

Agenda

Meeting: Finance Committee

Date: Wednesday 21 June 2023

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

John Hall

Copies of the papers and any attachments are available on [tfl.gov.uk How We Are Governed](https://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](mailto: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
Tuesday 13 June 2023

**Agenda
Finance Committee
Wednesday 21 June 2023**

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 8 March 2023
(Pages 1 - 12)**

General Counsel

The Committee is asked to approve the minutes of the meeting of the Committee held on 8 March 2023 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 - 22)

General Counsel

The Committee is asked to note the paper.

6 Finance Report - Period 1, 2023/24 (Pages 23 - 44)

Chief Finance Officer

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

7 Annual Update on Third-Party Funding Secured Through Spatial Planning (Pages 45 - 56)

Chief Customer and Strategy Officer

The Committee is asked to note the paper.

8 Procurement and Commercial Improvement Programme - Cost Management (Pages 57 - 60)

Chief Finance Officer

The Committee is asked to note the paper.

9 Procurement and Commercial Improvement Programme - Lessons Learnt (Pages 61 - 74)

Chief Finance Officer

The Committee is asked to note the paper.

10 Forthcoming Key Procurement Activities (Pages 75 - 78)

Chief Finance Officer

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

11 Docklands Light Railway Franchise Procurement (Pages 79 - 82)

Chief Operating Officer

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

12 Elizabeth Line Concession Procurement (Pages 83 - 86)

Chief Finance Officer and Director, Elizabeth Line

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

13 Track Labour Framework Extension - To Follow

Chief Finance Officer

The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda and approve Procurement Authority for £107.65m (giving a total Procurement Authority of £588.75m) for the extension of the Track Labour Framework.

14 Capita Access and Wide Area Network Contract: Three Year Extension (Pages 87 - 88)

Chief Technology Officer

The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda and grant Procurement Authority at the sum set out in the related paper on Part 2 of the agenda for the three-year extension of the Capita Access and Wide Area Network Contract as described in the paper and the related paper on Part 2 of the agenda.

15 Enterprise Risk Update - Efficient and High Performing Supply Chains and Effective Procurement (ER05) (Pages 89 - 100)

Chief Finance Officer

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

16 Members' Suggestions for Future Discussion Items (Pages 101 - 106)

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.

17 Any Other Business the Chair Considers Urgent

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

18 Date of Next Meeting

Wednesday 11 October 2023 at 10.00am.

19 Exclusion of the Press and Public

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

Agenda Part 2

20 Finance Report - Period 1, 2023/24 (Pages 107 - 120)

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

21 Forthcoming Key Procurement Activities (Pages 121 - 124)

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

22 Docklands Light Railway Franchise Procurement (Pages 125 - 132)

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

23 Elizabeth Line Concession Procurement (Pages 133 - 140)

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

24 Track Labour Framework Extension - To Follow

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

25 Capita Access and Wide Area Network Contract: Three Year Extension (Pages 141 - 144)

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

26 Enterprise Risk Update - Efficient and High Performing Supply Chains and Effective Procurement (ER05) (Pages 145 - 150)

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

Transport for London

Minutes of the Finance Committee

**Conference Rooms 1 and 2, Palestra,
197 Blackfriars Road, London, SE1 8NJ
10.00am, Wednesday 8 March 2023**

Members

Anne McMeel (Chair)
Ben Story (Vice-Chair)
Professor Greg Clark CBE
Seb Dance
Anurag Gupta (via Teams)

Government Special Representative

Becky Wood (via Teams)

Executive Committee

Andy Lord	Interim Commissioner
Howard Carter	General Counsel
Rachel McLean	Chief Finance Officer

Staff

Helen Chapman	Director of Licensing and Regulation
Andrea Clarke	Director of Legal (via Teams)
Darren Crowson	Policy Manager, Taxi and Private Hire (via Teams)
Daniel Curry	Senior SHE Environment Manager (via Teams)
Patrick Doig	Group Finance Director and statutory Chief Finance Officer
Jackie Gavigan	Secretariat Manager
Laura Grant	Head of Procurement Professional Services (via Teams)
Andy Gray	Head of Connect Programme (via Teams)
Joanna Hawkes	Director of Corporate Finance
Lorraine Humphrey	Director of Risk and Assurance (via Teams)
Shamus Kenny	Head of Secretariat
Glyn Lenton	Senior Category Manager Eng and Utilities (via Teams)
Paul Mason	Group Treasurer (via Teams)
James Norris	Head of Project Assurance (via Teams)
Pritesh Patel	Head of Financial Planning and Analysis (via Teams)
Christopher Plummer	Head of Policy, Taxi and Private Hire (via Teams)
Rajiv Sachdeva	Chief Financial Officer Crossrail/Director of Finance Ops (via Teams)
Jadon Silva	Director of Procurement and Commercial Capital (via Teams)
Julian Thirlby	Corporate Finance Senior Manager
Shashi Verma	Director of Strategy and Chief Technology Officer (via Teams)
Jonathan Wharfe	Director of Procurement and Commercial Operation (via Teams)
Zoe Woodhams	Chief of Staff – Chief Finance Officer (via Teams)

Also in attendance

Joanne White	Independent Investment Programme Advisory Group (IIPAG) Member (via Teams)
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01/03/23 Apologies for Absence and Chair's Announcements

An apology for absence had been received from Dr Nina Skorupska CBE. Anurag Gupta was attending via Teams and was able to participate in the discussion but did not count toward the quorum. The meeting was quorate. Lilli Matson, Chief Safety, Health and Environment Officer, was unable to attend the meeting.

The Chair welcomed everyone to the meeting. The meeting was also being broadcast live to TfL's YouTube channel¹, 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.

It was Becky Wood's last attendance at a meeting of the Committee, as she was starting a new role outside central Government and stepping down as Government Special Representative in June 2023. On behalf of the Committee, the Chair thanked her for all her help over the previous challenging period in her role as a bridge between TfL and Government.

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 the appropriate member of the Executive Committee after the meeting.

02/03/23 Declarations of Interests

It was noted that Professor Greg Clark CBE was no longer a member of the London Economic Action Partnership Board as it held its last meeting on 7 March 2023. He had served as a member for 10 years. His declaration of interest on tfl.gov.uk would be updated shortly.

It was also noted that Ben Story in his capacity as the Chief Operating Officer of Sustainable Development Capital LLP had a potential conflict of interest in relation to the item on Treasury Activities, Policies and Strategy. He would leave the meeting and not take part in the discussion of the exempt information nor the decisions on that item.

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

03/03/23 Minutes of the Meeting of the Committee held on 23 November 2022

The minutes of the meeting of the Committee held on 23 November 2022 were approved as a correct record and the Chair was authorised to sign them.

¹TfL apologises for the technical issues in the broadcast and recording of this meeting. The minutes cover all issues discussed and the outcomes.

04/03/23 Matters Arising and Actions List

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

In relation to action 57/11/22(2) on progress with funding settlement actions and the savings programme from the meeting on 23 November 2022, the Chair noted that some further information was included in the Finance Report - Period 10, 2022/23 (Minute 06/03/23 below) and that she had discussed how this would be developed going forward with Rachel McLean. This was discussed further by the Committee at the meeting under consideration of that item.

A further update was provided in relation to action 58/11/22 on progress with the Power Purchase Agreements (PPA) procurement from the meeting on 23 November 2022. Glyn Lenton confirmed that the PPA procurement was relaunched on 9 February 2023 for a new build PPA with a 15-year contract to provide up to 200GWh of renewable energy per annum by 2028. A positive response had been received from the market, with greater engagement from potential bidders. Acting on feedback from the last procurement, videos were produced to support bidders through the process and a bidder briefing was held on 21 February 2023. Details of the procurement were also featured in trade association newsletters and other outlets, including the TfL website. The deadline for submissions was 21 March 2023 and an update would be included in the Energy Purchasing Strategy review paper scheduled for the next meeting of the Committee.

In relation to action 39/10/22(3) on income generation plans from the meeting on 6 October 2022, Rachel McLean confirmed that this was due to be discussed at the informal session with Board Members on 29 March 2023, following which a deeper dive would be considered. **[Action: Rachel McLean]**

In relation to action 23/06/22(3) on the overall procurement strategy on major contracts from the meeting on 22 June 2022, the Chair noted that the Update on Forthcoming Key Procurement Activities paper (Minute 10/03/23 below) should include a two-year look ahead on the plans to deal with forthcoming activities to avoid the use of Chair's Actions where possible. This was discussed further by the Committee at the meeting under consideration of that item.

The Committee noted the updated actions list.

05/03/23 Use of Delegated Authority

Howard Carter introduced the paper. Members noted that since the last meeting of the Committee on 23 November 2022 there had been two uses of Chair's Action in relation to: Bus Shelter Advertising Concession; and Surface Technology Contract Retender Award.

There had been five uses of Procurement Authority by the Commissioner in relation to: Microsoft Retender Contract Award; Advertising Panel LEDs Tranche 2 and 3, contract variation; TfL spend on the Greater London Authority (GLA) Collaborative Media Planning Buying Contract Award; Extended Fleet Support Agreement for Sub Surface Lines and Victoria Line Upgrade; and Bus Shelter Advertising Rights Concession.

There had been four Mayoral Directions to TfL in relation to: September 2022 fares revision; Permanent changes to free travel arrangements for older Londoners; March 2023 Fare Changes; and the Low-Paid Transport Workers' Concession Scheme, which was fully funded by the GLA.

Following the publication of the papers for the meeting, the original Mayoral Direction on March 2023 Fare Changes was replaced with a further substitute Direction to correct administrative errors that had resulted in some fares being stated incorrectly. The corrections did not change the overall average increase in fares.

The Committee noted the paper.

06/03/23 Finance Report – Period 10, 2022/23

Rachel McLean and Patrick Doig introduced the report and related supplementary information on Part 2 of the agenda, which set out TfL's financial results to the end of Period 10, 2022/23, the year-to-date ending 7 January 2023. Performance to date showed TfL remained on track to deliver the Revised Budget, approved in December 2022 as part of the 2023 Business Plan, and to achieve operational financial sustainability in financial year 2023/24.

Passenger journeys continued to show recovery and were 79 per cent of pre-coronavirus pandemic levels. This was a slight drop from the previous period, which was at 84 per cent, largely due to the prolonged periods of industrial action across national rail services, which also impacted parts of TfL's network. Growing passenger demand was a key focus as set out in the Business Plan.

TfL had some protection on fares through the funding settlement with Government. The extraordinary revenue grant was £55m higher than Revised Budget but higher than expected enforcement income from the Ultra Low Emission Zone scheme and third-party income meant that the overall revenue position was one per cent better than Revised Budget.

Operating costs were broadly in line with the Revised Budget and reflected the work to manage cost pressures in light of inflationary pressures. While inflation had driven up like-for-like operating costs on prior years, the real terms costs were around £500m lower than 2018/19.

Capital enhancement was within two per cent of Revised Budget and capital renewals were three per cent or £12m lower than Revised Budget. On renewals, TfL aimed to deliver as much as possible with the £635m envelope set by the funding settlement but would likely outturn closer to the original budget of £600m.

Cash balances continued to be maintained at below £1.2bn on average, in line with the funding settlement condition.

Total staff levels were just under 300 lower than pre-pandemic levels and slightly up from the end of last year. Permanent employee numbers were almost 600 lower than before the pandemic and 250 down from last year. Agency and non-permanent labour had increased by over 300 since the end of 2019/20 but remained significantly lower than 2015/16 levels. Ongoing labour market issues and funding uncertainty earlier in the

financial year hampered TfL's ability to recruit. A buoyant external market had also contributed to these issues.

The latest outturn indicated TfL's operating surplus for 2022/23 would be around £100m better than Revised Budget. On 26 January 2023, Fitch upgraded TfL's long-term credit rating from A+ to AA-, which reflected its improving financial profile and Fitch's assessment of the strength of Government support. There were significant external risks and headwinds facing into the next financial year, such as economic uncertainty, inflationary pressures and achieving the savings targets. TfL was working hard to mitigate these as part of the 2023/24 Budget, through a combination of management action including working capital management and cost control, contingencies and other tailwinds.

The latest economic indicators suggested some grounds for optimism, ahead of the next Office for Budget Responsibility economic forecast, due on 15 March 2023, alongside the Government Budget. The outlook still remained uncertain, however, due to the fragile economy, cost of living crisis and the development of post-pandemic travel patterns.

On the impact of the industrial action on TfL's revenue and recovery of travel patterns, Rachel McLean confirmed that data was tracked and analysed, with an estimated £19m cost consequently in Period 10. It could also have impacts into the future on people's travel preferences and habits, and additional details would be circulated to the Committee.

[Action: Rachel McLean]

Work on the savings programme and ambitious targets was in progress as part of the budget process, with revised savings targets being embedded and action plans developed. An informal briefing would be arranged once the work was completed.

[Action: Rachel McLean / Secretariat]

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

07/03/23 Treasury Activities, Policies and Strategy

Ben Story in his capacity as the Chief Operating Officer of Sustainable Development Capital LLP had a potential conflict of interest in relation to the information on Part 2 of the agenda on this item. He left the room and did not take part in the discussion of the exempt information nor the decisions on this item.

Joanna Hawkes and Paul Mason introduced the report and related supplementary information on Part 2 of the agenda, which provided an update on TfL's key treasury activities for the period from 17 September 2022 to 17 February 2023, including a summary of the changes to the Treasury Management Policies and Strategies.

It also set out the proposed TfL Treasury Management Strategy (TMS) for 2023/24, the proposed TfL Treasury Management Policies (TMP) and the proposed TfL Group Policy Relating to the Use of Derivative Investments (Derivatives Policy), along with the proposed TTL Properties Limited (TTLP, TfL's property development company) Treasury Management Strategy (TTLP TMS) and the TTLP Treasury Management Policies (TTLP TMP). Approval of the strategies and policies was within the authority of the Committee.

TfL had been largely insulated from the impact of rising interest rates due to a high level of fixed rate debt at 92.3 per cent. The cash balance had been invested in short-term instruments, consistent with the TMS, and had therefore seen upward movement in the interest receivable on the funds.

In December 2022, TfL purchased £715.5m of its outstanding Medium Term Note Programme bonds on the open market for £669.2m. Although Fitch had upgraded TfL's long-term credit rating, the ratings with Moody's and Standard & Poor's remained unchanged. TfL was looking at ways to develop its approach to environmental, social and governance investing and would continue to follow the Greater London Authority (GLA) Responsible Investment Policy, as it further developed.

TfL had separated the commercial property arm of its business, TTLP, in line with Government requirements in the February 2022 funding settlement. TTLP remained a core part of the TfL estate but was able to act in an agile way to deliver a long-term, sustainable property business aligned to the core objectives of TfL. Since this separation in April 2022, TTLP had developed and solidified its processes. As such, its proposed TTLP TMS and TTLP TMP had been updated significantly to reflect these changes.

During the reporting period, TfL had complied at all times with the TfL TMS, the TfL TMP and the Derivatives Policy, as approved by the Committee on 9 March 2022, along with the GLA Responsible Investment Policy, the TTLP TMS and TTLP TMP, which were both approved by Chair's Action, following consultation with the Committee Members, on 22 June 2022.

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

- 1 approved the TfL Treasury Management Strategy (TMS) 2023/24, attached as Appendix 1 to the paper, including the Investment Strategy, the Borrowing Strategy, the Liquidity Strategy, the Risk Management Strategy and the Counterparty Exposure Limits;**
- 2 approved the TfL Treasury Management Policies, attached as Appendix 2 to the paper;**
- 3 approved the TfL Group Policy Relating to the Use of Derivative Investments, attached as Appendix 3 to the paper;**
- 4 noted that the managing Chief Finance Officer will approve any non-material changes they consider necessary to the proposed TfL Pension Fund Policy, approved by the Committee in draft in March 2022, once the final regulations have been published, and will issue in final form and, if any material changes are necessary, further approval from the Committee will be sought;**
- 5 approved the TTL Properties Limited Treasury Management Strategy, attached as Appendix 4 to the paper, including the Borrowing Strategy, the Investment Strategy, the Liquidity Strategy and Banking and Cash Management provision;**
- 6 approved the Treasury Management Policies for TTL Properties Limited, attached as Appendix 5 to the paper; and**

- 7 following approval of the TMS 2023/24 ((1) above) and approval of the TfL Group Policy Relating to the Use of Derivative Investments (Derivatives Policy) ((3) above), approved, pursuant to Section 49 of the Transport for London Act 2008 (as amended by the Transport for London Act 2016, together the Act), and in accordance with the Derivatives Policy for 2023/24, Transport for London Finance Limited (as a qualifying TfL subsidiary for the purposes of the Act) entering into derivative investment(s) in relation to:**
- (a) mitigating exchange rate risk related to specific currency exposures arising from the procurement of goods or services by any member of the TfL Group or grants or revenues payable in currencies other than Sterling to any member of the TfL Group in the ordinary course of business as soon as practicable once the quantum of exchange rate risk to any member of the TfL Group is established;**
 - (b) mitigating exchange rate risk arising from any TfL Group investments in foreign currencies in accordance with the TMS 2023/24;**
 - (c) mitigating commodity rate and/or price risk related to specific commodity (including fuel and electricity) exposures arising from the procurement of goods or services by any member of the TfL Group in the ordinary course of business as soon as practicable once the quantum of commodity risk to any member of the TfL Group is established;**
 - (d) mitigating interest rate risk and if applicable currency risk related to any existing, imminent and future TfL Group borrowing (including any leases), once the borrowing has become certain and authorised in accordance with the TMS 2023/24;**
 - (e) mitigating inflation risk related to specific exposures arising from the procurement of goods or services by any member of the TfL Group once the quantum of inflation risk to any member of the TfL Group is established; and**
 - (f) mitigating risk related to any index reflecting any of the above matters referred to in resolutions 7 (a) to (e) above.**

08/03/23 Investment Management Strategy 2023/24 – Non-Financial Assets

Joanna Hawkes introduced the paper, which set out the proposed Investment Management Strategy 2023/24 – Non-Financial Assets. The strategy set out how TfL planned to manage and grow its various commercial assets. Approval of the strategy was within the authority of the Committee.

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

Since the last annual update of the strategy, TfL had separated the commercial property arm of its business, TTL Properties Limited. Joanna Hawkes confirmed that approval of the strategy would be sought by the Land and Property Committee in future and would be brought to the Finance Committee for noting, which had not been possible this year due to timing issues. **[Action: Joanna Hawkes]**

The Committee noted the paper and approved the Investment Management Strategy 2023/24 – Non-Financial Assets, as set out in Appendix 1 to the paper.

09/03/23 Taxi Fares and Tariffs Update

Helen Chapman introduced the paper, which provided an update on the outcome of the taxi fares and tariffs review and sought approval of changes to fares and tariffs.

TfL was responsible for the licensing and regulation of London's taxi (black cab) and private hire services. It regulated taxi fares and set the maximum taxi fares that could be charged. When considering changes to taxi fares and tariffs, TfL tried to strike an appropriate balance between taxi drivers being fairly paid and taxi users getting fair, reasonable and affordable fares.

The review found that taxi drivers' operating costs had increased significantly due to cost of living increases. A cost index was used to track changes to their costs and average national earnings, resulting in a total cost index figure of 11.64 per cent in 2022. Further information to clarify the methodology and calculation of the taxi cost index figure would be circulated to the Committee. **[Action: Helen Chapman]**

TfL consulted on five different options for fares and tariffs for consideration by respondents. In addition to the different options for fares and tariffs, TfL also sought views on changes to the extra charge for booked taxis and the fixed-fare, shared-taxi scheme that operated at Wimbledon during the Tennis Championships.

After reviewing all of the responses to the consultation and considering the issues raised, and the positive and negative impacts identified, TfL recommended an increase to taxi fares and tariffs and implementing a modified version of Option 3 so that Tariff 3 was increased by 7.61 per cent instead of being frozen, in order to cover taxi drivers' increased operating costs.

In October 2022, the Committee considered an update on the potential impact on taxi drivers at Heathrow Airport following the opening of the Elizabeth line. It noted that since then there had been a strong recovery in demand for taxis at the airport. To date, there had not been any reported decreases in the demand as a result of the Elizabeth line opening, and last year was the busiest year in terms of taxi movements through the feeder park, since figures started being recorded in 2010.

On the future of London's licensed taxi trade, given the ageing demographic profile and reducing numbers of taxi drivers, officers would review when and where would be the right forum to discuss this and take it forward, potentially at an informal briefing specifically looking at the demographics issue and the further adoption of new technology. **[Action: Howard Carter / Helen Chapman]**

The Committee noted the paper and approved:

- 1 increasing Tariffs 1, 2 and 3 by 7.61 per cent;**
- 2 removing the requirement for the extra charge for taxi hirings arranged by telephone, mobile phone, smart phone, mobile application, any application software and by use of the internet to be added to the taximeter;**
- 3 increasing some of the fixed-fares for shared-taxis that operate during the Wimbledon Tennis Championships; and**
- 4 amending one of the authorised places where the fixed-fare, shared-taxi scheme operates from during the Wimbledon Tennis Championships.**

10/03/23 Update on Forthcoming Key Procurement Activities

Rachel McLean introduced the paper and related supplementary information on Part 2 of the agenda, which provided an update on the major new procurements or contract extensions that required approval before the next meeting of the Committee in June 2023.

The Committee had previously requested greater visibility of future procurement activity and that the use of Chair's Action was limited as far as possible to allow debate to take place at meetings of the Committee. While the business cycle and timetables for contract awards could not exclude the use of Chair's Action, improved planning and reporting was enabling increased advanced notice of forthcoming approvals required, including providing a briefing at a meeting of the Committee before approval by Chair's Action was requested.

Key forthcoming procurement activities included two contract extensions or variations that would require approval by Chair's Action, and three other significant procurements that required approval at officer level during the period.

A new IT system had gone live which brought together all the procurement data but some time was needed to cleanse the data and the information that had been collected historically. A one-year look ahead on the plans to deal with forthcoming activities would be brought to the next meeting of the Committee, followed by a two-year look ahead in autumn 2023. An update paper on progress and the next steps going forward would be brought to each Committee meeting in future. **[Action: Rachel McLean]**

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

11/03/23 Independent Investment Programme Advisory Group Procurement and Commercial Improvement Programme

Joanne White introduced the report and related supplementary information on Part 2 of the agenda, which set out the Independent Investment Programme Advisory Group (IIPAG) review of the Procurement and Commercial Improvement Programme since it started in 2019 and was IIPAG's third report.

There had been significant changes to the Procurement and Commercial leadership in 2022 and the function now came under the Chief Finance Officer. Although certain key and significant milestones had been delivered, IIPAG concluded that some concerns remained and still required action, including the fitness of revised processes and systems for capital delivery, and the lack of an improvement programme for cost estimating and cost management.

The management response accepted the IIPAG recommendations. Under the new leadership, the revised priorities included: a refresh of the Procurement and Commercial Improvement Programme objectives and plan; ensuring the main SAP Ariba roll-out was successful; a drive to transition the new Management Framework to business-as-usual working; scrutiny and tightening of control and compliance; and reduction of non-permanent labour and consultants in its workforce.

More in-depth updates would be brought to future meetings, starting with a paper on cost management and capital efficiencies at the next meeting of the Committee. Members asked that information on lessons learnt overall from the Procurement and Commercial Improvement Programme also be brought to a future meeting. **[Action: Rachel McLean]**

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

12/03/23 Future Operational Network

Shashi Verma introduced the paper and related supplementary information on Part 2 of the agenda, which provided an update on the strategy for the ongoing provision of critical radio communication and data network services on the London Underground, and the proposed approach to execute and deliver the strategy.

The data networks that underpinned the Connect System needed replacing, and the strategy was to deploy a new multiservice data network (Future Operational Network or FON) within London Underground. The available commercial options had been considered and the optimal way to deliver the FON would have a much wider utility for TfL than just supporting the existing radio system and Connect data network services.

The Connect System was operated, maintained and upgraded through TfL's contract with Thales and TfL was currently in commercial negotiations with Thales to continue to run the network. Once the details had been finalised, it was anticipated that a request for approval by Chair's Action to invest further in the Connect System infrastructure would be required.

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

13/03/23 London Overground Class 378 Fleet Leases

Joanna Hawkes introduced the paper and related supplementary information on Part 2 of the agenda, which set out the financial risks associated with the lease arrangements for London Overground Class 378 fleet, including interest rate and refinancing risks, and options for mitigation of the risks. Financial and Procurement Authority was sought for the termination of existing leases and the purchase of the Class 378 fleet.

Members noted that there was a non-material correction to the paper. Page 249 of the agenda pack, paragraph 3.1, referred twice to 45 train units, which should be 57 train units.

The Class 378 train fleet was built for the provision of services on London Overground and specifically the infrastructure section operated by Rail for London (RfL). Due to the specific requirements of the section, RfL needed to retain use of the Class 378 fleet or procure a new fleet in the future to ensure continued operation of services across the route.

Current demand on the London Overground was at 87 per cent of pre-pandemic levels and was predicted to grow over the Business Plan period. The Class 378 fleet was a key part of servicing this demand. The operational and fleet strategy was to retain the Class 378 fleet until life expired in 2044. This approach was also assumed in TfL's Capital Strategy approved by the Board in December 2021, and subsequent updates which were noted by the Board in December 2022.

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

- 1 approved unbudgeted Financial Authority at the sum set out in the paper on Part 2 of the agenda for Rail for London Limited terminating the existing 2007 lease and the 2013 lease relating to the Class 378 fleet;**
- 2 approved unbudgeted Financial Authority and Procurement Authority at the sum set out in the paper on Part 2 of the agenda for the lease termination and purchase of the Class 378 fleet as described in the paper and the related paper on Part 2 of the agenda; and**
- 3 noted that any new borrowing and existing hedging arrangements associated with the termination of the leases and the purchase of the Class 378 fleet would be authorised in accordance with the TfL Treasury Management Policy.**

14/03/23 Members' Suggestions for Future Discussion Items

Howard Carter introduced the item. No additional suggestions were raised for future discussion items on the forward plan or for informal briefings, other than those already noted during the meeting.

The Committee noted the forward plan.

15/03/23 Any Other Business the Chair Considers Urgent

There was no other urgent business to discuss.

16/03/23 Date of Next Meeting

The next scheduled meeting of the Committee would be held on Wednesday 21 June 2023 at 10.00am.

17/03/23 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: Finance Report – Period 10, 2022/23; Treasury Activities, Policies and Strategy; Update on Forthcoming Key Procurement Activities; Independent Investment Programme Advisory Group Procurement and Commercial Improvement Programme; Future Operational Network; and London Overground Class 378 Fleet Leases.

The meeting closed at 12.50pm.

Chair: _____

Date: _____

Finance Committee



Date: 21 June 2023

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

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Finance Committee Actions List (to be reported to the meeting on 21 June 2023)

Actions from the meeting held on 8 March 2023

Minute No.	Item/Description	Action By	Target Date	Status/Note
04/03/23	<p>Matters Arising and Actions List – Income Generation Plans</p> <p>In relation to action 39/10/22(3) on income generation plans from the meeting on 6 October 2022, Rachel McLean confirmed that this was due to be discussed at the informal session with Board Members on 29 March 2023, following which a deeper dive would be considered.</p>	Rachel McLean	March 2023	Completed: Income generation was discussed at the TfL Board briefing on 29 March 2023.
06/03/23 (1)	<p>Finance Report – Industrial Action Impact</p> <p>On the impact of the industrial action on TfL's revenue and recovery of travel patterns, Rachel McLean confirmed that data was tracked and analysed, with an estimated £19m cost consequently in Period 10 of 2022/23. It could also have impacts into the future on people's travel preferences and habits, and additional details would be circulated to the Committee.</p>	Rachel McLean	June 2023	Completed: Information was circulated on 9 June 2023.
06/03/23 (2)	<p>Finance Report – Savings Programme Targets and Action Plans</p> <p>Work on the savings programme and ambitious targets was in progress as part of the budget process, with revised savings targets being embedded and action plans developed. An informal briefing would be arranged once the work was completed.</p>	Rachel McLean/ Secretariat	July 2023	An update on the savings programme will be incorporated into the next informal Business Planning update for all Board Members.

08/03/23	<p>Investment Management Strategy 2023/24 – Non-Financial Assets Approval of the strategy would be sought by the Land and Property Committee in future and would be brought to the Finance Committee for noting, which had not been possible this year due to timing issues.</p>	Joanna Hawkes	March 2024	On the forward plan for approval at the meeting of the Land and Property Committee on 20 March 2024.
09/03/23 (1)	<p>Taxi Fares and Tariffs Update – Taxi Cost Index Further information to clarify the methodology and calculation of the taxi cost index figure would be circulated to the Committee.</p>	Helen Chapman	March 2023	Completed: Information was circulated on 28 March 2023.
09/03/23 (2)	<p>Taxi Fares and Tariffs Update – Future of London’s Licensed Taxi Trade On the future of London’s licensed taxi trade, given the ageing demographic profile and reducing numbers of taxi drivers, officers would review when and where would be the right forum to discuss this and take it forward, potentially at an informal briefing specifically looking at the demographics issue and the further adoption of new technology.</p>	Howard Carter / Helen Chapman	Ongoing	We agree that there is a case for a review of the place of the taxi trade within London’s transport network. In the first instance, we are intending to review the use of kerbside on the TfL road network, which will be an important foundation for any future review for how we review London’s road space more generally.
10/03/23	<p>Update on Forthcoming Key Procurement Activities – Look Ahead A one-year look ahead on the plans to deal with forthcoming activities would be brought to the next meeting of the Committee, followed by a two-year look ahead in autumn 2023. An update paper on progress and the next steps going forward would be brought to each Committee meeting in future.</p>	Rachel McLean	June 2023 and ongoing	On the forward plan as a standing item at each meeting of the Committee. A paper on the one-year look ahead is on the agenda for this meeting.

11/03/23	<p>Independent Investment Programme Advisory Group Procurement and Commercial Improvement Programme – Cost Management and Lessons Learnt</p> <p>More in-depth updates would be brought to future meetings, starting with a paper on cost management and capital efficiencies at the next meeting of the Committee. Members asked that information on lessons learnt overall from the Procurement and Commercial Improvement Programme also be brought to a future meeting.</p>	Rachel McLean	June 2023	Completed: Both papers are on the agenda for this meeting.
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Actions from previous meetings

Minute No.	Item/Description	Action By	Target Date	Status/Note
58/11/22	<p>TfL Power Purchase Agreements – Energy Prices and Purchasing</p> <p>To date, TfL’s Energy Purchasing Strategy protected it from the highest of energy prices, however there was increasing risk from energy prices to its operating cost base. TfL was reviewing its overall approach to energy purchasing to ensure it remained robust, agile and fit for purpose in the current market. An update would be provided to the Committee in spring 2023.</p>	Lilli Matson	October 2023	On the forward plan for the meeting of the Committee on 11 October 2023. Lilli Matson will provide a brief update at this meeting.
59/11/22 (2)	<p>Surface Technology Contracts Retender – Traffic Signalling System Site Visit</p> <p>Members welcomed the opportunity for a site visit to Palestra to demonstrate the innovation and technology behind the traffic signalling systems.</p>	Carl Eddleston/ Secretariat	July 2023	Site visit being held on 12 July 2023. All Board Members have been invited.

<p>44/10/22 (1)</p>	<p>Crossrail Asset Restructuring – Department for Transport Discussion The arrangements also required Sponsor approval by the Department for Transport (DfT) and these discussions were ongoing. Becky Wood encouraged the ongoing collaborative working to achieve the agreement within the tight timeframe and offered her assistance in joining the discussions with TfL and the DfT if that would be helpful.</p>	<p>Christopher Tann/Patrick Doig</p>	<p>June 2023</p>	<p>Completed: Discussions with DfT are complete and consent has been secured including all signatures.</p>
<p>44/10/22 (2)</p>	<p>Crossrail Asset Restructuring – Tax Treatments Outcome Specialist tax advice was sought to ensure there would be no tax risk and confirmed there would be no difference to the tax treatments based on the restructure. The outcome of the tax treatments would be brought back to the Committee once implemented.</p>	<p>Christopher Tann / Patrick Doig</p>	<p>June 2023</p>	<p>Patrick Doig will provide a brief update at this meeting.</p>

Finance Committee

Date: 21 June 2023



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 Financial Authority (unbudgeted), 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 8 March 2023, there has been:
 - (a) one use of Chair's Action, in relation to the award of the Mechanical and Electrical Maintenance Services Contract Extension;
 - (b) four uses of Procurement Authority by the Commissioner; and
 - (c) one Mayoral Direction to TfL relating to: Further financial support fund for Seven Sisters Market traders (MD3097).
- 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 has been one use of Chair's Action since the last meeting.

Mechanical and Electrical Maintenance Services Contract Extension

- 4.3 On 1 June 2023, the Committee was asked to consider a request to approve additional Procurement Authority for the award of a contract extension.
- 4.4 On 5 June 2023, the Chair of the Committee, in consultation with available Members, granted additional Procurement Authority, in the sum set out in the exempt appendix, for the extension of the contract for the supply of mechanical and electrical maintenance services across the TfL estate.
- 4.5 The use of Chair's Action was considered appropriate as a decision was required ahead of this meeting, due to the contract expiring on 24 June 2023 and to allow time for the signing and sealing of the Deed of Variation.
- 4.6 The public paper relating to this request has been published on tfl.gov.uk. The information in the appendix to that paper remains exempt from publication.

5 Authority Approvals

- 5.1 Financial Authority is the authority to spend money, receive income, incur a financial liability or redistribute funds to relevant third parties in respect of their respective allocated budgets. Financial Authority is automatically granted to the extent that an activity or Programme or Project is 'budgeted'. This paper reports on any use of unbudgeted Financial Authority.
- 5.2 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.
- 5.3 Land Authority is the authority to engage in a Land Transaction or to dispose of any assets. Use of Land Authority related to TTL Properties Limited will be reported to the Land and Property Committee.
- 5.4 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 170.
- 5.5 Since the last meeting, the following use of delegated authority has been exercised.

Procurement Authority Commissioner:

- (a) Microsoft Retender Contract Award Contact Centre Outsourced Services (various suppliers);
- (b) Project Hina, Phase 2, with Cubic Transport Systems, variation;
- (c) Signalling System, Maintenance Support Contract Elizabeth line, with Siemens Mobility Limited, variation; and
- (d) Service Evolution to ICT12804 Core Support Services with Computacentre, variation.

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 has been one Direction issued to TfL since the last report, which has also been reported to the Board on 29 March and the Audit and Assurance Committee on 5 June 2023.

(a) **Further financial support fund for Seven Sisters Market traders**
(MD3097 23/03/23)

Seven Sisters Market is an indoor market consisting of 38 traders and plays a vital role in London's Latin American community as a specialist, culturally specific amenity. The market was housed in a TfL owned building that had to close. As the traders were unable to trade, MD2724 directed TfL to provide financial assistance to traders until a temporary market opened at Apex Gardens as part of the Seven Sisters regeneration project. The developer withdrew from the regeneration project and MD2868 directed TfL to provide further financial support while TfL progressed new plans. MD3097 directed TfL to provide further financial support across all traders as they are unable to trade until a temporary market opens.

List of appendices to this report:

None

List of Background Papers:

Minutes from previous meetings of the Committee.

Chair's Action paper on Mechanical and Electrical Maintenance Services Contract, issued on 1 June 2023.

Greater London Authority Decision Making Database.

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

Finance Committee

Date: 21 June 2023

Item: Finance Report – Period 1, 2023/24

This paper will be considered in public

1 Summary

- 1.1 The Finance Report presentation sets out TfL's financial results to the end of period 1, 2023/24, the year-to-date ending 29 April 2023.
- 1.2 A paper is included on Part 2 of the agenda, which contains exempt supplemental 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 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 Finance Report and the exempt supplementary information on Part 2 of the agenda.**

3 Financial Reporting to the Committee

Finance Report – Period 1, 2023/24

- 3.1 The Finance Report presentation provides a summary of year-to-date financial performance against the Revised Budget (approved by the Board on 29 March 2023) and last year.

List of appendices to this report:

Appendix 1: Finance Report Presentation

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

List of Background Papers:

None

Contact Officer: Patrick Doig, Acting Chief Finance Officer

Email: Patrick.Doig@tfl.gov.uk

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Finance Report

Period 1, 2023/24

Management results from 1 April 2023 – 29 April 2023

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TfL Finance Committee

21 June 2023



We are delivering on our financial strategy to rebuild our finances

Our 2023 TfL Business Plan set out our strategy for rebuilding our finances, improving efficiency and helping to secure our future. The 2023/24 Budget built on this, demonstrating how we will become operationally financial sustainable this year. It is only one period into the year, but we continue to successfully deliver that strategy:

Actively grow passenger demand, while creating new sources of revenue to reduce our reliance on fares income

- Passenger journeys 88% of pre-pandemic levels in Period 1, up from 85% at the end of 2022/23
- Targeting 6% year-on-year journey growth, on top of the 31% increase in 2021/22
- Total revenue is within 3% of our Budget

Continue to deliver recurring cost savings to remain affordable for customers and taxpayers

- Like-for-like operating costs falling in real terms: 5% higher than last year despite year-on-year inflation of 11.4%
- Operating costs in line with Budget in the period
- Some pressures from bus operator performance payments due to improving performance, but we expect to manage these
- We have also seen timing differences for savings delivery, but we are committed to delivery of almost £230m savings this year

Create and grow an operating surplus based on our own sources of income

- Underlying operating surplus (excluding revenue top up from government) of £6m in the period, a slight improvement on Budget
- After adjusting for timing differences, the P1 surplus is £25m better than Budget
- Remain on track to deliver an underlying operating surplus in 2023/24

Fully fund our capital programme with a long-term government settlement and an affordable level of debt

- Capital renewals are ahead of Budget, with work ahead of schedule
- Aiming to deliver almost £740m of renewals this year, an increase of £110m on 2022/23
- Capital enhancement behind Budget in Period 1, but expect increased ramp up in spend in coming periods
- Total debt (including leases) increased in the period, a result of short-term borrowing which will unwind in future periods.

Maintain cash reserves to make payments and protect against shocks

- Cash balances in line with Budget and below £1.2bn as set out in funding agreement
- The GLA financing facility of £500m has been maintained for additional protection against shocks and risks



We are on track to achieving operating financial sustainability in 2023/24, but risks remain

Page 27

Our Budget for 2023/24 is to deliver an operating surplus of £79m, demonstrating our achievement of financial sustainability.

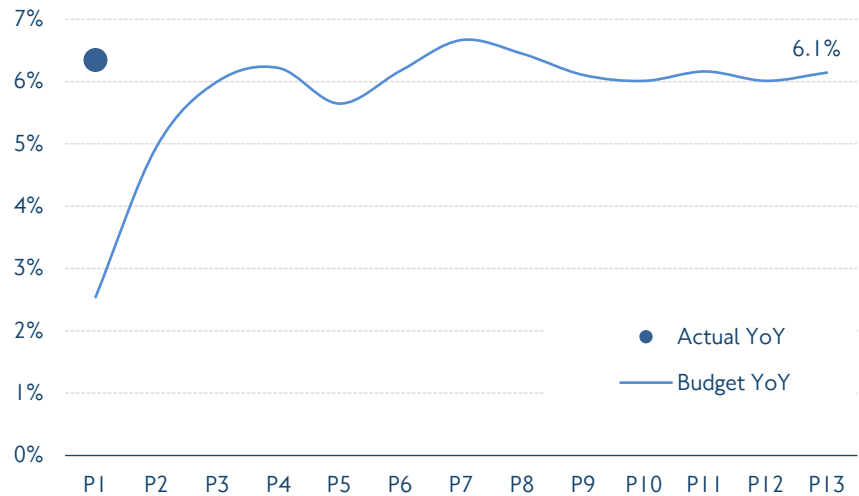
- **Economic uncertainty** – economic growth remains poor, but latest indicators give some ground for optimism. The latest Office for Budget Responsibility (OBR) forecast from March 2023 indicated the economy will shrink in 2023/24, but avoid a technical recession. The risk on passenger income is protected by the funding settlement to March 2024. In Period 1 we were on budget for passenger demand.
- **Savings targets** – are stretching, with a target of £229m incremental recurring savings set out in our 2023/24 Budget. However, we have a strong track record of delivering savings and managing to budget. In Period 1 we were slightly behind the phasing of savings delivery, but have plans in place to deliver over the full year.
- **Other income** – there is a range of uncertainty around compliance levels for London-wide ULEZ as well as underlying Congestion Charge volumes and payment rates. This range is partly covered through the contingency held in the 2023/24 Budget.

However, we will need the support of government to mitigate risks we do not have direct control over:

- **Inflationary pressures on TfL cost base** – our current forecast is that higher inflation will drive £181m net pressure in 2023/24. We submitted our inflation request covering 2023/24 in February 2023, with the DfT's advisors completing their assessment in mid-March 2023.
- **2024/25 capital funding** – the primary risk to our financial sustainability in the medium term is the lack of capital funding certainty from government beyond 31 March 2024. Failure to confirm this well in advance of March 2024 would force TfL to have to reprioritise its Business Plan, undoing the progress made under the current funding agreement and mean TfL would again need to start making difficult choices relating to reducing service levels, asset renewals and delaying non-committed investment.

Headlines

Total passenger journeys up 6% year-on-year in Period I, 88% of pre-pandemic levels. Targeting 6% year on year growth over the full year



Passenger income higher than pre-pandemic levels in cash terms, from combination of journey recovery and Elizabeth line services

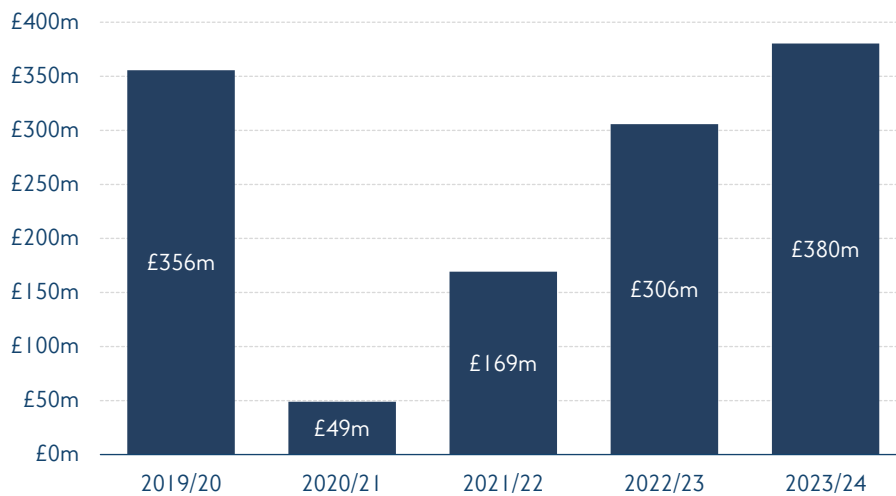
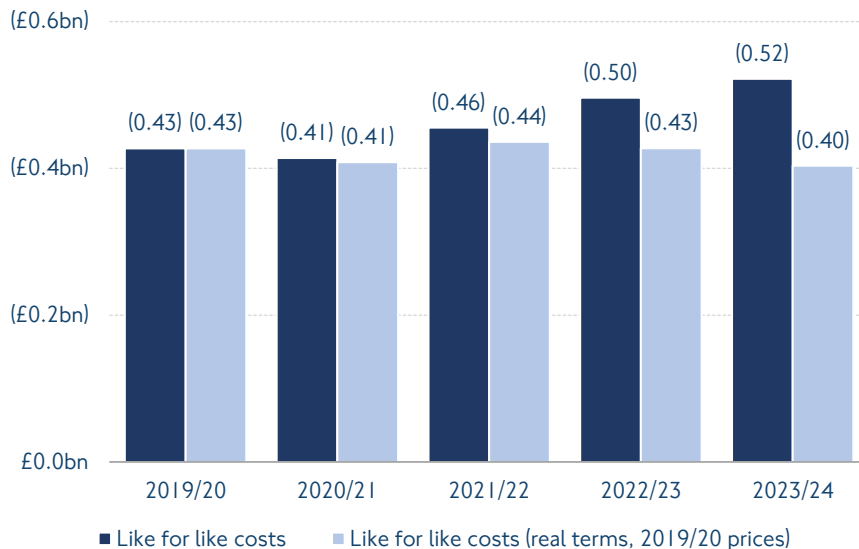
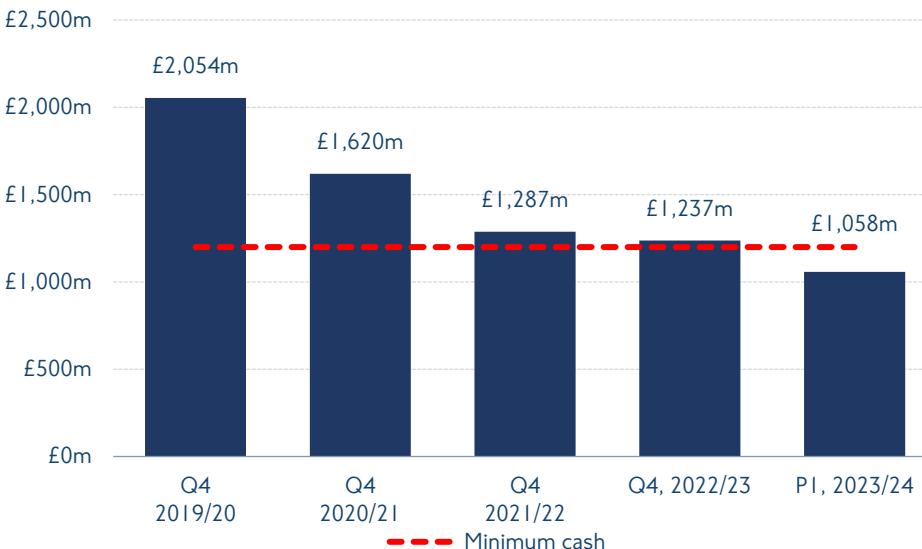


Chart shows results to end of Period I for each year

Like-for-like operating costs 5% higher than last year, but down in real terms



We continue to maintain average cash balances below £1.2bn in line with the funding settlement condition



Passenger journeys

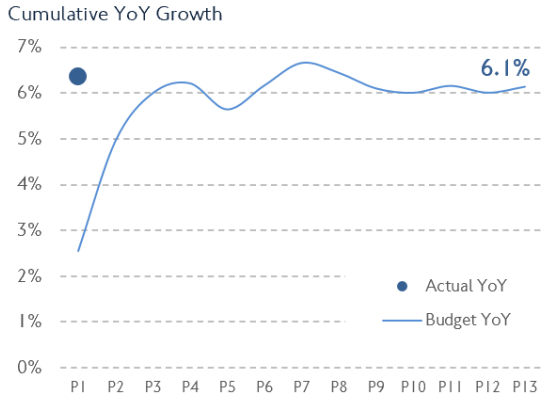
In 2023/24 we have budgeted 6% underlying year on year growth in demand.

TfL passenger demand was 10 million journeys (3.6%) better than Budget, with 6% YoY growth and 88% of pre-covid levels.

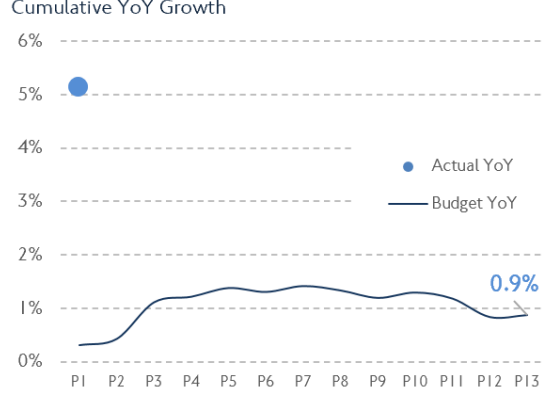
Period I results should be taken with caution as it is a period of high seasonal variability due to Easter bank and school holidays.

Passenger journeys year-on-year growth and comparison to Budget

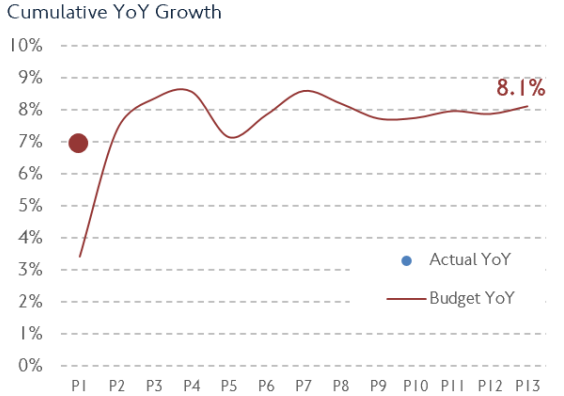
TfL	% Growth period / budget		Absolute m	Var to Bud m
	6.3%	2.5%		
			P 274	10



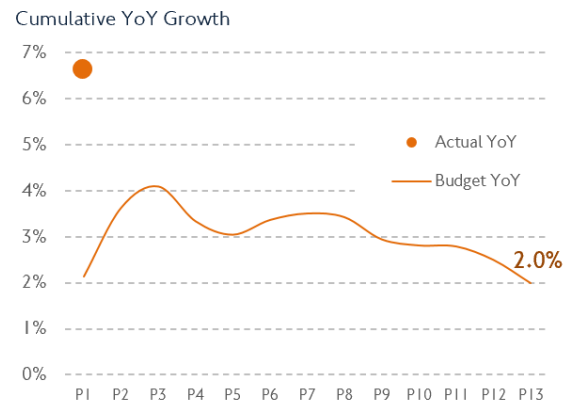
LU	% Growth period / budget		Absolute m	Var to Bud m
	5.1%	0.3%		
			P 91	4.2



Bus	% Growth period / budget		Absolute m	Var to Bud m
	7%	3%		
			P 146	4.8



Rail	% Growth period / budget		Absolute m	Var to Bud m
	7%	2%		
			P 23	1.0

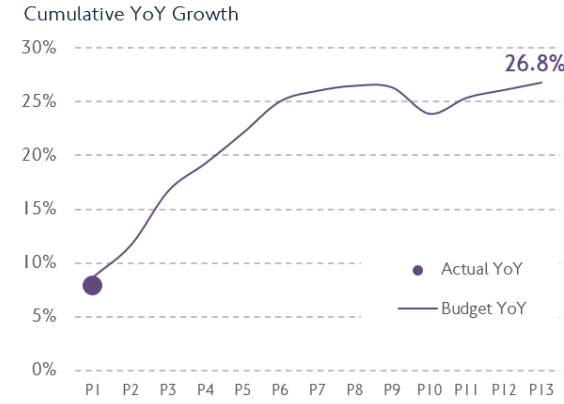


LO	% Growth period / budget		Absolute m	Var to Bud m
	7%	6%		
			P 14	0.2

DLR	% Growth period / budget		Absolute m	Var to Bud m
	9%	-5%		
			P 8	1.0

Tram	% Growth period / budget		Absolute m	Var to Bud m
	-8%	6%		
			P 1	-0.2

EL	% Growth period / budget		Absolute m	Var to Bud m
	8%	9%		
			P 14	-0.1



Income statement

Total revenue is £18m (3%) better than Budget. Passenger income is £75m higher than last year, - partly from new Elizabeth line services.

In 2023/24, all DfT base funding is allocated to fund capital investment. However, the revenue top-up mechanism remains to underwrite risk on passenger income.

Operating costs are broadly in line with Budget. However, we are seeing some cost pressures on bus operators costs - through improved performance – as well as timing differences in delivering savings. These have been offset by lower RUC costs and other smaller savings.

Capital renewals are (£9m) up on both last year and Budget. We expect to deliver to available funding over the full year.

Income statement (£m)

	£m	Period 1, 2023/24		Period 1, 2022/23				
		Actuals	Budget	Variance to Budget	Last year	Variance to last year		
Underlying passenger income		380	372	8	2%	306	75	24%
DfT revenue top up		35	25	9	37%	43	(3)	-8%
Passenger income		415	397	18	5%	348	71	21%
Other operating income		107	107	0	0%	120	(13)	-11%
Business Rates Retention		147	147	0	0%	0	147	N/A
Other revenue grants		25	25	0	0%	84	(63)	-72%
Revenue		694	676	18	3%	552	142	26%
Operating cost		(566)	(567)	1	0%	(563)	(3)	-1%
Operating surplus before interest and renewals		128	109	19	17%	(10)	138	1327%
Capital renewals		(53)	(44)	(9)	-20%	(44)	(9)	-20%
Net interest costs		(34)	(33)	(1)	-3%	(35)	1	3%
Operating surplus / (deficit)		41	32	9	28%	(90)	131	146%
Underlying operating surplus/ (deficit)*		6	7	(1)	-14%	(208)	214	103%

* Excluding DfT revenue top up and base funding (in 2022/23)

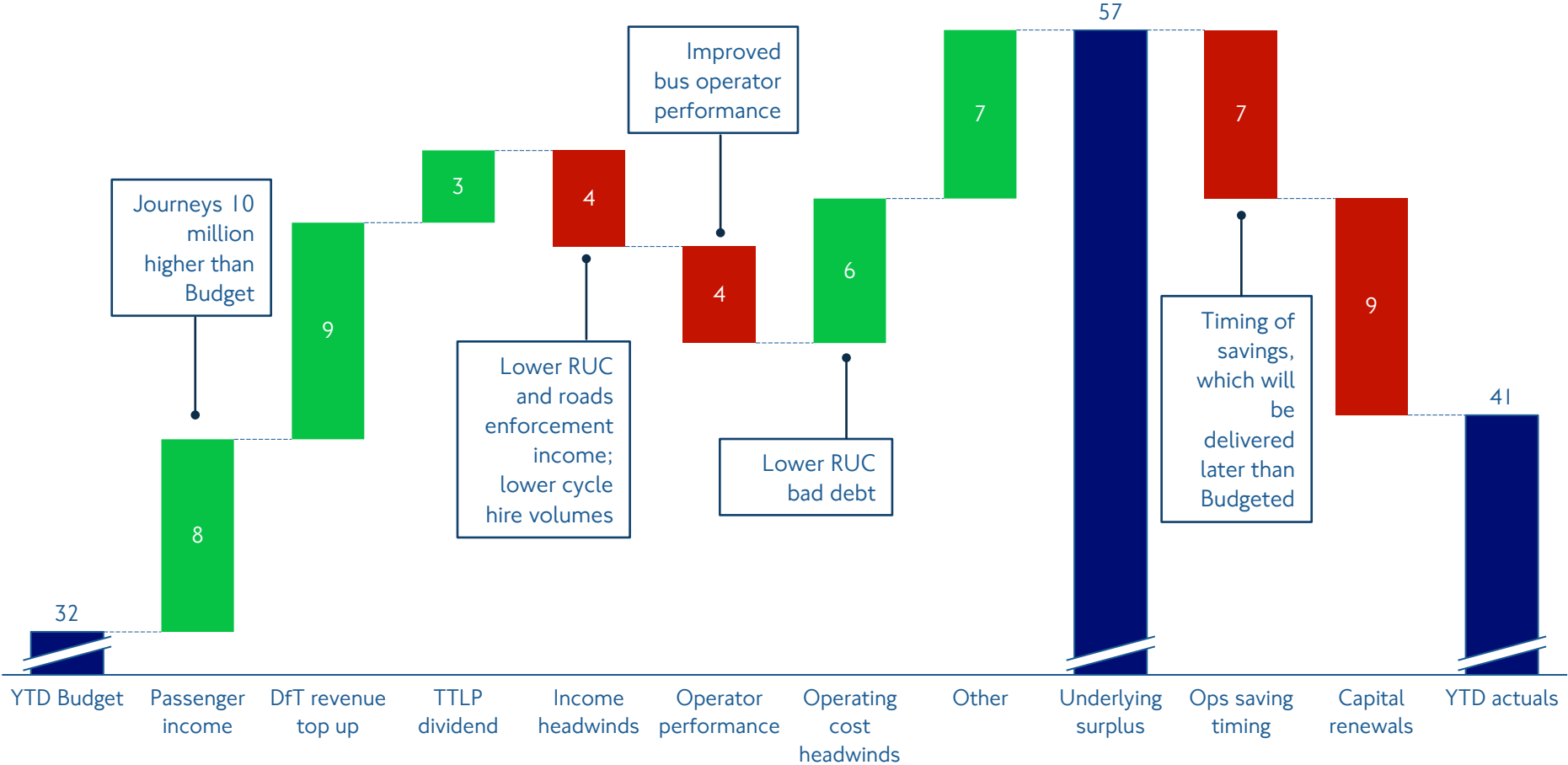
Income statement

The underlying surplus – after adjusting for timing differences on savings and capital renewals - is £57m, £25m better than Budget.

The deliver of operational savings remains a risk, but our latest plans show these being delivered later in the year.

We are managing our capital renewals portfolio to maximise delivery within the available funding, and will slow down delivery later in the year if required.

Income statement variances by cause (£m)



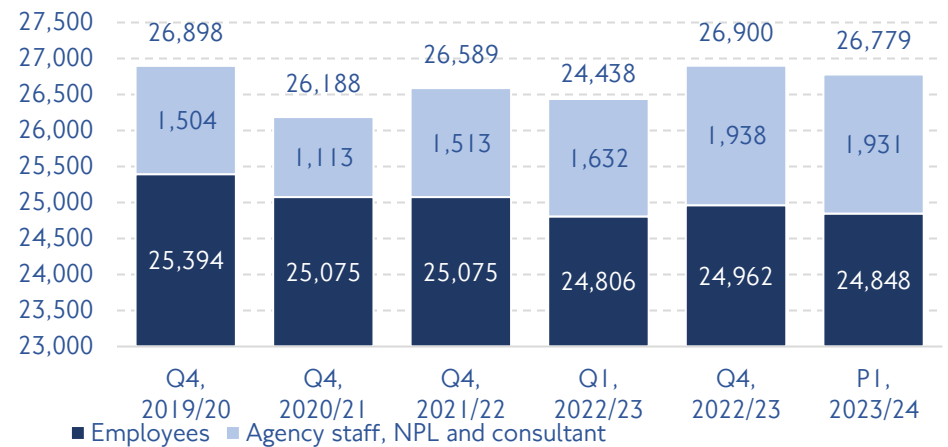
Staff

Total staff levels are just over 100 lower than pre-pandemic levels and are slightly down from the end of 2022/23 as a result of a large number of retirees (in line with historical trend).

Permanent employee numbers are around 500 lower than before the pandemic and are over 200 down from the end of 2021/22; ongoing labour market issues, and funding uncertainty in the first half of last year hampered our ability to recruit; we have also seen an increase in staff leaving the organisation, a result of reward constraints as well as a buoyant external market.

Agency and NPL staff have increased by over 400 since the end of 2019/20, but remain significantly lower than 2015/16 levels. NPL offers flexibility, particularly through time of change and temporary peaks in demand.

Headcount trends since 2019/20

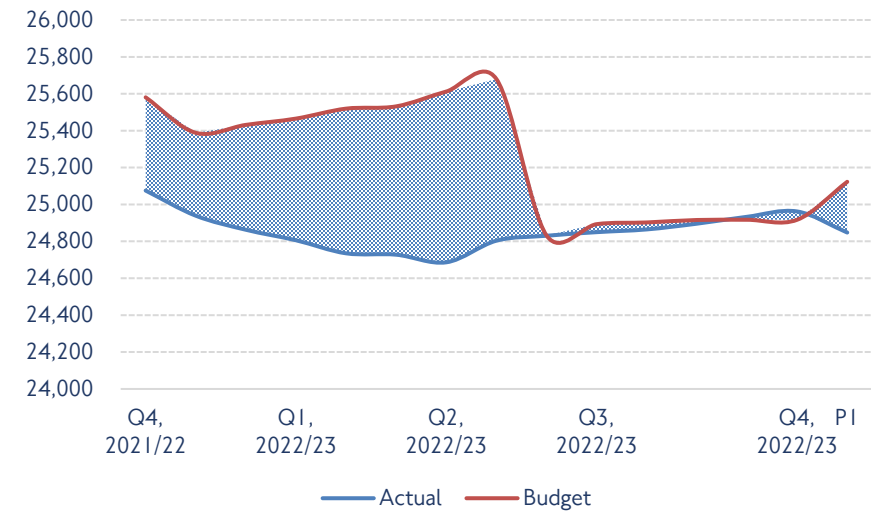


Total staff are around pre-pandemic levels

- Agency, NPL and consultants over 400 higher than pre-coronavirus levels as a result of labour market challenges
- Permanent employees down by over 500 since 2019/20 and roughly in line with last year

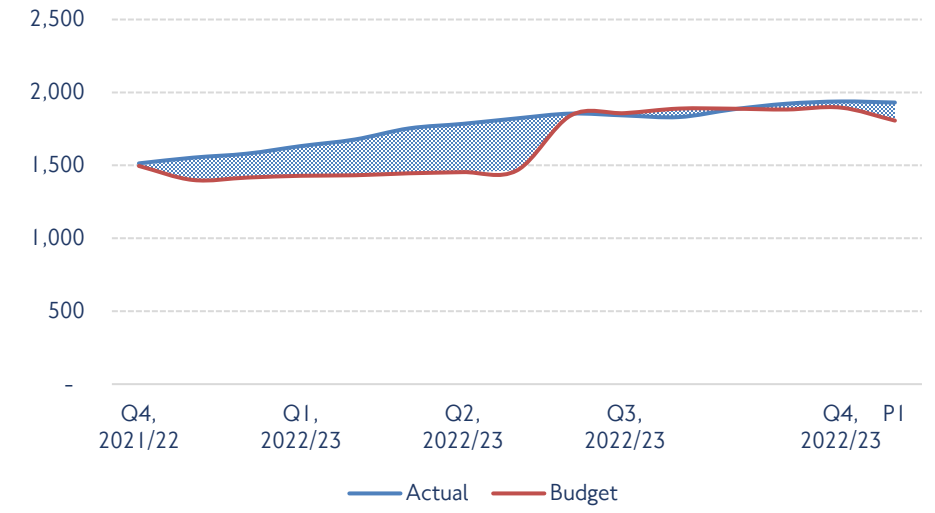
Permanent staff (FTE): actuals and Budget

Permanent employees down by over 200 since the end of 2021/22, driven by large number of retirees and leavers. Staff levels are slightly below Budget in Period I. We are still seeing a competitive external market and high resignation rates, with leavers averaging 150 per period.



Agency and NPL staff (FTE): actuals and Budget

Agency and NPL FTE up by over 400 since the end of 2021/22 and are slightly higher than Budget in Period I. This is driven by labour market challenges and previous funding uncertainty.



Capital renewals

PI spend is (£9m) higher than Budget from timing of LU renewals programme; we are aiming to meet the available funding target of £736m.

The available funding target is made of up the £725m capital envelope from the August 2022 funding agreement, plus £11m of spend expected to be rolled over from 2022/23 (pending DfT confirmation).

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Capital renewals (£m)	Period 1, 2023/24			Period 1, 2022/23		
	Actuals		Variance to Budget	Last year		Variance to last year
CCO	(16)	0	2%	(18)	2	11%
Four lines modernisation	(0)	(0)	-12%	(0)	0	58%
Surface assets	(7)	1	12%	(10)	2	21%
Air Quality and Environment (AQE)	(1)	0	30%	(1)	(0)	-22%
Public transport	(6)	(1)	-29%	(5)	1	11%
Technology	(2)	0	13%	0	(2)	0%
Savings challenge and deliverability	0	0	100%	(2)	1	91%
COO	(32)	(9)	-42%	(24)	1	5%
LU	(31)	(10)	-45%	(24)	2	9%
Elizabeth Line	(1)	(0)	-5%	0	(1)	0%
Estates	0	0	212%	0	(0)	0%
CCSO	(4)	1	17%	(2)	(3)	-132%
Corporate	(1)	(0)	-19%	(0)	(1)	-168%
Total TfL	(53)	(9)	-19%	(44)	0	0%

Capital enhancements

18% below target in P I, but we expect to be in line with Budget at year-end. Main variances to date are from a one-off upside in Bank Congestion Relief and timing of costs for Barking Riverside.

Capital enhancements (£m)	Period I, 2023/24			Period I, 2022/23		
	Actuals		Variance to Budget	Last year		Variance to last year
Rolling Stock and Signalling Replacement	(47)	3	6%	(33)	(16)	-49%
Piccadilly line upgrade	(21)	1	4%	(18)	(4)	-20%
Four lines modernisation	(8)	1	11%	(8)	(0)	-4%
Rail System Enhancements	(0)	0	49%	(0)	(0)	-238%
MPD Savings challenge	0	0	0%	0	0	0%
Trams	(0)	0	49%	(0)	0	14%
DLR Rolling Stock replacement incl. HIF	(17)	0	2%	(6)	(12)	-199%
Major Enhancements	2	3	219%	(11)	10	88%
Silvertown Tunnel	(2)	0	24%	(1)	(1)	-172%
Northern Line Extension	(0)	0	54%	(0)	0	78%
Barking Riverside	(0)	(5)	109%	(1)	6	414%
Elephant & Castle Station Capacity	(1)	0	2%	(1)	0	20%
Bank Congestion Relief	5	7	342%	(7)	5	71%
HS2	0	0	0%	(0)	0	100%
Elizabeth Line	(1)	0	30%	(0)	(0)	-228%
Other Enhancements	(20)	8	29%	(16)	(13)	-84%
Major stations	(0)	0	15%	(0)	(0)	-42%
Surface assets	(0)	(0)	0%	(0)	0	100%
Air Quality and Environment (AQE)	(7)	2	19%	(2)	(7)	-393%
Public transport	(1)	(0)	-38%	(1)	(0)	-20%
Healthy Streets	(8)	1	8%	(6)	(2)	-37%
Technology	(1)	0	21%	(1)	(1)	-135%
LU	(1)	0	11%	(1)	(0)	-32%
CCSO	(2)	5	71%	(5)	(2)	-42%
LT Museum	0	0	157%	0	(0)	291%
Estates	0	0	100%	(0)	(0)	-489%
Corporate	0	0	121%	(0)	(0)	-435%
Total TfL excl. TTLP and Crossrail	(65)	14	18%	(60)	(19)	-32%
TTLP	(4)	4	48%	(2)	2	100%
Crossrail	(7)	6	47%	(26)	26	100%
Total	(76)	24	24%	(88)	9	10%

Cash flow statement

Cash balances are broadly in line with Budget, but just over £180m lower than at the end of last year, driven by working capital movements.

In P1 we undertook additional short-term borrowing of £176m to offset some large capital milestone payments. This borrowing will unwind over coming periods.

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Cash balances

£m	Period 1, 2023/24			Period 1, 2022/23		
	Actuals	Variance to Budget		Actuals	Variance to last year	
Opening balance	1,237	37	3%	1,287	(50)	-4%
Change in cash balance	(181)	(47)	35%	(293)	112	-38%
Closing balance	1,058	(10)	-1%	994	62	6%

Cash flow statement

£m	Period 1, 2022/23			Period 1, 2021/22		
	Actuals	Variance to Budget		Actuals	Variance to last year	
Operating surplus before capital renewals and interest	128	18	17%	(10)	138	-1327%
Less TTLP, LTIG and LTM	(6)	(4)	272%	(4)	(2)	47%
<i>Cash generated / (used) from operating activities</i>	122	14	13%	(14)	136	-955%
Capital renewals	(53)	(9)	19%	(44)	(8)	19%
New capital investment	(65)	14	-18%	(60)	(5)	9%
Investment grants and ring-fenced funding	188	20	12%	33	154	462%
Working capital movements	(513)	(296)	136%	(165)	(348)	211%
<i>Cash generated / (used) from investing activities</i>	(444)	(270)	156%	(236)	(207)	88%
Free cash flow	(322)	(256)	391%	(250)	(71)	28%
Net interest costs	(34)	(1)	3%	(35)	1	-3%
Existing debt maturing	(55)	0	0%	(35)	(20)	57%
New debt issued	0	(20)	-100%	0	0	N/A
Short-term net borrowing change	230	230	N/A	28	203	736%
<i>Cash generated / (used) from financing activities</i>	141	209	-307%	(43)	184	-431%
Change in cash balance	(181)	(47)	35%	(293)	112	-38%

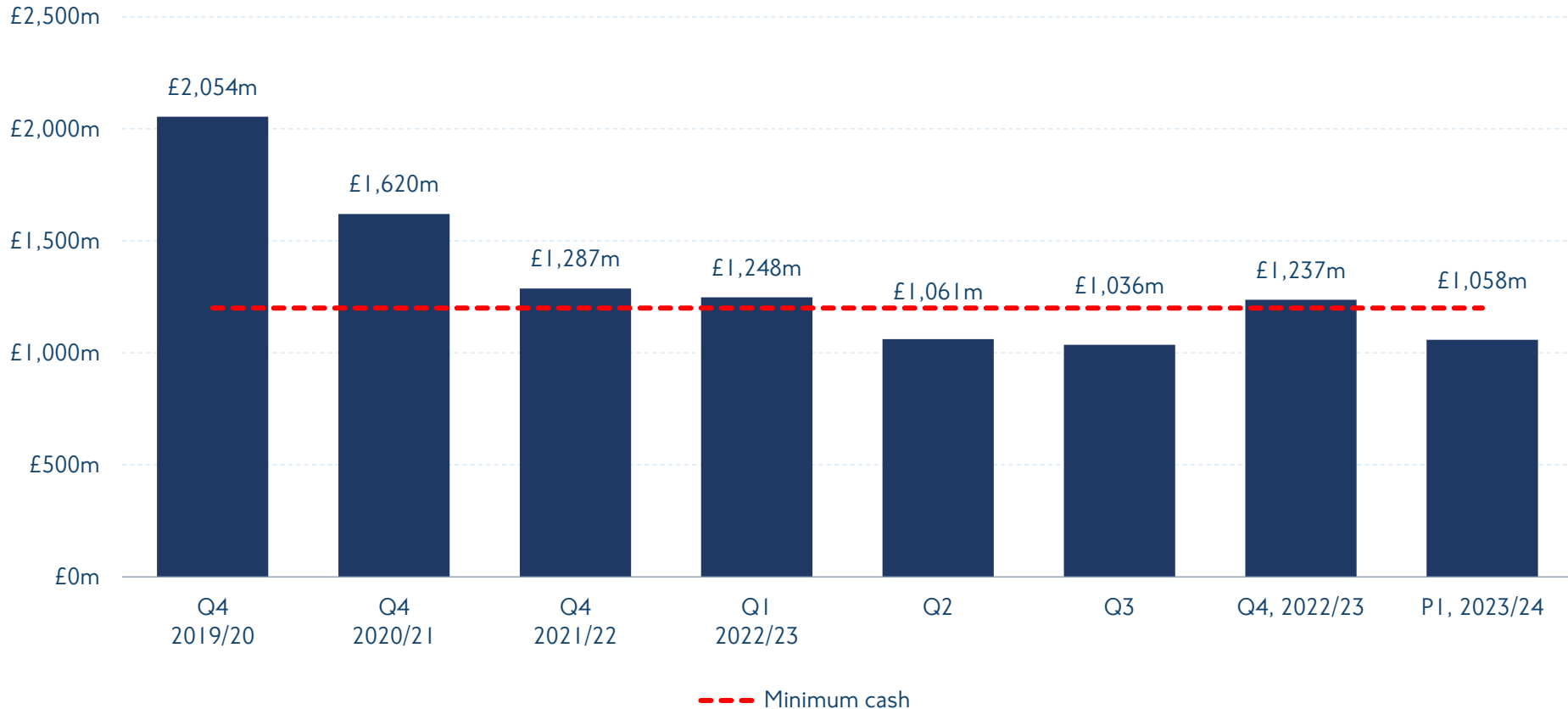


Cash balances

Total cash balances (excl. cash balances identified for Crossrail construction) are just under £1.1bn at the end of Period 1, £181m lower than at the end of last year.

A condition of the current funding agreement is that our cash balances will average no more than £1.2bn for the duration of the agreement.

Cash balances



Cash balances reduced from £2,054m at the end of 2019/20 to £1,237m at the end of 2022/23 and is now £1,058m at the end of Period 1, 2023/24

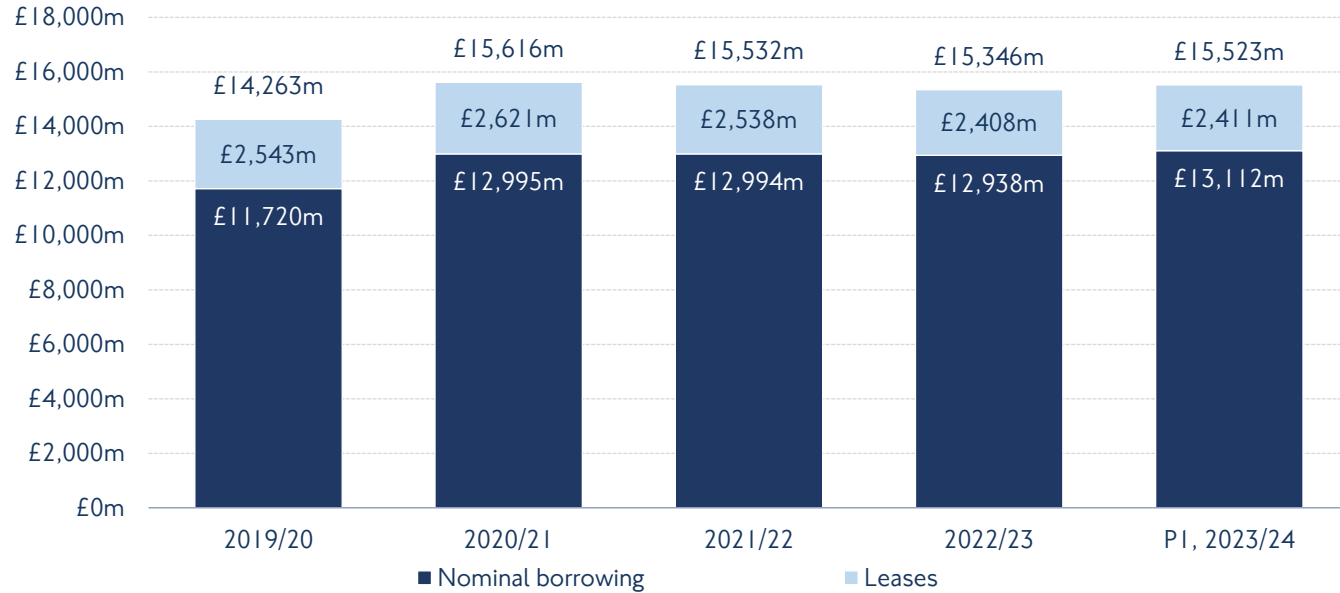


Debt

We have borrowed from a range of sources to help fund our capital programme, including Crossrail and major upgrades to our tube network.

There was an increase of £176m in our level of outstanding borrowing during Period I, bringing our total borrowing balance to £13,112m. This increase was driven by a rise in our short-term borrowing, which was used to fund scheduled payments while maintaining liquidity levels in line with our Liquidity Policy.

Total debt (£m)



91%

91% of our borrowing is at a fixed rate of interest

3.5%

The weighted average interest rate on our borrowing is 3.5%

19.3 years

The weighted average tenor of our borrowing is 19.3 years

TfL borrowing maturity profile



The borrowing maturity profile excludes £765m of commercial paper and other short-term borrowings which we generally continue to re-issue on a rolling basis.

Credit ratings

We are rated by three major credit rating agencies. This allows us to attract interest from a wide pool of investors and gives us access to a range of funding sources.

	Standard & Poor’s	Moody’s	Fitch
Long-term rating	A+	Baa I	AA-
Outlook	Positive	Stable	Negative
Short-term rating	A-1	P-2	F1+
Last changed/affirmed	May 2023	October 2022	January 2023

Standard and Poor’s (S&P)

- S&P affirmed our credit rating at A+/A-1 in May 2023 and revised the outlook to positive (from stable). This is a positive movement on the outlook and reflects S&P’s view that recovering ridership and cost controls should result in higher financial flexibility.

Moody’s

- Moody’s affirmed our credit rating in October 2022 and maintained the stable outlook, stating that our strengthening operating performance and protections under the funding agreement will partially mitigate economic and fiscal risks.
- In December 2022, Moody’s published a full credit opinion, which noted that our credit profile reflects rising passenger income, the funding agreement with government and a “relatively inflexible cost and revenue base”. It also noted our strategic importance as the main public transport provider in London and our strong management and governance.

Fitch

- On 26 January 2023, Fitch upgraded our long-term credit rating from A+ to AA-. This reflects our improving financial profile and Fitch’s assessment of the link between TfL and the UK Government. Fitch have assigned a negative outlook, which reflects the negative outlook they have assigned to the UK Government’s credit rating.

Divisional summaries



London Underground

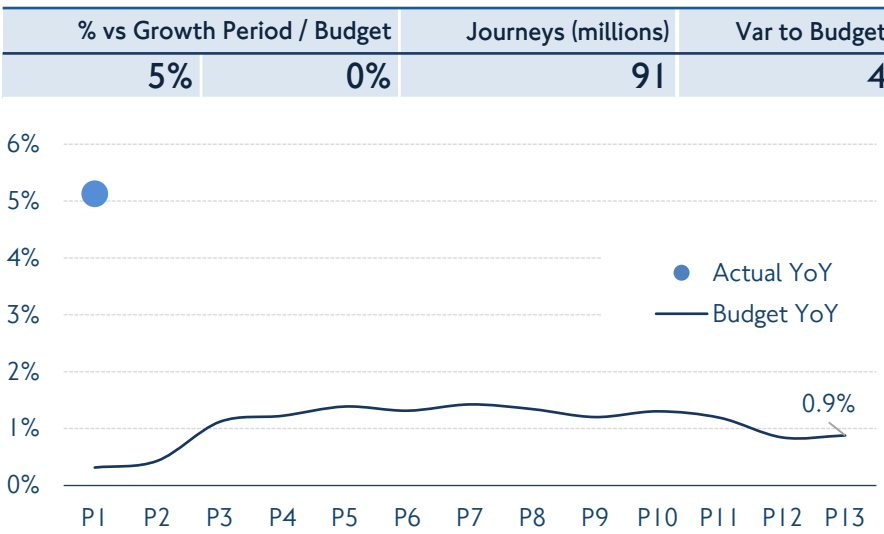
Tube journeys are 5% up on 2022/23. Journeys and income are slightly ahead of Budget, although P1 is a period of high seasonal variability.

Operating costs are (£171m) in the period, (£5m) higher than Budget. This is mainly driven by timing of efficiencies delivery, which we expect to deliver later in the year.

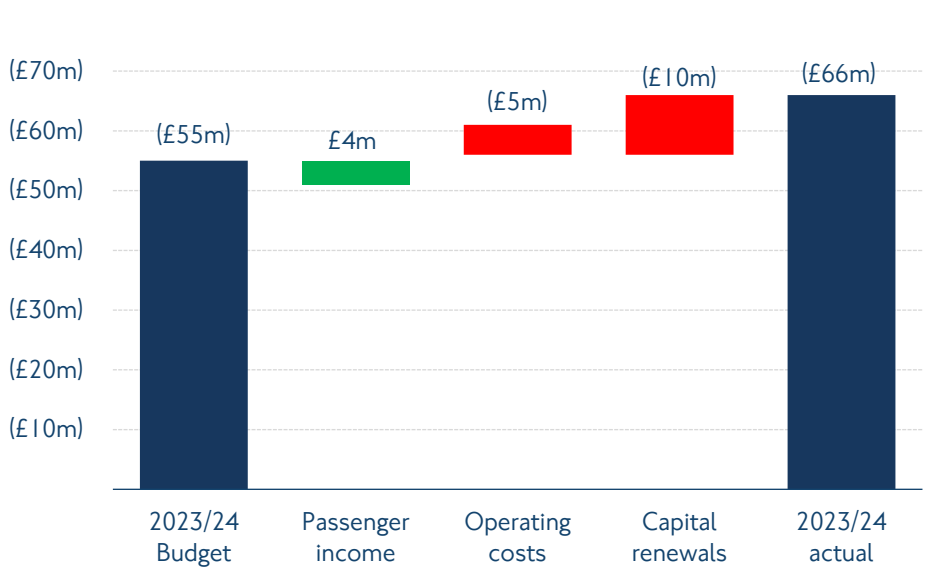
Capital renewals are (£32m) in P1, (£10m) higher than Budget, driven by increased levels of delivery compared to traditional spend patterns early in the year.

Income statement (£m)	Period 1, 2023/24				Period 1, 2022/23		
	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Passenger income	195	191	4	2%	167	28	17%
Other operating income	2	2	0	0%	3	(1)	-33%
Revenue	197	193	4	2%	170	27	16%
Operating costs	(171)	(166)	(5)	-3%	(177)	6	3%
Net contribution	26	27	(1)	-4%	(7)	33	471%
Indirect costs	(38)	(38)	0	0%	(37)	(1)	-3%
Net financing costs	(22)	(22)	0	0%	(23)	1	4%
Capital renewals	(32)	(22)	(10)	-45%	(24)	(8)	-33%
Operating surplus / (deficit)	(66)	(55)	(11)	-20%	(91)	25	27%
New capital investment	(28)	(41)	13	32%	(41)	13	32%

Tube journeys year-on-year growth



Operating surplus/ (deficit) compared to Budget



Elizabeth line

Elizabeth line journeys and passenger income are in line with Budget for P I.

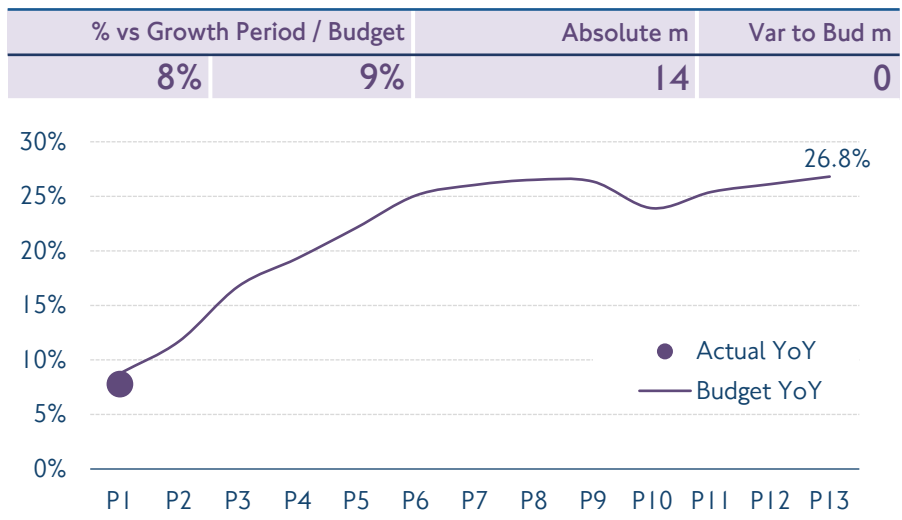
Operating costs are in line with Budget. We have seen slightly higher maintenance costs, but these have been offset by savings in rolling stock performance.

Capital renewals are also in line with Budget.

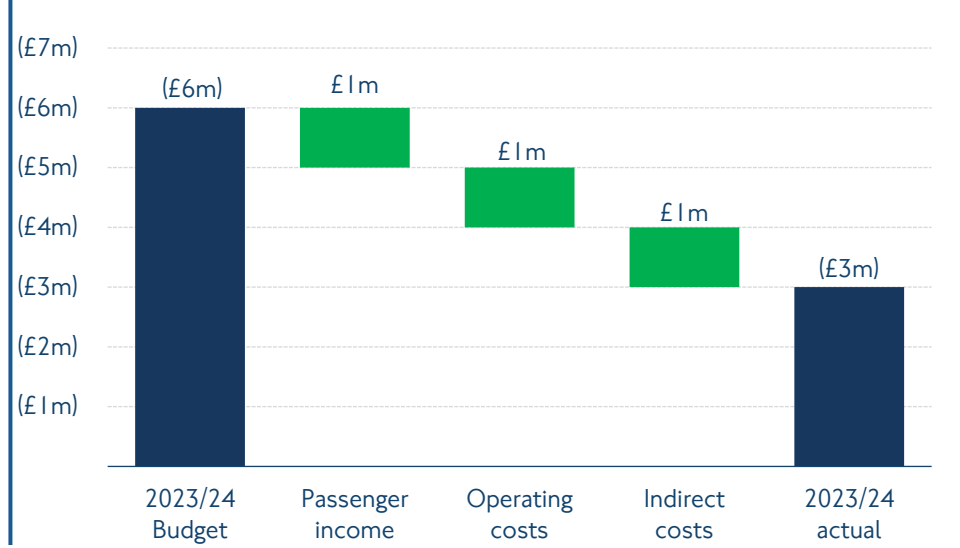
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Income statement (£m)	Period I, 2023/24				Period I, 2022/23		
	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Passenger income	36	35	1	3%	10	26	260%
Other operating income	1	1	0	0%	1	0	0%
Revenue	37	36	1	3%	11	26	236%
Operating costs	(31)	(32)	1	3%	(35)	4	11%
Net contribution	6	4	2	50%	(24)	30	125%
Indirect costs	(1)	(2)	1	50%	(2)	1	50%
Net financing costs	(7)	(7)	0	0%	(7)	0	0%
Capital renewals	(1)	(1)	0	0%	0	(1)	N/A
Operating surplus / (deficit)	(3)	(6)	3	50%	(33)	30	91%
New capital investment	(1)	(1)	0	0%	0	(1)	N/A
Crossrail project	(7)	(13)	6	46%	(26)	19	73%
Total new capital investment	(8)	(14)	14	100%	(26)	18	69%

EL journeys year-on-year growth



Operating surplus/ (deficit) compared to Budget



Buses, Streets & Other operations

Including Congestion Charge, Low Emission Zone (LEZ) and Ultra Low Emission Zone (ULEZ)

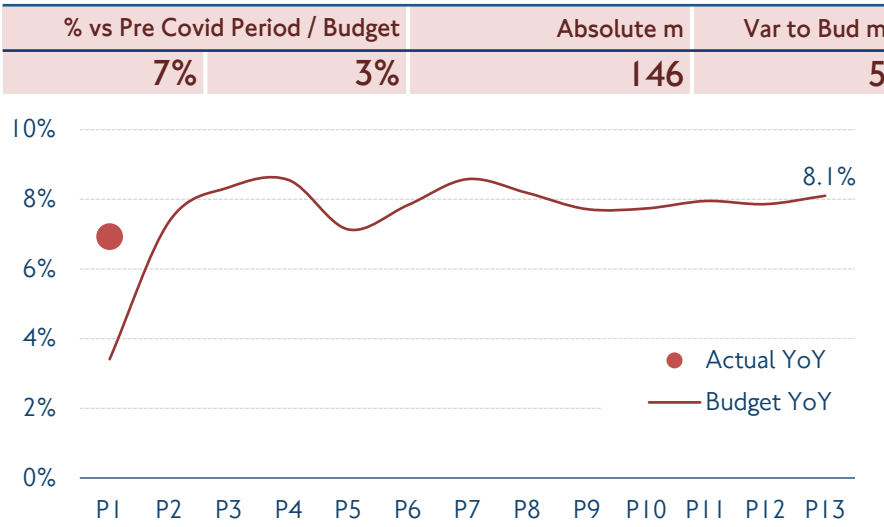
Bus journeys have seen a 7% increase in growth since last year. Passenger income is £4m higher than Budget, with journeys also higher than Budget.

Other operating income is £75m in the period, (£3m) below Budget. This is driven by a delay in the roll out of Deployable Enforcement Cameras, lower congestion charge enforcement income, and lower cycle hire income.

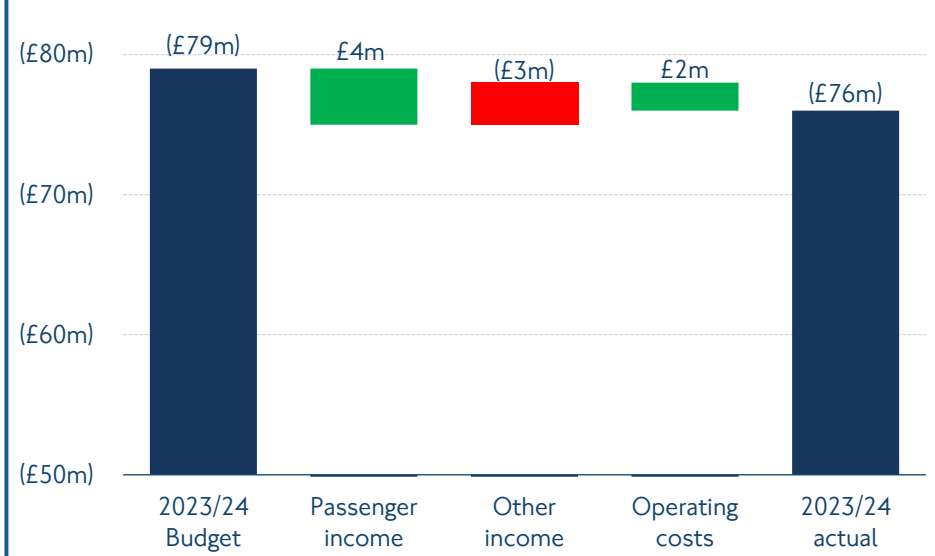
Operating costs are £2m lower than Budget, with higher bus performance payments to operators offset by lower CC, LEZ and ULEZ bad debt and other savings.

Income statement (£m)	Period 1, 2023/24				Period 1, 2022/23		
	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Passenger income	119	115	4	3%	104	15	14%
Other operating income	75	78	(3)	-4%	90	(15)	-17%
Revenue	194	193	(3)	-2%	194	(15)	-8%
Operating costs	(249)	(251)	2	1%	(242)	(7)	-3%
Net contribution	(55)	(58)	3	5%	(48)	(7)	-15%
Indirect costs	(6)	(6)	0	0%	(7)	1	14%
Net financing costs	(2)	(2)	0	0%	(2)	0	0%
Capital renewals	(13)	(13)	0	1%	(14)	1	6%
Operating surplus / (deficit)	(76)	(79)	3	4%	(71)	(5)	-7%
New capital investment	(17)	(21)	4	17%	(10)	(7)	-75%

Bus journeys year-on-year growth



Operating surplus/ (deficit) compared to Budget



Rail

Rail journeys have grown 7% year-on-year and are slightly ahead of Budget. Higher demand on DLR has driven the favourability in passenger income.

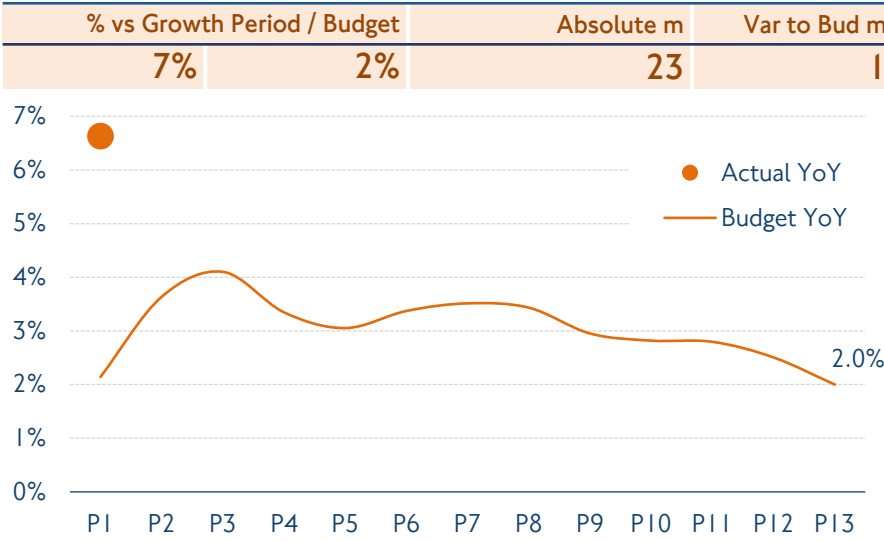
Operating costs are (£46m) in the period. This is £1m lower than Budget, from lower leasing costs and other smaller timing variances.

Income statement (£m)	
Passenger income	32
Other operating income	1
Revenue	33
Operating costs	(46)
Net contribution	(13)
Indirect costs	(2)
Net financing costs	(3)
Capital renewals	(4)
Operating surplus / (deficit)	(22)
New capital investment	(19)

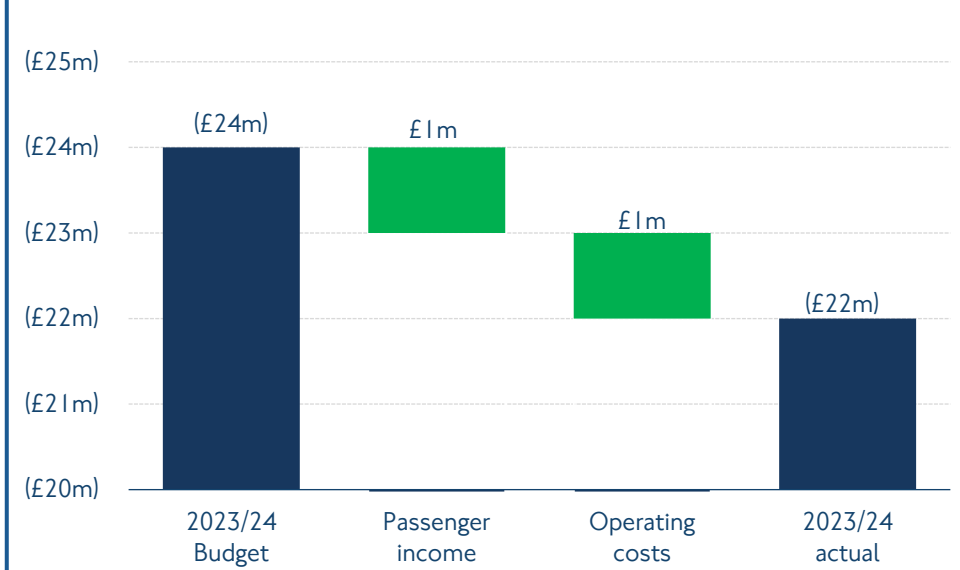
Period I, 2023/24			
Actuals	Budget	Variance to Budget	
32	31	1	3%
1	1	-	0%
33	32	1	3%
(46)	(47)	1	2%
(13)	(15)	2	13%
(2)	(2)	-	0%
(3)	(3)	-	0%
(4)	(4)	-	0%
(22)	(24)	2	8%
(19)	(14)	(5)	-34%

Period I, 2022/23		
Last year	Variance to last year	
28	4	14%
2	(1)	-50%
30	3	10%
(42)	(4)	-10%
(12)	(1)	-8%
(2)	-	0%
(3)	-	0%
(5)	1	20%
(22)	-	0%
(8)	(11)	-135%

Rail journeys year-on-year growth



Operating surplus/ (deficit) compared to Budget



Key Project updates

Four Line Modernisation



Following our successful commissioning of the signalling section between Stepney Green to Becontree, SMA6, on 15 January, the signalling section between Dagenham East and Upminster, SMA7, went live on 19 March. This is another significant achievement for the programme as it extends the roll-out of the new signalling system on the District line, completes automatic running on the east of the railway, and connects the first depot to the network.

The area now operating under the new signalling contains 62 stations and four complex junctions, including the full Circle and Hammersmith & City lines. For comparison purposes, the Jubilee line has 27 stations. This means that two of the four sub-surfaces lines (and around 57 per cent of the Tube network in total) is now operated by an automatic signalling system.

London-wide ULEZ

Installation of infrastructure to support the London-wide ULEZ launch on 29 August 2023 is underway. Since 5 December, 17 of the 24 boroughs where new signs and cameras are required, have signed consent agreements for infrastructure to be installed on borough roads. Four boroughs (Harrow, Hillingdon, Bexley and Bromley) and one county (Surrey) have publicly announced their opposition to the scheme. These authorities, along with Croydon, Sutton and Havering have not signed the required agreement so installation works are progressing under direct installation powers.

We have scaled the London-wide ULEZ system and are continuing to progress testing to ensure it can process the anticipated increase in data volumes from the additional vehicles in the expanded zone.

A campaign continues to increase awareness and eligible Londoners, charities, small businesses and sole traders, continue to apply to the scrappage scheme, providing support to those most impacted by ULEZ.

Piccadilly line upgrade



In January, Siemens Mobility completed all works at the test track in Wildenrath in Germany, including installation of third and fourth rail power upgrades and building of a platform for one-person operation. Testing will start on the track to ensure all upgrades are functioning correctly ahead of the first train arriving there for dynamic testing in the summer.

In March, the first-in-type driving motor car body shell was completed by Siemens. The car body is now ready to enter the painting process. This keeps us on target for the first train to be completed and transferred to the test centre in Wildenrath to start commissioning tests this autumn.

Our depot migration plans is under review after a change to our wheel lathe delivery caused knock-on impacts, leaving our depots programme misaligned to the train introduction dates. We are working through mitigation options to minimise any schedule and cost impacts.

Date: 21 June 2023

Item: Annual Update on Third-Party Funding Secured Through Spatial Planning

This paper will be considered in public

1 Summary

1.1 This paper provides an update on third-party funding related to developer contributions and other sources targeted at supporting sustainable development. It gives an overview of developer contributions and other third-party funding, including Mayoral Community Infrastructure Levy (MCIL), which is used to repay Crossrail financing; Section 106 (S106)¹; Borough CIL (BCIL); the Housing Infrastructure Fund (HIF); and Levelling Up Fund (LUF). The Spatial Planning team continues to explore opportunities to secure funding to contribute towards the delivery of the Mayor’s Transport Strategy (MTS), including key TfL priorities such as Step Free Access (SFA). Table 1 summarises the amounts that have been negotiated / secured during 2022/23.

Table 1: Summary of third-party income in 2022/23

	Funding highlights 2022/23			
	Funding Source	Project	Amount £m	
Developer contributions	Mayoral CIL	Elizabeth line (Crossrail)	£168.2	
	Section 106	Various sites	Received	£9.6
			Negotiated	£37.9
	Borough CIL	Hounslow West station step-free access	£1.0	
	Section 278 ²	Various projects Secured	£18.1	
Other third-party	Levelling Up Fund (First Round)	Four projects in Ealing, Newham, and Tower Hamlets (funding secured)	£56.2	

¹ S106 of the Town and Country Planning Act 1990

² A Section 278 agreement, is a section of the Highways Act 1980 which allows developers to enter into a legal agreement with the Highways Authority to make alterations and improvements to a public highway, as part of a planning application.

	Levelling Up Fund (Second Round)	Colindale and Leyton London Underground stations (funding awarded)	£43.0
		Five projects in Camden, Barking & Dagenham, Hackney, Lewisham, Sutton (funding awarded)	£113.8

- 1.2 As can be seen, we have collected £168.2m in MCIL receipts, which is the highest amount since MCIL was introduced in 2012. Additionally, £37.9m of further S106 has been negotiated this year, while £9.6m was received from existing agreements. The Section 278 (S278)³ programme which includes 311 projects to the value of £150m delivered £17m of capital investment, as well as around £1.1m revenue funding (to cover TfL staff costs, etc).
- 1.3 We have been focusing on leveraging funding to support key objectives around SFA to ensure inclusive growth. During 2022/23, we successfully bid for £1m BCIL funding to progress design proposals for improved SFA at Hounslow West station. We also negotiated £10m in S106 for SFA and entrance/exit improvements (including an extra gate) at West Hampstead station. Our bid with the Greater London Authority (GLA) for Levelling Up funding was successful, and we have provisionally been awarded £43m to be used for improvements at Colindale and Leyton Underground stations to make them step free, as well as providing additional capacity to support the delivery of new, affordable homes.
- 1.4 In terms of improvements to our highways network, we secured £1.5m to improve the A41 Finchley Road corridor, while the S278 Nova bus contraflow scheme in Victoria was opened in February 2023 enables shorter bus journey times for several bus routes. This was fully funded by the developer at a total cost of £40m and delivered in collaboration with TfL's Spatial Planning team. The scheme will improve both safety and bus journey times.
- 1.5 In the first round of LUF, Newham, Ealing, and Tower Hamlets boroughs were successful in securing £56.2m for four transport proposals. The second round of the LUF closed in January 2023, and Barking & Dagenham, Camden, Hackney, Lewisham and Sutton boroughs were successful in securing funding amounting to £113.8m. TfL will work with all successful boroughs from both rounds to deliver these projects and to support any future bids.
- 1.6 In addition, work continues to deliver projects where funding was agreed in previous financial years. For example, under the Docklands Light Railway (DLR) HIF award we have issued a notice of intention to order 11 trains and works are ongoing for the design and construction of Beckton depot.
- 1.7 Given continued financial challenges, it is important for the Spatial Planning team to be proactive in seeking additional sources of funding. Developer contributions

³ A S278 agreement between the developer and Highway Authority is entered into when a developer has obtained full planning permission and the layout of the proposed development requires them to modify, alter, or reconstruct the adopted highway. Where TfL is the highway authority, we work with developers to deliver highways and public realm improvements at no cost to TfL.

and third-party funding plays a critical role in delivering MTS transport objectives as well as unlocking new homes and ensuring growth is sustainable, and we will continue to pursue opportunities to fund schemes.

2 Recommendation

2.1 The Committee is asked to note the paper.

3 Background

3.1 This report provides information for the 2022/23 financial year on:

- (a) contributions for Crossrail through the Mayoral CIL and the Crossrail Supplementary Planning Guidance (SPG);
- (b) BCILs introduced by the boroughs, City of London, and Mayoral Development Corporations expenditure;
- (c) S106 and other developer contributions for transport projects; and
- (d) other funding mechanisms contributing to transport such as LUF.

3.2 TfL's Spatial Planning team assesses the transport impacts of proposed developments and negotiates appropriate transport mitigations with developers and boroughs, to enable developments to function effectively and ensure good growth. The team is responsible for:

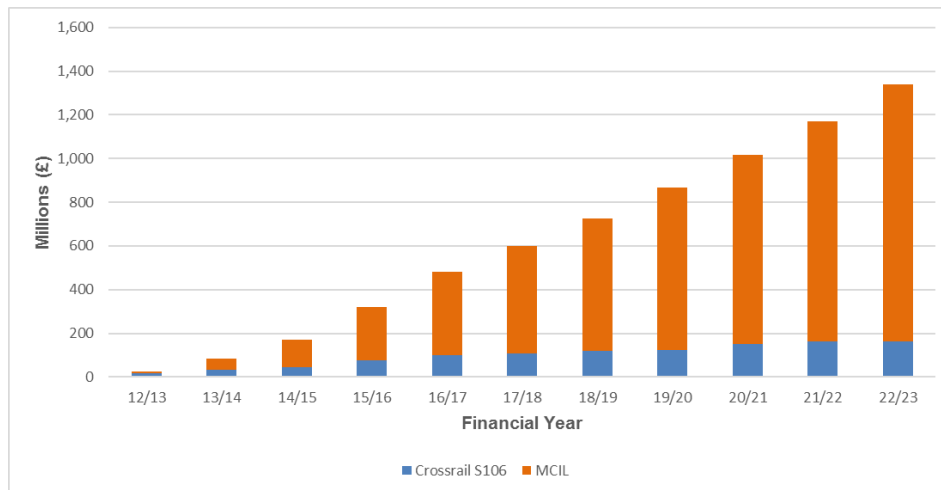
- (a) advising the Mayor on the transport issues associated with planning applications of potential strategic importance referred to him under the Town and Country Planning (Mayor of London) Order 2008 (referable applications). TfL Spatial Planning attends the weekly Mayoral and Deputy Mayoral Planning meetings to ensure that TfL's requirements and priorities are understood; and
- (b) responding to consultations carried out by local planning authorities within London on the transport implications of planning applications which are not referable to the Mayor.

3.3 There were more than 380 applications referred to the Mayor during 2022/23. The amount of developer income secured relates to the level of development activity and the implementation of planning permissions. Development activity tends to be cyclical, and it is strongly influenced by local, national, and international factors, including the continued impact of the war in Ukraine, commodity prices impacting building costs, inflation, and UK's departure from the European Union. This past year's development activity has also been impacted by uncertainties related to fire safety requirements.

4 MCIL

- 4.1 The value of MCIL and Crossrail SPG⁴ receipts since 2012 is set out in Figure 1. By the end of 2022/23 cumulative receipts from both sources amounted to £1.34bn - with more than £1bn from MCIL payments (£1.18bn) and £161.3m in Crossrail SPG contributions.

Figure 1: Cumulative MCIL and Section 106 Crossrail receipts



- 4.2 MCIL becomes payable on commencement of development and the number of individual payments can therefore act as an indicator of the level of development activity. Figure 2 presents the trends in total annual MCIL receipts and the number of payments since MCIL was introduced in 2012. This shows that there was a ramp up of MCIL payments to 2016/17 as developments subject to MCIL commenced. During the last six years payments numbers have averaged at 2,350 payments per year, with payments falling below this during the coronavirus pandemic (2020/21) and in 2022/23 due to inflation, rising build costs and interest rates, and the impact of this on development activity.
- 4.3 Meanwhile, in 2022/23 annual receipts from MCIL reached £168.2m, the highest annual return since charging commenced, showing a positive effect of the higher MCIL2 rates and macro policies⁵ introduced in 2020/21 to help the development sector during the coronavirus pandemic.

MCIL2 Biennial Review

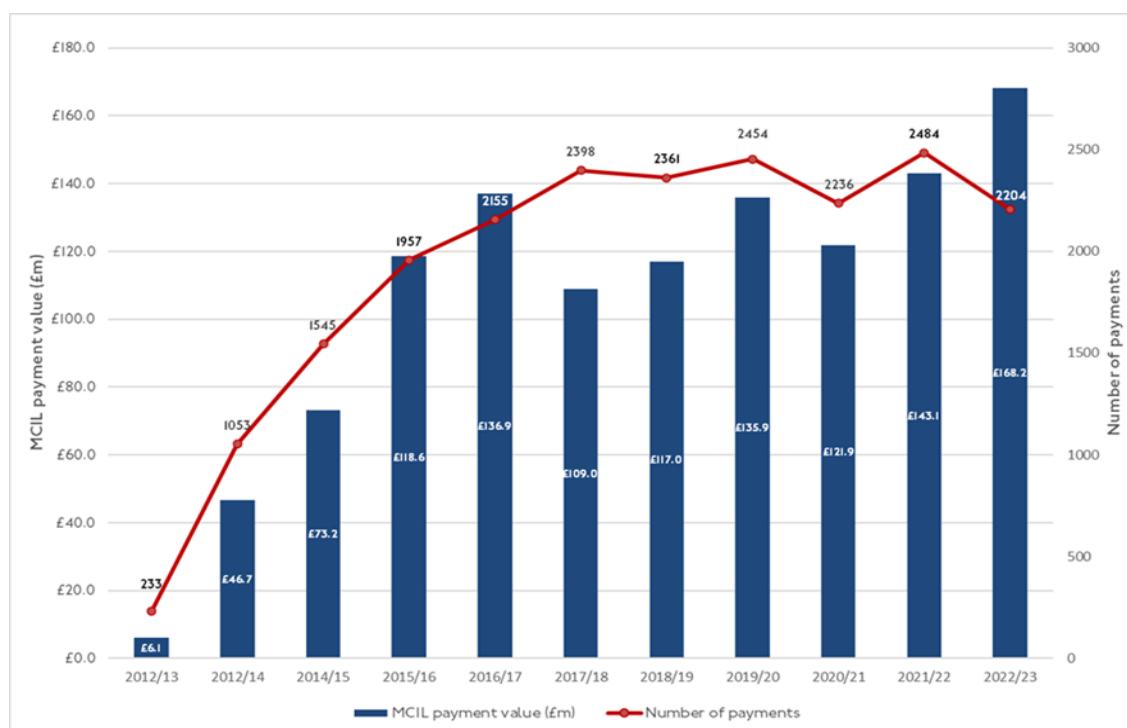
- 4.4 As part of the Mayor's commitment to monitor the operation of MCIL, a biennial review was undertaken in 2022. This found that that the MCIL2 charge rates, charge bands and boundaries, and operational arrangements in respect of MCIL were working well and no revisions were proposed at this stage – particularly considering the poor economic forecast for 2023. We continually monitor MCIL

⁴ While the Crossrail Funding Planning Obligations SPG (2016) was superseded by MCIL2 in 2019, funds are sometimes received from historic planning permissions. SPG receipts help pay for Crossrail. Funds are received from retail, office and hotel developments within central London, the Isle of Dogs, and from developments within 1km of a Crossrail station.

⁵ Quantitative easing and controlled inflationary and interest rates during the pandemic.

income and rates, and work is now underway to consider potential opportunities and options for change in the longer-term.

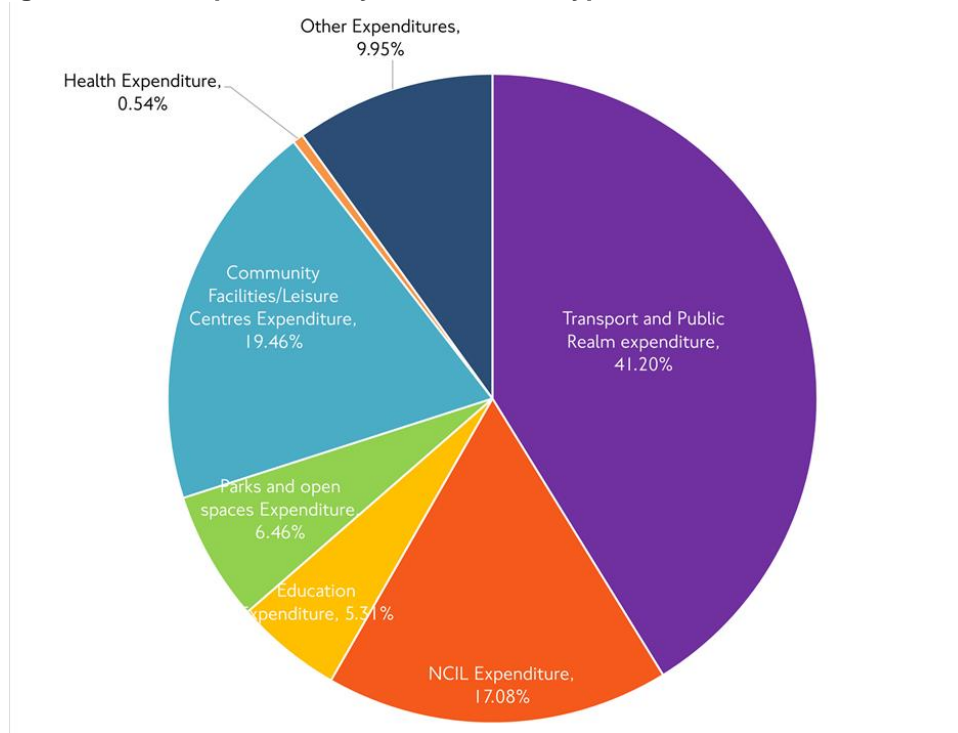
Figure 2: Annual MCIL receipts and number of payments since April 2012



5 Borough CIL

- 5.1 The boroughs, City of London, and Mayoral Development Corporations (MDCs), in their capacity as local planning authorities, can set BCIL rates and collect this funding which goes towards the provision, improvement, replacement, operation or maintenance of infrastructure.
- 5.2 BCIL receipts make a significant contribution to the delivery of a range of infrastructure projects across London (currently, only Ealing and Old Oak and Park Royal Development Corporation (OPDC) are without an adopted BCIL in place). We are looking at opportunities across London to enhance joint working.
- 5.3 BCIL expenditure increased in 2021/22 from £111m in 2020/21 to just under £133m, although this is not as high as pre-pandemic levels (£168m 2019/20). Of the £133m spent, more than half (£67m) was spent by Wandsworth (£15m), Tower Hamlets (£13m), Brent (£12m), Lambeth (£10m), Hammersmith and Fulham (£10m), and Croydon (£7m).
- 5.4 Figure 3 shows a breakdown of BCIL spend in 2021/2022 by infrastructure type. Around 42 per cent (£77m) was spent on transport and public realm which has supported the delivery of the MTS. Examples of transport and public realm projects funded include improvements to the public realm and transport improvements in Wembley costing around £7m, highways improvements in Camden and Croydon costing around £4m each, ongoing improvements at Elephant and Castle (£5m) and an increase in the number of electric vehicle charging points and low emission fleet vehicles in Westminster and Wandsworth respectively.

Figure 3: BCIL expenditure by infrastructure type 2021/22



TfL and BCIL

- 5.5 The London Plan reflects the fundamental importance of transport to sustainable growth and unlocking sites for development. Future BCIL allocations (as set out in the borough infrastructure funding statements published online) indicate that there is currently just over £92m of BCIL allocated that has yet to be spent with over 53 per cent of this allocated to 'transport and public realm'.
- 5.6 This year, TfL negotiated a BCIL contribution for step free access at Hounslow West station. We also secured BCIL for a viability study for a new pedestrian crossing in Camden on the Transport for London Road Network. If viable, this scheme will increase the safety of people walking, and Camden have indicated that we could bid for further BCIL to deliver the scheme in future.
- 5.7 We will continue to work with BCIL charging authorities to identify opportunities to deliver shared transport priorities for the potential allocation of BCIL funds and take a proactive role in supporting charging authorities who are looking to allocate funding from their BCIL income towards transport priorities within their area.

NCIL

- 5.8 A portion of BCIL funds collected, between 15 and 25 per cent, is required to be spent in consultation with the local community and is known as Neighbourhood CIL (NCIL). NCIL spend in 2021/22 was the third highest area of expenditure at 10 per cent (£26.5m) While these are often smaller projects, they represent another opportunity for TfL to engage with communities to help secure improvements to transport infrastructure and deliver projects that reflect the needs of the local community.

6 Section 106 agreements

- 6.1 Planning applications, whether referable or not, are often approved subject to a package of transport mitigation measures which reflect negotiations by TfL Spatial Planning with developers and the local planning authority. We seek to ensure that transport requirements are prioritised as far as possible and aim to ensure that developments promote active travel, contribute appropriately to public transport, and minimise adverse traffic impacts.
- 6.2 The measures that are negotiated vary in type and scale but must accord with the legal test for S106 planning obligations (directly related to the development, necessary to make the development acceptable in planning terms, and fairly and reasonably related in scale and kind to the development) as defined by the Town and Country Planning Act 1990 and The Community Infrastructure Levy Regulations 2010. These obligations can cover works at any scale from multimillion pound projects to small – but still important and impactful - interventions such as wayfinding and bus stop improvements.
- 6.3 TfL negotiated a total of £37.9m in S106 contributions in 2022/23 (this is a decrease on the previous year due to several factors). Most of this year's contributions were secured for bus network improvements (£21m).
- 6.4 As well as planning obligations requiring financial contributions, Spatial Planning secures mitigations delivered as works 'in-kind'. These are built out by developers, often on-site, and can be significant in both cost and scale. A noteworthy example this year is the O2 Centre Masterplan, which includes safeguarding for land within the site for a future entrance to Finchley Road station.
- 6.5 In 2022/23, 59 new S106 agreements were negotiated with funding due to come to TfL and works 'in-kind' to be delivered by developers. This brings the total number currently being monitored to 972. S106 receipts received by TfL in 2022/23 (relating to previously negotiated s106 agreements) totalled just under £10m.
- 6.6 TfL Spatial Planning also negotiates and manages the delivery of highway improvements on the Transport for London Road Network under S278 agreements, ranging from small scale works such as footway renewal to larger scale improvements. The total value usually amounts to millions of pounds each year, often delivering critical infrastructure that contributes to the delivery of Healthy Streets and Vision Zero. These schemes are funded and maintained by developers at no expense to TfL. We currently have 311 projects in our programme worth c£150m. In 2022/23, more than 50 projects were completed, with associated spend during that year of £17m, including the completion of the Nova bus contraflow scheme in Victoria (total value £40m) and the conclusion of works on Nine Elms Lane.

7 Other third-party funding

Growth Fund

- 7.1 The TfL Growth Fund has leveraged significant amounts of third-party funding (from developers, boroughs, and Government) to deliver transport improvements which enable the delivery of sustainable growth. The Growth Fund's portfolio of schemes secured c£100m in third-party funding against £93m spend on 13 projects up to 2029/30 (including Colindale and Walthamstow Central), demonstrating the power of leveraging third-party funding.
- 7.2 The latest Business Plan has identified the need to continue this approach to support Good Growth, alongside a focus on the delivery of step-free access. As a result, the Growth Fund is being transformed into a new Sustainable Housing and Accessibility Fund (SHA Fund) with an initial capital allocation of £48m. The SHA Fund will be a programme of transport projects that unlock homes and regeneration where transport acts as a constraint, deliver accessibility improvements to unlock the public transport network for more Londoners and bring in third-party investment. Initial prioritisation and development of a pipeline of projects is underway.

Levelling Up Fund

- 7.3 The second round of LUF was launched in 2022, with results announced in January 2023. The £4.8bn fund aims to support capital investment in local culture, regeneration, and transport infrastructure up to 2024/25 (round 1) and 2025/26 (round 2).
- 7.4 In the first round, London received a total of £56.2m for transport schemes. We are working with the successful boroughs to deliver their projects⁶.
- 7.5 In the second round, TfL and GLA also submitted a joint application that provisionally secured £43m to be used for improvements at Colindale and Leyton Underground stations. The funding will match £14m (previously negotiated S106 and borough CIL) from Barnet and developers as well as £9m in borough CIL from Waltham Forest. The successful bid is the result of collaborative working with both boroughs and will make the two stations step free, as well as providing additional capacity to support the delivery of new, affordable homes. A full business case is currently being prepared to be submitted to the Department for Transport to unlock the funding and deliver both projects.
- 7.6 In addition, we supported a number of successful borough bids with sustainable transport elements:
- (a) Hackney, £19m: improvements to public spaces (eg Town Hall Square, Hackney Central library) and new creative workspace;

⁶ Newham received £40m for a new bridge over the River Lea and a series of 15 minute neighbourhoods, Ealing received £7m for Northolt station to White Hart roundabout and Tower Hamlets received £9m for Whitechapel Road.

- (b) Lewisham, £19m revitalised town centre marketplace, new flagship culture and business hub, and improvements to walking and cycling infrastructure;
 - (c) Camden, £8m, cycling and walking improvements and accessible facilities and green spaces;
 - (d) Barking & Dagenham, £11m, new homes, safeguarded jobs, and reduced crime; and
 - (e) Sutton, £14m, double the number of trains running to Belmont station and improved connectivity to the London Cancer Hub.
- 7.7 The Government recently announced the third round of LUF which has an overall budget of £1bn. The process for applications is expected to mirror previous rounds and is another opportunity to bring forward much needed schemes in London.

Royal Docks Enterprise Zone

- 7.8 The Royal Docks Enterprise Zone Delivery Plan (EZ) was approved by the Mayor and is a programme that seeks to transform the Royal Docks and accelerate the delivery of commercial space within the area. The GLA is to forward fund the EZ delivery plan through prudential borrowing, to be repaid from business rates generated over the life of the EZ. Developer contributions will also contribute to infrastructure required in the area. Investment by the EZ is expected to make a significant contribution to upgrading key DLR stations and TfL has received £3.75m to support feasibility and design work on several stations.
- 7.9 Following a review of the programme in 2022, the Pontoon Dock design have now been taken up to the concept design stage and the detailed design work on Royal Victoria has been undertaken. TfL is separately exploring funding options to deliver dynamic wayfinding improvements at Canning Town station.

Housing Infrastructure Fund (HIF)

- 7.10 The HIF is a government capital grant programme of up to £5.5bn which the Department for Levelling Up, Housing, Communities (DLUHC) expects to deliver hundreds of thousands of homes across England. Grant funding has been awarded to local authorities on a competitive basis for new infrastructure that will unlock homes in the areas of greatest demand.
- 7.11 In previous years we successfully bid for projects including interventions for the DLR and the East London line (ELL) to unlock new homes in Newham and Tower Hamlets, and Southwark and Lewisham respectively. On the DLR HIF bid, TfL was originally awarded £281m from Government to purchase additional DLR trains to expand Beckton DLR depot and contribute to the cost of enabling works at Poplar DLR depot. This is now £257.5m reflecting some changes in scope. This year, we have issued notice of intention to order 11 trains (reduced from 14 in the original agreement), the Beckton land acquisition is now complete, and the design and construction of the depot is on schedule. Discussions relating to Poplar are continuing.

- 7.12 The DLR HIF is one of the largest single contributions that TfL can make to delivering the new homes and jobs pillar of the MTS. Up to 12,000 homes will be delivered.
- 7.13 The ELL HIF programme was awarded £80.1m from Government to increase the capacity of the core section of the line from 16 to 18/20 trains per hour, expand Surrey Quays station and a new station at Surrey Canal Road. In total the ELL HIF programme schemes will unlock around 14,000 homes.
- 7.14 Surrey Quays station upgrade, signalling, power, and bus station improvements are now in contract with Morgan Sindall. Planning permission was granted for the station upgrade and TfL power upgrade procurement has commenced. An Invitation to Tender has been issued for the signalling upgrade. Finally, discussions with suppliers are progressing for the Canada Water bus station upgrade.
- 7.15 We are in discussion with Government regarding funding the next phase of work (Surrey Canal station and train stabling).

Work with Homes England and DLUHC

- 7.16 Homes England has been working with TfL as co-developers on the business case for a potential extension of the Dockland Light Railway to Thamesmead and Beckton Riverside, leading the housing and development workstream. The Strategic Outline Case has recently been submitted to Government, alongside a funding request for feasibility work.

Third-party feasibility funding

- 7.17 TfL's position remains financially challenging, and we are continuing to seek contributions from third parties for feasibility work on important transport projects. Feasibility funding from the OPDC (£300k in 2021/22) has been used to progress feasibility studies on North Acton station and wider strategic modelling in the Old Oak Common area. Likewise, £760k from Network Rail has been used to further develop TfL views on how it could respond to their aspirations for redevelopment of Victoria station.

8 Conclusion and next steps

- 8.1 Leveraging third-party funding and developer contributions has become increasingly important to deliver transport infrastructure and improvements in London. While there are some risks associated with this type of funding, it allows us to deliver key priorities and stretch our funding (e.g. SFA schemes) and, it has been fundamental to some of our most high-profile recent success stories such as the Northern line and Barking Riverside extensions which would not have been delivered without it. It also ensures that value is captured from beneficiaries of the schemes.
- 8.2 However, looking forward, there are a number of concerns. Market data shows a reduction in planning applications, reflecting a tightening up of liquidity in commercial banking lending in 2023 as well as the impacts of uncertainty around fire safety requirements. While this has not reduced workload - due to the complexity of many of the developments, ongoing changes to existing planning

permissions and continued pre-application activity - this could impact MCIL and S106 receipts going forward. There are also some increasing concerns around viability which could squeeze transport contributions. Crucially, there is also the prospect of the implementation of Government reforms to the existing system of developer contributions via the Levelling Up and Regeneration Bill (the Bill).

- 8.3 The Bill proposes that an Infrastructure Levy (IL) replace both the current CIL and S106 systems with one levy – although MCIL is to be retained in its current form. At the time of writing this report, a Technical Consultation is being undertaken by DLUHC which sets out proposals for how the IL will operate in practice. It may be some time before these changes are enforced as DLUHC proposes a ‘test and learn’ approach to IL prior to wider national roll out. TfL will have to adjust its approach to third-party funding at this time but we, and many other parties, have significant concerns about the implications in practice for the delivery of infrastructure and affordable housing.
- 8.4 Nonetheless we will continue to identify and leverage opportunities. This is key to delivering not just new homes but modal shift, carbon reduction and other priorities set out in the London Plan and the MTS. It is imperative that we focus on building and maintaining relationships and engaging effectively with funding partners to ensure we capitalise on opportunities and continue to deliver vital transport improvements to underpin sustainable growth.

List of appendices to this report:

None

List of Background Papers:

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

Supplementary Planning Guidance: Use of planning obligations in the funding of Crossrail and the Mayoral Community Infrastructure Levy (March 2016).

Community Infrastructure Levy Charging Schedule – Mayor of London (February 2012)

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

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Finance Committee



Date: 21 June 2023

Item: Procurement and Commercial Improvement Programme – Cost Management

This paper will be considered in public

1 Summary

1.1 As requested at the meeting of the Committee on 8 March 2023, this paper provides information on improving cost management, which is a key priority within the Procurement and Commercial Improvement Programme. The first step is to standardise the currently fragmented and inconsistent process, which will deliver immediate benefits to the management of capital project budgets. A standard process is also a key enabler for further improvement, such as systemisation and automation.

2 Recommendation

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

3 Background

3.1 In March 2023, the Committee discussed a report from the Independent Investment Programme Advisory Group (IIPAG) on its review of the Procurement and Commercial Improvement Programme. This review concluded that, although certain key and significant milestones had been delivered, some concerns remained and still required action, including the lack of an improvement programme for cost management.

3.2 Members asked that a more in-depth update on cost management and capital be brought to the next meeting.

4 Improving cost management

4.1 Cost management within TfL is currently fragmented, with management residing across different functions with no uniformity in process. It is delivered mostly by qualified Quantity Surveyors from the Procurement and Commercial (P&C) team.

4.2 Tackling this issue forms a key part of the 'Capital Improvement Programme' which is one of the 14 workstreams that makes up the overall Procurement and Commercial Improvement Programme.

4.3 The initial priority will be to define what cost management is and identify the specific activities within cost management. Then the determined activities can be mapped across the value chain, to ensure uniformity and efficiency and that the work is completed by the correct team, this will also improve assurance activity.

Standardisation

- 4.4 The next priority is to standardise the process of cost management across TfL. Uniformity will improve both the planning and management of capital budgets throughout the value chain. A major limitation of the current process is that there is no clear or integrated link between programme cost and schedule. A significant benefit that this workstream will deliver is a recommendation on how to integrate the two.
- 4.5 To complete this standardisation, information from multiple disciplines will be collated and analysed under the direction of a P&C lead who has good knowledge and understanding of cost drivers and our current approach. This will also be tested against external opinion, to deliver an optimal outcome.
- 4.6 This work will be completed to the following timelines:

1	Set out Objectives, Plan	21 March 2023
2	Set Up Working Group	02 May 2023
3	Review Cost Management Software Options and Cost	04 June 2023
4	Collaboration with Key Stakeholders	11 June 2023
5	Draft Template and Manuals	28 July 2023
6	Trial Template	25 August 2023
7	Capture Internal and External Feedback	22 September 2023
8	Identify Lead Cost Manager	17 November 2023
9	Template Implementation	17 November 2023
10	Feedback	01 December 2023

- 4.7 There are no people moves proposed as part of this standardisation.

Future work

- 4.8 Once the process has been standardised, the organisational function to consolidate cost management under will be determined; this will likely either remain with P&C, or transfer to the Programme Management Office (PMO). The IIPAG review noted it was the opinion of both the second and third lines of defence that cost management should be a P&C process while cost reporting should be a PMO process.
- 4.9 A standardised process, with a consistent approach, is also crucial to enable an effective systemisation and automation. The IIPAG review described cost management as an omission from the SAP Ariba upgrade. However, implementing a new system solution for a process that is fragmented and inconsistent would have been highly challenging, particularly to do this in parallel with the SAP Ariba implementation for guided buying and source to contract.
- 4.10 As part of the initial phase of work, as the cost management process is being standardised, the options for a future systems solution will be considered.

4.11 Improvement work has also commenced on Cost Estimating and Cost Intelligence. Cost Management and these other two workstreams form part of the P&C Capital Improvement Plan. Improving the quality of estimating, benchmarking and the way we store and manage cost data are the key delivery themes of this work. Both will drive improvement and transparency into cost management.

List of appendices to this report:

None

List of Background Papers:

None

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Finance Committee



Date: 21 June 2023

Item: Procurement and Commercial Improvement Programme –
Lessons Learnt

This paper will be considered in public.

1 Summary

- 1.1 From January 2020 to March 2023, the Procurement & Commercial Improvement Programme (PCIP)¹ was mobilised to reduce operating costs, improve processes and systems, and enhance the capability of the Procurement & Commercial (P&C) team to improve the overall service offering and delivery of benefits for TfL.
- 1.2 In January 2023 the Independent Investment Programme Advisory Group (IIPAG) produced a report following a review of PCIP. At the meeting of the Committee in March 2023, a paper was presented outlining the IIPAG report following its review. This paper is in response to an action from that meeting to present a PCIP lessons learnt report from January 2020 to March 2023, while the remaining PCIP-involved personnel are still available.

2 Recommendation

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

3 Context

- 3.1 A summary of PCIP, and a summary of parallel P&C developments is provided as context for the lessons learnt here:

PCIP Summary

- 3.2 A summary of the PCIP timeline and discrete programme phases can be found in Appendix 1. Many improvements were delivered by PCIP, with most progress made on the following:
 - (a) **Improvements to P&C leadership:** a new Band 4/5 structure was stood-up in March 2022, with category teams aligned to the new TfL operating structure;
 - (b) **Deployment of SAP Ariba across TfL:** a new Source-to-Pay system has provided an improved buying experience to support compliance, reporting, and visibility across goods, services, and works spend for TfL. Since its launch, 600 P&C users now have completed sourcing projects/variations

¹ This was originally called the 'Procurement & Supply Chain Improvement Programme (PSCIP)', but the name was changed in March 2022 to mirror the name change of the Procurement & Commercial team.

valued to c.£2.4bn, and 4,000 TfL users have already issued around 26,000 purchase orders with a value of over £3bn;

- (c) **Deployment of a new P&C Management Framework:** A dedicated SharePoint site hosting the updated commercial toolkit, procedures, guides and templates to support a common and consistent way of working across the 600 practitioners in P&C;
- (d) **Improved P&C pipeline:** Improved visibility of P&C customer pipeline and contract landscape, which will help to better plan and coordinate resource efforts – this will further improve with Ariba now in place; and
- (e) **Benefits delivery:** A revised approach to identifying, tracking, and validating benefits, with some dedicated support to P&C projects to facilitate the delivery of £113m (£41m of which cash releasing efficiencies, £72m cost avoidance) of efficiencies in Financial Year 2022/23 against a target of £86m.

3.3 In reflecting on the phases of PCIP, it is recognised that a number of relevant events occurred during the life of the programme, which had a bearing on the scope, trajectory, and overall delivery. These are covered in more detail in section 4, but were:

- (a) the coronavirus pandemic in 2020 impacting organisational and P&C priorities;
- (b) inconsistency of sponsorship and leadership;
- (c) the application of governance and oversight of key decisions;
- (d) a loss of focus on Capital, and the P&C operating model restructure for lower bands; and
- (e) the need for a re-procurement of a delivery partner mid-way through the programme.

Summary of P&C parallel developments

3.4 In parallel with PCIP's delivery, there have been some notable developments within P&C over the past nine months:

- (a) in September 2022, there was a change of leadership for the P&C function, with the Chief Procurement Officer (CPO) role removed following a TfL-wide director review. Overall accountabilities for the function were discharged by three officers: two Procurement Directors (aligned to Operations, and Capital), and a Head of Procurement for Professional Services;
- (b) in October 2022, the P&C function transitioned back into the reporting line of the Chief Finance Officer (CFO), having previously spent 10 months as part of the Capital Directorate;
- (c) in November 2022, the staff Viewpoint survey showed a positive shift in overall P&C Viewpoint engagement (+4 percentage points (pp)), and in the

responses a positive trend for engagement with work (+7 pp), management (+6 pp), and leadership (+7 pp) was apparent;

- (d) in January 2023, a stocktake by the CFO and the P&C leadership team produced reflections on the extent to which the stated objectives of PCIP were achieved along with clarity on how remaining scope gaps, and some newly identified requirements, would be taken forward as part of a P&C 14-point improvement plan. This was included as an appendix to the IIPAG paper presented to the meeting of the Committee in March 2023; and
- (e) in April 2023, the Head of Procurement for Professional Services left TfL and their team was re-distributed to the two Procurement Directors. A further change to the leadership structure was also made, with all Central Enabling Teams re-consolidated under the Head of Planning & Systems.

4 Lessons learnt

- 4.1 In line with TfL good practice, a lessons learnt exercise has been undertaken for PCIP as a programme. As part of TfL Technology & Data's Pathway governance, a detailed lessons learnt will also be undertaken during June 2023 on the SAP Ariba programme specifically – these will similarly be reviewed by TfL's defined ERP² programme governance.
- 4.2 This next section draws out some of the headline examples for this Committee and is split by (1) the 'Challenge areas' that contributed to some of the delivery gaps; and (2) 'What went well' in contributing to the successes. The situational context, impact/ benefit, and take away learning is also stated for each point. Where appropriate for the challenge areas, the accompanying application of that learning in ongoing improvement work, or the ERP Programme, is also explained.

4.3 Challenge Areas

Changes in focus caused a deviation from the original programme scope

- (a) **Situation:** PCIP was understandably paused in March 2020 due to the coronavirus pandemic, then restarted later in 2020. By this stage, the selection of Ariba had been made in parallel due to the pressing need to replace TfL's outdated legacy source-to-pay systems. In Summer 2021, due to financial sustainability pressures faced by TfL, there was an introduction of scope to address benefits delivery. In March 2022, there was also a decision to prioritise benefits delivery, the P&C Management Framework, and SAP Ariba delivery;
- (b) **Impact:** There was an erosion of focus on some pivotal scope areas, namely (1) Capital-related items (e.g. Estimating and Cost Management) and systems activity, and (2) further P&C operating model review activity (covered in more detail, below). Ultimately, these scope changes caused PCIP to underdeliver on a number of its business case objectives;

² The Enterprise Resource Planning (ERP) Programme is improving the integrated use of software and systems that underpin TfL's core processes across critical business functions (E.g. HR, Finance and Procurement)

- (c) **Learning:** On long programmes, reviews (including independent audits) during key stages should be undertaken to validate progress against the original business case scope, cost, and schedule; and
- (d) **Application:** The 14-point improvement plan will be subject to reviews by Internal Audit, and Our TfL Programme governance.

Inconsistency of sponsorship and leadership

- (a) **Situation:** There was a key staff absence for periods in 2022 followed by the departure of the Head of PCIP in summer 2022 and the Chief Procurement Officer (CPO), who was also the PCIP Senior Responsible Officer (SRO) in September 2022. A back-fill replacement for the Head of PCIP was only in the role for eight weeks;
- (b) **Impact:** This led to a fragmented PCIP leadership and P&C sponsorship focus during 2022, which impacted senior-level and stakeholder awareness of, and buy-in to, some of the people/ process/ systems changes by P&C teams and TfL customer functions;
- (c) **Learning:** On complex change programmes, clarity and consistency of senior sponsorship is important for a continuity of direction and senior-peer engagement; and
- (d) **Application:** For the P&C Improvement workstreams, sponsorship is now clearly defined, with the CFO as overall sponsor, and the Director of Procurement and Commercial – Capital, the Director of Procurement and Commercial – Operations and the Head of Planning and Systems each picking up sponsorship across the 14-point improvement plan.

Inadequacy of governance and oversight

- (a) **Situation:** While the PCIP Steering Committee was well-represented and attended by senior TfL stakeholders on a periodic basis through to late-2021, from early-2022, it ceased to be convened. Instead, shorter less-frequent progress updates were given to Change Steering Group on an ad hoc basis;
- (b) **Impact:** Senior-level stakeholders became less sighted on progress and/or involved in the endorsement of key decisions. This reduced their awareness of, and buy-in to, some of the people/ process/ systems changes, and their ability to cascade key change messages across their own leaders and teams;
- (c) **Learning:** Robust and regular governance through a well-attended, well-represented steering committee is imperative for oversight, decision making, and support of business-wide change management; and
- (d) **Application:** A clear governance hierarchy has been agreed with a regular cadence. This includes a periodic CFO forum, with regular sponsor updates to review progress, endorse decisions/ recommendations, and manage emerging risks.

Multiple Support Partner procurements and changes

- (a) **Situation:** The original PCIP support partner procurement commenced in early 2020 with expressions of interest from the market but was paused. It was then cancelled and re-run after the pandemic in Autumn 2020 using Crown Commercial Services, which was awarded to PwC (supported by Retearn). Following the Phase 1 diagnostic activity a full re-procurement of the scope was needed;
- (b) **Impact:** The need for multiple procurements caused a number of delays (of around eight months in total). The re-procurement itself was brand-damaging for PCIP and caused a disruption in diverting already busy resources. It necessitated a re-baselining of the programme and created a disconnection on logical phasing and interdependencies between people, process, and systems scope. In some cases, a complete deferral of key scope areas occurred. There was also a duplication of onboarding activity needed to bring new partners up-to-speed to recover lost ground;
- (c) **Learning:** The sourcing strategies for support partners should be subject to the routine P&C assurance and governance process; and
- (d) **Application:** There is currently no intention to use any support partners on the next phase of improvement activity. However, should that change, any resulting procurement strategy will undergo peer review and assurance.

Insufficient focus on capital-specific requirements

- (a) **Situation:** In October 2021, as a result of increasing delays to the programme, a decision was taken to exclude capital-specific requirements within the re-procurement scope. Instead, a separate capital partner was to be sourced to retrofit capital deliverables into the Management Framework;
- (b) **Impact:** This was a missed opportunity to deliver important capital-specific needs within the scope of the P&C Management Framework deployment, and to create a common process toolkit for all of P&C as originally intended. As events ultimately played out, there was a reduced PCIP focus on capital (compounded by the leadership and governance challenges outlined above), with the scope deferred to Business As Usual delivery by the P&C Capital team during 2022;
- (c) **Learning:** Opportunities to aggregate scope where practicable create the advantage of better-coordinating delivery and achieving desired outcomes; and
- (d) **Application:** There is a dedicated Capital Improvement Programme as one of the 14-point improvement plan workstreams. This picks up on IIPAG's recommendations and incorporates the remaining capital scope gaps from PCIP.

Descoping of further P&C operating model review activity

- (a) **Situation:** Following the re-procurement and commencement of Phase 3, the revised PCIP implementation plan had further operating model reviews

scheduled for the first half of 2022. Given some of the sponsorship challenges outlined above, a decision was taken to defer this activity;

- (b) **Impact:** The consequence of this was that the capability improvement needs of P&C as a function were not fully identified. The learnings and insights about the people landscape that would usually be derived from such an exercise were not captured. The resulting impact was the change strategy for the Management Framework and SAP Ariba was unsighted on some of the more specific training needs and support requirements across the team to facilitate a smooth deployment;
- (c) **Learning:** The interdependencies of activities on a programme should be scrutinised to fully understand the impact and consequences of scope changes before they are agreed; and
- (d) **Application:** The 14-point Improvement plan will be underpinned by workstream plans, with key milestones and interdependencies captured and monitored by a Programme Management Office team.

Ariba Source-to-Contract (S2C) Change Management approach

- (a) **Situation:** A programme-level change strategy for PCIP was not maintained, with change instead being managed tactically at a workstream level. The focus on Source-to-Contract (S2C) change itself did not properly commence until April 2022, which was due to a combination of factors: PCIP change resources were focussed on the band 4 and band 5 people process; delays in securing dedicated TfL change resources; the disruption of the re-procurement; and the scope changes of the programme outlined above;
- (b) The guidance from TfL Learning & Development was that training for new systems at TfL was no longer classroom-based. On this basis, a catalogue of training videos was developed by ExceleratedS2P for all facets of Ariba S2C – an approach that is now industry common practice. This would be supported by a ‘Hypercare’ period of 2 months, which included regular ‘Masterclass’ presentations, drop-ins, 1:1 coaching, and helpdesk support;
- (c) **Impact:** While successful for a large majority of the P&C team, the change approach was not adequate for pockets of users with more specific training needs on processes and systems. The lack of awareness by the PCIP team of these users’ needs was a product of the delayed focus on change, combined with the deferral of the operating model restructure. These pockets of users had a sub-optimal experience of Ariba, which created a number of challenges for P&C and PCIP leadership to try and resolve;
- (d) **Learning:** A major system deployment, or any large-scale change, must be supported a comprehensive change strategy, informed by a training needs assessment to identify appropriate methods to upskill the user base. For complex process change, classroom-based learning must be considered as an option; and
- (e) **Application:** SAP Ariba change management learnings will be captured and incorporated into other Enterprise Resource Planning workstream plans.

Delays in establishing the Ariba support model for the Business Services Function (BSF)

- (a) Situation:** To service the ongoing maintenance and operation of Ariba it was agreed during the design phase in Autumn 2021 that PCIP would establish a steady-state support model. This would include a new Source-to-Pay Operations team within Business Services Function, and additional capacity within the existing BSF Helpdesk. It would be the main point of escalation for any P&C users, or TfL business users needing support or guidance;
- (b)** the operating model design and set-up for this was originally part of ExceleratedS2P's accountabilities, but a decision was taken in early-2022 to transfer this to specialist consultants within the PCIP team;
- (c)** during 2022, PCIP leadership experienced a number of challenges which resulted in a deviation of focus (as outlined above);
- (d)** in addition, given the S2P Operations team involved the creation of 17 new roles, a significant resourcing effort was needed;
- (e) Impact:** Ultimately, delivery of the steady-state Ariba Support Model was late, with the team only recently established and operational in May 2023. Because of this, to maintain the Ariba S2C go-Live in September 2022, the PCIP team had to manage support for P&C users. For the Ariba Guided Buying go-Live in January 2023, support was provided by a combination of ExceleratedS2P and the PCIP team;
- (f)** a significant burden of demand was placed on an already stretched PCIP team over a protracted period (e.g. S2C Hypercare was needed for six months instead of two months as planned). This was in parallel with preparing for the deployment of Ariba Guided Buying. Inevitably, some users in P&C and TfL experienced issues in the timeliness of having their helpdesk queries responded to, which affected their experience of the deployment;
- (g)** Overall, there was an underestimation of the effort needed to establish the Support Model, which was compounded by an early change of delivery approach, and insufficient PCIP leadership focus and coordination during 2022;
- (h) Learning:** On complex system/ operating model transformations, a clear schedule of activity should be documented, with appropriate tracking and oversight by governance to monitor and mitigate risks; and
- (i) Application:** SAP Ariba learnings will be captured and incorporated into other ERP workstream plans.

Migration of legacy contract data into Ariba

- (a) Situation:** Within P&C there was a legacy of inconsistent practices around maintaining contract data. There were also limited controls in place between

the systems used previously and the validity of/compliance with contracts (NB. This was part of the rationale for investing in Ariba);

- (b) in conjunction with the P&C Planning & Systems team, a contract data migration approach was agreed, which involved a four-month contract 'amnesty'. This was so P&C users could share all off-system legacy contracts with PCIP so they would be uploaded into Ariba for immediate use after go-Live in September 2022. Post go-Live, uploading any remaining off-system contracts would become a BAU activity for the relevant P&C teams;
- (c) post go-Live, P&C experienced some resourcing constraints on key roles: During October and November 2022 some key leadership personnel left the P&C Planning & Systems team. To support BAU ownership of Ariba in P&C, a S2C Capability Lead role was designed into the P&C Central Enabling Team. However, at the point of go-Live, that role was unfilled;
- (d) post S2C go-live, the PCIP team pivoted into a busy period of preparation for the Guided Buying launch a few months later;
- (e) **Impact:** After go-Live, due to the resourcing gaps, limited coordination or tracking of contract uploads occurred. This meant little progress was made in the months that followed. This situation only came to light in February 2023 after Ariba Guided Buying went live and pockets of TfL users were unable to raise requisitions against the contracts missing from the system;
- (f) this created an amount of disruption for small groups of TfL users and the P&C team while a tactical fix was identified and implemented:
- (g) **Learning:** Clarity on accountabilities for specific activities remove ambiguity of ownership; and more stringent tracking of risks help for the early identification and mitigation of potential problems before they become issues; and
- (h) **Application:** Each of the 14 improvement workstreams have clear leads and sponsors. They will be supported by clear plans, with activities and resource allocation.

4.4 What Went Well

- (a) Where appropriate, the good practices already in place will be applied across all relevant elements of the 14 improvement workstreams, and the ERP Programme:

Use of industry-leading support partners

- (i) **Situation:** For the delivery of benefits, and the development and deployment of new processes, toolkits, and SAP Ariba, PCIP sourced and selected expert partners (E.g. Efficio Consulting as procurement experts for benefits delivery and the Management Framework, and ExceleratedS2P as one of SAP's top-tier partner to deliver SAP Ariba);
- (ii) **Benefit:** By bringing a wealth of delivery experience and proven toolkits from other regulated clients, this helped to accelerate some of the

design and development activity, and meant PCIP achieved all of its Phase 3 stated major delivery milestones on-time; and

- (iii) **Learning:** Acting in the capacity of an intelligent client with a clear understanding of scope and desired outcomes, TfL can use external support in a targeted way to deliver positive improvements.

Inclusive engagement of stakeholder groups in design phases

- (i) **Situation:** During the design and deployment phases of new Management Framework and SAP Ariba, engagement with key stakeholder groups was prioritised by Efficio and ExceleratedS2P. These groups were (1) around 60 P&C representatives, (2) the P&C Senior Leadership Team, and (3) TfL enabling functions (e.g. Safety, Health and Environment);
- (ii) **Benefit:** This fostered an environment of co-creation with the P&C team and key stakeholders, and latterly helped to support adoption with key user-groups; and
- (iii) **Learning:** Where practicable, early engagement and co-creation of solutions promotes ownership of outcomes and facilitates the change management process.

P&C Management Framework in-person training

- (i) **Situation:** All permanent P&C staff were offered a 3-day in-person training course designed and delivered by Efficio as part of the Management Framework roll-out with B4/5 sponsors 'championing' modules. Four hundred Full Time Equivalents attended during September to November 2022. This was a mix of theory-based presentations and interactive group exercises covering skills, behaviours and processes. Feedback from each cohort was consistently very positive;
- (ii) **Benefit:** This interactive in-person approach brought P&C teams together for the first time since before the pandemic. Having a mixture of industry insights from Efficio's subject experts along with TfL case study discussions meant attendees could discuss and learn from each other's experiences; and
- (iii) **Learning:** To support the deployment of complex topics, structured in-person events allow for greater interaction and engagement.

Transfer of Ariba Guided Buying deployment to ERP Leadership

- (i) **Situation:** In September 2022, both the PCIP SRO and the Head of PCIP left TfL. It was recognised that business readiness for the Ariba Guided Buying deployment (targeted for January 2023) was off-track and in critical need of sponsorship to rapidly increase TfL engagement in the short window available;

- (ii) Given the high-profile nature of the deployment to 4,000 users across TfL, there were significant risks that a sub-optimal delivery would impact business continuity and reputation. Therefore, a decision was taken to transfer the scope of deployment under the leadership of the TfL ERP programme;
- (iii) **Benefit:** This re-established a level of stability and direction, and allowed the Guided Buying programme to take advantage of strong ERP sponsorship and governance via the ERP SteerCo. This was a major contributing factor to recovering lost ground and increasing business engagement on Guided Buying, and ultimately its successful on-time delivery; and
- (iv) **Learning:** Establishing strong sponsorship and clear governance is critical to support engagement and buy-in.

Guided Buying Change Support Structure

- (i) **Situation:** To support the SAP Ariba Guided Buying deployment activity, PCIP developed expansive networks across TfL functions to promote change and comms activity. These included Business Unit Leads and Guided Buying Champions from all TfL functions, who were part of a structured comms cascade in the key stages of the project;
- (ii) **Benefit:** Creating a sense of 'owning the change' locally within each function meant communications were regularly delivered to users from peers they recognised. This targeted approach was pivotal to a smooth deployment to 4,000 users across TfL; and
- (iii) **Learning:** Involving local representatives as part of the change process can improve how communications are delivered, understood, and acted upon.

5 Next steps

- 5.1 From a P&C perspective, the 14 improvement workstreams have now been mobilised, with individual leads and supportive sponsors identified for each workstream. Scoping activity is being finalised, with a supporting PMO and governance structure that builds on the lessons learnt outlined above.
- 5.2 Progress updates on the 14 improvement workstreams will be brought to future Committee meetings to ensure that the lessons learnt are fully embedded in the new ways of working.
- 5.3 From an ERP perspective, the detailed lessons learnt on SAP Ariba will be undertaken in June to fulfil TfL Technology & Data's defined Pathway governance. Some of the leadership and technical resources involved in the SAP Ariba programme are already involved in other ERP workstreams, so they bring to bear their experiences and plan to oversee the application of lessons learnt.

List of appendices to this report:

Appendix 1 – Programme Timeline and Summary of Activity

List of Background Papers:

Independent Investment Programme Advisory Group Procurement and Commercial Improvement Programme, meeting of the Finance Committee in March 2023

Contact Officer: Patrick Doig, Acting Chief Finance Officer
Email: Patrick.Doig@tfl.gov.uk

Appendix 1 – Programme Timeline and Summary of Activity

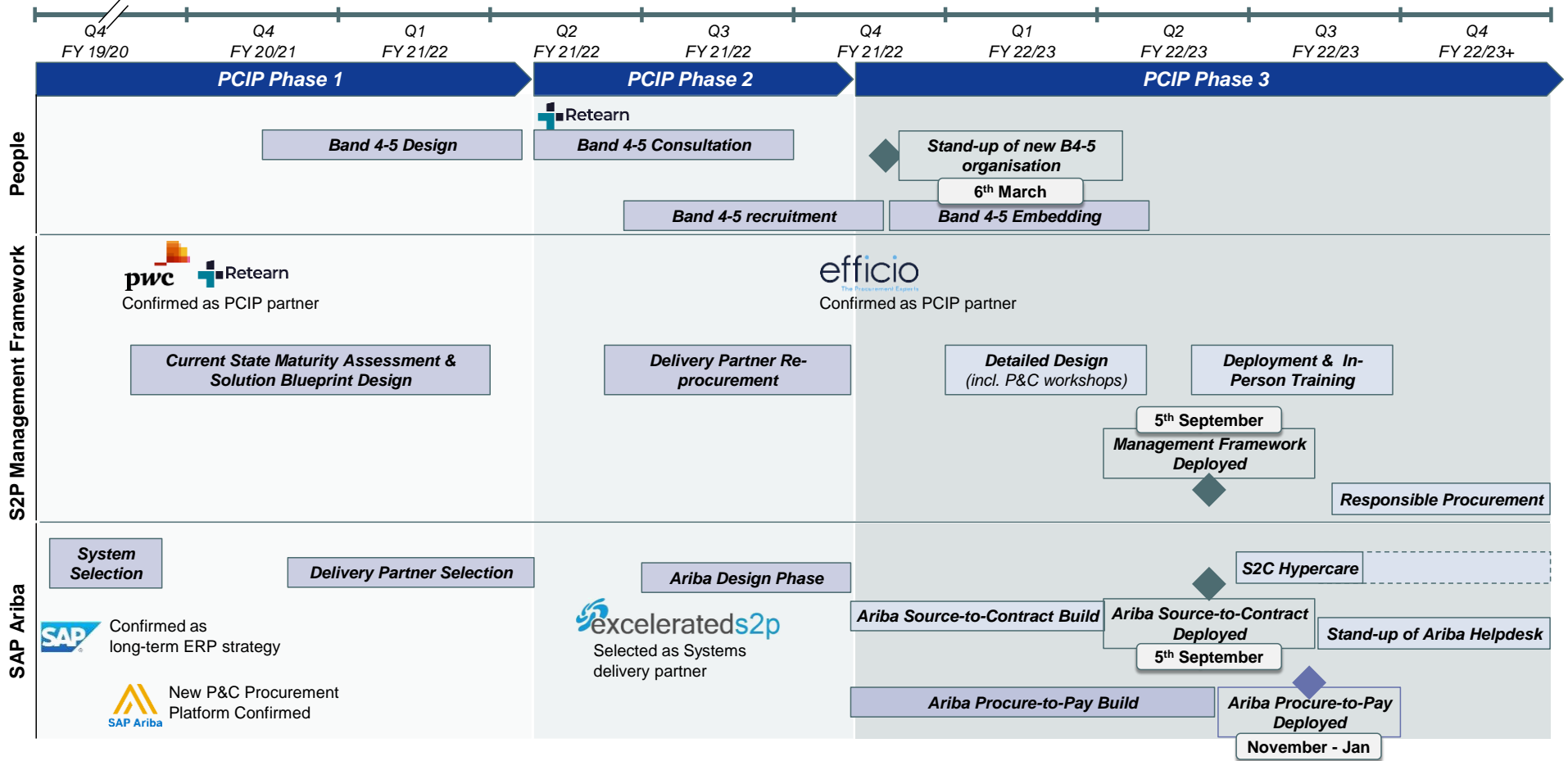


Illustration 1 – Programme Timeline

Summary Of Activity

Topic	Phase 1 (Jan-20 to June-21)	Phase 2 (Jul-21 to Dec-22)	Phase 3 (Jan-22 to May-23)																														
General	<ul style="list-style-type: none"> This phase started with the business case development for the current iteration of PCIP Autumn-20: A competitive tender process was run for a delivery partner with PwC/Retearn as the successful bidder The main focus of this phase was the B4/5 OD and the process/systems diagnostic As part of this phase, SAP Ariba was also selected as the preferred source-to-pay system 	<ul style="list-style-type: none"> Aug-21: short extension with Retearn allowed for the continuation of People activity and Systems design Aug-21 to Dec-21: Re-procurement of PCIP delivery partner (via CCS MCF) - Efficio as successful bidder 	<ul style="list-style-type: none"> The focus of this phase was: <ul style="list-style-type: none"> Stand-up of new organisation Benefits: Opportunity Assessment and delivery of projects with Efficio Development and deployment of the P&C Management Framework with Efficio Deployment of SAP Ariba in P&C (Sep-22), and across TfL (Jan-23) Standing up of structure to manage BAU support for Source-to-Pay processes and systems 																														
People	<ul style="list-style-type: none"> Dec-20 to Apr-21: Org Design activity focussing on new B4/5 senior leadership team Apr-21: Business Case ('DG2a') presented to ExCo with to-be structure proposing a reduced B4 FTE and increased Director/B5 FTE 	<ul style="list-style-type: none"> Jun-21 to Dec-21: People process conducted in line with stated business case <ul style="list-style-type: none"> B5 Consultation Jun-21 to Aug-21 B4 Consultation Jun-21 to Dec-21 Recruitment activity Jul-21 to Dec-21 	<ul style="list-style-type: none"> 6th Mar-22: New senior leadership structure stood-up <table border="1"> <thead> <tr> <th>Band / Grade</th> <th>Budgeted FTE 21/22</th> <th>Actual</th> <th>Vacancies /covered by NPL</th> <th>Proposed</th> <th>Net Change</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>1</td> <td>1</td> <td>-</td> <td>3</td> <td>+2</td> </tr> <tr> <td>Band 5</td> <td>8</td> <td>5</td> <td>3</td> <td>16</td> <td>+8</td> </tr> <tr> <td>Band 4</td> <td>97</td> <td>68</td> <td>29</td> <td>82</td> <td>-15</td> </tr> <tr> <td>Total</td> <td>106</td> <td>74</td> <td>32</td> <td>101</td> <td>-5</td> </tr> </tbody> </table>	Band / Grade	Budgeted FTE 21/22	Actual	Vacancies /covered by NPL	Proposed	Net Change	Director	1	1	-	3	+2	Band 5	8	5	3	16	+8	Band 4	97	68	29	82	-15	Total	106	74	32	101	-5
Band / Grade	Budgeted FTE 21/22	Actual	Vacancies /covered by NPL	Proposed	Net Change																												
Director	1	1	-	3	+2																												
Band 5	8	5	3	16	+8																												
Band 4	97	68	29	82	-15																												
Total	106	74	32	101	-5																												
Process	<ul style="list-style-type: none"> Apr-21: 'Solution Blueprint' presented as part of DG2a with maturity assessment of P&C and target improvement areas 	<ul style="list-style-type: none"> No process activity during this phase due to re-procurement (NB. The consequence of this being a delay of approx. 6mth on process development) 	<ul style="list-style-type: none"> Feb-22 to Aug-22: Detailed design and development of the P&C Management Framework Sep-22: Launch of the P&C Management Framework on SharePoint with in-person training for 400 FTEs 																														
Systems	<ul style="list-style-type: none"> Apr-21-Jun-21: G-Cloud tender process with ExceleratedS2P selected as systems integrator partner for SAP Ariba 	<ul style="list-style-type: none"> Jul-21 to Dec-21: Ariba design phase involving engagement with P&C team to gather requirements and map business processes. 	<ul style="list-style-type: none"> Jan-22 to Aug-22: Build and test phase of SAP Ariba Sep-22: Go-Live of Ariba Sourcing & Contracting for P&C team Nov-22: Pilot launch of Ariba Guided buying (SAP SRM replacement) for c.200 users Jan-23: Pan-TfL launch of Ariba Guided Buying (incl. GLA & TTLP). Sep-22 to May-23: Hypercare period to support new users in adopting the system. Mobilisation and up-skilling of Ariba Support 																														

Finance Committee



Date: 21 June 2023

Item: Forthcoming Key Procurement Activities

This paper will be considered in public

1 Summary

- 1.1 This paper sets out a summary of the major new procurements or contract extensions over the next 12 months and those that will be required from the Committee by way of Chair's Action between this meeting and the next one in October 2023. It also highlights significant forthcoming procurements that require approval at officer level during that period.
- 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 and 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 exempt supplementary information on Part 2 of the agenda.**

3 Background

- 3.1 There is a recognised need to provide this Committee and other decision makers in TfL with a forward look on the pipeline of major procurements requiring decisions.
- 3.2 The Procurement and Commercial (P&C) function within TfL has worked to improve its forward planning, for example by consolidated multiple sources of data regarding the plans for contract renewals and new procurements. This has enabled P&C to establish a pipeline of activities over the next 12 months.
- 3.3 P&C's ability to plan the necessary governance and approval timescales, in conjunction with meetings of relevant committees where appropriate, is, and will continue to improve. This will not entirely remove the possible need for out of cycle approvals which require Chair's Action, either because of the conclusion of a procurement which falls naturally in timing between meetings, or because of an urgent requirement.

3.4 This paper sets out the approvals anticipated to be required from the Committee by way of Chair's Action between this meeting and the next one in October 2023 and highlights significant forthcoming procurements that require approval at officer level during that period.

4 One year look ahead

4.1 At the meeting of the Committee in March 2023, we were asked to provide a year look ahead on the procurement activities to this meeting, and to provide a two year look ahead at the October 2023 meeting of the Committee.

4.2 The one year look ahead is summarised below. The pipeline for strategy approvals and contract awards due between June 2023 to May 2024 covers 165 contracts with an estimated total value of £6.0bn and an equivalent annual spend of £1.43bn. This is broken down as follows:

P&C Division	Team	No	Estimated Contract Spend	Equivalent Annual Spend
Capital and Technology	Capital Infrastructure	27	£731m	£226m
	Capital Systems	23	£380m	£220m
	Technology	19	£1.29bn	£158m
Operations and Professional Services	Fleet	30	£178m	£57m
	FM	17	£2.63bn	£542m
	Indirects	4	£31m	£16m
	Infrastructure	20	£398m	£59m
	Rail and Sponsored Services	13	£222m	£75m
	Track	12	£179m	£77m
Grand Total		165	£6.04bn	£1.43bn

5 Planned procurement activity ahead of the next meeting

5.1 There are two business units within the P&C function, and the key forthcoming procurement activities for both of them are summarised below. Further details of these procurement activities are provided within the related paper on Part 2 of the agenda, which contains exempt supplementary information.

5.2 In Operations and Professional Services:

- (a) we are currently forecasting that one contract award and once contract extension will require Committee approval by Chair's Action between now and the next meeting; and
- (b) we are currently forecasting four other significant procurements across Operations and Professional Services that require approval at officer level during this period.

5.3 In Capital and Technology:

- (a) the majority of decisions for contracts related to capital expenditure are routed through the Programmes and Investment Committee rather than to this Committee;
- (b) we are currently forecasting one contract extension which will require Committee approval by Chair's Action between now and the next meeting; and
- (c) we are currently forecasting eight other significant procurements across Capital and Technology that require approval at officer level during this period.

6 Improving Visibility of the Procurement Pipeline

6.1 To date, the following steps have been taken by P&C to provide greater visibility on the pipeline of procurement activity:

- (a) an initiative the quality of data captured in the Ariba Source to Contract system with guidance and processes flow provided by our P&C Central Enabling team;
- (b) obtaining visibility of the Central Project List (held by the Programme Management Office) to ensure P&C's view of the pipeline is aligned with data held elsewhere in TfL. This is work is necessary to enable P&C to take a two year forward look of the pipeline; and
- (c) improved and effective reporting to stakeholders on the procurement pipeline through automated PowerBI dashboards allowing P&C to access and report real time data on the pipeline.

6.2 In addition to the work already underway to improve visibility of the procurement pipeline, P&C are also looking at how we can better inform the supply market of forthcoming procurement opportunities e.g. through improving the quality of the data we publish about our contract opportunities on the TfL website and issuing Prior Information Notices.

List of appendices to this report:

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

List of background papers:

None

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Finance Committee



Date: 21 June 2023

Item: Docklands Light Railway Franchise Procurement

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to update the Committee on the forthcoming procurement process planned to be undertaken by Docklands Light Railway Limited (DLRL) for the new franchise for the provision of passenger operations and maintenance of the Docklands Light Railway (DLR).
- 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 business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendations

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

3 Background

- 3.1 Under a franchise agreement entered into on 17 July 2014 all aspects of train and passenger service operations and maintenance of rolling stock and infrastructure on the DLR network are undertaken by Keolis Amey Docklands Limited (KAD). This franchise agreement will expire on 1 April 2025.
- 3.2 While operations and maintenance responsibilities sit with the current franchisee, DLRL owns all of the infrastructure estate, including those sections of the railway that have returned to DLRL ownership following the expiry of legacy Private Finance Initiative contracts in 2021.
- 3.3 The majority of the rolling stock fleet is owned by DLRL, but 24 of the vehicles are owned by the Royal Bank of Scotland under a lease signed in April 2005. DLRL is procuring a new fleet of 54 trains, 33 of these will replace the oldest trains on the network (not the leased vehicles) and 21 will provide additional capacity by supporting additional services on the network. These new trains will be introduced from 2024.

- 3.4 The current franchisee is remunerated for meeting a target level of service performance metrics with a package of incentives for increased performance and abatements for below target performance. These metrics relate primarily to achieving departures on time, journey times and customer service. In addition, the current franchisee is also incentivised to undertake revenue protection activities.
- 3.5 DLRL retains the revenue and passenger demand risk on the DLR network as well as the right to specify services. DLRL is also responsible for capital projects in relation to DLRL infrastructure. TfL centrally manages advertising, marketing, and commercial development activities on the network.
- 3.6 The current franchisee has been highly successful in performance terms with consistent high levels of operating performance (98.8 per cent of scheduled departures achieved to date during current franchise) and the second highest rail mode (first is the Elizabeth line) customer satisfaction (scoring 78 out of 100 in the latest periodic survey results). The current franchisee also delivered the full timetabled service during the pandemic with no cancelled services.
- 3.7 In April 2023, DLRL issued a Prior Information Notice (PIN) to inform the market about forthcoming potential procurement opportunities for services on the DLR, London Overground (LO) and Elizabeth line (EL), and an Early Market Engagement exercise is being carried out in June 2023 to provide more information to prospective bidders and seek their feedback.
- 3.8 Work across these procurements is being co-ordinated to ensure consistency in the service offering, contract design and engagement with the market. The high-level, indicative procurement programme for these procurements is set out in Appendix 1. Further papers will be presented to the Committee in due course in relation to the procurement process for LO and EL services
- 3.9 A paper on the forthcoming EL concession procurement appears elsewhere on the agenda for this meeting.

4 Procurement Process

- 4.1 In mid-June DLRL, EL and LO representatives will take part in a week of Early Market Engagement (EME) meetings with prospective bidders. These meetings will be conducted as one to one sessions with those parties who responded to the Prior Information Notice. During this EME, TfL will benefit from market testing key specification principles, as well as presenting an opportunity for the market to provide feedback. There are controls in place to ensure this EME is conducted in a manner that is fair and transparent and protects the integrity of the procurement process as well as the commercial confidentiality of the participants.
- 4.2 DLRL then intends to commence the procurement process for the New Franchise by issuing a contract notice in Summer 2023.

5 Next Steps

- 5.1 DLRL will return to the Committee in due course, to provide further updates (as appropriate), and to seek approval for the award of the new franchise agreement and related matters.

List of appendices to this report:

Appendix 1: High Level Strategic Rail Procurement Programme.

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

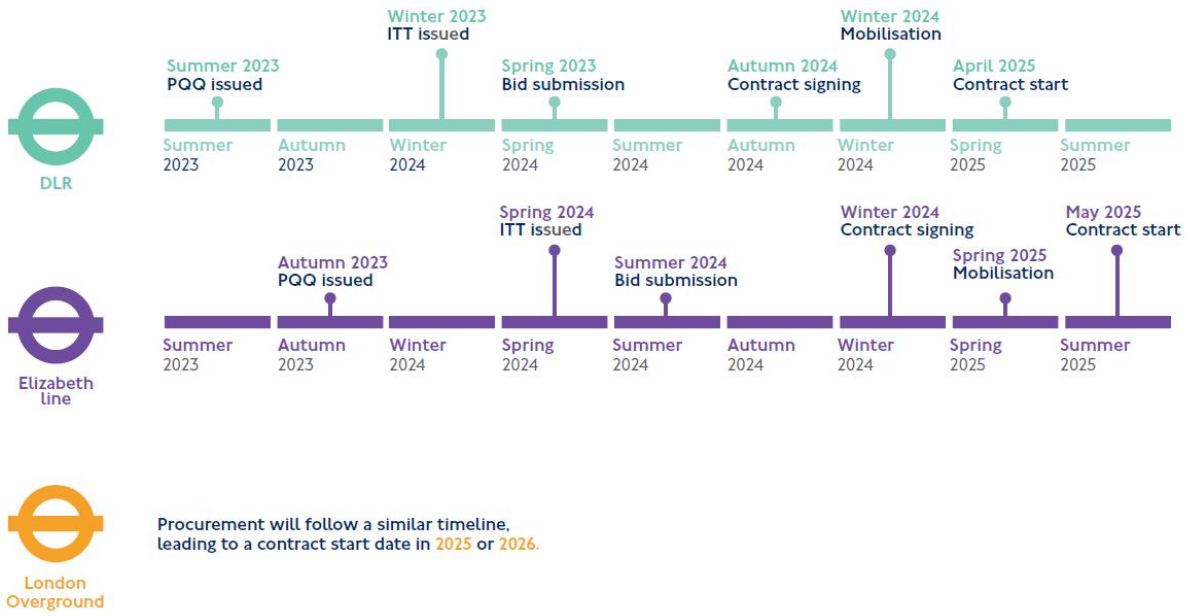
List of Background Papers:

None

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Appendix 1

DLR, EL and LO High Level Indicative Procurement Programme



Finance Committee



Date: 21 June 2023

Item: Elizabeth Line Concession Procurement

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to update the Committee on the forthcoming procurement process planned to be undertaken by Rail for London (RfL), a wholly owned subsidiary of Transport for London, for the new concession for the provision of passenger operations on the Elizabeth line (EL).
- 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 business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendations

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

3 Background

- 3.1 In 2008, as part of a suite of agreements relating to the wider Crossrail project, TfL and the Secretary of State for Transport entered into a Sponsors Agreement (Sponsors Agreement) which, among other things, requires TfL (or its subsidiary) to procure the operation of the Crossrail train and station services comprising:
 - (a) new train and station services operating on the new Crossrail infrastructure (Central Operating Section); and
 - (b) transferring train and station services currently forming part of the Greater Anglia and Great Western franchise agreements let by the Department for Transport (DfT),together, by the granting of a Concession Agreement.
- 3.2 On 30 July 2014, RfL entered into a Concession Agreement with MTR Corporation (Crossrail) Limited (MTR) for the provision of these services on the Elizabeth line. This Concession Agreement, following a period of contract extension, will expire on 25 May 2025.
- 3.3 While train and passenger services operations responsibilities currently sit with MTR, the railway track infrastructure is managed by Rail for London (Infrastructure) Limited (RfL(I), a wholly owned subsidiary of TfL), Network Rail

(NR) and Heathrow Airport Limited. The newly built Central Operating Section is managed by RfL(I), the existing main line infrastructure between Paddington and Reading stations and Liverpool Street and Shenfield stations is managed by Network Rail and the Heathrow spur is managed by Heathrow Airport Holdings Limited (HAL). MTR has entered into track access agreements (TAAs) with each of (RfL(I)), NR and HAL.

- 3.4 MTR is remunerated against various service performance metrics with a package of incentives for increased performance and abatements for below target performance. These metrics relate primarily to headway, capacity, delay and customer service. In addition, MTR is also incentivised to undertake revenue protection activities.
- 3.5 We currently retain the revenue and demand risk on the EL as well as the right to specify services. TfL, via RfL(I), is responsible for capital and maintenance work in relation to TfL-managed EL infrastructure. TfL currently centrally manages advertising, marketing, and commercial development activities on the EL.
- 3.6 MTR has played a significant role in the completion of the Elizabeth line including recruiting and training over 480 drivers, increasing daily services from around 300 to over 1,000 as of May 2023 and consistently delivering high levels of customer satisfaction, with the latest results of TfL Customer Surveys scoring the highest of all TfL modes at 82. The Elizabeth line now carries over 650,000 passengers per day.
- 3.7 In April 2023, we issued a Prior Information Notice to inform the market about forthcoming potential procurement opportunities for services on the Docklands Light Railway (DLR), London Overground (LO) and EL, and an Early Market Engagement exercise is being carried out in June 2023 to provide more information to prospective bidders and seek their feedback.
- 3.8 A paper on the forthcoming DLR franchise procurement is contained at Item 12 on the agenda.

4 Concession Pre-Qualification and Invitation to Tender

- 4.1 Between 12 and 16 June DLR, EL and London Overground representatives will take part in a week of Early Market Engagement (EME) with prospective bidders. These will be conducted as one to one sessions with parties who responded to the Prior Information Notice issued on 3 April 2023. During this EME we will benefit from market testing key specification principles, as well as presenting an opportunity for the market to provide feedback. There are controls in place to ensure this EME is conducted in a manner that is fair and transparent and protects the commercial confidentiality of the participants.

5 Next Steps

- 5.1 We will return to the Committee in due course, to provide further updates (as appropriate), and to seek approval for the award of the new Concession Agreement and related matters.

List of appendices to this report:

Appendix 1 - DLR, EL and LO High Level Indicative Procurement Programme
Exempt supplementary information is included in a paper on Part 2 of the agenda

List of background papers:

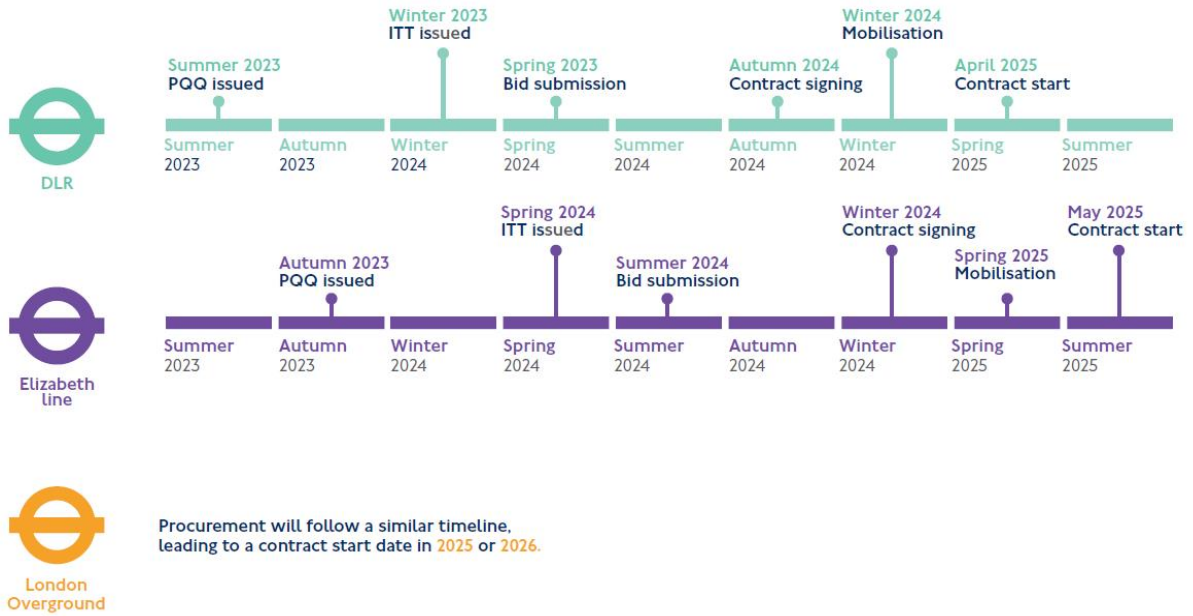
None

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Appendix 1

DLR, EL and LO High Level Indicative Procurement Programme



Finance Committee



Date: 21 June 2023

Item: **Capita Access and Wide Area Network Contract: Three Year Extension**

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to seek authority for the proposed three-year extension of the Capita Access and Wide Area Network (WAN) Contract, to 9 August 2026.
- 1.2 A paper is included on Part 2 of the agenda, which contains exempt supplemental 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 and tenderers. 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 and grant Procurement Authority at the sum set out in the related paper on Part 2 of the agenda for the three-year extension of the Capita Access and Wide Area Network Contract as described in this paper and the related paper on Part 2 of the agenda.**

3 Background

- 3.1 In May 2016, TfL's Executive Committee approved our first Telecommunications and Data Network Strategy. This strategy sets out our high-level approach to rationalising and consolidating our data networks in order to realise the following benefits:
 - (a) reduce the cost of network services by: (i) removing unnecessary network complexity and duplication; and (ii) maximising TfL's buying power through the consolidation of network service contracts;
 - (b) reduce the time to market for new and changed services through the use of standardised network services; and
 - (c) present new opportunities to generate revenues through the exploitation of TfL's data network infrastructure and rights of way across London.

- 3.2 The Telecommunications and Data Network Strategy describes several portfolios of data network services used by TfL. Our approach to the first of these portfolios - commodity outsourced networks – is to consolidate TfL’s multiple commodity outsourced network service contracts onto a single, pan-TfL network service contract.
- 3.3 In December 2017, the Committee granted Procurement Authority to enter into a contract (the Access & WAN Contract) with Capita Business Services Limited.
- 3.4 The Access & WAN Contract is the vehicle through which we are consolidating and rationalising our portfolio of commodity outsourced network services. The Access & WAN Contract has an initial five-and-a-half-year term (Initial Term) which runs until 9 August 2023.
- 3.5 The Access & WAN Contract includes options for TfL to extend its duration beyond the Initial Term for up to five further years.
- 3.6 For the reasons set out in the paper included on Part 2 of the agenda, TfL’s current proposal is to initially extend the term of the Capita Access & WAN Contract for a further three years until 9 August 2026.

List of appendices to this report:

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

List of background papers:

Capita Access and Wide Area Network Contract: Procurement Authority Uplift, Finance Committee, 10 March 2021

Contact Officer: Shashi Verma, Chief Technology Officer
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Finance Committee



Date: 21 June 2023

Item: Enterprise Risk Update – Efficient and High Performing Supply Chains and Effective Procurement (ER05)

This paper will be considered in public

1 Summary

- 1.1 This paper describes Transport for London's (TfL's) position on Enterprise Risk 05 (one of ten level 0 risks across TfL) – “Efficient and high performing supply chains and effective procurement” and reflects the risk management approach to the increased scope of the risk, since the previous paper submitted to the Committee on 22 June 2022.
- 1.2 This paper outlines the scope of enterprise risk, current assessment, preventative controls, mitigation activities in place and improvement plans associated with upcoming Procurement and Commercial (P&C) improvement workstreams to reduce TfL's risk across our procurement, commercial and supply chain activities.
- 1.3 A paper is included on Part 2 of the agenda, which contains exempt supplementary information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

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

3 Background

- 3.1 The P&C function (including the ownership of this enterprise risk) has recently transferred from the Chief Capital Officer to Chief Finance Officer (CFO). In parallel, the CFO has undertaken a stocktake of P&C activities and priorities, culminating in a '14-point improvement plan' (Appendix 1) and a refreshed P&C scorecard for 2023/24 (Appendix 2) to monitor performance and associated strategic risks. This 14-point improvement plan covers a range of workstreams linked to TfL's vision and values - colleague, customer, green, finance and our foundation – and, in conjunction with the refreshed scorecard, links to the strategic risks outlined in this paper. Activities in the Procurement

and Commercial Improvement Programme are contained in separate papers elsewhere on the agenda for this meeting.

- 3.2 TfL relies heavily on contracted goods, works and services to enable safe and reliable journeys for passengers. These goods, works and services are largely provided by our Tier 1 suppliers and their sub-contractors (together comprising the supply chain), many of whom are key to TfL's operation and success across all modes of transport.
- 3.3 Failure to sufficiently identify and appropriately manage risks in our procurement and supply chain functions, could result in impacts on safety, increase costs, cause delays to project delivery and interrupt operational services.
- 3.4 Following the notable increase in scope of ER05, the P&C and Risk and Assurance teams have defined four key risk areas for P&C – Supply chain disruption, Capability (of the P&C function), Compliance, and Value for Money. Any capability risks will be fed into a pan-TfL Level 1 people related risk. The process of re-assessing these risks is currently underway and due to complete by July 2023.
- 3.5 This paper outlines the risks in these four areas, along with their causes, impacts and mitigations (sections 4-6). Aligned to the 14-point improvement plan, a number of actions and activities have been outlined (section 7) to enhance our ability to manage and respond to risk in the medium to long term thereby reducing potential disruption.

4 Causes of risks

Capability risk

- 4.1 Capability risk refers to the potential lack of availability of skills and expertise in P&C, along with sufficient competence, resourcing, knowledge, training, systems and processes to deliver a quality service to our internal and external customers.
- 4.2 The primary risk at present is the challenge in recruitment and retention of staff, leading to a shortage of capacity, necessary expertise and impacting diversity within the P&C team. Current vacancies stand at approximately 140 roles, which represent around 25 per cent of total establishment.
- 4.3 Further capability risks have been identified, including:
 - (a) ineffective, fragmented and sub-optimal deployment of systems and complex processes and procedures across the P&C teams;
 - (b) frequent organisational changes have resulted in change fatigue and a disaggregated approach to learning, skills, development and succession planning in the P&C team; and

- (c) a lack of understanding of diversity and the associated skills and experience makes P&C less able to meet our aspirations on Equality, Diversity and Inclusion (EDI).

Compliance risk

- 4.4 Compliance risk stems from a potential lack of adherence to the necessary guidelines and regulations to achieve fairness and transparency or the ability to demonstrate compliance with the Public Contracts Regulations 2015, Utilities Contracts Regulations 2016 and Concessions Contracts Regulations 2016, TfL's own internal procedures and GLA Group policies.
- 4.5 Further key compliance risks have been identified, including:
 - (a) TfL sourcing being conducted in a manner that does not meet regulatory requirements (non-compliant direct awards) or are non-competitive, due to short term planning, restrictive specifications and/or ineffective communication between internal directorates;
 - (b) P&C colleagues and systems, and wider business stakeholders, not being sufficiently prepared or trained for the introduction of the of the new Procurement Bill (currently expected to be enacted within the next 10 months);
 - (c) ineffective management and/or co-ordination of other legal/regulatory/Mayoral requirements such as the Freedom of Information Act 2000, General Data Protection Regulation (GDPR) and the GLA Group Responsible Procurement Policy; and
 - (d) Cyber Security may be breached within the complex systems used to facilitate the procurement source to pay (S2P) life cycle.

Supply chain disruption risk

- 4.6 Supply chain disruption risk arises from the possibility of any event that causes disruption or delay in TfL's receipt of products, goods, works or services from its suppliers, and risks that may arise from supplier financial distress and wider economic and/or political issues which adversely affect our ability to manage our supply chain.
- 4.7 Further key supply chain risks have been identified, including:
 - (a) following Brexit and the subsequent Windsor Framework some supply chain disruptions remain, including delays to goods and services resulting from complex import arrangements and changes to customs procedures;
 - (b) the Russia-Ukraine conflict, where various factors continue to cause disruption to the supply chain, including the reduced availability of raw materials. Imports of iron and steel make up a large proportion of the material imported from Ukraine and are widely used in TfL's construction of roads, railways and other infrastructure;

- (c) China/ Taiwan tensions may threaten trade, particularly the trade in semiconductors, which are crucial to modern electrical and transportation systems used for a wide range of operations across the TfL network;
- (d) climate change increasing the risk of disruption to access to raw materials, manufacturing, transportation and logistics; and
- (e) macroeconomic headwinds including high inflation and interest rates within the UK and global economies.

Value for money risk

- 4.8 Value for money risk stems from failing to maximise our commercial leverage when sourcing goods, works and services together with potential sub-optimal commercial management practices and the consequences of historical strategic sourcing decisions.
- 4.9 The risks include not being able to fully leverage our economies of scale or disaggregation of our spending power, ineffective long term planning, generating complex specifications, and supplier-owned intellectual property for key components limiting our ability to compete.
- 4.10 Further key value for money risks have been identified, including:
 - (a) historical sourcing decisions leading to TfL being dependent on original equipment manufacturers (OEM) suppliers which are extremely difficult and highly costly to unwind;
 - (b) insufficiently detailed pipeline of procurement activities and future requirements across TfL;
 - (c) production of overly complex or non-generic specifications and the use of local and/or out of date product specifications and standards; and
 - (d) failure of TfL to show third party auditors that TfL is achieving good value for money.

Other associated risks

- 4.11 P&C recognises that it has key relationships with: Safety Health and Environment 'Inability to deliver safety objectives and obligations' (ER01); IT and Cyber 'Significant security incident' (ER04); and Finance 'Financial resilience' (ER07), are other Enterprise risks reported at Executive Committee Level. Any relevant P&C risks that are identified shall be shared with the other Enterprise risk teams to ensure all risks are captured and appropriately managed.

5 Impacts

- 5.1 There are a wide range of risks which exist in both tactical and strategic sourcing and the management of our supply chain which could negatively impact TfL. As outlined below, these could manifest in adverse safety, operational, commercial, and reputational impacts.

Capability impacts

- 5.2 High vacancy rates and a challenging recruitment environment result in increased workloads, negative impacts to the health and wellbeing of colleagues. This may lead to a reduced ability to meet TfL's sourcing requirements on time and to budget further driving higher costs via the need for non-permanent labour.
- 5.3 The lack of a centrally co-ordinated P&C learning, ethics and development plan increases the risk of error and potential fraud, negatively impacts staff retention and results in difficulty in recruiting the right type and caliber of staff. Combined, this has the potential to reduce the overall skill level of P&C.
- 5.4 Insufficient understanding of diversity and inclusion may adversely affect colleague engagement, wellbeing and retention, leading to a diversion from TfL's values.

Compliance impacts

- 5.5 A breach of current regulation, legislation or ethical standards could lead to TfL being subject to financial penalties, compensation claims, procurement challenges, contracting delays, negative political/public perception and increased costs of operation.
- 5.6 Non-compliant procurement may cause TfL's governance or Mayoral standards or policies to be breached and failure to demonstrate best value for public funds, giving the opportunity for error and fraud.
- 5.7 Failure to deliver social value and/or our sustainable procurement objectives may impact TfL's ability to compete in the labour market to secure diverse and best in class talent.
- 5.8 Data may be accessed or abused by way of a cyber intrusion resulting in, for example, theft of sensitive data.

Supply chain disruption impacts

- 5.9 Logistic and imports disruption impact lead times and costs for goods deliveries to TfL, particularly those directly sourced from EU suppliers. This affects important suppliers such as Alstom, Matisa, Siemens, CAF and SKF which all rely upon supplies from Europe for key parts and components to maintain and support our rolling stock, infrastructure and rail systems.

- 5.10 High inflation and significant fluctuations in commodity and utility prices impact supplier financial sustainability, potentially leading to insolvencies, contractual disputes and increased costs to TfL.
- 5.11 Unavailability of materials, commodities, finished products and skilled labour caused by geopolitical disruption may lead to project delays and reduce operational availability, impacting the performance of TfL services and the associated revenue. The China-Taiwan tensions have the potential to impact operational systems such as track to train control, signalling, rolling stock and power control systems due to the reliance on semiconductors as Taiwan is a significant supplier of these components and currently produces around 92 per cent of the world's most sophisticated chips. Additionally, South-East Asia, in particular South Korea and Japan, are significant suppliers of related technologies. Any conflict in this region therefore poses the risk of a significant detrimental effect on related supply chains and trade routes.
- 5.12 Impacts of climate change may lead to local and global manufacturing and logistic disruptions, increased sourcing costs, reduced access to raw materials and fuel price fluctuations.

Value for money impacts

- 5.2 Failing to consider the long-term effects of sourcing decisions impacts the ownership of intellectual property and increases whole life costs which affect TfL's ability to deliver best value, retain flexibility of supply and optimise lead times.
- 5.3 The ineffective planning of procurement may cause TfL to disaggregate spend, reducing our ability to consolidate our supply chain and leverage economies of scale, resulting in potential overspend and sub-optimal strategic supplier relationship management.
- 5.4 Macroeconomic challenges including increased inflation and interest rates affect the UK economy, increasing the risk of supplier insolvencies and leading to shortages of goods or services and additional costs in sourcing alternative suppliers, causing possible instability in service delivery and leading to public relations concerns, political risk and poor media representation.
- 5.5 Using non-generic, out of date or overly complex specifications reduces our ability to maximize competition, value for money and/or deliver innovative, safe and efficient solutions. This also increases demand on internal engineering resource, leading to longer product assurance and approval timescales.

6 Current Mitigations

- 6.1 The following mitigation measures, inclusive of the recent CFO stocktake and implementation of the 14-point P&C improvement plan, will serve to reduce our risk exposure across ER05. The strategic management of the risk will be

supported via regular senior risk reviews and an enhanced P&C scorecard to maintain visibility, direction, and delivery of targets.

Capability risk mitigations

- 6.2 P&C has improvement workstreams to increase its capability and performance. As part of that activity P&C is planning a number of targeted recruitment campaigns to fill critical vacancies e.g. in the Technology and Data and Capital teams. This will involve improving P&C's marketing to potential candidates and being more active in the candidate market for procurement and commercial resources.
- 6.3 Improving awareness of EDI, including mandatory inclusion of EDI objectives in personal development plans, provision of training and e-learning and the promotion of colleague network groups to help create environments where people feel empowered and engaged.
- 6.4 Increased training availability by establishing a learning and development plan to improve commercial competence, including the provision of training on ethics, fraud prevention, environmental matters, carbon literacy and modern slavery including training for the upcoming procurement regulations.
- 6.5 Cabinet Office and Department for Transport (DfT) engagement and collaboration to leverage central best practice sharing and training provision. The P&C team regularly engages with the DfT, attending their Strategic Supplier Working Group and working collaboratively to share non-confidential information on suppliers' financial standing and best practice.
- 6.6 SAP Ariba, an end-to-end procurement software solution, has been implemented across P&C including a risk management tool that has provided a consistent approach and workflow to activities.

Compliance mitigations

- 6.7 The P&C Governance, Risk and Assurance (GR&A) team is being developed to enhance assurance activities (including lower value activities where fraud and error is more likely) and co-ordinate the management of a P&C strategic risk register to drive targeted improvements. The GR&A team will have additional headcount resource secured over the current financial year, to support delivery (one additional headcount in each of Risk and Assurance).
- 6.8 Increased compliance via further support and guidance on SAP Ariba and use of the Management Framework, to provide a clear vision of our methodology for procurement and commercial activities, to improve performance and to support P&C to achieve best value for money.
- 6.9 Simplifying our governance templates to streamline process, reduce administration and provide greater visibility of sourcing decisions, including establishing the root causes for single source requests, so that they can be addressed via continuous improvement.

- 6.10 Develop our security approach to appropriately address our cyber security requirements over the S2P lifecycle.

Supply chain disruption mitigations

- 6.11 Monitoring the financial health of 251 suppliers who are critical to TfL's operations. Thirty-four of the 251 monitored suppliers are currently considered to be at high financial risk. Failure to monitor and respond appropriately to poor supplier financial health could result in significant disruption to TfL.
- 6.12 The P&C Supplier Relationship and Capability team are delivering improvements to supplier relationship management and intelligence, with a particular focus on our key and critical suppliers. The team consolidates our supplier intelligence information, manages supplier segmentation, and promotes effective relationships with our suppliers to reduce the impacts of disruption in the supply chain.
- 6.13 Macroeconomic market awareness will enable procurement strategies to consider less complex supply chains, prioritizing UK and local supply chains (where possible) which could support the growth of UK industries and reduce the risk from global disruptors. In particular with regard to the emerging situation between China and Taiwan and its possible impacts on global trade and shipping, P&C will use appropriate guidance/advice from government departments and other relevant bodies to manage and mitigate supply chain risk.
- 6.14 Establish a refreshed P&C supply chain risks and issues register which also records mitigation plans. The register is an important tool for liaising with business stakeholders to help with the planning and control of mitigations being undertaken.
- 6.15 Provide clearer and more consistent reporting to highlight critical supplier financial health and emerging supply chain risks and issues.

Value for money mitigations

- 6.16 Using new systems (SAP Ariba and PowerBi) to leverage TfL's commercial data. TfL has a significant addressable annual spend of circa £4bn and the improved availability of this information will assist P&C teams when forming sourcing strategies and preparing for commercial negotiations.
- 6.17 P&C colleagues are working with asset managers to reduce our reliance upon OEM suppliers to drive towards the sourcing of generic components with unrestricted IPR. Where it is feasible, P&C will support the identification and prioritization of opportunities to reverse engineer and identify alternative equipment suppliers/manufacturers to reduce our reliance on OEMs, improving competition. TfL are also working towards sourcing generic components to standardize our specifications in accordance with industry and international standards, supported by market engagement.

- 6.18 Deliver procurement and contract savings: One of P&C's strategic goals is to enable significant procurement and contract savings, with £113m achieved in Financial Year 2022/23 (compared to the original target of £85m). Further savings will be delivered in 2023/24 made up of budgeted savings, revenue generation and cost avoidance.
- 6.19 Coordinated approach to the management of financial failure of critical suppliers by enhanced third party data monitoring, and expedited communication to relevant P&C and operational teams. Contingency plans for the key suppliers are being reviewed and further developed where necessary.
- 6.20 Improved efficiency of governance procedures to reduce time to source lower value (under £125,000) goods and services while providing greater transparency to sourcing decisions via improved documentation of quotations and benefits, increasing commercial vigilance of lower value spend items and helping to prevent fraud.
- 6.21 The engineering team are refreshing their approach to product approval catalogues/lists which will provide up-to-date solutions/standards for our goods and supplies, leading to greater opportunity for competition taking advantage of supply chain innovation.

7 Strategic Improvement Workstream Actions

- 7.1 The development of the 14-point improvement plan has led to new activities which will further support the mitigation of risk across ER05 and the P&C function. These include:
 - (a) the P&C Central Enabling Team (CET) has been combined to consolidate and strengthen CET support across P&C. This will create synergies, better matrix working, consistent strategic objectives and bring an end-to-end approach to the identification, monitoring and management of risk and supplier intelligence;
 - (b) production of a P&C Supplier Risk, Intelligence & Relationship Management Strategy; this will include working together to review the pipeline to identify common issues facing the P&C function. Focussing on the most directly controllable risks will give the best improvements to our risk exposure. This will improve our ability to manage both risk and supplier intelligence, and will enable delivery of a process to ensure risks and issues are appropriately captured across P&C;
 - (c) improvement of our tool for monitoring supplier financial health by enhancing our current methodology including the monitoring of several data points to assess the financial health of a supplier and the consequent risk to TfL. The methodology will be expanded to achieve a more accurate measure of a supplier's risk to TfL;

- (d) quarterly risk forums will be held to support senior leadership and provide visibility and focus on ER05 risks ensuring that risks are being managed, mitigated and reduced; and
- (e) a Supplier Relationship Management programme is being implemented by the Capability and Supplier Management team in P&C to develop strong supplier relationships with TfL's key suppliers focusing on collaboration, risk identification and mitigation, cost reduction and strategic value enhancement across core contracts.

List of appendices to this report:

Appendix 1: P&C 14-point improvement plan and workstreams

Appendix 2: Proposed P&C scorecard for 2023/24

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

List of Background Papers:

None

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Appendix 1 – Procurement & Commercial 14 improvement workstreams

TfL Plan	#	P&C Improvement Workstream	Enabling Principles
Safety & Security	1	Prevent Error & Fraud	<ul style="list-style-type: none"> ✓ Self-delivery by us as a leadership community with support from colleagues across P&C ✓ Engagement and inclusivity for P&C colleagues and customers ✓ Diversity & Inclusion to underpin everything we do ✓ Coordination and collaboration across workstreams ✓ Understanding relevant common cross-cutting themes and interdependencies ✓ Identification and delivery of financial and non-financial benefit contributions by P&C ✓ Supportive leadership, oversight and clear governance
	2	Improve Compliance	
Colleague	3	Increase our Capability & Performance	
	4	Improve our Inclusivity & EDI	
	5	Improving Colleague Engagement	
	6	Simplify our Governance Templates	
	7	Change Lessons Learned	
Customer	8	P&C as a Trusted Business Partner	
	9	Further Embed Source-to-Contract	
	10	Manage our Critical & Strategic Suppliers	
	11	Deliver the Capital Improvement Plan	
Green	12	Deliver Responsible Procurement	
Finance	13	Deliver Procurement Savings	
	14	Keep to Our Budget	



Appendix 2 – Procurement & Commercial 2023/24 Scorecard

P&C FY23/24 scorecard

Roadmap	Measure	Target	Floor target
 Safety and Security	Over threshold single source rate	1.2%	1.5%
	CAM compliance rate	80%	75%
	Deliver key milestones in P&C Continuous Improvement Workstreams: - Prevent Error & Fraud, Embed Source to Contract, Improving Our Inclusivity & EDI, Deliver the Capital Improvement Plan and Managing our Critical & Strategic Suppliers	To be set individually	To be set individually
	Complete Audit Actions on Time	100%	N/A
 Colleague	Total engagement	57%	56%
	Temporary staff (NPLs and consultants) as % of FTE	18%	20%
	Attendance	96%	95%
 Customer	Internal customer survey	TBC	TBC
	On time project delivery	90%	80%
 Green inc. Responsible Procurement	% of spend with SMEs	12.0%	11.0%
	% staff completing Carbon literacy training	70% of permanent staff	60% of permanent staff
 Finance	Cash releasing benefits	£45m	£24.4m
	- of which recurring	TBC	TBC
	Profitable revenue generation benefits	TBC	TBC
	Cost avoidance benefits	£71m	£60.6m
	Net Opex spend vs budget (P&C team cost)	At or below budget	N/A

Finance Committee



Date: 21 June 2023

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

This paper will be considered in public

1 Summary

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

2 Recommendation

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

3 Forward Plan Development

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

4 Current Plan

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

List of appendices to this report:

Appendix 1: Finance Committee Forward Plan

List of Background Papers:

None

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Finance Committee Forward Plan 2023/24

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), COO (Chief Operating Officer) CTO (Chief Technology Officer), CCSO (Chief Customer and Strategy Officer), CEO TTLP (Chief Executive Officer TTL Properties Limited), CSHEO (Chief Safety, Health and Environment Officer), GC (General Counsel), D (Director)

11 October 2023		
Use of Delegated Authority	GC	To note.
Finance Report	CFO	To note.
Prudential Indicators Outturn	CFO	To note.
Treasury Activities	CFO	To note.
Forthcoming Key Procurement Activities Update	CFO	To note.
Enterprise Risk Update – Financial Resilience (ER07)	CFO	To note.
Energy Purchasing Strategy Review and Power Purchase Agreements	CSHEO	To note.

22 November 2023		
Use of Delegated Authority	GC	To note.
Finance Report	CFO	To note.
Forthcoming Key Procurement Activities Update	CFO	To note.

As at 13 June 2023

Finance Committee Forward Plan 2023/24

6 March 2024		
Use of Delegated Authority	GC	To note.
Finance Report	CFO	To note.
Treasury Activities, Policies and Strategy	CFO	To approve (delegated by the Board).
General Fund Balance	CFO	To approve.
Forthcoming Key Procurement Activities Update	CFO	To note.
Investment Management Strategy 2024/25 – Non-Financial Assets	CEO TTLP	To note.
Enterprise Risk Update – Changes in Customer Demand (ER09)	CCSO	To note.

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)
- Prudential Indicators Outturn (outcome from previous year – October) (CFO)
- Treasury Activities (semi-annual – October and March) (CFO)
 - Additional updates to be provided where necessary
- Treasury Policies and Strategy (annual – March) (CFO)
- Developer Income (Mayoral and borough Community Infrastructure Levy / S.106 agreements) (annual – June) (CCSO)
- Enterprise Risk Update – Efficient and High Performing Supply Chains and Effective Procurement (ER05) (annual – June) (CFO)
- Enterprise Risk Update – Financial Resilience (ER07) (annual – October) (CFO)
- Enterprise Risk Update – Changes in Customer Demand (ER09) (annual – March) (CCSO)

Additional items to be scheduled:

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

Finance Committee Forward Plan 2023/24

- Securing New Income Streams (CFO & CCSO)
- TfL Strategy on Working Capital
- Victoria Coach Station
- App Based Culture – paper to cover TfL perspective on the strategy, plans and issues for TfL e.g. TPH regulation
- Cubic and NY Road User Charging Bid (D Strategy & CTO)
- London Overground Concession (COO) – proposals prior to going to market

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of the Local Government Act 1972.

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