	4%
Operating surplus / (deficit)	**(578)**	**(654)**	**77**	**12%**	**(956)**	**378**	**40%**
Extraordinary revenue grant	322	464	(142)	-31%	1,195	(873)	-73%
Operating surplus after extraordinary revenue grant	**(256)**	**(190)**	**(66)**	**-35%**	**239**	**(495)**	**-207%**

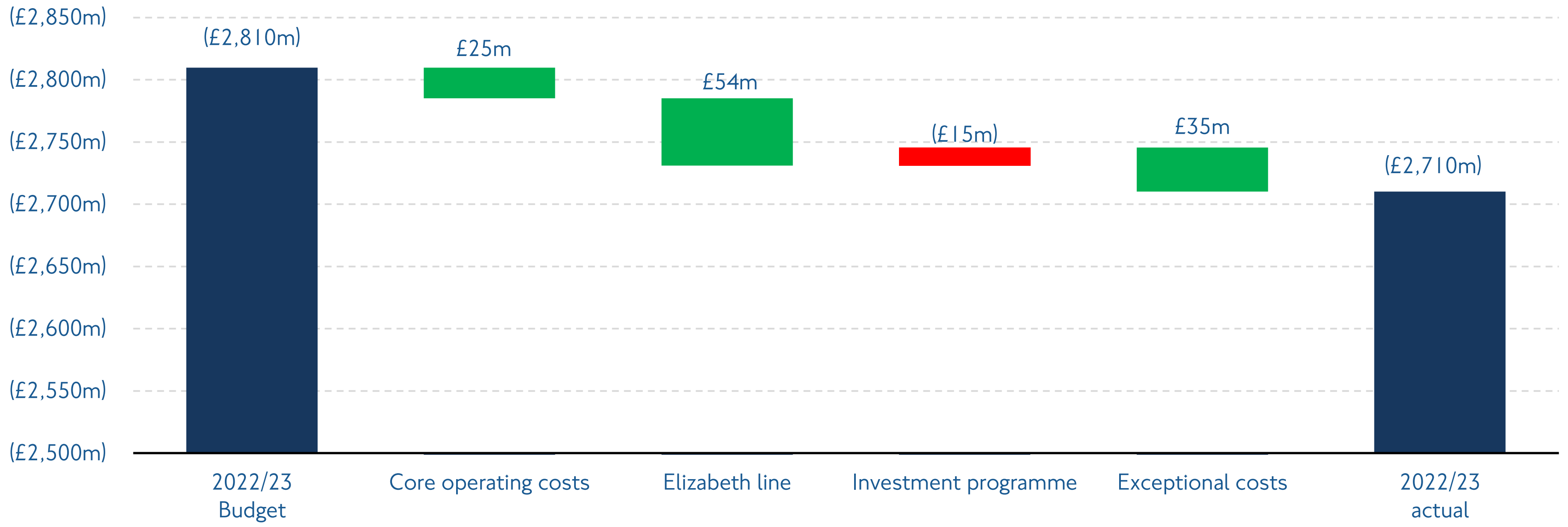
Operating costs

Total operating costs are £2,710m in the year to date, £100m lower than Budget. However, around half of this variance is due to Elizabeth Line regulatory charges which net to zero at a TfL level.

This year we have seen pressures on RUC bad debt (£43m), with higher ULEZ contravention rates as well as lower rates of customers paying PCNs at the initial discount rates. We are also seeing impacts of inflation (£15m) on some of our external contracts, incl. rail and bus operators.

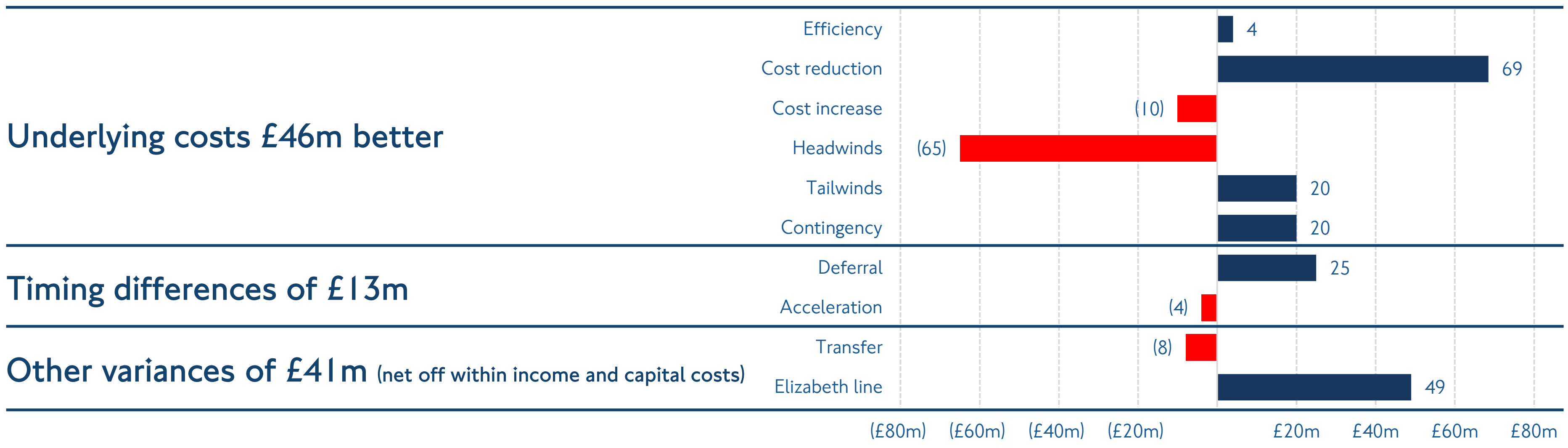
These pressures have been mitigated through contingency (£20m) and additional cost reductions, the latter including lower pension deficit payments following the most recent revaluation (£33m), lower staff costs (partly from industrial action), and lower bus costs from lower mileage and industrial action.

Operating costs: drivers of year to date variances (£m)



Operating costs: types of year to date variances (£m)

Underlying costs £1m better (with headwinds of (£18m) offset by £19m of cost reductions); timing differences of £2m, which we expect to unwind over the financial year



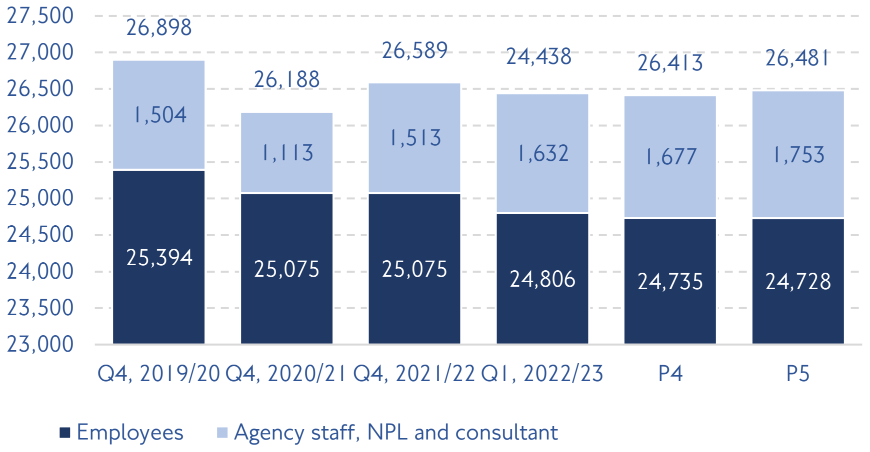
Staff

Total staff levels remain over 400 lower than pre-pandemic levels and are down from the end of last year, mainly driven from lower permanent headcount.

Permanent employee numbers are now over 700 lower than before the pandemic and are almost 350 down from last year; ongoing labour market issues, and earlier funding uncertainty hampered our ability to recruit; we have also seen an increase in resignation rates, a result of reward constraints and buoyant external market.

Agency and NPL staff have increased by over 250 since the end of 2019/20, but remain significantly lower than 2015/16.

Headcount trends since 2019/20



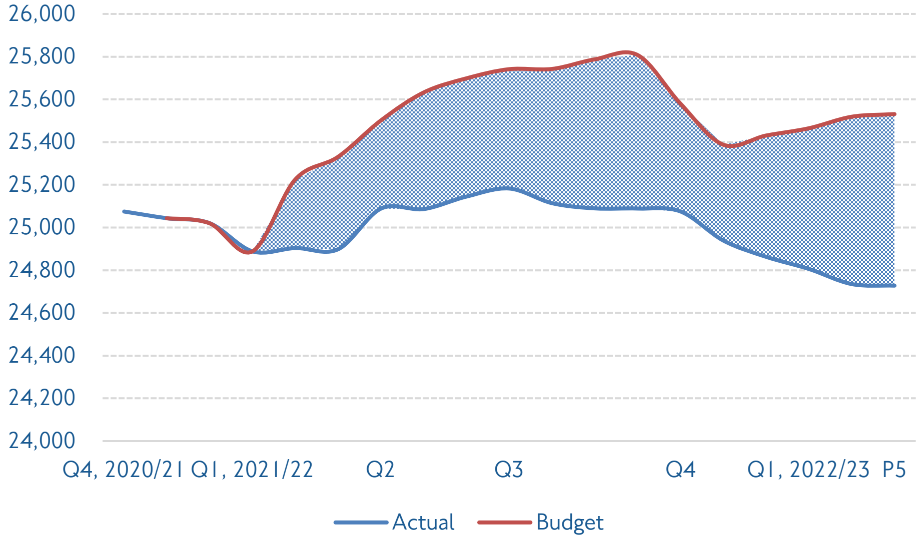
Total staff over 400 lower than pre-pandemic levels

Agency, NPL and consultants almost 250 higher than pre-coronavirus levels as a result of labour market challenges

Permanent employees down by almost 700 since 2019/20 and in line with last year

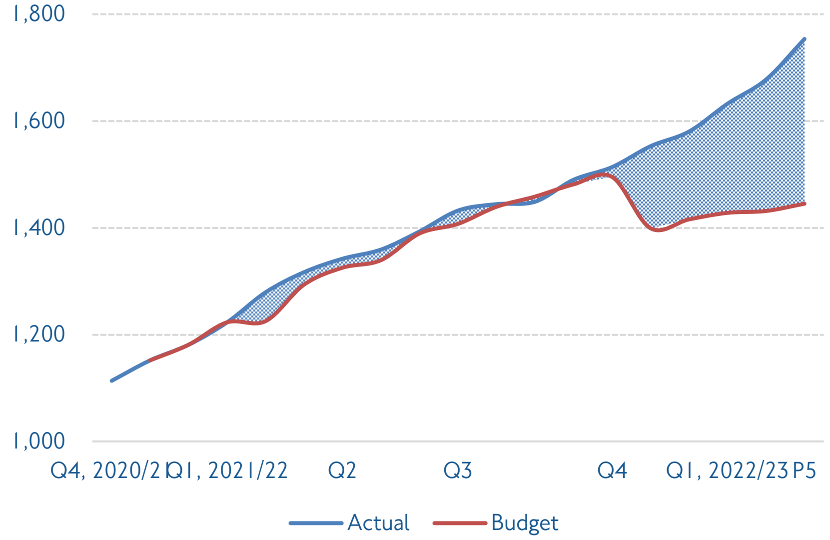
Permanent staff (FTE): actuals and Budget

Permanent employees down by almost 350 since the end of 2021/22, driven by large number of retirees and leavers. Staff levels almost 500 lower than Budget from recruitment delays, a competitive external market and higher resignation rates, with leavers averaging 170 per period.



Agency and NPL staff (FTE): actuals and Budget

Agency and NPL FTE up by almost 250 since the end of 2021/22 and higher than Budget. Driven by labour market challenges and earlier funding uncertainty.



Capital account

Total TfL capital expenditure (excluding Crossrail construction) is £476m in the year to date, £28m lower than Budget. Capital renewals are currently £19m lower than Budget, with some slippage on DLR renewals (£6m) as a result of resource shortages, and lower Technology project spend on Cycle Hire modernisation and Cable Car (£6m).

Property and asset receipts are (£17m) lower than Budget, mainly from the timing of receipt for Woolwich over station development, which is now expected later this year.

	Period 5 year to date, 2022/23				Period 5 year to date, 2021/22		
£m	Actuals	Budget	Variance to Budget	% variance to Budget	Last year	Variance to last year	% variance to last year
New capital investment	(278)	(287)	8	3%	(286)	8	3%
TTLP capital expenditure	(10)	(57)	48	83%	(9)	(1)	-7%
Crossrail	(111)	(162)	51	31%	(253)	142	56%
Total capital expenditure	**(399)**	**(506)**	**107**	**21%**	**(548)**	**149**	**27%**
Financed by:							
Investment grant	342	342	0	0%	409	(67)	-16%
Property and asset receipts	1	18	(17)	-95%	10	(10)	-91%
TTLP property receipts	3	54	(51)	-95%	0	3	N/A
Borrowing	0	0	0	N/A	1	(1)	-100%
TTLP borrowing	0	0	(0)	-100%	0	0	N/A
Crossrail borrowing	0	0	0	N/A	74	(74)	-100%
Crossrail funding sources	136	200	(64)	-32%	223	(87)	-39%
Other capital grants	31	30	1	2%	22	9	41%
Total	**512**	**644**	**(132)**	**-20%**	**739**	**(227)**	**-31%**
Net capital account	**113**	**138**	**(25)**	**-18%**	**191**	**(78)**	**-41%**

Capital renewals	(198)	(217)	19	9%	(168)	(30)	-18%
New capital investment	(278)	(287)	8	3%	(286)	8	3%
Total TfL capital expenditure	**(476)**	**(504)**	**28**	**5%**	**(454)**	**(22)**	**-5%**

Capital expenditure

Capital renewals and new capital investment (£m)	Period 5 year to date, 2022/23				Period 5 year to date, 2021/22		
	Actuals	Budget	Variance to Budget	% variance to Budget	Last year	Variance to last year	% variance to last year
LU	**(307)**	**(282)**	**(24)**	**9%**	**(291)**	**(15)**	**5%**
Northern Line Extension	0	(2)	2	-107%	(36)	36	-100%
Major stations	(36)	(37)	1	-4%	(24)	(12)	50%
Railway system enhancements	(3)	(3)	(0)	9%	(2)	(1)	25%
Four lines modernisation	(49)	(47)	(2)	5%	(52)	3	-6%
Piccadilly line upgrade	(81)	(75)	(6)	7%	(50)	(31)	61%
Other LU enhancements	(6)	(7)	1	-20%	(9)	3	-37%
LU capital renewals	(118)	(109)	(9)	8%	(103)	(16)	15%
Other LU	(14)	(2)	(12)	658%	(14)	1	-6%
Elizabeth line	**(2)**	**(4)**	**2**	**-47%**	**(8)**	**6**	**-72%**
Buses, Streets & Other	**(100)**	**(112)**	**12**	**-11%**	**(80)**	**(20)**	**25%**
Silvertown	(4)	(7)	3	-38%	(4)	(1)	16%
Surface assets	(34)	(36)	2	-6%	(30)	(4)	14%
Air quality and environment	(17)	(16)	(1)	4%	(17)	0	-1%
Public transport	(3)	(5)	2	-45%	(2)	(1)	32%
Healthy Streets	(26)	(27)	1	-3%	(12)	(13)	107%
Technology	(11)	(15)	4	-26%	(10)	(1)	9%
Other incl. T&PH and T&D	(6)	(6)	1	-9%	(5)	5	-98%
Rail	**(53)**	**(75)**	**22**	**-29%**	**(63)**	**10**	**-15%**
Barking Riverside	(2)	(5)	4	-71%	(18)	17	-91%
DLR	(31)	(38)	8	-20%	(27)	(4)	14%
Public transport	(21)	(31)	10	-33%	(17)	(3)	19%
Corporate areas	**(14)**	**(31)**	**16**	**-53%**	**(12)**	**(2)**	**17%**
Media	3	1	1	94%	2	0	22%
Tech & Data	(17)	(24)	7	-30%	(14)	(3)	21%
Estates	(0)	(8)	8	-97%	(1)	0	-54%
Total TfL	**(476)**	**(504)**	**28**	**-5%**	**(454)**	**(22)**	**5%**

Cash balances

Total cash balances (excl. cash balances ring-fenced for Crossrail construction) are just over £1.1bn at the end of Period 5, £157m lower than at the start of the year. Cash balances are *£70m lower than Budget, largely a result of lower government support in August while our new funding agreement was finalised.

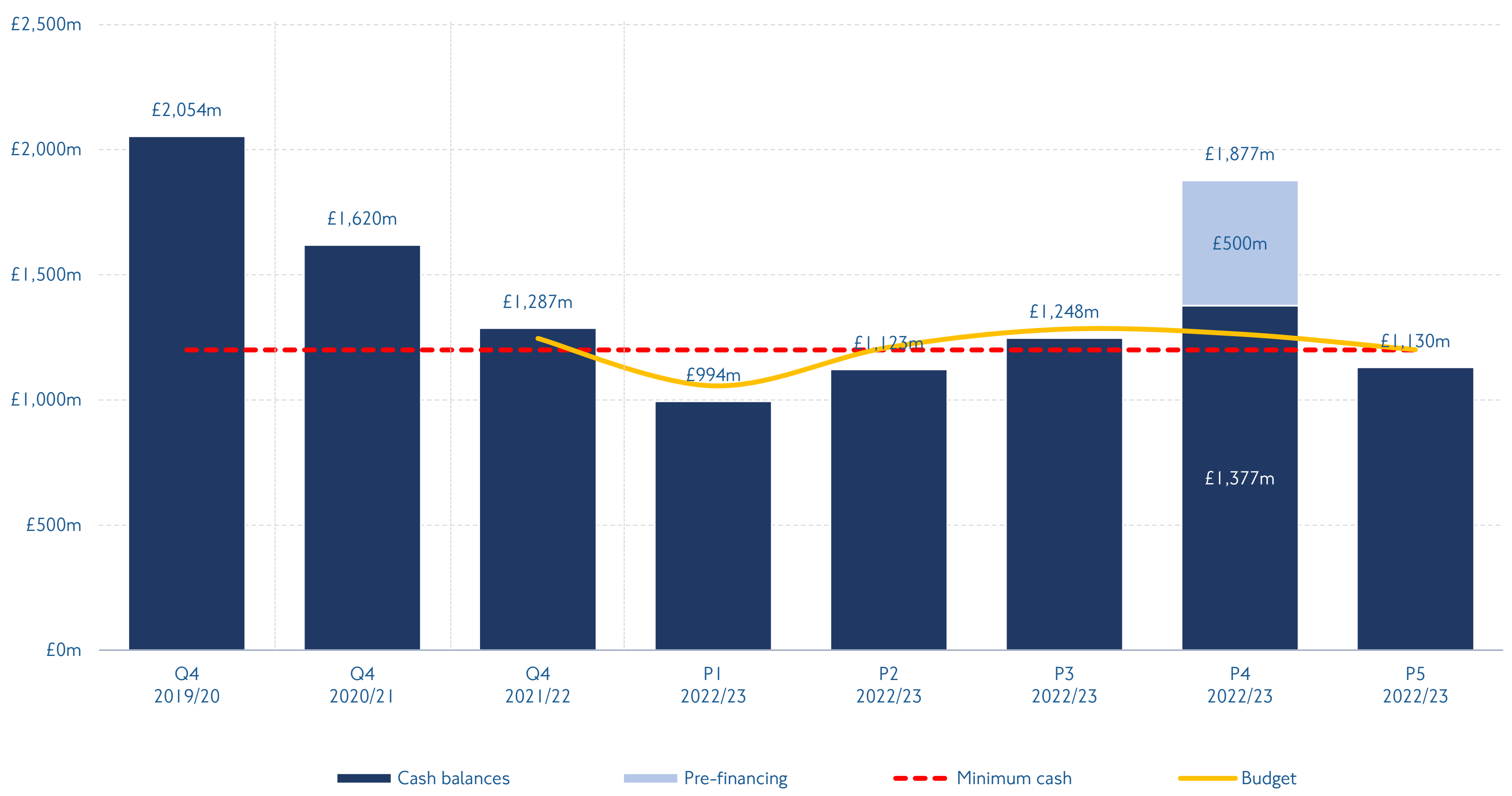
There was a temporary higher cash balance in P4 as we pre-financed a bond renewal given the uncertainty on longer-term interest rates.

A condition of the new funding agreement is that our cash balances will average £1.2bn for the duration of the agreement.

* Incorrect figure of £870m amended to correct figure of £70m after publication.

	2021/22 closing cash	2022/23 cash movement	P5, 2022/23 closing cash	P5, 2022/23 variance to Budget
TfL closing cash balances	1,287	(157)	1,130	(70)

Cash balances reduced from £2,054m at the end of 2019/20 to £1,130m at the end of Period 5, 2022/23.



Section 3

Forward look

Risks and opportunities

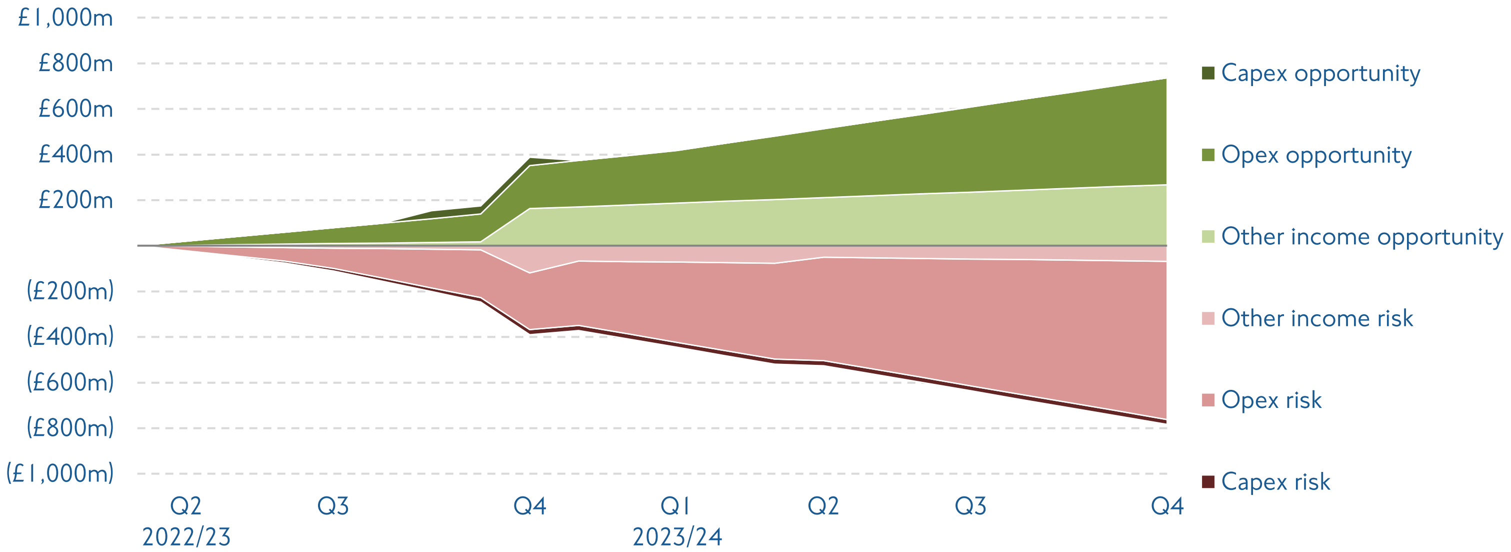
While the year to date position is broadly positive, we are starting to see risks emerging.

We are confident we can manage these through a combination of management action (including working capital management and cost control), contingencies and other tailwinds.

The new funding agreement with government will provide some mitigation against inflationary pressures – for this year, support is capped at £15m; any pressure in excess of this level will therefore require further savings. For 2023/24, there is no cap, and we have assumed government will compensate us for the full value of inflation impacts.

Probability weighted risks and opportunities for 2022/23

Risks of almost (£800m) broadly offset by opportunities



Key risks:

1. Passenger income – revenue downside protection will continue for the duration of the new funding agreement to the end of 2023/24. There does remain a strategic risk that continued strike disruption leads to a fall in customer confidence with stagnating demand in the short to medium term.
2. Inflation – a number of our contracts are re-indexed during the year and are expected to increase based on current inflation forecasts. We are also expecting large increases in energy costs in 2023/24.
3. New savings – our Budget was based on delivering £m of savings over 2022/23 to 2023/24. In addition to these savings, we will need to make additional savings of about £240m over the two years. We expect to make between £50-£100m additional savings this year.

Key opportunities:

1. Contingencies – to maintain a balanced budget, we have a central contingency, weighted on a probability basis, to ensure we can manage the net risk faced such as those above. This is supported by the GLA financing facility.
2. Cost control – we continue to maintain tight cost control and realise further savings where possible through headcount controls, review of discretionary spend and supply chain savings.

Section 4

Appendix 1: Divisional Performance

1 April 2022- 20 August 2022
(YTD Period 5)

London Underground

Tube journeys are 78% of pre-pandemic levels, up from 65% at the end of last year and from 73% in the prior period. Passenger income is £807m in the year to date, (£57m) lower than Budget; journeys are slightly down on Budget, but ticket yield is lower than expected where we have seen a reduction in peak journeys and higher levels of contactless daily capping.

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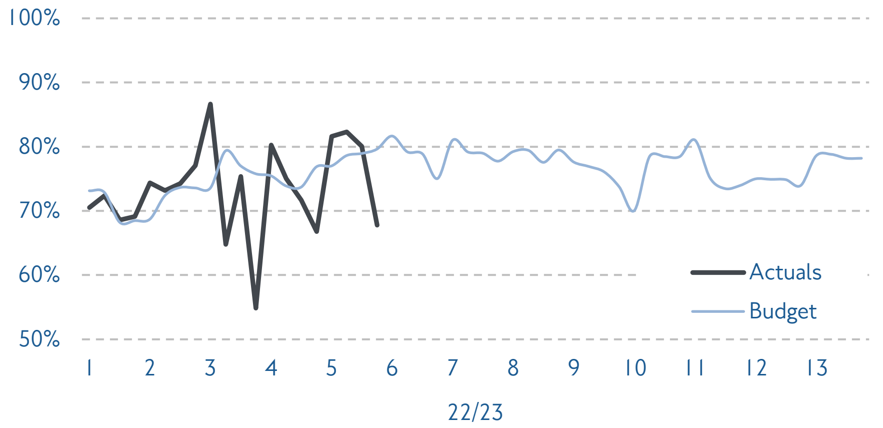
Operating costs are (£817m) in the year to date, £41m lower than Budget. This is mainly driven by lower pension deficit payments, lower staff costs as a result of industrial action and lower maintenance costs.

Capital expenditure is (£25m) higher than Budget, a result of the timing of renewals, and Piccadilly line upgrade costs.

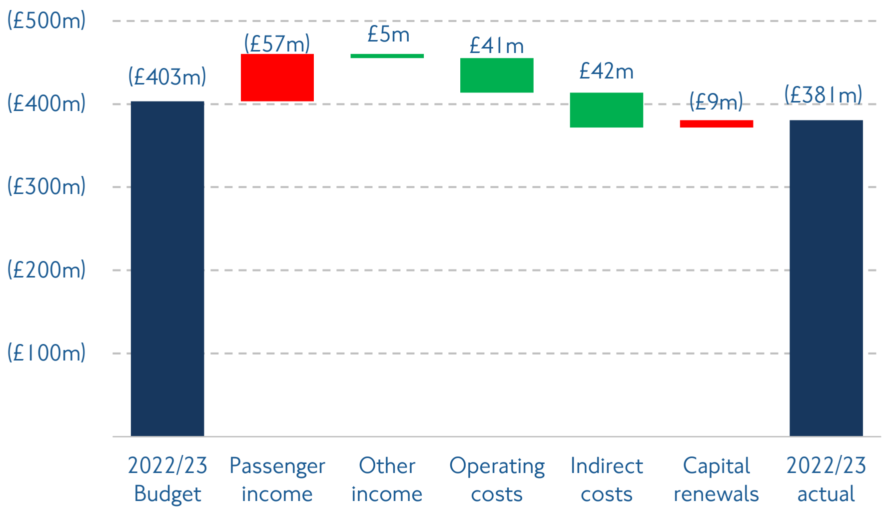
Operating account (£m)	Period 5, year to date, 2022/23				Period 5, year to date, 2021/22		
	Actuals	Budget	Variance to Budget	% variance to Budget	Last year	Variance to last year	% variance to last year
Passenger income	807	864	(57)	-7%	468	339	72%
Other operating income	13	8	5	61%	8	5	57%
Revenue	**820**	**872**	**(52)**	**-6%**	**476**	**344**	**72%**
Operating costs	(817)	(859)	41	-5%	(775)	(43)	6%
Net contribution	**3**	**13**	**(11)**	**-80%**	**(298)**	**301**	**-101%**
Indirect costs	(155)	(197)	42	-21%	(136)	(19)	14%
Net financing costs	(108)	(108)	-	0%	(111)	3	-3%
Capital renewals	(120)	(112)	(9)	8%	(107)	(13)	12%
Operating surplus / (deficit)	**(381)**	**(403)**	**23**	**-6%**	**(652)**	**272**	**-42%**
New capital investment	**(186)**	**(171)**	**(16)**	**9%**	**(185)**	**(2)**	**1%**

Tube journeys compared to pre-pandemic baseline

% vs Pre Covid Period / Budget		Journeys (millions)	Var to Budget
78%	79%	386	(7)



Net operating surplus/ (deficit) compared to Budget



Elizabeth line

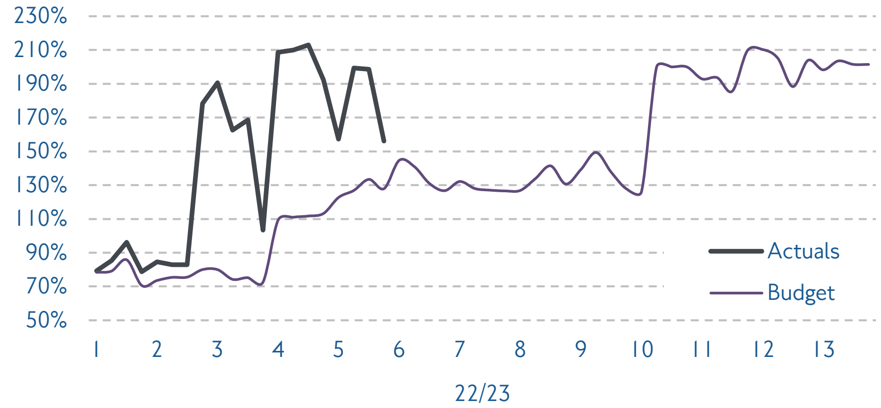
Elizabeth line journeys have been higher than Budget since the opening of full services on 24 May. Journeys are 14 million better than Budget in the year to date, with income £20m higher than expected.

Other operating income is (£46m) lower than Budget, a result of lower regulatory income, which is also offset within operating costs. Operating costs are also down from lower rolling stock maintenance costs and lower staff costs, which has offset inflationary pressures.

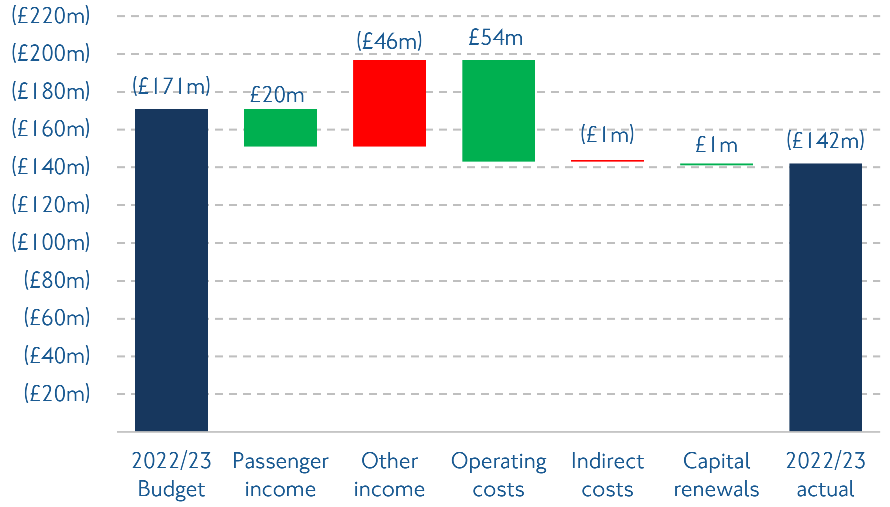
Operating account (£m)	Period 5, year to date, 2022/23 Actuals	Budget	Variance to Budget	% variance to Budget	Period 5, year to date, 2021/22 Last year	Variance to last year	% variance to last year
Passenger income	80	60	20	33%	28	52	186%
Other operating income	17	63	(46)	-73%	9	8	89%
Revenue	**97**	**123**	**(26)**	**-21%**	**37**	**60**	**162%**
Operating costs	(197)	(251)	54	-22%	(161)	(36)	22%
Net contribution	**(100)**	**(128)**	**28**	**-22%**	**(124)**	**24**	**-19%**
Indirect costs	(7)	(7)	(1)	14%	(3)	(4)	133%
Net financing costs	(34)	(34)	-	0%	(35)	1	-3%
Capital renewals	(1)	(2)	1	-50%	(1)	-	0%
Operating surplus / (deficit)	**(142)**	**(171)**	**29**	**-17%**	**(163)**	**21**	**-13%**
New capital investment	(1)	(3)	2	-67%	(7)	6	-86%
Crossrail project	(111)	(162)	51	-31%	(253)	142	-56%
New capital investment	**(112)**	**(165)**	**53**	**-32%**	**(260)**	**148**	**-57%**

EL journeys compared to pre-pandemic baseline

% vs Pre Covid Period / Budget		Absolute m	Var to Bud m
177%	128%	39	14



Net operating surplus/ (deficit) compared to Budget



Buses, Streets & Other operations

Including Congestion Charge and Ultra Low Emission Zone (ULEZ)

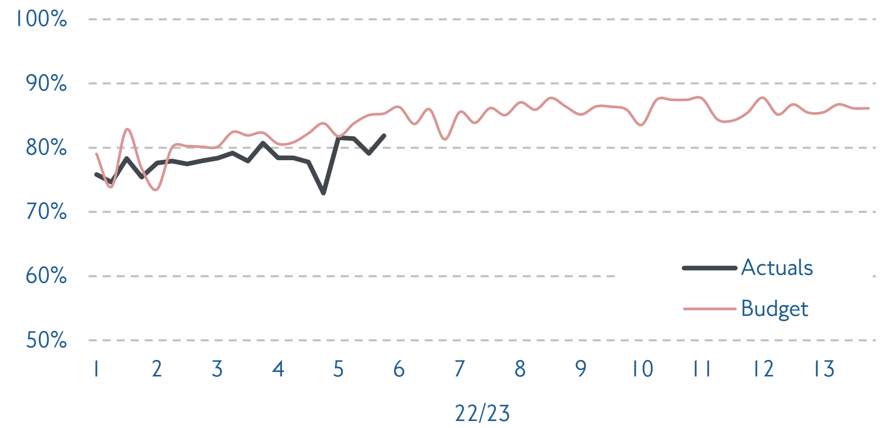
Bus journeys are 81% of pre-pandemic levels in Period 5, up from 70% at the end of last year, and from 77% last period. Passenger income is £14m higher than Budget; journeys are (19) million lower than Budget, but higher yield has helped increase income.

Other operating income is £428m and broadly in line with Budget. Charge income from Congestion Charge and ULEZ is lower than Budget, but this has been offset by higher enforcement income. This has resulted in higher than expected bad debt levels (£43m) in operating costs where we have seen declining payment rates on penalty charge notices during the initial discounted period.

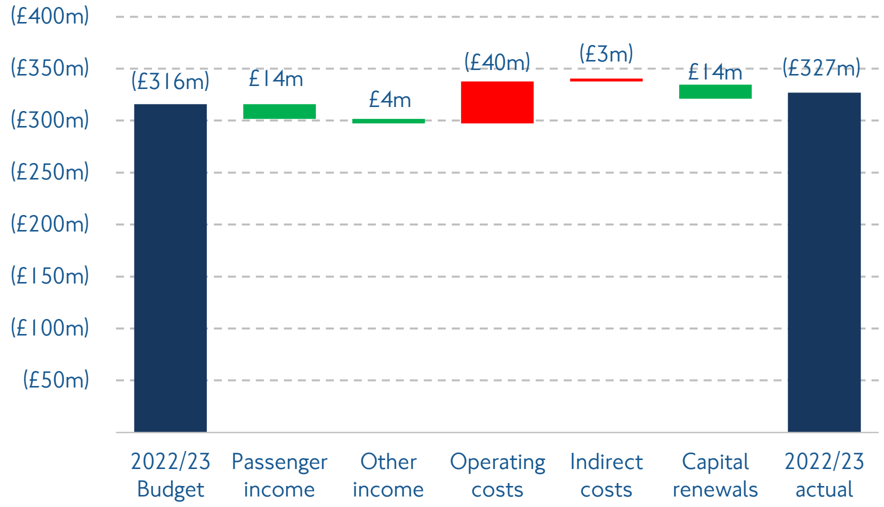
	Period 5, year to date, 2022/23				Period 5, year to date, 2021/22		
Operating account (£m)	Actuals	Budget	Variance to Budget	% variance to Budget	Last year	Variance to last year	% variance to last year
Passenger income	516	502	14	3%	384	132	34%
Other operating income	428	423	4	1%	263	165	63%
Revenue	**944**	**925**	**18**	**2%**	**647**	**297**	**46%**
Operating costs	(1,178)	(1,137)	(40)	4%	(1,083)	(95)	9%
Net contribution	**(234)**	**(212)**	**(22)**	**10%**	**(436)**	**202**	**-46%**
Indirect costs	(29)	(26)	(3)	12%	(20)	(9)	45%
Net financing costs	(10)	(10)	-	0%	(10)	-	0%
Capital renewals	(54)	(68)	14	-20%	(40)	(14)	34%
Operating surplus / (deficit)	**(327)**	**(316)**	**(11)**	**4%**	**(506)**	**179**	**-35%**
New capital investment	**(100)**	**(112)**	**12**	**-11%**	**(80)**	**(20)**	**25%**

Bus journeys compared to pre-pandemic baseline

% vs Pre Covid Period / Budget		Absolute m	Var to Bud m
81%	84%	672	(19)



Net operating surplus/ (deficit) compared to Budget



Rail

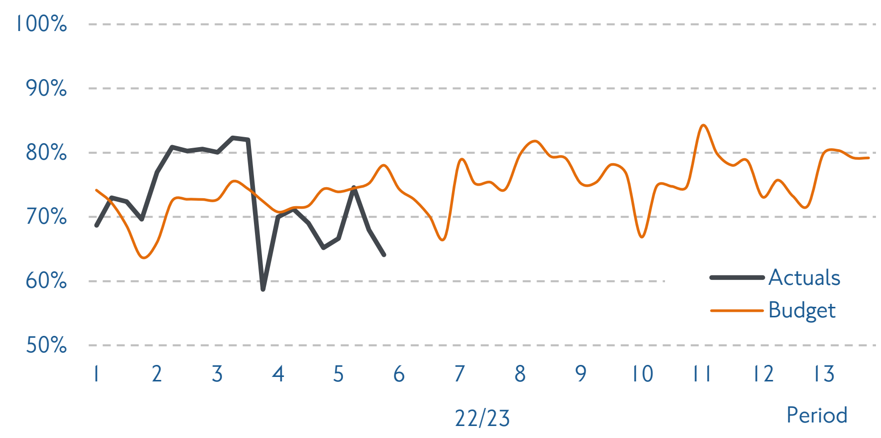
Rail journeys have seen some decline from earlier in the year when we saw strong growth. Journeys are at 68% of pre-pandemic levels in Period 5, slightly down on the end of last year. Journeys are 1 million higher than Budget in the year to date, with passenger income £12m higher.

Operating costs are (£202m) in the year to date. Costs are (£3m) higher than Budget, mainly driven by inflationary pressures on our contract costs.

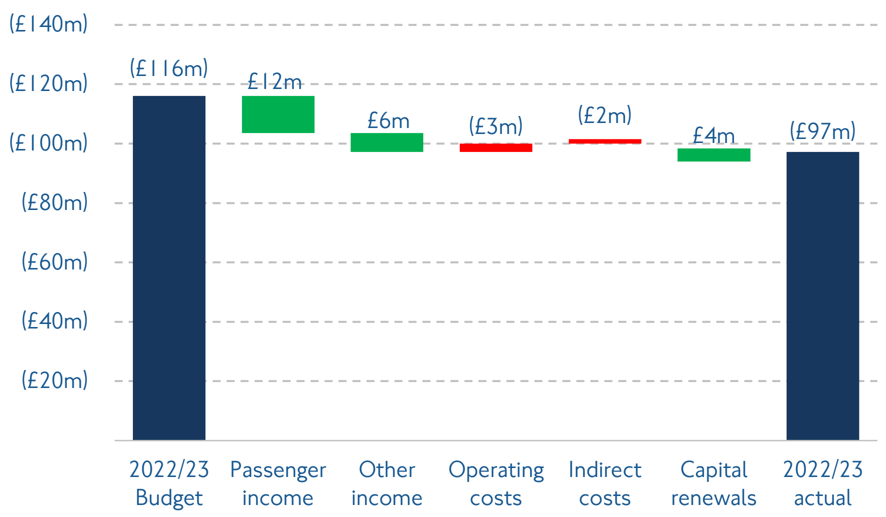
Operating account (£m)	Period 5, year to date, 2022/23				Period 5, year to date, 2021/22		
	Actuals	Budget	Variance to Budget	% variance to Budget	Last year	Variance to last year	% variance to last year
Passenger income	135	123	12	10%	93	42	45%
Other operating income	9	3	6	200%	9	-	0%
Revenue	**144**	**126**	**18**	**14%**	**102**	**42**	**41%**
Operating costs	(202)	(199)	(3)	2%	(180)	(23)	13%
Net contribution	**(58)**	**(73)**	**15**	**-20%**	**(78)**	**19**	**-25%**
Indirect costs	(9)	(9)	(2)	22%	(6)	(4)	67%
Net financing costs	(14)	(14)	-	0%	(16)	2	-13%
Capital renewals	(16)	(20)	4	-20%	(13)	(3)	23%
Operating surplus / (deficit)	**(97)**	**(116)**	**19**	**-16%**	**(113)**	**15**	**-14%**
New capital investment	(37)	(55)	18	-32%	(49)	12	-24%

Rail journeys compared to pre-pandemic baseline

% vs Pre Covid Period	Budget	Absolute m	Var to Bud m
68%	75%	96	1



Net operating surplus/ (deficit) compared to Budget



Major Projects

DLR Rolling Stock

Rolling stock delivery
The manufacture of the new rolling stock in Spain is continuing to plan with three completed trains in the testing phase, one train awaiting delivery to the testing area and another in the final stages of manufacture, before delivery of the first two trains to Beckton in early 2023.

Beckton depot and network infrastructure
At Beckton depot, work on the northern sidings and sub-station continues. Pre-possession works are being progressed to deliver the end state northern sidings and power, which will be commissioned in late 2022.

Housing Infrastructure Funding (HIF)
Having previously completed the acquisition of land at Beckton next to the depot, the planning application for the new site south of the existing depot that will house the additional HIF trains has now been submitted. This will allow works on the land to begin later in the year.

Silvertown Tunnel

We have now taken temporary possession of much of the required land from existing tenants to enable handover of 59 out of 71 sites to our contractor, Riverlinx. Good progress continues on the issuing of notices for permanent land acquisition, with the first taking place in July.

The tunnel boring machine has been assembled in the launch chamber ready to begin digging in September 2022. Excavation works continued on the rotation chamber (where the machine will be turned) and on the retrieval chamber (where it will be extracted) following the completion of tunnelling.

Piccadilly line upgrade

Delivery fleet introduction
We completed assembly of the first of nine cars for the first new Piccadilly line train, including applying the TfL livery. This was our first strategic milestone for the year, and was delivered early. Completion enables the car to move to the next stage of manufacture, which includes installation of internal equipment, and for the next cars to commence assembly.

Depots and stabling
We have successfully completed installation of track and signalling works for the first four roads at South Harrow sidings, as well as new driver walkways and driver access platforms. The bringing into use of stabling for four trains was achieved at South Harrow sidings on 6 July.

Power
The high-voltage power framework was signed and first two call-off contracts awarded. This will enable us to start delivering crucial substation upgrades at Sudbury Hill, Northfields and Cockfosters, and complex upgrades at Cobourg Street and Manor House.

Finance Committee

Date: 6 October 2022

Item: Prudential Indicators – Outturn for the year ending 31 March 2022

This paper will be considered in public

1 Summary

1.1 On 16 March 2021, the Board approved prudential indicators and debt limits for TfL for the 2021/2022 financial year as required and defined in the Chartered Institute of Public Finance and Accountancy Prudential Code (the Code). The limits and indicators were based on figures in TfL's Budget and Business Plan as approved by the Board on 9 December 2020, adjusted for known significant changes in assumptions relating to revenue, cost and funding where relevant, and subject to assumptions on future Government funding at the time these limits and indicators were approved.

1.2 The purpose of this paper is to report on TfL's performance against the indicators for the financial year 2021/2022. In line with Code requirements, TfL's 2021/2022 Statement of Accounts has been used to calculate the outturn which has been compared against the Board approved indicators (see Appendix 1).

1.3 The outturn for the financial year 2021/2022 is satisfactory upon comparison with the Prudential Indicators approved.

2 Recommendation

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

3 Background

3.1 The Code plays a key role in capital finance for local authorities. The Code was developed as a professional code of practice to support local authorities in their decision-making processes for capital expenditure and its financing.

3.2 The framework established by the Code aims to ensure that an authority's capital investment plans are affordable, prudent and sustainable. As part of the strategic planning process, authorities are required, on a rolling basis, to calculate a range of indicators for the forthcoming budget year and two subsequent years. Authorities are also required to monitor performance against indicators within the year as well as preparing outturn indicators based on the Statement of Accounts at each financial year end. Indicators relate to capital expenditure, external debt and treasury management.

3.3 Local authorities are required by regulation to have regard to the Code when carrying out their duties under Part 1 of the Local Government Act 2003.

3.4 The Code states that when an authority prepares group accounts, in setting indicators, the authority must include all items where a residual interest remains with the authority. Thus, TfL prepares prudential indicators at both the TfL Corporation ("Corporation") and TfL Group (Group) level. The Corporation is made up of our road network operations, Taxi and Private Hire licensing and compliance and the TfL corporate centre which, for legal and accounting purposes, constitutes TfL – a local authority. The Group comprises the Corporation and its subsidiaries, in which the remainder of our operations are carried out.

3.5 There are no penalties applied to a local authority for breaching individual indicators, with the exception of the Authorised Limit for External Debt (the Authorised Limit). The other indicators, if breached, act as an early warning that financial plans may require review and amendment.

3.6 The Authorised Limit is derived by adding an element of headroom to the Operational Boundary for External Debt (the Operational Boundary), to allow for unexpected cashflow fluctuations.

3.7 The Operational Boundary is a sum of all the borrowings, and long-term capital liabilities, including finance lease creditors and provisions as shown in the TfL Budget and Business Plan.

4 Outturn

4.1 The key prudential indicator is the Authorised Limit, which sets the maximum legal limit for direct and indirect (e.g. long-term creditors, provisions) debt for the organisation. Both the Corporation and the Group were within their Authorised Limits for the year ended 31 March 2022.

4.2 By definition, the Authorised Limit comprises TfL's budgeted expectation (via the Operational Boundary) for the financial year, which is subsequently uplifted to provide a mechanism to raise further debt in a limited number of circumstances, without breaching TfL's maximum legal debt limit, at any point during the financial year – albeit these are an unbudgeted set of circumstance.

4.3 As shown in Appendix 1, the Authorised Limit for direct borrowings for the Group and Corporation was set at £14,495m. Total actual borrowings as at 31 March 2022 were below this limit at £12,994m (£1.5bn headroom as at 31 March 2022).

4.4 This £1.5bn headroom to the Authorised Limit does not represent additional borrowing that TfL can undertake to fund its activities. It includes a £0.2bn overdraft facility that TfL can access to mitigate short-term adverse cash flows to meet liquidity requirements. Of the remainder, £1.1bn provided flexibility should in-year opportunities arise to refinance borrowing (£1bn) and a limited number of PFI contracts (£0.1bn) in advance of their maturities. This is beneficial as it offers the flexibility to reduce refinancing risk or interest rate risk without the restriction of timing a refinancing to precisely match existing debt maturities. The residual variance is explained in paragraph 4.7 below.

4.5 Long-term liabilities for the Group as at 31 March 2022 were £2,724m, compared to the Authorised Limit for indirect borrowing limit of £3,156m (£0.4bn lower than the limit set). Aligned with the principle explained in paragraph 4.2 above, the Authorised Limit for indirect debt included an uplift to the Operational Boundary of £0.5bn to capture the potential for new commercial contracts to be entered into that are classified as long-term leases under IFRS 16. Additionally, a £0.1bn offset was applied to avoid a double count of the headroom already provided for in relation to the refinancing of specific PFI contracts referred to in paragraph 4.4 above.

4.6 Similarly, for the Corporation, long-term liabilities as at 31 March 2022 totalled £554m, compared to an indirect borrowing limit of £821m, resulting in an outturn of £267m lower than the limit set. The Authorised Limit for indirect debt included an uplift to the Operational Boundary of £250m to capture the potential for new commercial contracts to be entered into that are classified as long-term leases under IFRS 16 with the residual variance explained in paragraph 4.8 below.

4.7 The Operational Boundary for direct borrowing for the Group and Corporation was set at £13,163m, with the outturn coming £168m under this level. Around half of this variance is due to scheduled repayments of debt facilities, that were not refinanced, as had been assumed at the time the prudential indicators were set. The residual variance relates to a contract option to purchase additional trains which was not exercised and will no longer be included in setting future limits due to our constrained financial position.

4.8 The Operational Boundary for long-term liabilities as at 31 March 2022 was set at £2,761m for the Group and £571m for the Corporation. The outturn for indirect borrowing was £17m below the boundary for the Corporation and £37m below for the Group. Drivers of the variance predominately relate to a rephasing, and earlier settlement, of long-term capital provisions when compared with the expected profile at the time prudential indicators were set.

4.9 Consistent with paragraphs 4.5 and 4.6 above, the capital expenditure estimate included a £0.5bn for the Group and £0.25bn for the Corporation element of prudence to capture the potential for new commercial contracts to be entered into that are classified as long-term leases and consequently, capital spend/right of use assets under IFRS 16.

4.10 The Code acknowledges the capital expenditure indicator is an estimate and subject to fluctuation in the ordinary courses of business. Both the Corporation and the Group have significantly underspent in relation to capital expenditure, when actuals are compared with the estimate outlined in March 2021. This underspend was due to the lower Government funding received in 2021/22 compared to the Budget assumption by £0.5bn, which meant planned capital expenditure had to be reduced.

4.11 The Code acknowledges the ratio of financing costs to net revenue stream is an estimate and subject to fluctuations in the ordinary course of business. There are numerous variables within the calculation and no predominant driver has been noted when compared with the indicators set. The outturn for the Corporation has exceeded the indicator by 0.5 per cent. This does not represent an increase in the underlying interest charge and cash cost of direct and indirect debt and is not a cause for concern. For the Group and Corporation, the outturn is considered within a reasonable range of the estimates set.

4.12 The final indicator set is the comparison of Gross Debt to Capital Financing Requirement and in line with expectations, the level of Gross Debt as at 31 March 2022 does not exceed the anticipated level of Capital Financing Requirement as at 31 March 2024.

5 Conclusions

5.1 The outturn for the financial year 2021/2022 is satisfactory upon comparison with the Prudential Indicators approved.

List of appendices to this report:

Appendix 1 – Outturn Prudential Indicators

List of Background Papers:

None

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Email: PatrickDoig@tfl.gov.uk

Appendix 1

Prudential Indicators 2021/22 (£’m)

Operational Boundary for External Debt	**Approved**	**Outturn**
TfL Corporation		
Borrowing	13,162.5	12,993.6
Long-term liabilities	570.8	554.4
Total Operational Boundary for External Debt	**13,733.3**	**13,548.0**
TfL Group		
Borrowing	13,162.5	12,993.6
Long-term liabilities	2,761.0	2,724.5
Total Operational Boundary for External Debt	**15,923.5**	**15,718.1**

Authorised Limit for External Debt*	**Approved**	**Outturn**
TfL Corporation		
Borrowing	14,494.8	12,993.6
Long-term liabilities	820.8	554.4
Total Authorised Limit for External Debt	**15,315.6**	**13,548.0**
TfL Group		
Borrowing	14,494.8	12,993.6

Long-term liabilities	3,155.6	2,724.5
Total Authorised Limit for External Debt	**17,650.5**	**15,718.1**

Capital Expenditure (£'m)	**Approved**	**Outturn**
TfL Corporation	2,671.2	2,122.4
TfL Group	3,634.9	2,356.9

The ratio of financing costs to net revenue stream	**Approved**	**Outturn**
TfL Corporation	11.0%	11.5%
TfL Group	16.6%	13.8%

	Approved	**Outturn**
Gross Debt at 31 March 2022*		
- Corporation**	n/a	13,548.0
- Group**	n/a	15,718.1
Capital Financing Requirement at 31 March 2024		
Corporation	14,398.4	n/a
Group	18,346.1	n/a

** The Code requires that Gross Debt as at 31 March 2022 does not exceed the expected Capital Financing Requirement at 31 March 2024.*

*** Gross Debt as at 31 March 2022 includes all lease obligations and long-term liabilities.*

Finance Committee

Date: **6 October 2022**

Item: **Treasury Activities**

This paper will be considered in public

1 Summary

1.1 This paper provides a brief update on our key treasury activities for the period from 17 February 2022 to 16 September 2022 (the Reporting Period).

1.2 Over the last six months there have been a number of headwinds. During this period, we have negotiated multiple (and, until recently, short term) funding extensions or settlements with the government and have faced economic uncertainty in the form of increasing interest rates and inflation. During the Reporting Period the 20 year Gilt rate has risen from 1.6 per cent to 3.5 per cent whilst the Bank of England (BoE) base rate has more than tripled from 0.5 per cent to 1.75 per cent. As of the 16 September, the market predicts the BoE base rate to rise further to 4.6 per cent, by March 2023. According to the Office for National Statistics, inflation as measured by the Consumer Price Index (CPI), has risen from 6.2 per cent in February to 9.9 per cent in August, peaking at 10.1 per cent in July. Bloomberg predicts that CPI will continue to rise, peaking at 11.4 per cent in the last quarter of 2022.

1.3 Throughout the Reporting Period, we have kept in close contact with our lenders, who have remained supportive of our position, and take comfort from the level of ongoing and continuing support from the government.

1.4 Credit rating agencies S&P and Fitch have not changed their ratings during the Reporting Period, reflecting their expectation that TfL will continue to receive adequate government support until we achieve financial sustainability. Moody's have downgraded us during the Reporting Period, due to the short-term nature of the funding agreements from the government at the time of downgrade and their view on the potential impacts of weak economic growth and high inflation on passenger demand.

1.5 We have been largely insulated from the impact of rising interest rates, due to a high level of fixed rate debt, at 91.8 per cent. We have also taken the decision to fix the interest rate on around £600m of our train leases.

1.6 Our cash balance of approximately £1.2bn has been invested in short-term instruments, consistent with our Treasury Management Strategy, and therefore we have seen some upward movement in the interest receivable on these funds.

1.7 Our bond spreads in the secondary market have widened over the period from around 140 basis points to around 165 basis points, which is in line with general market movements. It remains significantly cheaper to refinance our maturing debt through the Public Works Loan Board (PWLB) than the bond markets. In August, we refinanced a £500m bond maturity through the PWLB.

1.8 We have focussed on looking at ways that we can develop our approach to environmental, social and governance (ESG) investing and have evaluated a number of third parties, with the aim of procuring ESG data on potential and existing investment counterparties.

1.9 During the Reporting Period, we have complied at all times with the Treasury Management Strategy (TMS), the Treasury Management Policies and the TfL Group Policy relating to the use of Derivative Investments (Policies) each approved by Finance Committee Chair's Action (as delegated by the Board) on 9 March 2022, along with the GLA Responsible Investment Policy.

1.10 A verbal update will be provided at the meeting on the recent volatility in financial markets and the impact on TfL's Treasury position.

1.11 A paper is included on Part 2 of the agenda, which contains exempt supplemental information and documentation. 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 financial affairs of TfL or of a sensitive nature to our listed counterparties. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

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

3 Liquidity

3.1 The Treasury Management Policies state that, for prudent financial management purposes, TfL will aim to maintain a minimum level of cash reserves of at least 60 days' worth of forecast annual operating expenditure, on average, equating approximately to £1.2bn. During the Reporting Period TfL cash reserves, excluding identified, separate subsidiaries, remained on average around this level.

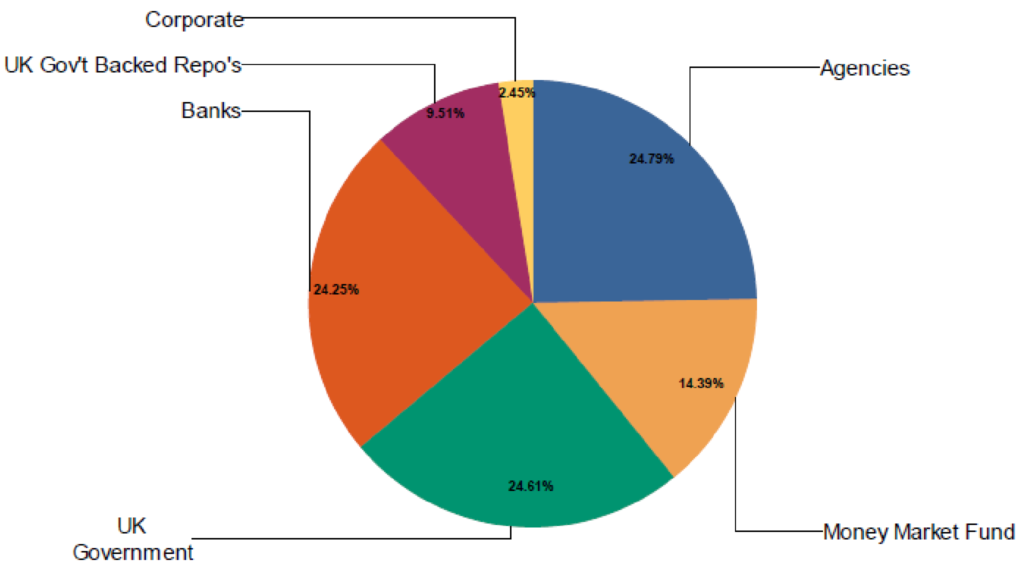
4 Investment Update

4.1 During the Reporting Period we have continued to diversify cash investments by country, sector, liquidity, and counterparty risk. The maximum duration of investments has remained at three months. During the Reporting Period, BoE base rates have rapidly risen from 0.5 per cent, on 17 February 2022, to 1.75 per cent by the end of the Reporting Period. The short-term nature of our investment strategy has meant that our investment yield has quickly reflected increases in interest rates.

4.2 On 16 September 2022, 14 per cent of our investments were held in highly rated overnight money market funds (MMF) and 9.5 per cent in government collateralised repurchase agreements (Gilt repo). Our investments remain short dated, with 89 per cent maturing within two months. The weighted average maturity of investments over the Reporting Period increased from 24 days to 25 days.

4.3 While we have continued to prioritise investments in short dated, highly rated instruments, we continue to seek opportunities to diversify the portfolio and maximise yield. As at 16 September we held a diversified portfolio of investments in supra-national, government agencies and highly rated financial and corporate investments, as shown in Chart 1.

Chart 1 – Sector breakdown of cash position on 16 September 2022



4.4 The weighted average investment yield on 16 September 2022 was 1.82 per cent, 13bps higher than the Sterling Overnight Index Average (SONIA) benchmark.

5 Borrowing Update

Borrowing during the Reporting Period

5.1 As at the end of the Reporting Period, we had £12,808m in outstanding borrowings with a weighted average tenor of 18.0 years and an average interest rate of 3.3 per cent. We remained within the Authorised Limit for borrowing of £14,569m at all times during the Reporting Period.

5.2 In March, we arranged a £132m variable rate loan from the PWLB, in part to refinance some Commercial Paper (CP) and to ensure we remained consistent with our liquidity policy. During the Reporting Period, we also refinanced a £45m maturing PWLB loan, and used CP to refinance a £35m loan repayment to the Department for Transport (DfT) under the DfT loan facility for the Crossrail project.

5.3 In August one of our public bonds matured. This bond had a principal value of £500m and was refinanced with three fixed rate loans from the PWLB. The PWLB was the cheapest option for long-term borrowing. Splitting the £500m across three loans, with varying maturities, allowed us to better manage our debt maturity profile compared to one loan of £500m. Long-term tenors allowed us to benefit from lower interest rates for longer maturities when compared to slightly shorter maturities; the interest rates payable on 39-41 year maturities were lower than, for example, 20-35 year maturities. The three loans are set out in the table 1.

Table 1: Summary of the three loans issued by the PWLB

Tenor (years)	Interest Rate (%)	Loan amount (£)
39	3.29	166,000,000
40	3.28	167,000,000
41	3.28	167,000,000

Remaining 2022/23 borrowing requirement

5.4 We have £114.1m of maturing long-term debt remaining to refinance in 2022/23. This consists of maturing loans from the European Investment Bank and the PWLB. Whilst we will continue to monitor all our refinancing options, it is likely we will utilise our access to PWLB to refinance this debt.

6 Environmental, Social and Governance (ESG) criteria for investment purposes

6.1 We have investigated several ESG data providers with the objective of improving both risk management and sustainability practices for our investment decisions. As part of our research, we approached key suppliers of ESG data to understand their services and assess coverage of our existing investment counterparties.

6.2 We will use the ESG metrics provided to form a key factor in the approval process of our investment counterparties. All approved counterparties will be reviewed regularly, with their associated ESG metrics continuing to be a key factor. Our ESG processes will be incorporated into our TMS, which is next due to be updated for the Committee in March 2023.

7 Banking

7.1 We continue to work with our banking provider and the Business Support Function (BSF) to automate the daily manual CHAPS payment process. The new process brings cost efficiencies as the files are cheaper to process and automating the current payment process will allow the BSF to focus on other activities. User Acceptance Testing is currently being undertaken and the target date for implementation is October 2022.

7.2 The Cash and Banking team has been working with the BSF and the service provider, Bottomline, to future proof the way TfL makes supplier and payroll BACS payments by moving to a new cloud based solution (Bottomline PTX). The project successfully went live in June 2022.

Treasury Management System accounting upgrade

7.3 Further to the successful upgrade of our Treasury Management System, Quantum, we are now improving the system for accounting processes. This will enable the automatic generation of daily, periodic and financial year end accounting entries coupled with a direct interface to TfL's Enterprise Resource Planning system, SAP. The project is expected to complete, with benefits realised, and 'go live' in financial year 2023/24.

8 Credit ratings

8.1 Our credit ratings as at 16 September 2022 are shown in the table below.

Table 2: TfL's credit ratings as at 16 September 2022

	S&P	Moody's	Fitch
Long-term rating	A+	Baa1	A+
Outlook	Stable	Stable	Stable
Short-term rating	A-1	P-2	F1+

8.2 On 9 May 2022, Moody's downgraded our long-term credit rating from A3 to Baa1 and assigned a stable outlook. This reflected Moody's view on several factors, including concerns that operating performance will be weaker than expected due to weaker economic growth and higher inflation, as well as the then ongoing uncertainty around our long-term funding, at the time.

8.3 On 26 May 2022, S&P affirmed our credit ratings at the existing level of A+/A-1. This reflected its view that the government would continue to provide adequate support to TfL until performance returns to sustainable levels

8.4 In early September 2022, we held a management meeting with Fitch. On 13 September, Fitch announced they had reviewed TfL's rating and taken no action. We expect them to perform further analysis once the final version of our 2021/22 statutory accounts are published.

9 TTLP

9.1 On 29 June 2022, TfL's wholly owned subsidiary, TTL Properties Limited (TTLP), entered into a three-year £200m Revolving Credit Facility. The facility is supported by NatWest, BayernLB, and HSBC and is non-recourse to TfL. TTLP will be able to draw funds as required over the next three years to help fund its capital programme.

9.2 TTLP has put in place an 18 month cash flow forecast, as required under the TTLP Treasury Management Policy, which indicates that TTLP will have sufficient liquidity over this period.

9.3 We have also put in place a separate pooling arrangement and £10m overdraft facility for TTLP. We negotiated the terms and conditions in the relevant banking service and facility agreements with our banking provider.

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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Email: JoannaHawkes@tfl.gov.uk

Finance Committee

Date: **6 October 2022**

Item: **GLA Investment Fund**

This paper will be considered in public

1 Summary

1.1 This paper provides the Committee with background on potential collaboration between TfL and the Greater London Authority (GLA) in respect of management of cash investments held by each of the GLA and TfL.

1.2 A paper is included on Part 2 of the agenda, which contains exempt supplemental information and documentation. 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 financial affairs of TfL or of a sensitive nature to our listed counterparties. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

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

3 Context

3.1 The GLA issued a letter to TfL on 30 August 2022 which provides TfL comfort that the GLA are prepared to make available a call-off facility of up to £500m over this and the following financial year, appropriately split between revenue and capital, to assist with enabling TfL to set a balanced budget. The GLA will need to recover the use of the call-off facility by reducing GLA's future grants to TfL from business rates, with the profile of such recovery to be agreed. The letter also explains that GLA's provision of financial support underlines greater co-ordination of treasury management activities between TfL and the GLA.

3.2 The GLA and TfL have been considering our intrinsically linked treasury management positions and we have been working to facilitate improved co-ordinated management. This includes preparing for TfL to join the rest of the GLA Group in collective investment arrangements.

3.3 The paper on Part 2 of the agenda provides more information to the Committee on the work that has been done and the steps required to facilitate TfL joining the GLA investment arrangements.

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: **6 October 2022**

Item: **Taxi Fares and Tariffs Update**

This paper will be considered in public

1 Summary

1.1 This paper provides the Committee with an update on the impact of the changes to taxi fares and tariffs made in April 2022, cost pressures for taxi drivers and the situation with the demand for taxis at Heathrow Airport particularly following the opening of the Elizabeth line. The paper also provides an overview of the forthcoming taxi fares and tariffs consultation.

2 Recommendation

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

3 Background

3.1 Following a public consultation[1] the Committee approved the following recommendations at its meeting on 9 March 2022:

(a) increasing the minimum fare from £3.20 to £3.80;

(b) increasing Tariffs 1 and 2 by 5.51 per cent;

(c) freezing Tariffs 3 and 4;

(d) increasing the maximum Heathrow Extra, which passengers pay when taking a taxi from one of the taxi ranks at Heathrow Airport, from £2.80 to £3.60; and

(e) introducing a charge of up to £5.20 which taxi drivers can add to the fare 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.

3.2 The above changes came into force on 30 April 2022.

3.3 The Committee requested an update in six months to understand whether there has been a negative impact on demand for taxis given the taxi fare increase and to understand more about the cost pressures on taxi drivers, in

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[1] TfL 2021 review of taxi (black cab) fares and tariffs in London consultation, https://haveyoursay.tfl.gov.uk/taxi-fares-2021

part as a result of fuel price rises and the impact on demand for taxis at Heathrow Airport particularly following the opening of the Elizabeth line.

4 Impact of taxi fare changes six months on

4.1 We regularly discuss demand for taxis with senior taxi trade representatives. While demand for taxis was at an all-time low during the coronavirus pandemic, taxi drivers are reporting that demand has surged and is now back to, and in some cases above, pre-pandemic levels, despite the increase in taxi fares.

4.2 There are a number of factors that may have contributed to this. One is that there has been a strong recovery in the demand for and use of taxis as lockdown restrictions have lifted and people are travelling more in London. There are also now 18,898 licensed taxi drivers, which is fewer than the 22,409 who were licensed at the start of the pandemic in March 2020.

4.3 There are reports of a similar surge in demand in the private hire industry and many private hire operators have increased fares or introduced surge pricing, which has resulted in a convergence in fares levels for the two modes.

4.4 Other modes of transport in London have seen an increase in ridership levels since the pandemic restrictions were eased, with Tube journeys already up by 25 per cent in February 2022 compared to early January of the same year, and bus ridership up nearly 10 per cent over the same period.[2] Road traffic on London's major roads is now back to pre-pandemic levels.[3]

4.5 From the information available, the recovery in demand for taxis appears to be stronger than for other modes. The demand for taxis appears to be mainly driven by leisure trips as business journeys and journeys by overseas tourists are not thought to have returned to the pre-pandemic levels.

4.6 Taxi drivers are self-employed and are not required to provide data on their working times, journeys they complete, or other supply and demand related information. We therefore do not know the exact number of taxi journeys and how these change from month to month, e.g. before and after the fare increases came into force in April 2022, and our information is mainly based on our operational experience and reports from licensees and trade representatives.

Fuel prices

4.7 We have been monitoring diesel, petrol and electric vehicle charging prices and recognise that the price increases that have been observed in the past six

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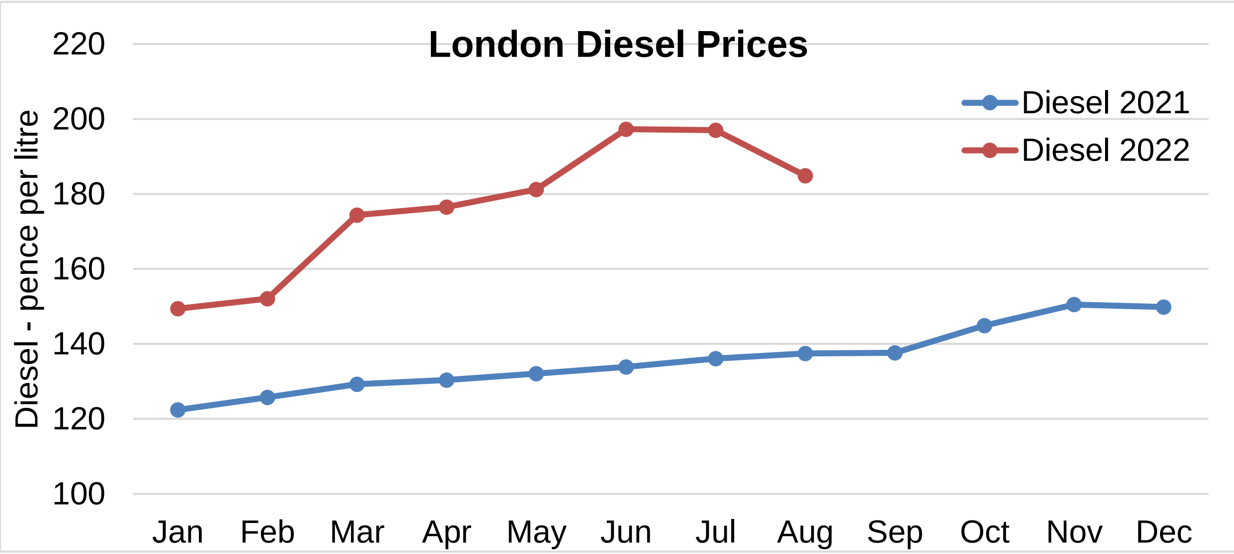
[2] Latest TfL figures show continued growth in ridership following lifting of working from home restrictions, 10 February 2022, https://tfl.gov.uk/info-for/media/press-releases/2022/february/latest-tfl-figures-show-continued-growth-in-ridership-following-lifting-of-working-from-home-restrictions

[3] TfL Press Release - Number of people killed on London's roads in 2021 fell to the lowest level on record, but collisions have increased as lockdowns ended, https://tfl-newsroom.prgloo.com/news/tfl-press-release-number-of-people-killed-on-londons-roads-in-2021-fell-to-the-lowest-level-on-record-but-collisions-have-increased-as-lockdowns-ended

months will have had a detrimental impact on the overall earnings of drivers which may not have been fully mitigated by the recovery in demand for taxis.

4.8 There were previously administrative arrangements in place whereby licensees could recover set costs where diesel costs exceeded specified threshold levels. Following a consultation in 2019, this arrangement is no longer in place. We are primarily focussed on the ongoing transition of the fleet from diesel taxis to zero emission capable (ZEC) taxis.

4.9 The chart below shows London diesel prices (pence per litre) for 2021 and 2022.



4.10 The table below shows electric vehicle charging prices in September 2021 and May 2022.[4]

Average cost to charge an electric car at a public charger All prices in pence per kilowatt hour (kWh), and based on a 'pay-as-you-go' non-subscription basis		**Sep-21**	**May-22**
	Rapid charger 23-90kW	36.74 pence	44.55 pence
	Ultra-rapid charger 100kW+	34.21 pence	50.97 pence

Average cost to charge a 64kWh electric car to 80% at a public charger Based on charging on a 'pay-as-you-go' non-subscription basis		**Sep-21**	**May-22**
	Rapid charger 23-90kW	£18.81	£22.81
	Ultra-rapid charger 100kW+	£17.51	£26.10

[4] RAC Charge Watch: The cost of charging an electric car at a public charger, https://www.rac.co.uk/drive/electric-cars/charging/electric-car-public-charging-costs-rac-charge-watch/

4.11 When we review taxi fares and tariffs, we update the Cost Index, which is a mechanism we use to ascertain changes to the costs related to being a taxi driver as well as average national earnings. We use the figures the Cost Index provides for changes to taxi drivers' operating costs and average national earnings to inform the levels of changes to taxi fares and tariffs which we consult upon before recommending changes for approval by the Committee.

4.12 The Cost Index includes changes to diesel, petrol and electricity/charging prices.

4.13 While fuel prices are particularly volatile this year, we note that diesel prices have recently started to decrease as shown in the graph above. Electricity prices do remain high, although we recognise there has not been sufficient time for the Government's recently announced interventions on the energy price cap to take effect.

4.14 After considering these factors, we do not believe any separate administrative arrangements in relation to fuel are necessary.

Elizabeth line

4.15 At its meeting in March 2022, the Committee discussed the Elizabeth line and the potential impact on taxi drivers at Heathrow Airport.

4.16 The pandemic had a significant impact on Heathrow Airport with most passenger carrying flights being stopped at certain times during the pandemic. The pandemic has also had a significant impact on taxi drivers who work at the airport with drivers waiting several hours for a fare.

4.17 Since restrictions have eased and more people have started to travel there has been a strong recovery in demand for taxis at the airport. To date there have not been any reported decreases in the demand for taxis as a result of the Elizabeth line opening.

4.18 At Heathrow Airport there is a large holding area, known as the feeder park, where taxis wait before moving forward to a taxi rank at one of the terminals and picking up passengers. Figures provided by Heathrow Airport Limited have shown that, since March 2022, the number of taxis going through the feeder park has been comparable to or higher than the number from the same months in 2019.

4.19 Representatives of the taxi trade who work at Heathrow Airport have informed us that there has been no decrease in demand for taxis at the Airport since the Elizabeth line opened. We also understand that June 2022 was the busiest month in terms of taxi movements through the feeder park recorded since 2010 albeit this may partly be due to the disruption at the airport and the number of flight cancellations.

5 Taxi fares and tariffs consultation

5.1 We are currently reviewing options for the next taxi fares and tariffs consultation, which is due to commence in late October/early November 2022.

5.2 We have updated the Cost Index for this year's taxi fares and tariffs review and the table below shows the figures for the change in taxi drivers' operating costs and average national earnings, and the total Cost Index figure.

5.3 The Cost Index includes costs for fuel (diesel, petrol, electricity). The overall increase is very high this year, in part due to increases in fuel and electricity/ charging costs. We are giving consideration as to whether all of this should be applied which would be another large increase to fares, or whether there is an alternative approach that balances the need to ensure taxi drivers can cover their costs but not to the extent that passengers cannot afford to use the service. It is also important to note that while the previous increase to the Cost Index was 9.95 per cent, this was a combination of three years of Cost Index calculations.

5.4 The table below shows the total Cost Index calculation for this year of 11.64 per cent. This includes the increase in drivers operating costs of 7.61 per cent, of which, 5.74 per cent is due to the increase in fuel costs and the increase in average national earnings of 4.02 per cent.

Item	Value
Drivers' operating costs	+7.61%
Average national earnings	+4.02%
Total Cost Index figure	**+11.64%**

5.5 If we were to increase fares by 11.64 per cent this will be a significant increase for passengers.

5.6 When considering changes to taxi fares and tariffs it is important that we strike an appropriate balance between drivers being fairly paid and taxi users getting fair and affordable fares. It is clear that operating costs have increased significantly for drivers this year and the cost-of-living crisis will be impacting a number of taxi users and taxi drivers.

5.7 We are due to launch a consultation on taxi fares and tariffs in late October/early November 2022 and the options being considered for consultation are provided in the table below.

Option	Details
1	**Fully implement the Cost Index increase by increasing the four tariffs:** • Freeze the minimum fare at £3.80 • Increase Tariffs 1, 2, 3 and 4 by the total Cost Index figure (11.64%)
2	**Fully implement the Cost Index increase by increasing the minimum fare and the four tariffs (an approach taken in previous reviews):** • Increase the minimum fare by 40 pence (£3.80 to £4.20) • Increase Tariffs 1, 2, 3 and 4 by 8.80%

Option	Details
3	**Partially implement the Cost Index increase:** • Freeze the minimum fare • Increase Tariffs 1 and 2 by one part of the Cost Index. This would be by either: – Drivers' operating costs: 7.61% – Average national earnings: 4.02% • Freeze Tariffs 3 and 4
4	**Do nothing:** • Freeze the minimum fare and tariffs

5.8 In addition to the Cost Index increase there are a number of other proposals that are being considered for inclusion in this year's taxi fares consultation which are mainly around the fees applicable for taxis booked by phone or through an app – the 'booking fee' of £2 has been in place for a number of years and we are also considering a cancellation fee. We are also reviewing the fixed fares for shared taxi schemes. These are separate considerations to the implementation of the Cost Index.

6 Next steps

6.1 We intend to launch the consultation in late October or early November 2022 and once we have analysed the feedback we will prepare recommendations for approval by the Committee at its meeting in March 2023. Any approved changes to taxi fares and tariffs will come into force in April 2023.

List of appendices to this report:

None

List of Background Papers:

None

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Finance Committee

Date: **6 October 2022**

Item: **Crossrail Asset Restructuring**

This paper will be considered in public

1 Summary

1.1 Now that the Elizabeth line has entered service, a restructure and simplification of the intragroup lease arrangements for the Crossrail Central tunnel Operating Section (CCOS) land and related assets is proposed. This proposal impacts solely on the internal Transport for London (TfL) intragroup structuring and financing arrangements. There is no additional expenditure proposed, or impact on values reported at the consolidated TfL Group level.

1.2 As set out in the paper below, the arrangements proposed require Sponsor approval under the Crossrail Sponsors Agreement/Project Development Agreement, including approval from the Department for Transport (DfT). Discussions are ongoing with the DfT, who have raised several detailed questions around certain aspects of the transaction. We hope that these can be resolved quickly, so that approvals can then be sought.

1.3 Under our Standing Orders and terms of reference of Committees and Panels, the proposals require different approvals within the remit of this Committee and the Elizabeth Line Committee. Similar papers have been provided to each Committee.

1.4 On 29 September 2022, the Elizabeth Line Committee will be asked to authorise officers to approve any amendments to the Crossrail Sponsors Agreement and/or Project Development Agreement and any other matter they consider necessary to implement the lease restructuring arrangements described in this paper. A verbal update will be provided at this meeting as to that Committee's decision and any comments it has for the attention of this Committee.

1.5 Subject to the approval of the Elizabeth Line Committee above, and any comments it may have, this Committee is asked to approve: Procurement Authority for an interest-bearing loan of up to £2.75bn by TfL Corporation to Rail for London (Infrastructure) Limited (RfL(I)); the disposal by Crossrail Limited (CRL) of the CCOS asset and related station infrastructure assets to fellow subsidiary undertakings of Transport Trading Limited (TTL); and to grant Land Authority for the assignment of the 150-year lease structure from TfL Corporation to RfL(I) and London Underground Limited (LUL).

2 Recommendation

2.1 The Committee is asked to note the paper and, subject to receipt of the necessary consents from the Secretary of State:

(a) approve the grant of Procurement Authority for an interest-bearing loan of up to £2.75bn by TfL Corporation to Rail for London (Infrastructure) Limited (RfL(I));

(b) approve the disposal by Crossrail Limited of the Crossrail Central tunnel Operating Section asset and related station infrastructure assets to fellow subsidiary undertakings of Transport Trading Limited; and

(c) approve the grant of Land Authority for the assignment of the 150-year lease structures from TfL Corporation to RfL(I) and London Underground Limited.

3 Background

3.1 CRL is a wholly-owned subsidiary of TTL, which is itself a wholly-owned subsidiary of TfL.

3.2 CRL was established to deliver the infrastructure for the Elizabeth line, a new railway for London and the South East, linking Heathrow and Reading in the west to Shenfield and Abbey Wood in the east. Crossrail is one of the largest railway infrastructure projects in Europe, sponsored by TfL and the DfT. The capital cost, including the cost of the CCOS assets on CRL's balance sheet, is in excess of £15bn and this capital expenditure has, to date, been financed by debt to a value of £2.75bn, with the remainder funded through equity.

3.3 Originally, there were put and call options in place over TTL's shares in CRL, which enabled TTL to put the shares in CRL on the DfT or for the DfT to call for the shares in CRL, exercisable by TfL and DfT respectively in certain defined circumstances. The exercise of either of these options would result in the transfer of ownership of CRL's issued shares from TTL to the DfT. The existence of these options also meant that, so long as the options were in place, CRL would need to retain ownership of the assets on its balance sheet after operations had commenced on the Elizabeth line, even though it was not envisaged that CRL would itself operate the completed line. These options fell away when further funding for the project was agreed with the Government and the GLA in early 2019 but were highly influential in shaping the internal operating structures originally envisaged for the line.

3.4 The Railways (Access, Management and Licensing of Railway Undertakings) Regulations 2016 (the Railway Regulations) stipulate that the infrastructure for regulated railways be managed by a separate entity from the operator. TfL has, therefore, established an operating structure in which RfL(I) is the infrastructure manager of the CCOS for the purposes of the Railway Regulations, with responsibility for maintenance, repair and renewal of the railway, signalling and the allocation of capacity for use of the CCOS. Rail for London Limited (RfL), another subsidiary of TTL, is responsible for service operation of the railway, opting to do this through a concession model. RfL has appointed MTR Corporation (Crossrail) Limited (MTR) to be the operator of the Crossrail services on its behalf under a concession agreement that runs until May 2025.

3.5 RfL(I) has granted track and station access to MTR. The access fees payable are currently limited to the directly incurred costs but will ultimately be determined in accordance with the charging framework once established by the Office of Rail and Road under the Railway Regulations.

3.6 To allow RfL(I) sufficient rights over the CCOS asset to be able to act as infrastructure manager, while accommodating the restrictions imposed by the existence of the put and call options, a leasing structure was designed to allow transfer of the necessary rights over the asset from CRL to RfL(I).

3.7 At the same time, similar lease arrangements were put in place over new station facilities constructed by CRL which interface and connect the existing underground network to the CCOS (including escalators, lifts and platforms) (the Interface Areas). These arrangements were to allow LUL to operate and manage these facilities as part of its existing Underground station portfolio.

3.8 These intercompany lease arrangements are complex and are onerous from an administrative and accounting perspective. Under IFRS 16, the accounting for leases is fundamentally different for lessees and lessors. This accounting mismatch results in complex intercompany eliminations on consolidation. It also results in the same asset being recognised at different values (dependent on the lease terms) at the same time by different TfL Group entities. Furthermore, the fact that the asset ownership is recorded by a different company to that responsible for its operation and maintenance is sub-optimal from an operational management perspective and adds a layer of complexity that is no longer necessary given the fact that the put and call options have now fallen away.

4 Proposed Structure and Benefits

4.1 To reduce the administrative burden and create clarity over the operational accountabilities for specific assets, it is proposed (now that passenger service has started on the Elizabeth line and CRL has started to trade in its capacity as lessor of the infrastructure, thus triggering our ability to start claiming capital allowances related to the infrastructure), that the existing agreement for lease in favour of CRL will be transferred as to the CCOS land, to RfL(I) and as to the station interface land, to LUL in each case for an upfront premium of £1. At the same time, the infrastructure assets attaching to the land would be assigned by CRL to RfL(I) and LUL respectively, for upfront premiums equating to the book value (i.e. cost) value of those assets as recorded in CRL’s accounts. Other operational assets relating to the line will be sold, by CRL, for book value, to the TTL subsidiary responsible for operating them.

4.2 These arrangements will have the accounting impact of transferring all operational assets constructed by CRL to those subsidiaries responsible for their operation, renewal and maintenance – thus aligning recognition of the assets held on the balance sheet of each company with the operational accountability for those assets. No ongoing right-of-use lease liabilities or assets would need to be recorded in the operational entities, which reduces the management of complex accounting entries over the life of the arrangement.

5 Financing

5.1 To maintain access to valuable capital allowances, RfL(I) and LUL will need to finance the acquisition of assets from CRL through a combination of equity and debt funding. This will require RfL(I) and LUL to issue new ordinary share capital respectively to their parent, TTL. At the same time, CRL will need to repay its existing interest-bearing intercompany debt of £2.75bn to TfL who can then re-lend these monies on to RfL(I) under the standard intercompany terms and conditions TfL uses for prudential borrowing

5.2 In order to fund TTL's investment in the new share capital of RfL(I)/LUL, CRL will need to undergo a share reduction exercise, returning the equity funding attached to the cancelled shares to its parent, TTL, for reinvestment.

5.3 The net impact of the above transactions will be to transfer the assets and liabilities of CRL to other fellow subsidiaries undertakings of TTL, reflecting a reduced role for CRL as the construction phase completes. The approvals for the increases and reduction in share capital required by these entities under the Companies Act 2006 will be addressed by officers of the relevant subsidiaries.

5.4 Going forward, the infrastructure access fees paid by MTR will be retained in full by RfL(I), rather than being passed on through lease charges to CRL as was previously envisaged. These monies will be used to finance the new loan (both interest and capital repayments) by RfL(I).

5.5 There will be no impact of the above intercompany transfers in the consolidated accounts of either the TTL or TfL Groups.

6 Tax Implications

6.1 It is crucial that the TTL Group's access to the capital allowances attached to the infrastructure is not lost in any transfer of the CCOS and station infrastructure assets out of CRL. These allowances were valued in 2018, at an estimated £2.5bn, a further capital allowance review is currently being undertaken to establish the final qualifying amount.

6.2 TfL has obtained independent legal advice in relation to the tax implications of the proposal structure, including seeking an opinion from Tax Counsel. Based on this advice we have concluded that the transaction is not considered to be high risk from a tax perspective and the capital allowances should pass to RfL(I) and LUL respectively.

6.3 As all transfers are within the TTL tax group, there should not be any other adverse tax consequences to the transaction.

7 Consents

7.1 Although the proposals set out in this paper are purely intra-group and have no impact at the consolidated TTL Group level, under the Crossrail Sponsors Agreement and Project Development Agreement, TfL is required to obtain the Secretary of State's consent before directing CRL to dispose of its interest in the CCOS. Thus, further changes to the Sponsors Agreement and Project Development Agreement may be required to reflect the nature of the intra-group arrangements and the possibility of any future disposals by RfL(I). As set out in the recommendations, any approval by this Committee is therefore made subject to the necessary consents and agreements of the Secretary of State being received.

List of appendices to this report:
None

List of background papers:
The Crossrail Act 2008
Crossrail Sponsors Agreement
Crossrail Project Development Agreement

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Finance Committee

Date: **6 October 2022**

Item: **Premises and Fabric Maintenance for Elizabeth Line**

This paper will be considered in public

1 Summary

1.1 The purpose of this paper is to seek Procurement Authority for a variation to the existing 1FM premises and fabric maintenance services contract.

1.2 The proposed variation is to provide premises and fabric maintenance services in respect of the Elizabeth line stations, shafts and portals up to 24 January 2024 when the current 1FM contract is due to expire.

1.3 This request relates to business as usual protection of safety critical assets. These works preserve the day to day safety of our services. Premises and fabric maintenance services are essential to ensuring we protect both TfL assets and TfL people and customers, ensuring safety standards.

1.4 A paper is included on Part 2 of the agenda which contains exempt supplementary information. The information is exempt by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of TfL and information which is legally privileged. Any discussion of that exempt information must take place after the press and public have been excluded from the meeting.

2 Recommendation

2.1 **The Committee is asked to note the paper and the supplementary exempt information in Part 2 of the agenda and grant additional Procurement Authority, in the sum set out in the paper in Part 2 of the agenda, for the extension of a contract for the supply of premises and fabric maintenance services across the TfL estate.**

3 Background

3.1 There is an existing contract (the 1FM contract) for the supply of premises and fabric maintenance services across the pan-TfL estate including London Underground, Elizabeth line and London Overground stations, depots and operational buildings.

3.2 It is proposed to deliver premises and fabric maintenance for the Elizabeth line stations, shafts and portals by means of a variation to the 1FM contract that is compliant with procurement regulations.

3.3 The 1FM contract delivers the following services:

(a) planned maintenance services with prescribed frequency and targeted variable frequency;

(b) reactive maintenance, including fault management and rectification services; and

(c) additional works or corrective works in support of the maintenance services for the rectification of defects arising from maintenance of the premises assets.

3.4 The supplier is Lanes Group Plc and the contract was awarded following full competition in 2017 and is due to expire on 24 January 2024.

3.5 The 1FM contract has established competitive rates for the services and permits for the addition of the Elizabeth line assets under the terms of the contract.

List of appendices to this report:

An appendix containing exempt supplementary information is included on Part 2 of the agenda

List of Background Papers:

None

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Finance Committee

Date: **6 October 2022**

Item: **Connect Contract Extension**

This paper will be considered in public

1 Summary

1.1 The purpose of this paper is to seek the Committee's approval of authorities to extend the Connect Contract delivering London Underground's digital radio and transmission system for a further three years (to 21 November 2026).

1.2 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 financial or business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from the meeting.

2 Recommendation

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

(a) grant additional Procurement Authority of £115.7m (giving a total Procurement Authority of £392.6m) to extend the Connect Contract for three years, to provide operational and maintenance support and project delivery services;

(b) grant additional Programme and Project Authority of £115.7m (giving a total Programme and Project Authority of £354.1m) to extend the Connect Contract for three years; and

(c) note that, as extended, the Connect 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

The Connect Contract

3.1 London Underground (LU) and Citylink Telecommunications Limited entered into a 20-year Private Finance Initiative (PFI) contract in November 1999 for a TETRA-based digital radio and transmission system (the Connect System). The PFI expired on 21 November 2019.

3.2 In September 2018, LU entered a new contract with Thales Ground Transportation Services Limited (Thales) to provide operational, maintenance and project delivery services for the Connect System (the Connect Contract).

3.3 The Connect Contract provides for an initial four-year term to 21 November 2023 (the Initial Term) with the option for LU to extend for a further three years to 21 November 2026 (the Extended Term). Notice to exercise this option must be issued by LU by no later than 21 November 2022.

3.4 The Connect Contract delivers three key types of service to LU:

(a) day-to-day operational support and maintenance of the Connect System (including Airwave);

(b) delivery of project works, which primarily comprise changes required to the Connect System to reflect changes within the Underground estate e.g. station modifications and line extensions; and

(c) a series of upgrade projects which will collectively keep the TETRA radio element of the Connect System at supportable levels of hardware and software, thereby ensuring the ongoing operational stability and security of this critical service.

3.5 Approval to enter into the Connect Contract was granted by the Committee in July 2018. Specifically, this approval was in relation to the initial term only. While an extended term was anticipated, as set out in the paper to the July 2018 meeting of the Committee), the intention was for LU to seek approval for that extension once further work had been carried out on our TETRA radio roadmap and strategy.

TETRA Radio Roadmap and Strategy

3.6 The main considerations when deciding whether or not we should continue to invest in the Connect System are:

(a) the likely longevity of TETRA radio and the TETRA technology roadmap; and

(b) wider industry trends and the likely timescales for alternatives to TETRA radio (such as Long Term Evolution cellular, and Future Railway Mobile Communication System) to become cost-effective, viable alternatives.

3.7 Our own analysis, supported by an external assessment by PA Consulting, concluded that we should retain the TETRA radio system and supporting infrastructure for up to 15 years (to around 2035).

3.8 The key reasons supporting this conclusion were that industrialised alternatives to TETRA radio will not be available until the late 2020s, after which it will take at least a further five years to migrate all LU services. Sweating these assets until 2035 also maximises the significant investments (more than £1bn) that we have made in the Connect System over the past 22 years.

4 Future Investments

4.1 To prepare the Connect System for up to 15 years of further operation, investment is required to deliver a Connect System that complies with Motorola's TETRA radio architecture and which can accordingly be upgraded (both hardware and software) by Motorola as part of our service agreement.

4.2 An approved and funded programme of capital works is already in-flight to upgrade various elements of the TETRA radio system to extend its useful life to the mid-2030s. This programme of works is due to complete in June 2023.

4.3 In addition to the various required TETRA radio upgrade projects already in-flight, additional (currently unapproved) capital investment will be required in the period up to 2026 to similarly protect (through a technology refresh) the ongoing availability of the below-ground data network services that underpin (and are a key dependency for) the TETRA radio system. Approval for any such further capital investment will be sought separately.

5 Procurement Approach

5.1 As set out earlier in this paper, in relation to the Connect System there is a need to deliver three key service to LU; ongoing day-to-day support and maintenance, ongoing delivery of business as usual (BAU) capital project works and delivery of a series of Connect System upgrade projects.

5.2 The Connect Contract provides an option for LU to extend the initial term for a further three years to 21 November 2026. This approach is compliant with the Utilities Contracts Regulations 2016 as it was an anticipated need that was included in the Connect Contract and the Voluntary Ex Ante Notice published in the Official Journal of the European Union on awarding the Connect Contract to Thales.

5.3 Delivery of BAU capital project work needs to be closely aligned with day-to-day support and maintenance services, as projects are typically implemented on live, operational services (and can accordingly impact Connect service levels if implemented poorly). This makes it extremely likely that these two ongoing service requirements will continue to be satisfied by a common insourced or outsourced entity on expiry of the Connect Contract.

5.4 The current planning assumption is that we will continue to outsource BAU capital project delivery and day-to-day support and maintenance on expiry of the Connect Contract. Given the size and complexity of the Connect System, a full re-tender of these services will take 2.5 years to prepare and complete. Allowing for 12 months of transition to a potential new supplier (which needs to complete before the end of the extended term i.e. November 2026), we need to begin the procurement process no later than April 2023. This means that the full three years of the extended term of the Connect Contract will be required.

5.5 The assumption that the ongoing outsourcing of these services will continue to deliver best value to LUL will be validated through a piece of strategy work that will be completed in parallel with the early stages of the re-tendering process, and complete by November 2023. In the event that this strategy work concludes that insourcing is the most beneficial option, the full three years of the extended term will still be required in order to establish the required capability (staffing, tooling etc) within TfL prior to commencement of the 12-month transition programme.

List of appendices to this report:

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

List of Background Papers:

Finance Committee paper, Connect PFI Transition, 4 July 2018

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Finance Committee

Date: **6 October 2022**

Item: **Bus Shelter Advertising Concession**

This paper will be considered in public.

1 Summary

1.1 This paper provides an overview of the advertising market and how TfL proposes to maximise its revenue from our advertising estate. It seeks unbudgeted Financial Authority and Procurement Authority to extend the current Bus Shelter Advertising concession with JCDecaux. This will ensure the co-expiry in March 2025 our two key advertising contracts which are:

(a) the Advertising Partnership Agreement (APA) with Global which covers all Rail and Underground advertising; and

(b) the Bus Shelter advertising concession with JCDecaux.

1.2 A paper is included on Part 2 of the agenda which contains exempt supplementary information. The information is exempt by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of TfL and information which is legally privileged. Any discussion of that exempt information must take place after the press and public have been excluded from the meeting.

2 Recommendation

2.1 **The Committee is asked to note the paper and the supplementary information on Part 2 of the agenda and approve unbudgeted Financial Authority and Procurement Authority in the sums set out in the paper on Part 2 of the agenda, for the proposed extension of the Bus Shelter advertising contract as described in this paper**.

3 Background

3.1 TfL currently has two main Out of Home (OOH) advertising contracts. The first covers Rail and Underground and the advertising partner is Global (the Rail contract), and the second covers Bus Shelter advertising and the advertising partner is JCDecaux (the Bus Shelters contract).

3.2 The Rail contract is the largest OOH contract in the UK and covers London Underground, London Overground, Docklands Light Railway, Croydon Tramlink and Victoria Coach Station. The contract was last tendered in 2016 and is due to expire at the end of March 2025. The basis of the contract is a gross revenue share.

3.3 The Bus Shelters contract covers advertising across all of TfL's around 4900 advertising bus shelters. This contract was last tendered in 2014 and is currently due to expire at the end of December 2023. The basis of the contract is a minimum guarantee (MG) payment plus a percentage of all gross revenues generated above the MG.

3.4 Our long-term strategy is to let a combined Bus Shelter and Rail contract from March 2025 when our current Rail contract expires. This will give us a stronger presence in the marketplace, allowing us to generate the optimum returns for TfL in the current OHH advertising market.

3.5 In order to achieve this, we propose extending our current Bus Shelter advertising contract for a period of 15 months, from end of December 2023 to end of March 2025, to allow for the co-ordinated expiry of these two contracts.

4 Commercial Considerations

4.1 The commercial considerations regarding the extension of the Bus Shelter contract, along with the proposals for that contract, are set out in the paper on Part 2 of the agenda.

List of appendices to this report:

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

List of Background Papers:

None

Contact Officer: Julie Dixon, Customer and Revenue Director
Email: juliedixon@tfl.gov.uk

Finance Committee

Date: **6 October 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

Contact Officer: Howard Carter, General Counsel
Email: HowardCarter@tfl.gov.uk

Appendix 1

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)

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.
General Fund Balance – deferred from March 2021	CFO	To approve.
Enterprise Risk Update – Changes in Customer Demand (ER09)	CCSO	To note.
Procurement Strategy on Major Contracts	CCO	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).

As at 28 September 2022

Finance Committee Forward Plan 2022/23

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)
- 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 (ER05) (annual – June) (CCO)
- Enterprise Risk Update – Financial Sustainability (ER07) (annual – October) (CFO)
- Enterprise Risk Update – Changes in Customer Demand (ER09) (annual – November) (CCSO)

Additional items to be scheduled:

- Spending Review Issues (e.g. Business Rates Devolution) (CFO)
- Income Generation Proposals (CFO & CCSO)

As at 28 September 2022

Finance Committee Forward Plan 2022/23

- 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)

As at 28 September 2022

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 19

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of the Local Government Act 1972.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 22

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