MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Agenda

Meeting: Finance Committee

Date: Wednesday 11 October 2023

Time: 10:00am

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

Members
Anne McMeel (Chair)
Anurag Gupta (Vice-Chair)
Prof Greg Clark CBE
Seb Dance
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.

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

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

Further Information

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

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

Andrea Clarke, Interim General Counsel
Tuesday 3 October 2023

Agenda
Finance Committee
Wednesday 11 October 2023

1 Apologies for Absence and Chair's Announcements

2 Declarations of Interests

Interim 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 21 June 2023 (Pages 1 - 10)

Interim General Counsel

The Committee is asked to approve the minutes of the meeting of the Committee held on 21 June 2023 and authorise the Chair to sign them.

4 Matters Arising and Actions List (Pages 11 - 16)

Interim General Counsel

The Committee is asked to note the updated actions list.

5 Use of Delegated Authority (Pages 17 - 20)

Interim General Counsel

The Committee is asked to note the paper.

6 Finance Report - Period 5, 2023/24 (Pages 21 - 44)

Chief Finance Officer

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

7 Prudential Indicators - Outturn for the year ending 31 March 2023 (Pages 45 - 50)

Chief Finance Officer

The Committee is asked to note the paper.

8 Treasury Activities (Pages 51 - 54)

Chief Finance Officer

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

9 Roadside Advertising Assets Disposal (Pages 55 - 58)

Chief Finance Officer

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

10 London Overground Infrastructure Maintenance Contract Extension (Pages 59 - 60)

Chief Finance Officer

The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda and grant Procurement Authority for the extension of up to two years of the London Overground Infrastructure Maintenance Contract.

11 Fabric and Drainage Maintenance Services Contract Extension (Pages 61 - 62)

Chief Finance Officer

The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda and grant additional Procurement Authority for the extension of a contract for the supply of Fabric and Drainage Maintenance Services across the TfL estate.

12 Enterprise Risk Update - Financial Resilience (ER07) (Pages 63 - 68)

Chief Finance Officer

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

13 Members' Suggestions for Future Discussion Items (Pages 69 - 72)

Interim 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.

14 Any Other Business the Chair Considers Urgent

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

15 Date of Next Meeting

Wednesday 22 November 2023 at 10.00am.

16 Exclusion of the Press and Public

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

Agenda Part 2

17 Finance Report - Period 5, 2023/24 (Pages 73 - 86)

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

18 Treasury Activities (Pages 87 - 94)

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

19 Roadside Advertising Assets Disposal (Pages 95 - 102)

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

20 London Overground Infrastructure Maintenance Contract Extension (Pages 103 - 108)

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

21 Fabric and Drainage Maintenance Services Contract Extension (Pages 109 - 114)

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

22 Enterprise Risk Update - Financial Resilience (ER07) (Pages 115 - 122)

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

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Transport for London

Minutes of the Finance Committee

Conference Rooms 1 and 2, Palestra, 197 Blackfriars Road, London, SE1 8NJ 10.00am, Wednesday 21 June 2023

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

Government Special Representative
John Hall

Executive Committee

Howard Carter	General Counsel
Patrick Doig	Acting Chief Finance Officer
Lilli Matson	Chief Safety, Health and Environment Officer

Staff

Trish Ashton	Director of Rail and Sponsored Services
Jackie Gavigan	Secretariat Manager
Joanne Hawkes	Director of Corporate Finance
Lorraine Humphrey	Director of Risk and Assurance
Luke Jarvis	Head of Planning and Systems
Shamus Kenny	Head of Secretariat
Glyn Lenton	Senior Category Manager Engineering and Utilities
Paul Mason	Group Treasurer
Heather McStay	Head of Procurement, Facilities Management
Simon Pain	Procurement and Commercial Risk Manager
Pritesh Patel	Head of Financial Planning and Analysis
Rajiv Sachdeva	Finance Director, Operations
Jadon Silva	Director of Procurement and Commercial Capital
Howard Smith	Director of the Elizabeth Line
Lucinda Turner	Director of Spatial Planning
Shashi Verma	Director of Strategy and Chief Technology Officer
Jonathan Wharfe	Director of Procurement and Commercial Operation

18/06/23 Apologies for Absence and Chair's Announcements

An apology for absence had been received from Professor Greg Clark CBE. An apology for lateness had been received from Dr Nina Skorupska CBE, who had indicated that she would join the meeting at 11.45am. Ben Story, Anurag Gupta and Dr Nina Skorupska CBE were attending the meeting via Teams and were able to participate in the discussion but did not count toward the quorum. As the meeting was inquorate, with two Members attending in person and three Members attending via Teams, all decisions would be taken using Chair’s Action after the discussion of the item.

Andy Lord, Commissioner, was unable to attend the meeting.

The Chair welcomed everyone to the meeting, particularly John Hall who was attending his first meeting of the Committee as the Government Special Representative. The meeting was also being broadcast live to TfL's YouTube channel, 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.

The Chair confirmed that under section 100B(4)(b) of the Local Government Act 1972, she had agreed that the late item marked "to follow" on the agenda, which was published on 20 June 2023, would be considered as a matter of urgency. The item was the Track Labour Framework Extension paper and was accepted as urgent to allow for the latest information available to be provided.

The Chair reminded those present that safety was paramount at TfL and encouraged Members to raise any safety issues during discussions on a relevant item or with the appropriate member of the Executive Committee after the meeting.

19/06/23 Declarations of Interests

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

20/06/23 Minutes of the Meeting of the Committee held on 8 March 2023

The Chair, following consultation with the Committee, approved the minutes of the meeting of the Committee held on 8 March 2023 as a correct record and was authorised to sign them.

21/06/23 Matters Arising and Actions List

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

An update was provided in relation to action 58/11/22 on progress with the Power Purchase Agreements (PPA) procurement. Lilli Matson confirmed that the procurement was relaunched to the market, in February 2023, and the team was actively negotiating with the shortlisted suppliers. The submission and evaluation phases were anticipated to take until early October 2023, with the contract expected to be signed in the first quarter of 2024. The team was investigating whether that timescale could be accelerated. Work on the Group PPA, with other functional bodies, continued in parallel and was progressing well. This would be launched to market following completion of the TfL PPA.

An update was provided in relation to action 44/10/22(2) on progress with the Crossrail Asset Restructuring tax treatments outcome. Patrick Doig confirmed that Department for Transport sponsor approval had been received to transfer the Crossrail assets. Although no additional tax liabilities would be created by the transfer, the approach needed to be revised for TfL to set its own internal charge between asset owner and operator, until the Office of Rail and Road introduced its formal Infrastructure Recovery Charge. As a decision would be required before the next scheduled meeting of the Committee, an amended reauthorisation of the approval given by the Committee in October 2022 would be sought by Chair's Action during the summer 2023.

In relation to action 09/03/23(2) on a review of the place of the taxi trade within London's transport network, Howard Carter confirmed that there had been representations from the trade for a review. A kerbside review would be carried out first to look at issues on the effective use of space on the TfL road network, which would then be evaluated for any future review on London's road space more generally. The timescale for the kerbside review would be circulated to the Committee. **[Action: Alex Williams / Glynn Barton]**

The Committee noted the updated actions list.

22/06/23 Use of Delegated Authority

Howard Carter introduced the paper. Members noted that since the last meeting of the Committee, on 8 March 2023, there had been one use of Chair's Action in relation to the award of the Mechanical and Electrical Maintenance Services Contract Extension.

There had been four uses of Procurement Authority by the Commissioner, in relation to: Microsoft Retender Contract Award Contact Centre Outsourced Services; Project Hina, Phase 2; Signalling System, Maintenance Support Contract for the Elizabeth line; and Service Evolution to ICT12804 Core Support Services.

There had been one Mayoral Direction to TfL in relation to the further financial support fund for Seven Sisters Market traders, which had already been reported to the Board and the Audit and Assurance Committee.

The Committee noted the paper.

23/06/23 Finance Report – Period 1, 2023/24

Patrick Doig and Pritesh Patel 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 1, 2023/24, the year-to-date ending 29 April 2023. Performance to date showed strong results and TfL was on track to achieve financial sustainability this financial year.

Total revenue was three per cent (£18m) better than Budget and 26 per cent (£142m) higher than last year. Passenger income was two per cent higher than Budget and total journeys were 88 per cent of pre-coronavirus pandemic levels, up from 85 per cent at the end of 2022/23. Target growth for the full year was six per cent on top of the 31 per cent increase in 2021/22. The Budget assumed that ridership would reach 90 per cent of pre-pandemic levels by the end of the financial year. The risk on passenger income was protected by the funding agreement to March 2024.

There were risks around income and a range of uncertainty around compliance levels for the London-wide Ultra Low Emission Zone (ULEZ), as well as underlying congestion charge volumes and payment rates. TfL and the Mayor were working hard to support

Londoners to comply with the ULEZ and the income uncertainty was partly covered through the contingency held in the 2023/24 Budget.

Operating costs were in line with Budget and like-for-like costs were five per cent higher than last year, despite year-on-year inflation of 11.4 per cent. There were some cost pressures from bus operator better performance payments but TfL expected to manage these. There were also some timing differences in delivering savings, which were offset by lower road user charging costs and other smaller savings. TfL was committed to delivering almost £230m of savings this year.

The underlying operating surplus excluding revenue top-up from Government was £6m, which was a slight improvement on Budget. After adjusting for timing differences, the surplus was £25m better than Budget and TfL remained on track to deliver an operating surplus in 2023/24.

Capital enhancements were 18 per cent below target but expected to be in line with Budget at year-end. Capital renewals spend was 19 per cent (£9m) higher than Budget due to the timing of the London Underground renewals programme. TfL aimed to meet the available funding target of £736m, which was made up of the £725m capital envelope from the August 2022 funding agreement, plus £11m of underspend expected to be rolled over from 2022/23.

Total cash balances were broadly in line with Budget, at just under £1.1bn, excluding cash balances identified for Crossrail construction, which was in line with the funding agreement condition. TfL undertook additional short-term borrowing of £176m to offset some large scheduled capital milestone payments, while maintaining liquidity levels, bringing the total borrowing balance to £13,112m.

There were significant risks and challenges going forward, such as economic uncertainty, inflationary pressures and achieving the savings targets. TfL was working hard to mitigate these by driving up passenger demand and making continuous savings. It would need the support of Government to mitigate risks beyond its direct control, namely inflation pressures on TfL’s cost base and securing capital funding beyond March 2024.

John Hall advised that the Department for Transport was aware of TfL’s query to Government around the 2024/25 capital funding onwards and that the joint Financial Sustainability Group would provide the opportunity to start discussions, based on the assurance that TfL was on track to reach financial sustainability by March 2024. He expected that the Government would respond to TfL in the week commencing 26 June 2023 on the outstanding issues of funding for inflation this year and the £11m rollover of capital underspend last year into this year.

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

24/06/23 Annual Update on Third-Party Funding Secured Through Spatial Planning

Lucinda Turner introduced the paper, which provided an update for the 2022/23 financial year on third-party funding related to developer contributions and other sources targeted at supporting sustainable development, including Mayoral Community

Infrastructure Levy (MCIL), which was used to repay Crossrail financing. It included an overview of other developer contributions secured to contribute towards the delivery of the Mayor's Transport Strategy (MTS).

During the year, TfL secured: £168.2m in MCIL receipts, the highest amount since MCIL was introduced in 2012; £37.9m in Section 106 agreements; £17m in Section 278 agreements, as well as around £1.1m revenue funding.

TfL had leveraged funding to support key step-free access objectives, including £1m Borough Community Infrastructure Levy for improved access at Hounslow West station; £10m from Section 106 for West Hampstead station; £43m from Greater London Authority Levelling Up funding for Colindale and Leyton stations, as well as providing additional capacity to support the delivery of new, affordable homes.

TfL would work with all the successful boroughs from both rounds of the Levelling Up Fund to deliver their transport projects and to support any future bids. Work continued to deliver projects where funding was agreed in previous financial years, such as issuing a notice of intention to order 11 DLR trains and ongoing works at Beckton depot.

The outlook going forward was challenging, including macro-economic factors such as inflation, the infrastructure levy and uncertainty around forthcoming fire safety guidance, which was impacting the number of planning applications from developers for tall buildings. TfL was pressing the Department for Levelling Up, Housing and Communities for interim guidance to be issued in the meantime and would explore communicating the wider benefits of its work to other Government departments to help make its case.

Given the financial challenges, TfL continued to be proactive in seeking additional sources of funding to deliver MTS transport objectives, as well as unlocking new homes and ensuring growth was sustainable, and pursuing opportunities to fund schemes.

The Committee noted the paper.

25/06/23 Procurement and Commercial Improvement Programme – Cost Management

Jadon Silva introduced the paper, which provided an update on improving cost management, which was a key priority within the Procurement and Commercial Improvement Programme, following the recent review of the Independent Investment Programme Advisory Group.

The initial step would be to standardise the currently fragmented process, which would deliver immediate benefits to the management of capital project budgets. A standard process would also be a key enabler for further improvement, such as effective systemisation and automation, and the options for a future systems solution would be considered. Improvement work had also commenced on cost estimating and cost intelligence.

An update would be submitted to the meeting of the Committee in March 2024, once the standardisation work was completed at the end of 2023 and there was more clarity on next steps, particularly around the options for a future IT systems solution such as SAP Ariba. **[Action: Rachel McLean / Jadon Silva]**

The Committee noted the paper.

26/06/23 Procurement and Commercial Improvement Programme – Lessons Learnt

Jadon Silva introduced the paper, which provided an update on lessons learnt within the Procurement and Commercial (P&C) Improvement Programme, following the recent Independent Investment Programme Advisory Group review. The programme aimed to reduce operating costs, improve processes and systems, and enhance the capability of the P&C team to improve the overall service offering and delivery of benefits for TfL.

Challenges that contributed to some of the delivery gaps included: deviation from the original programme scope; inconsistency of sponsorship and leadership; inadequacy of governance and oversight; multiple support partner procurements and changes; insufficient focus on capital-specific requirements; descoping of further operating model review activity; and SAP Ariba change management and delay issues.

Practices that contributed to the successes included: use of industry-leading support partners; inclusive engagement of stakeholder groups in design phases; P&C management framework in-person training; and transfer of Ariba scope of deployment and change support structure.

A detailed lessons learnt exercise on the SAP Ariba programme would be undertaken in June 2023. Progress updates on the 14 improvement workstreams would be brought to future Committee meetings to ensure that the lessons learnt were fully embedded in the new ways of working. **[Action: Rachel McLean / Jadon Silva]**

The Committee noted the paper.

27/06/23 Forthcoming Key Procurement Activities

Luke Jarvis introduced the paper and related supplementary information on Part 2 of the agenda. This provided a summary of the major new procurements or contract extensions that would require approvals over the next 12 months and those required from the Committee by way of Chair’s Action before its next meeting in October 2023. It also highlighted significant forthcoming procurements that required approval at officer level during that period.

There was a recognised need to provide the Committee and other decision-makers in TfL with a forward look on the pipeline of major procurements requiring decisions. The strategy approvals and contract awards, due between June 2023 to May 2024, covered 165 contracts, with an estimated total value of £6bn and an equivalent annual spend of £1.43bn.

Planned procurement activities ahead of the next meeting of the Committee included three contract extensions or variations that would require approval by Chair’s Action. Twelve other significant procurements would require approval at officer level during the period.

A paper providing a two-year look ahead on procurement activities would be brought to a future meeting of the Committee, with a view to providing an even further look ahead of future activities in the pipeline after that, given the long lead-in times of the more complex and ambitious projects. **[Action: Rachel McLean / Luke Jarvis]**

Jadon Silva confirmed that information on the future capital investment pipeline was shared with supply chain partners to enable them to plan for the opportunities it created and shape project delivery to meet TfL's strategic investment priorities. The document would be circulated to the Committee. **[Action: Jadon Silva]**

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

28/06/23 Docklands Light Railway Franchise Procurement

Trish Ashton introduced the paper and related supplementary information on Part 2 of the agenda. This provided an update 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 DLR.

Early market engagement meetings would be held with prospective bidders and DLRL intended to commence the procurement process by issuing a contract notice in summer 2023. Approval for the award of the new franchise agreement and related matters would be sought from the Committee in due course.

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

29/06/23 Elizabeth Line Concession Procurement

Patrick Doig and Howard Smith introduced the paper and related supplementary information on Part 2 of the agenda. This provided an update on the forthcoming procurement process planned to be undertaken by Rail for London Limited, a wholly owned subsidiary of TfL, for the new concession for the provision of passenger operations on the Elizabeth line.

Early market engagement meetings would be held with prospective bidders in June 2023. Approval for the award of the new concession agreement and related matters would be sought from the Committee in due course.

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

30/06/23 Track Labour Framework Extension

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

Patrick Doig introduced the paper and related supplementary information on Part 2 of the agenda, which sought Procurement Authority for the extension of the Track Labour Framework. The framework provided external track labour resources required to supplement London Underground's direct labour. The extension was critical to ensure continuity of supply to support safety critical maintenance, enhancements and renewals across the network.

Authority was requested to extend the framework until March 2025, as part of the approach to transition to new Track Works and Resources arrangements. The extension would provide time to complete the strategy, tender and award of the new framework contracts.

The request covered the period to March 2024. Financial Authority for the provision of track labour in 2023/24 was granted by the Board on 29 March 2023 as part of the 2023/24 Budget. As TfL's funding agreement with Government expired in March 2024, it was not possible to develop the programme of work for 2024/25, so a later request for Procurement Authority would follow via Chair's Action after funding discussions with Government had concluded.

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

1 approved the extension of the framework to March 2025;

2 approved Procurement Authority for £588.75m for the period to March 2024; and

3 noted a further request would follow for the financial year 2024/25.

31/06/23 Capita Access and Wide Area Network Contract: Three Year Extension

Shashi Verma introduced the paper and related supplementary information on Part 2 of the agenda, which sought Procurement Authority for the proposed three-year extension of the Capita Access and Wide Area Network Contract.

In December 2017, the Committee granted Procurement Authority to enter into the contract with Capita Business Services Limited. The contract was the vehicle through which TfL was consolidating and rationalising its portfolio of commodity outsourced network services. The contract had an initial five-and-a-half-year term, which ran until 9 August 2023.

The contract included options for TfL to extend its duration beyond the initial term and the current agreement extended the contract for a further three years to 9 August 2026.

The Chair, following consultation with the Committee, noted the paper and the exempt supplementary information on Part 2 of the agenda and granted 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.

32/06/23 Enterprise Risk Update – Efficient and High Performing Supply Chains and Effective Procurement (ER05)

Luke Jarvis introduced the paper and related supplementary information on Part 2 of the agenda, which provided an update on Enterprise Risk 05 – Efficient and High Performing Supply Chains and Effective Procurement. It outlined TfL’s current position on supply chains and procurement, and the risk management approach to the increased scope of the risk, which now included capability, compliance, supply chain disruption and value for money.

The impacts of the Enterprise Risk were significant in terms of increased costs, delays to projects, disruption to critical services and potential breaches of legislation.

Key mitigation measures included: further embedding the use of SAP Ariba to govern procurement and commercial activities; simplifying governance processes; improving supplier relationship management and intelligence; and enhancing awareness of macro-economic and geo-political risks. Most of the mitigating actions were covered in the Procurement and Commercial (P&C) 14 improvement workstreams, which were launched in April 2023.

Members noted the scope of the risk, current assessment, preventative controls, mitigation activities in place and improvement plans associated with upcoming P&C improvement workstreams to reduce TfL’s risk across its procurement, commercial and supply chain activities.

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

33/06/23 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.

34/06/23 Any Other Business the Chair Considers Urgent

There was no other urgent business to discuss.

35/06/23 Date of Next Meeting

The next scheduled meeting of the Committee would be held on Wednesday 11 October 2023 at 10.00am.

36/06/23 Exclusion of the Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended), when it considered the exempt information in relation to the items on: Finance Report – Period 1, 2023/24; Forthcoming Key Procurement Activities; Docklands Light Railway Franchise Procurement; Elizabeth Line Concession Procurement; Track Labour Framework Extension; Capita Access and Wide Area Network Contract: Three Year Extension; and Enterprise Risk Update – Efficient and High Performing Supply Chains and Effective Procurement (ER05).

The meeting closed at 12.22pm.

Chair: ____________________________________

Date: _____________________________________

Finance Committee

Date: **11 October 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: Andrea Clarke, Interim General Counsel
Email: AndreaClarke@tfl.gov.uk

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Appendix 1

Finance Committee Actions List (to be reported to the meeting on 11 October 2023)

Actions from the meeting held on 21 June 2023

Minute No.	Item/Description	Action By	Target Date	Status/Note
21/06/23	**Matters Arising and Actions List – Taxi Trade and Kerbside Review Timescale** In relation to action 09/03/23(2) on a review of the place of the taxi trade within London's transport network, Howard Carter confirmed that there had been representations from the trade for a review. A kerbside review would be carried out first to look at issues on the effective use of space on the TfL road network, which would then be evaluated for any future review on London's road space more generally. The timescale for the kerbside review would be circulated to the Committee.	Alex Williams/ Glynn Barton	December 2023	We have developed a draft kerbside framework and are in the process of testing this on the TfL road network and with a number of borough and community stakeholders. We expect to conclude the pilots and summarise our findings by the end of this year. See action 09/03/23(2) below.
25/06/23	**Procurement and Commercial Improvement Programme – Cost Management - Update** An update would be submitted to the meeting of the Committee in March 2024, once the standardisation work was completed at the end of 2023 and there was more clarity on next steps, particularly around the options for a future IT systems solution such as SAP Ariba.	Rachel McLean/ Jadon Silva	March 2024	On the forward plan for the meeting of the Committee on 6 March 2024.

26/06/23	**Procurement and Commercial Improvement Programme – Lessons Learnt - Updates** A detailed lessons learnt exercise on the SAP Ariba programme would be undertaken in June 2023. Progress updates on the 14 improvement workstreams would be brought to future Committee meetings to ensure that the lessons learnt were fully embedded in the new ways of working.	Rachel McLean/ Jadon Silva	June 2023 and ongoing	**Completed:** A lessons learnt paper was brought to the meeting of the Committee on 21 June 2023 and progress updates will be provided to future meetings of the Committee as appropriate.
27/06/23 (1)	**Forthcoming Key Procurement Activities – Look Ahead** A paper providing a two-year look ahead on procurement activities would be brought to a future meeting of the Committee, with a view to providing an even further look ahead of future activities in the pipeline after that, given the long lead-in times of the more complex and ambitious projects.	Rachel McLean/ Luke Jarvis	November 2023 and ongoing	A paper on the two-year look ahead is on the forward plan for the meeting of the Committee on 22 November 2023 and as a standing item at each meeting of the Committee. See action 10/03/23 below.
27/06/23 (2)	**Forthcoming Key Procurement Activities – Capital Investment Pipeline** Jadon Silva confirmed that information on the future capital investment pipeline was shared with supply chain partners to enable them to plan for the opportunities it created and shape project delivery to meet TfL's strategic investment priorities. The document would be circulated to the Committee.	Jadon Silva	June 2023	**Completed:** Information was circulated to Members on 29 June 2023.

Actions from previous meetings

Minute No.	Item/Description	Action By	Target Date	Status/Note
06/03/23 (2)	**Finance Report – Savings Programme Targets and Action Plans** 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.	Rachel McLean/ Secretariat	July 2023	**Completed:** Information is incorporated into the business planning process with Board Members from July 2023 onwards.
08/03/23	**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.	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 (2)	**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.	Alex Williams/ Glynn Barton	Ongoing	We agree that there is a case for a review of the place of the taxi trade within London's transport network. See action 21/06/23 above.

10/03/23	**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.	Rachel McLean	June 2023 and ongoing	**Completed:** Superseded by action 27/06/23(1) above. The procurement pipeline paper will, from November 2023, be presented at each meeting of the Committee with a minimum two-year look ahead.
58/11/22	**TfL Power Purchase Agreements – Energy Prices and Purchasing** 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.	Lilli Matson	March 2024	On the forward plan for the meeting of the Committee on 6 March 2024.
59/11/22 (2)	**Surface Technology Contracts Retender – Traffic Signalling System Site Visit** Members welcomed the opportunity for a site visit to Palestra to demonstrate the innovation and technology behind the traffic signalling systems.	Carl Eddleston/ Secretariat	July 2023	**Completed:** A site visit was held on 12 July 2023.
44/10/22 (2)	**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.	Christopher Tann/Patrick Doig	June 2023	**Completed:** Land Authority was approved via Chair's Action on 8 July 2023.

Agenda Item 5

Finance Committee

Date: **11 October 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 21 June 2023, there has been:

(a) one use of Chair's Action, in relation to Crossrail Assets Restructuring;

(b) one use of Procurement Authority by the Commissioner, in relation to the GTT Network Contract Variation; and

(c) one Mayoral Direction to TfL relating to Withdrawal of Day Travelcards on the TfL Network (MD3142).

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 112, 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.

Crossrail Assets Restructuring

4.3 On 6 October 2022, the Committee approved the Crossrail Asset Restructuring, subject to obtaining the necessary consents from the Secretary of State. On 13 April 2023, consent was given by the Secretary of State. On 21 June 2023, the Committee was verbally updated on the need to approve change to the approval via Chair's Action.

4.4 On 4 July 2023, the Committee was asked to consider a technical change to the original approval, to set an interim internal charge and an amendment to the intercompany lease so that a rent based on this charge can be levied and the rental trade of Crossrail Limited can commence. This enables capital allowances to transfer to Rail for London (Infrastructure) Limited (RfL(I)) upon restructure. There is no incremental cost to TfL as these charges are internal.

4.5 On 8 July 2023, the Chair of the Committee, in consultation with available Members, noted the paper and approved Land Authority of £13m per accounting period for an interim internal charge (based on the anticipated Infrastructure Recovery Charge (IRC)) from Rail for London Limited to RfL(I) until the debt funded capital investment of the infrastructure is recovered or an IRC is set by the Office of Rail and Road.

4.6 The use of Chair's Action was considered appropriate as a decision was required before this meeting of the Committee.

4.7 The paper relating to this request has been published on tfl.gov.uk.

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 Places for London 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 164.

5.5 Since the last meeting, the following use of delegated authority has been exercised.

Procurement Authority Commissioner:

(a) GTT Network Contract Variation. This is a long-term networks contract that connects around 4,700 end points, supporting operationally critical Surface services, including traffic light control, CCTV, Road User Charging, iBus and Road Tunnels. The contract is being transitioned to Capita.

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) **Withdrawal of Day Travelcards on TfL Network** (MD3142 11/07/23)

TfL's funding settlements with Government assume TfL will to generate between £0.5bn and £1bn of additional net revenue per annum from 2023. TfL's assessment of Day Travelcards is that it is effectively under-funded by the Travelcard Agreement at a total cost of approximately £40m a year.

As a fairer share of the income from Day Travelcards is yet to be agreed with the Train Operating Companies, the Mayor has directed TfL to give six-months' notice to terminate the relevant provisions of the Travelcard Agreement.

Should the Department for Transport and Train Operating Companies propose an alternative arrangement during this notice period, which is financially acceptable to TfL and allows it to meet the requirements of its funding settlement with Government, this notice could (by agreement) be retracted and Day Travelcards remain available.

List of appendices to this report:

None

List of Background Papers:

Minutes from previous meetings of the Committee.

Chair's Action paper on Crossrail Assets Restructuring, issued on 4 July 2023.

Greater London Authority Decision Making Database.

Contact Officer: Andrea Clarke, Interim General Counsel
Email: AndreaClarke@tfl.gov.uk

Agenda Item 6

Finance Committee

Date: **11 October 2023**

Item: **Finance Report – Period 5, 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 5, 2023/24 - the year-to-date ending 19 August 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 5, 2023/24

3.1 The Finance Report presentation at Appendix 1 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: Rachel McLean, Chief Finance Officer
Email: rachelmclean@tfl.gov.uk

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Finance Report

Period 5, 2023/24

Management results from 1 April 2023 – 19 August 2023

TfL Finance Committee

11 October 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. We have successfully delivered that strategy so far this year, but have risks:

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

- Cumulative journey growth of just over 6% in the year to date. We are targeting 6% year-on-year journey growth over the full year, on top of the 31% increase in 2022/23
- Passenger journeys are relatively steady at 89% of pre-pandemic levels, up from 85% at the end of 2022/23
- Some pressure on roads enforcement income, but we expect to manage this
- Total revenue is in line with Budget

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

- Like-for-like operating costs falling in real terms: 7% higher than last year despite year-on-year inflation of 11%
- Operating costs 2% lower than Budget, mainly from contingency we have not yet used
- Some cost pressures from bus operator payments due to improving performance
- 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

- Operating surplus (excluding revenue top up from government) of £47m in the year to date, £85m better than Budget and up £87m from last year
- Our headline surplus is £143m, £72m up on Budget; after adjusting for timing differences, this is £25m better than Budget
- We 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

- The DfT have confirmed TfL will not receive inflationary support of £181m this year and funding for 2024/25 is uncertain
- Capital renewals are slightly lower than Budget, but we expect to be in line with available funding of £736m over the full year
- Expenditure on capital enhancements has continued to slip, partly due to funding uncertainty, and are now just over £70m lower than Budget

Maintain cash reserves to make payments and protect against shocks

- Cash balances are in line with Budget and are 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 will not receive DfT inflationary support this year, and capital funding for 2024/25 remains uncertain

2023/24 Inflation support

Our August 2022 funding settlement with government recognised the risk of rising inflation and included a mechanism for further funding if the level of inflation forecast by the Office of Budget Responsibility (OBR) increased.

Based on the OBR forecast in November 2022, our estimate of the impact of inflation increased to circa £400m. This was significantly mitigated through our active work to lock-in lower energy costs and our work with our supply chain to offset inflation, such that our claim for inflation funding submitted in February 2023 was reduced to £279m.

Our Budget for 2023/24 assumed this was partially offset by retaining £98m of additional income from the 5.9% fare rise in March 2023 based on requirements in the government funding deal, leaving a government funding requirement of £181m. As our Budget showed us achieving operating financial sustainability in 2023/24, this funding was assumed to support capital expenditure.

We submitted our inflation request covering 2023/24 in February 2023. On 26 July 2023, DfT confirmed that TfL will not receive this additional funding in 2023/24. The pressure of £181m has been partly offset by an improvement in the final revenue scenario set by DfT of £44m (£23m in 22/23 and £21m for 23/24), as compared to our 2023/24 Budget, which will lead to an increased level of revenue top-up funding.

The ability to mitigate the remainder of the £137m gap is limited by the conditions in the funding agreement and the fact that the outcome was confirmed almost five months into the financial year. This gap will need to be closed through a combination of deferring capital expenditure and short-term financing options. More details on this are set out in Part 2 of this paper, but the immediate consequences is our inability to accelerate any capital programme from 2024/25 to offset any slippage occurring in 2023/24.

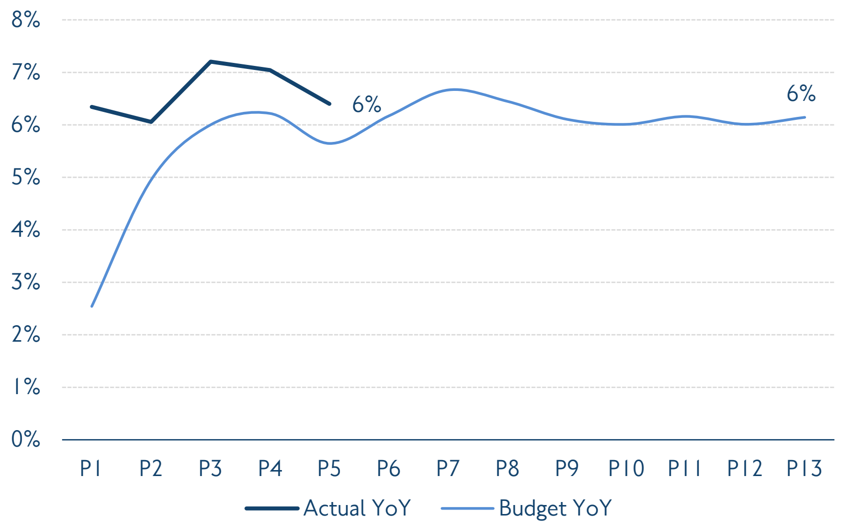
2024/25 Capital funding

Although TfL is on track to achieve operating financial sustainability, the Government has consistently recognised in the funding settlements that TfL is not expected to fund major capital projects from its operating incomes. On 22 September, TfL submitted its 2024/25 Capital Business Case to DfT and constructive discussion with HMG continues with an outcome expected in the autumn.

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 to Period 5, 89% 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

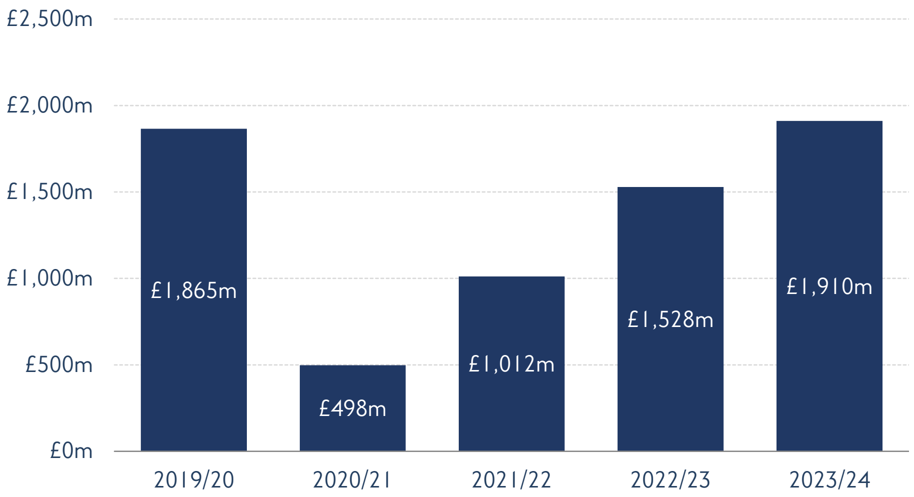
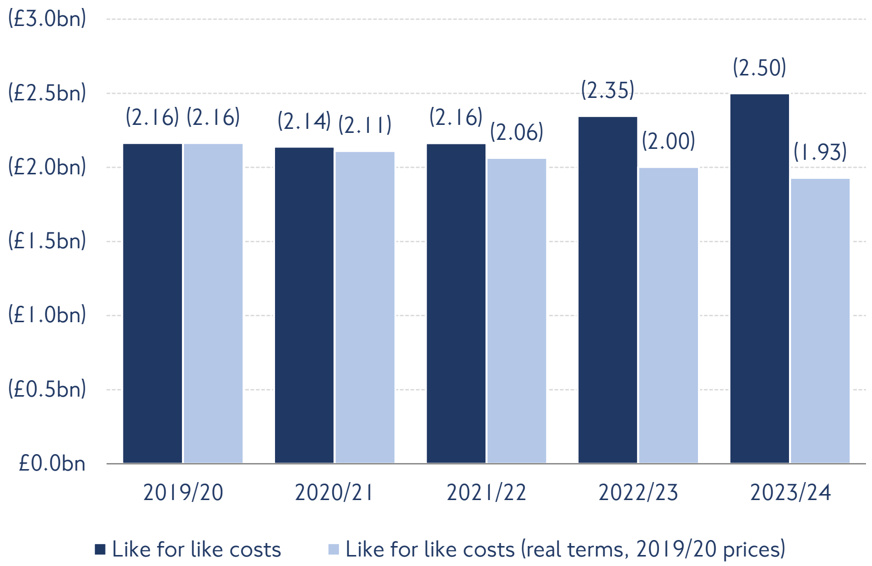
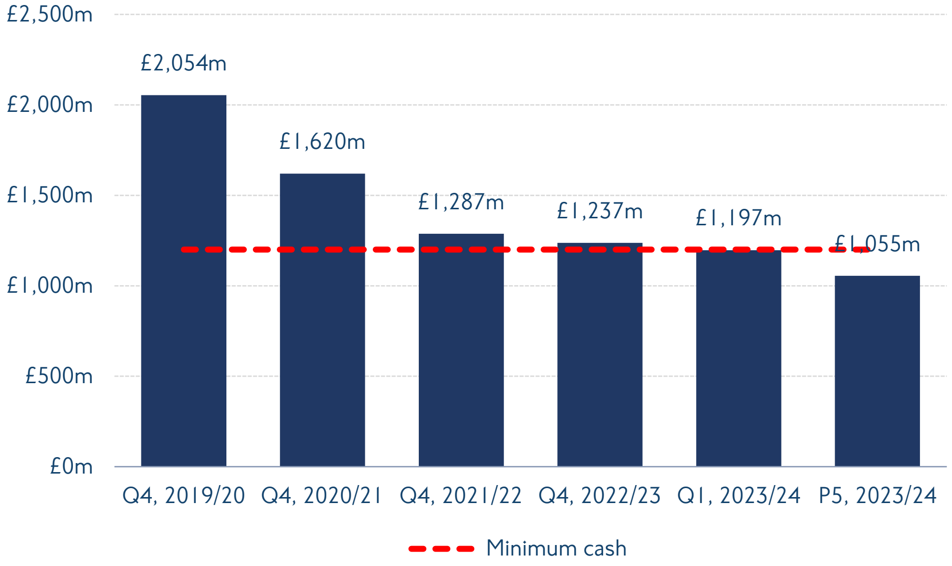


Chart shows results to end of Period 5 for each year

Like-for-like operating costs 6.6% higher than last year, but down in real terms as inflation at 10.6%



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



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Passenger journeys

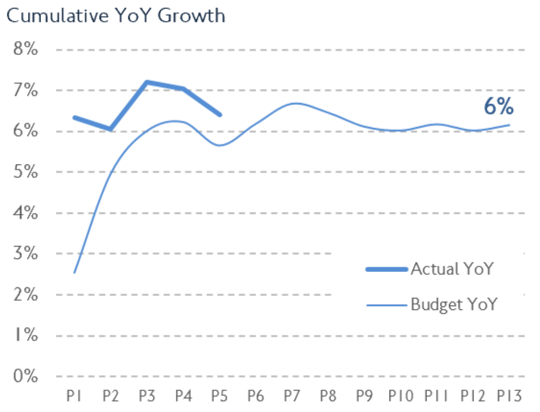
In 2023/24 we have budgeted 6% underlying year on year growth in demand. Journeys to date are positive, with cumulative growth just above 6%.

TfL passenger journeys were 10 million better than Budget. LU and Rail journeys are performing strongly in the year to date, offsetting slower growth on buses.

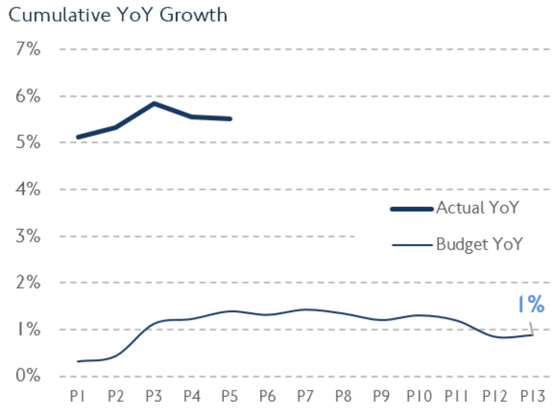
LU and DLR journeys are higher than expected as the assumed impact of Elizabeth line new services to these modes is less than expected.

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

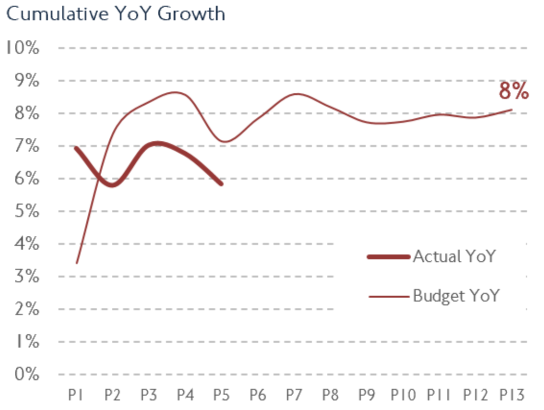
TfL	% Growth period / budget			Absolute m	Var to Bud m
	3.7%	3.2%	P	251	1.1
			Y	1353	9.6



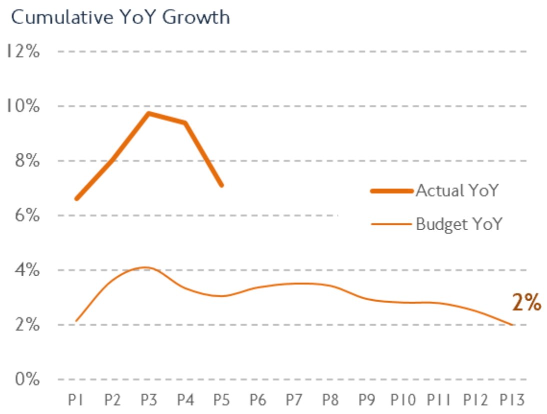
LU	% Growth period / budget			Absolute m	Var to Bud m
	5%	2%	P	86	2.6
			Y	449	17.6



Bus	% Growth period / budget			Absolute m	Var to Bud m
	2%	1%	P	130	1.0
			Y	711	(8.7)



Rail	% Growth period / budget			Absolute m	Var to Bud m
	-3%	2%	P	20	(0.9)
			Y	116	4.4

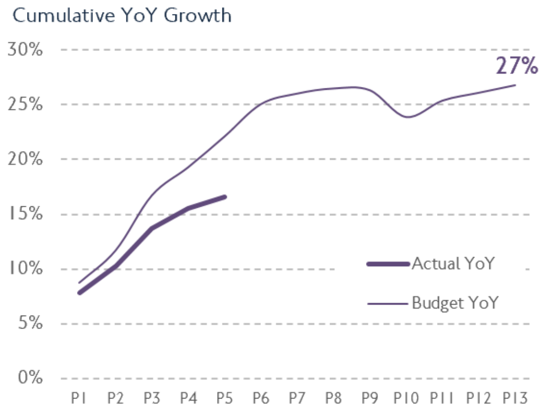


LO	% Growth period / budget			Absolute m	Var to Bud m
	-5%	3%	P	11	(1.0)
			Y	69	2.1

DLR	% Growth period / budget			Absolute m	Var to Bud m
	2%	-2%	P	7	0.3
			Y	39	3.1

Tram	% Growth period / budget			Absolute m	Var to Bud m
	-3%	10%	P	1	(0.2)
			Y	8	(0.9)

EL	% Growth period / budget			Absolute m	Var to Bud m
	21%	34%	P	15	(1.7)
			Y	77	(3.7)



EL journeys are estimates and are subject to revision

Income statement

Total revenue is in line with Budget. Passenger income is £28m higher, which is partly offset by lower revenue top up from government (favourable timing to unwind over the full year).

Operating costs are £65m lower than Budget. We are seeing some cost pressures on bus operators costs - through improved performance – as well as timing differences in delivering savings. These cost pressures have been offset by staff cost savings and one offs, as well as central contingency to mitigate uncertainty on other operating income.

Capital renewals are £11m lower than Budget. We expect to deliver to available funding over the full year.

Income statement (£m)

	Year to date, 2023/24				Year to date, 2022/23		
£m	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Underlying passenger income	1,910	1,883	28	1%	1,528	382	25%
DfT revenue top up	96	110	(13)	-12%	126	(29)	-23%
Passenger income	2,007	1,992	14	1%	1,654	353	21%
Other operating income	547	551	(4)	-1%	589	(42)	-7%
Business Rates Retention	736	736	0	0%	683	53	8%
Other revenue grants	109	121	(12)	-10%	223	(114)	-51%
Revenue	**3,399**	**3,400**	**(1)**	**0%**	**3,149**	**250**	**8%**
Operating cost	(2,849)	(2,913)	65	2%	(2,699)	(149)	-6%
Operating surplus before interest and renewals	**550**	**487**	**64**	**13%**	**450**	**101**	**22%**
Capital renewals	(245)	(256)	11	4%	(198)	(47)	-24%
Net interest costs	(162)	(160)	(3)	-2%	(166)	4	2%
Operating surplus / (deficit)	143	71	72	101%	86	57	67%
Operating surplus/ (deficit) excl. DfT support *	47	(38)	85	223%	(40)	87	218%

* 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 £96m, £25m better than Budget.

We need to retain £40m contingency for later this year to mitigate financial risks.

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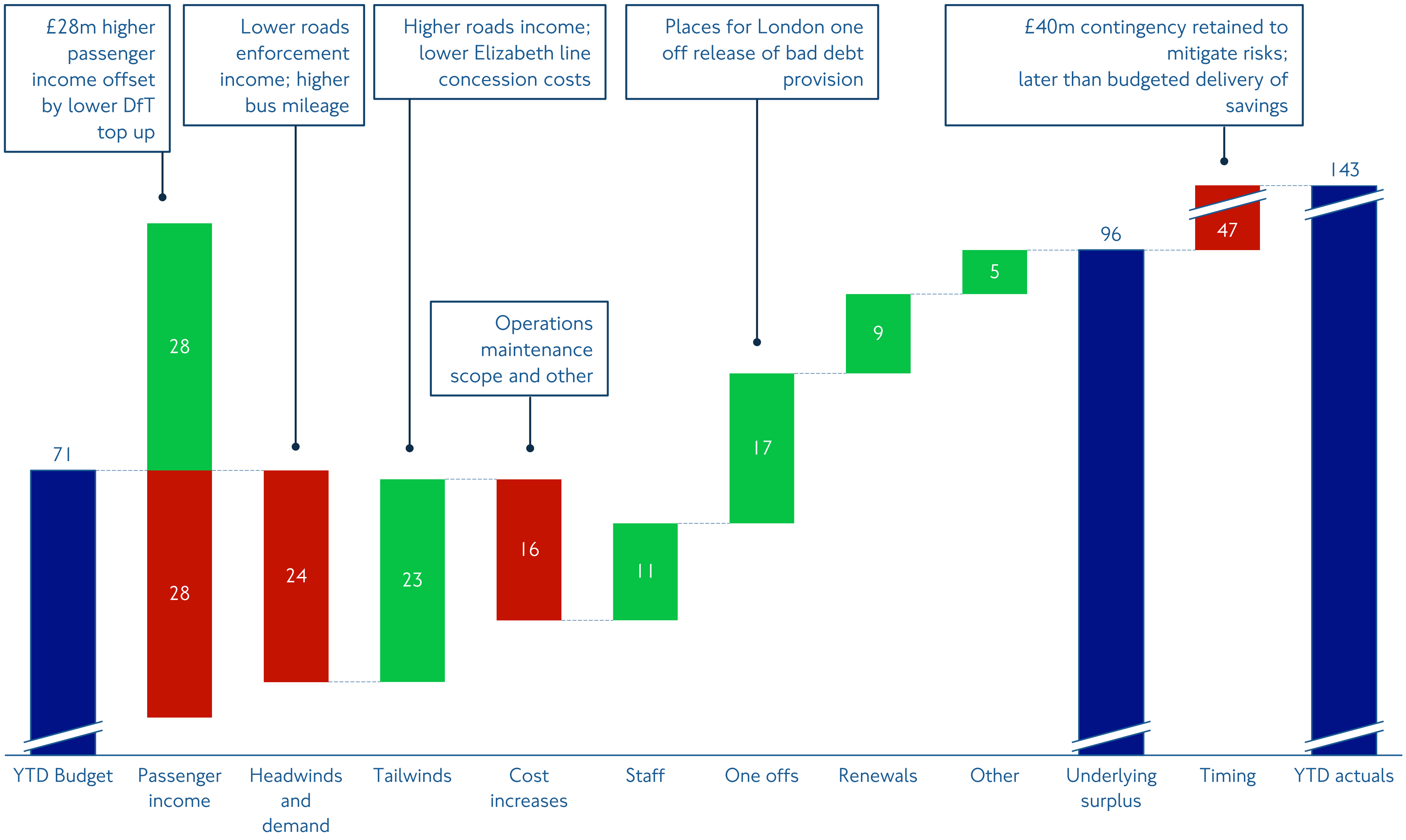
Income statement variances by cause (£m)



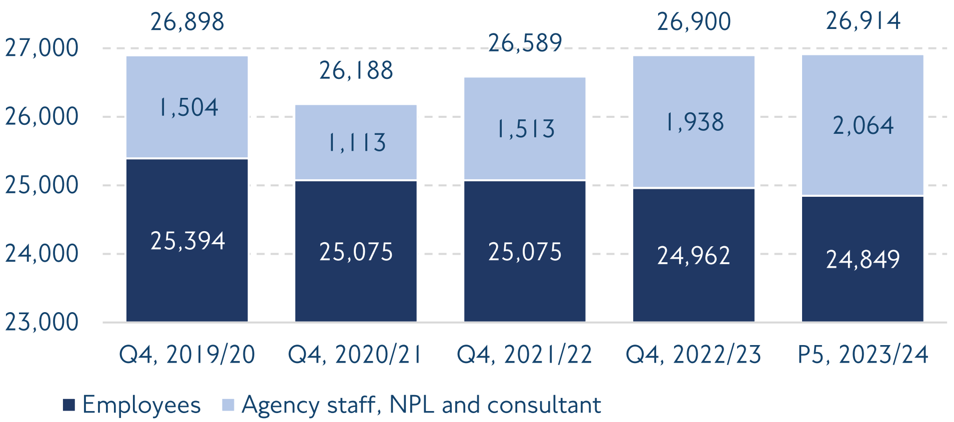
Staff

Total staff numbers are in line with pre-pandemic levels, and are in line with the end of 2022/23.

Permanent employee numbers are over 500 lower than before the pandemic and are over 100 down from the end of 2022/23. As with previous years, there are a large number of retirees at the beginning of the year.

Agency and NPL staff have increased by over 500 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



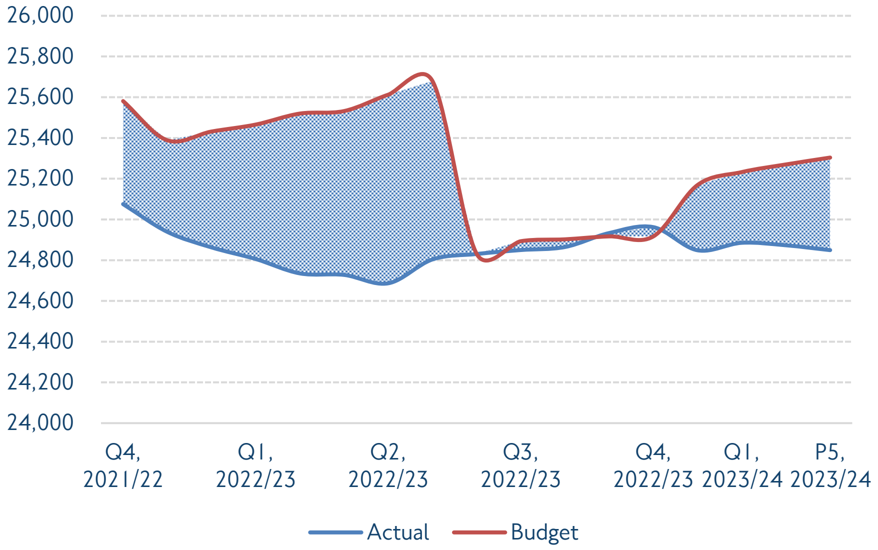
Total staff are around pre-pandemic levels

Agency, NPL and consultants over 500 higher than pre-coronavirus levels as a result of labour market challenges

Permanent employees down by over 500 since 2019/20 and are slightly below the end of 2022/23

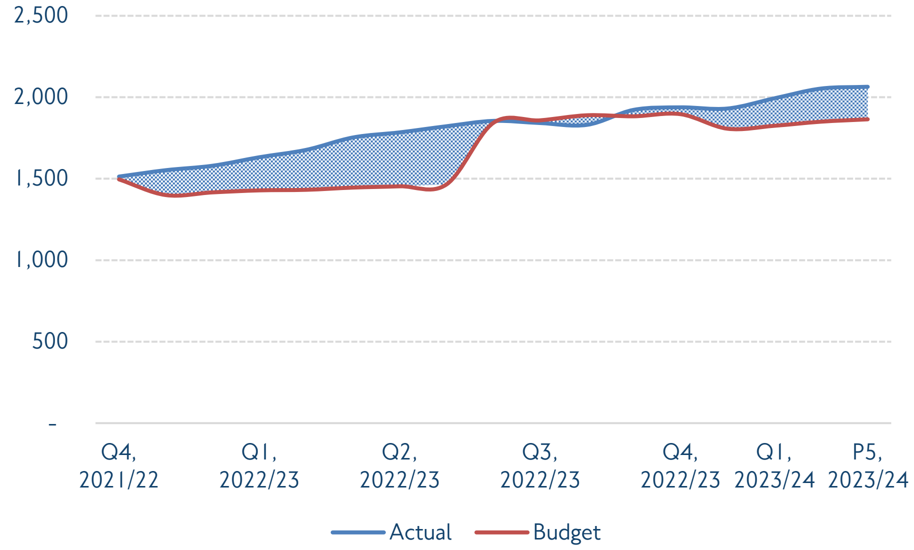
Permanent staff (FTE): actuals and Budget

Permanent employees down by over 100 since the end of 2022/23, mostly driven by large number of retirees and leavers. Staff levels are below Budget in Period 5 with the gap widening this year.



Agency and NPL staff (FTE): actuals and Budget

Agency and NPL FTE up by over 100 since the end of 2022/23 and are slightly higher than Budget in Period 5. This is driven by labour market.



Capital renewals

Capital renewals are £11m lower than Budget in the year to date, but significantly higher than last year. We have seen some underspend over the last two periods, largely driven by historical accrual releases. We are closely managing our workbank and expect to spend in line with available funding of £736m over the full year.

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

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Capital renewals (£m)	Year to date, 2023/24				Year to date, 2022/23		
	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
CCO	**(64)**	**(89)**	**25**	**28%**	**(66)**	**2**	**4%**
Four lines modernisation	(2)	(1)	(0)	-14%	(2)	(0)	-2%
Surface assets	(23)	(38)	15	39%	(33)	10	29%
Air Quality and Environment (AQE)	(6)	(7)	1	15%	(5)	(1)	-13%
Public transport	(23)	(29)	6	20%	(18)	(6)	-31%
Technology	(9)	(12)	3	22%	(8)	(1)	-13%
Savings challenge and deliverability	0	(1)	1	100%	(0)	0	100%
COO	**(156)**	**(135)**	**(20)**	**-15%**	**(119)**	**(36)**	**-30%**
LU	(152)	(130)	(22)	-17%	(119)	(33)	-27%
Elizabeth Line	(3)	(4)	1	28%	(0)	(3)	-16887%
Estates	(1)	(2)	0	18%	(0)	(1)	-760%
CCSO	**(23)**	**(28)**	**4**	**16%**	**(11)**	**(12)**	**-112%**
Corporate	**(3)**	**(4)**	**2**	**38%**	**(2)**	**(1)**	**-43%**
Total TfL	**(245)**	**(256)**	**11**	**4%**	**(198)**	**(47)**	**-24%**

Capital enhancements

Enhancement spend is £72m lower than Budget although significantly up on this time last year.

The year-to-date variance to Budget is driven by slippage on the Piccadilly Line Upgrade and DLR, a change of delivery strategy on third-party funded projects (including the Telecoms Commercialisation Project in CCSO) and a one-off upside in Bank Congestion Relief from release of provisions.

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Capital enhancements (£m)	Year to date, 2023/24				Year to date, 2022/23		
	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Rolling Stock and Signalling Replacement	**(227)**	**(245)**	**18**	**7%**	**(162)**	**(65)**	**-40%**
Piccadilly line upgrade	(105)	(118)	13	11%	(81)	(24)	-30%
Four lines modernisation	(37)	(39)	1	3%	(47)	10	21%
Rail System Enhancements	(1)	(3)	2	58%	(3)	2	62%
MPD Savings challenge	0	7	(7)	100%	0	0	0%
Trams	(1)	(2)	1	32%	(0)	(1)	-413%
DLR Rolling Stock replacement incl. HIF	(82)	(91)	9	10%	(31)	(51)	-166%
Major Enhancements	**(8)**	**(14)**	**7**	**47%**	**(42)**	**34**	**82%**
Silvertown Tunnel	(3)	(6)	3	47%	(4)	1	33%
Northern Line Extension	0	(0)	0	148%	0	(0)	41%
Barking Riverside	(1)	4	(5)	122%	(2)	1	37%
Elephant & Castle Station Capacity	(4)	(5)	0	6%	(5)	0	7%
Bank Congestion Relief	2	(6)	8	136%	(31)	33	107%
Elizabeth Line	(1)	(2)	1	37%	0	(1)	0%
Other Enhancements	**(113)**	**(160)**	**48**	**30%**	**(74)**	**(38)**	**-51%**
Major stations	(2)	(2)	0	24%	(0)	(1)	-360%
Surface assets	0	0	0	0%	(1)	1	146%
London Wide ULEZ	(38)	(49)	10	21%	(11)	(28)	-258%
Other AQE	(6)	(8)	3	31%	(1)	(5)	-653%
Public transport	(5)	(5)	(0)	-7%	(5)	(0)	-1%
Healthy Streets	(41)	(43)	2	5%	(26)	(15)	-59%
Technology	(4)	(8)	5	56%	(3)	(1)	-22%
LU	(5)	(7)	2	33%	(7)	2	32%
CCSO	(12)	(36)	23	66%	(21)	8	41%
LT Museum	(0)	(1)	0	74%	(0)	(0)	-35%
Estates	(1)	(0)	(0)	-152%	(0)	(0)	-493%
Corporate	(0)	(2)	2	90%	(0)	(0)	-105%
Total TfL excl. TTLP and Crossrail	**(347)**	**(420)**	**72**	**17%**	**(278)**	**(69)**	**-24%**
TTLP	(37)	(52)	16	30%	(10)	(27)	-273%
Crossrail	(21)	(48)	27	56%	(111)	90	81%
Total	**(405)**	**(520)**	**115**	**22%**	**(399)**	**(6)**	**-1%**

Cash flow statement

Cash balances are £1.05bn at the end of Period 5, just over £100m lower than Budget. This was driven by lower borrowing and temporary adverse working capital.

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Cash balances

£m	Year to date, 2023/24 Actuals	Year to date, 2023/24 Variance to Budget		Year to date, 2022/23 Actuals	Year to date, 2022/23 Variance to last year	
Opening balance	1,237	37	3%	1,287	(50)	-4%
Change in cash balance	(182)	(143)	360%	(157)	(25)	16%
Closing balance	**1,055**	**(105)**	**-9%**	**1,130**	**(75)**	**-7%**

Cash flow statement

£m	Year to date, 2023/24 Actuals	Year to date, 2023/24 Variance to Budget		Year to date, 2022/23 Actuals	Year to date, 2022/23 Variance to last year	
Operating surplus before capital renewals and interest	550	63	13%	450	100	22%
Less TTLP, LTIG and LTM	(22)	(14)	168%	(12)	(9)	74%
Cash generated / (used) from operating activities	***529***	***50***	***10%***	***438***	***91***	***21%***
Capital renewals	(245)	11	-4%	(198)	(47)	24%
New capital investment	(347)	72	-17%	(278)	(69)	25%
Investment grants and ring-fenced funding	383	(5)	-1%	31	352	1150%
Working capital movements	(179)	(143)	396%	75	(254)	-339%
Cash generated / (used) from investing activities	***(389)***	***(65)***	***20%***	***(371)***	***(18)***	***5%***
Free cash flow	**140**	**(15)**	**-10%**	**67**	**73**	**109%**
Net interest costs	(162)	(3)	2%	(166)	4	-2%
Existing debt maturing	(55)	0	0%	(580)	525	-91%
New debt issued	0	(20)	-100%	500	(500)	-100%
Short-term net borrowing change	(105)	(105)	N/A	22	(127)	-577%
Cash generated / (used) from financing activities	***(322)***	***(128)***	***66%***	***(224)***	***(98)***	***44%***
Change in cash balance	**(182)**	**(143)**	**360%**	**(157)**	**(25)**	**16%**

Cash balances

Total cash balances (excl. cash balances identified for Crossrail construction) are just under £1.1bn at the end of Period 5, almost £200m lower than at the end of last year. This is driven from short-term borrowing and maturing of existing debt.

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

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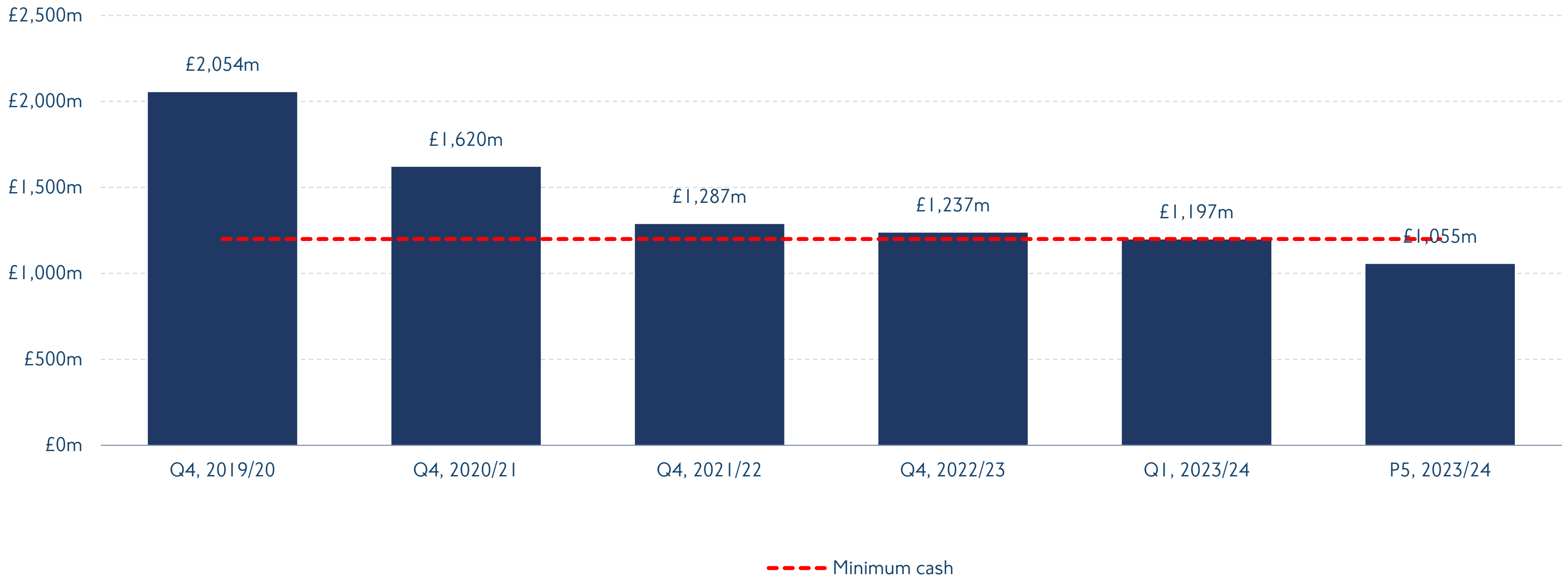
Cash balances



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

Reserves

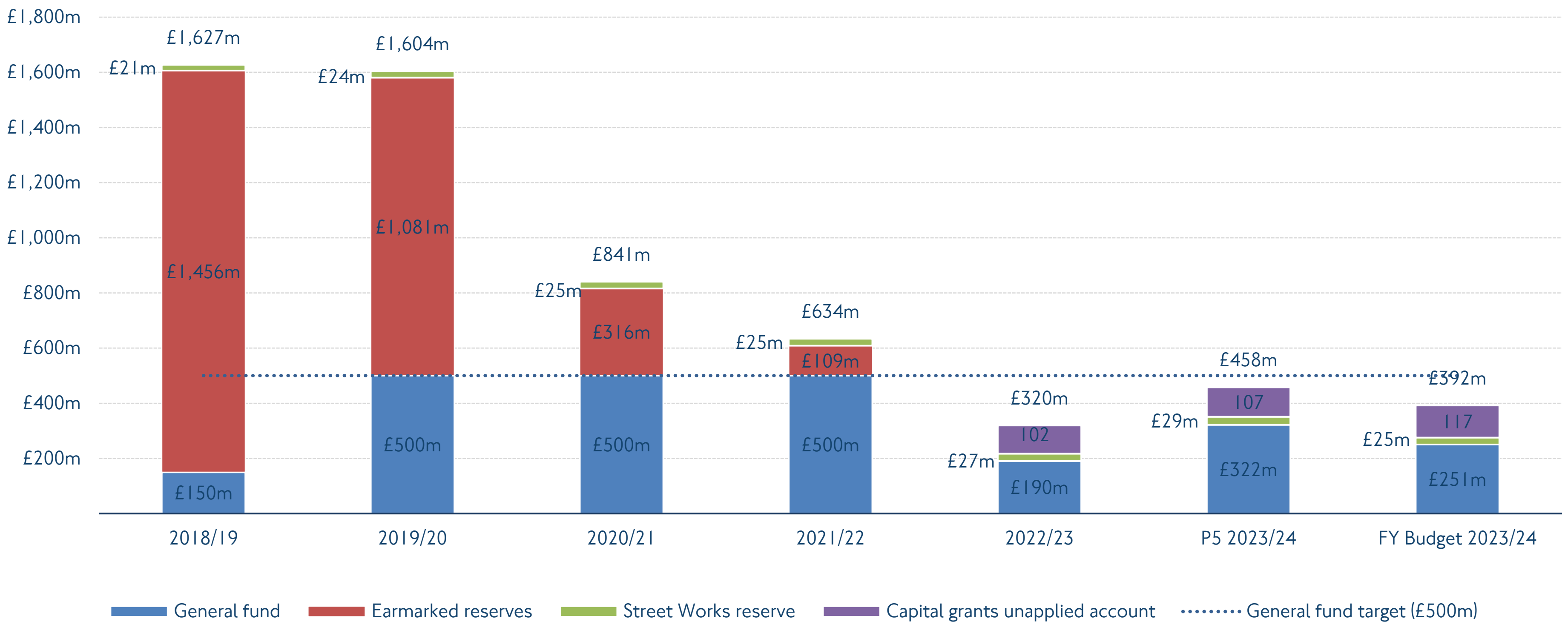
The pandemic has seen a material reduction in TfL's useable reserves, which consist of its General Fund and Earmarked Reserves.

Usable reserves are generally lower than TfL's cash balance, as elements of cash will be restricted for certain purposes and because cash payments are made in arrears in-line with supplier payment terms.

At the end of 2022/23, TfL's General Fund reserves fell below our target of £500m, although this was largely driven by the purchase of the Class 378 rolling stock. The savings from this purchase will further support TfL as it rebuilds its usable reserves.

As part of the 2024 Business Plan process, we will be setting out the plan that shows useable reserves growing back to target levels by 2025/26.

Usable reserves



- Usable reserves of the Corporation are those that can be applied to fund future expenditure. They are made up of the General Fund, Earmarked Reserves, the Capital Grants Unapplied Accounts and the Street Works Reserve
- The General Fund represents sufficient cash-backed reserves held by the Group to cover risks that may arise. The Group has a target General Fund balance of £500m, which was increased from £150m at the start of the pandemic in March 2020
- The primary reason for falling below the benchmark at the end of the 2022/23 financial year was the transaction in March 2023 to purchase the Class 378 rolling stock for £277m. The saving in lease financing over the life of the asset will further support TfL as it rebuilds its usable reserves
- At P5, usable reserves are tracking above the full year figure due to timing of the DfT capital grant receipts of £400m to P5 (of FY Budget £696m), which are recognised in usable reserves when received rather than straight lined.

Debt

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

Our level of outstanding borrowing has decreased by £161m for the year up to Period 5, bringing our total borrowing balance to £12,777m. This is largely driven by a reduction in our short-term borrowing, to suit our cash and liquidity needs.

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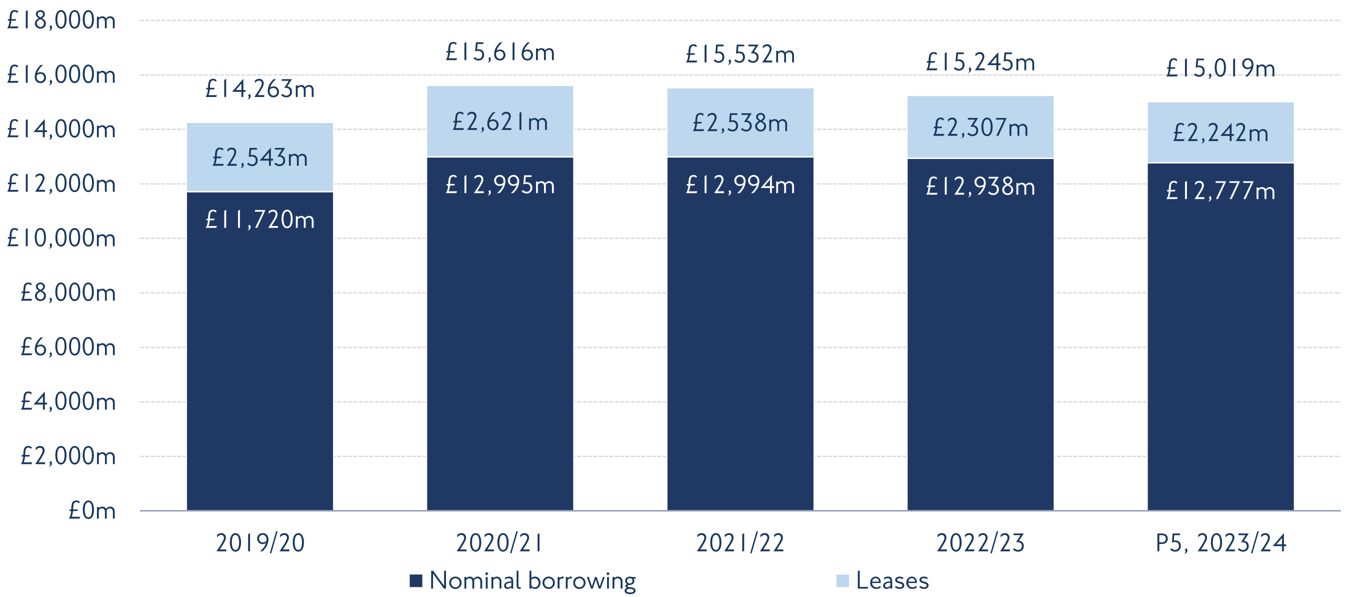
Total debt (£m)



93%

93% of our borrowing is at a fixed rate of interest

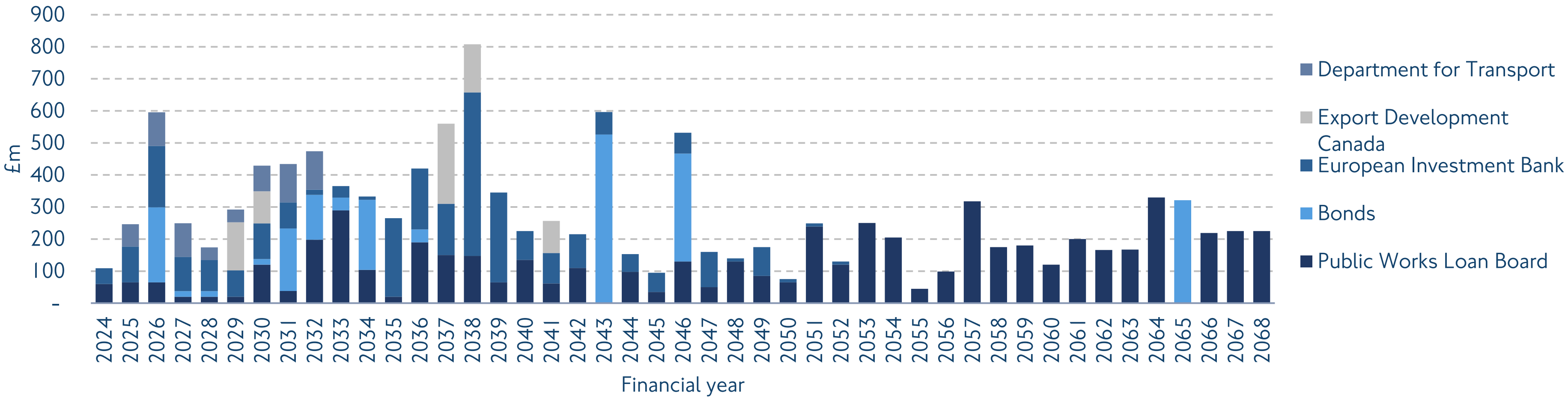
3.5%

The weighted average interest rate on our borrowing is 3.5%

19.5 years

The weighted average tenor of our borrowing is 19.3 years

TfL borrowing maturity profile



The borrowing maturity profile excludes £430m of short-term borrowing, 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.

There has been no change to our credit rating position since our last Finance Update to the Committee.

	Standard & Poor's	Moody's	Fitch
Long-term rating	A+	Baa1	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 are showing strong growth and are 18 million higher than Budget. Income is £3m up on Budget - we are seeing a slight reduction in yield compared to Budget.

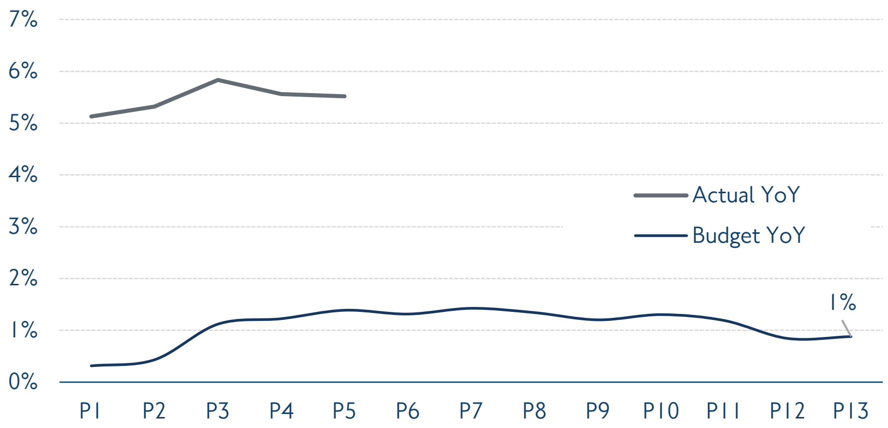
Operating costs are (£842m) in the year to date, (£20m) higher than Budget. This is mainly driven by higher bus mileage, higher maintenance costs and the timing of efficiencies delivery, which we now expect to deliver later in the year.

Capital renewals are (£20m) higher than Budget in the year to date, driven by timing differences from accelerated delivery.

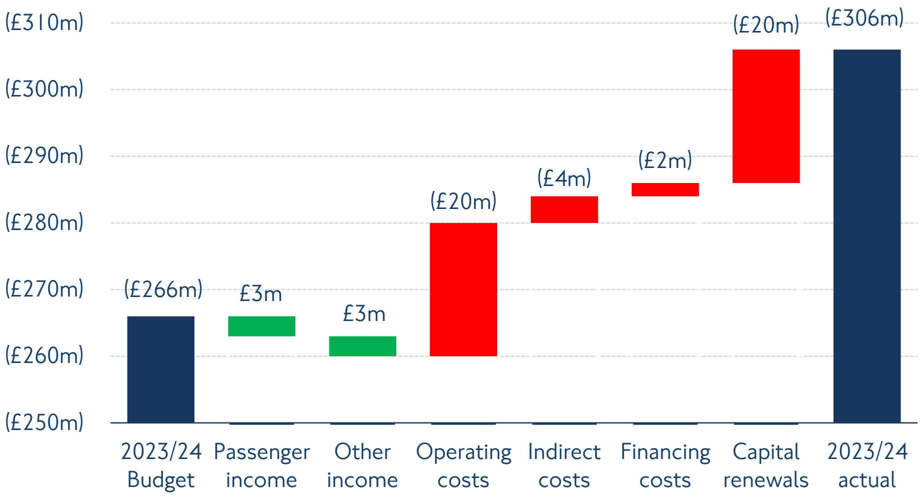
Income statement (£m)	Year to date, 2023/24 Actuals	Budget	Variance to Budget		Year to date, 2022/23 Last year	Variance to last year	
Passenger income	961	958	3	0%	807	154	19%
Other operating income	12	9	3	33%	13	(1)	-8%
Revenue	**973**	**967**	**6**	**1%**	**820**	**153**	**19%**
Operating costs	(842)	(822)	(20)	-2%	(817)	(25)	-3%
Net contribution	**131**	**145**	**(14)**	**-10%**	**3**	**128**	**4267%**
Indirect costs	(177)	(173)	(4)	-2%	(154)	(23)	-15%
Net financing costs	(106)	(104)	(2)	-2%	(109)	3	3%
Capital renewals	(154)	(134)	(20)	-15%	(120)	(34)	-28%
Operating surplus / (deficit)	**(306)**	**(266)**	**(40)**	**-15%**	**(380)**	**74**	**20%**
New capital investment	(159)	(193)	34	18%	(186)	28	15%

Tube journeys year-on-year growth

% vs Growth Period / Budget		Journeys (millions)	Var to Budget
5%	2%	449	18



Operating surplus/ (deficit) compared to Budget



Elizabeth line

Elizabeth line journeys are showing strong growth, with cumulative journeys around 15% up on last year. Passenger income is £19m higher than Budget.

Operating costs are £5m lower than Budget, driven by lower concession costs.

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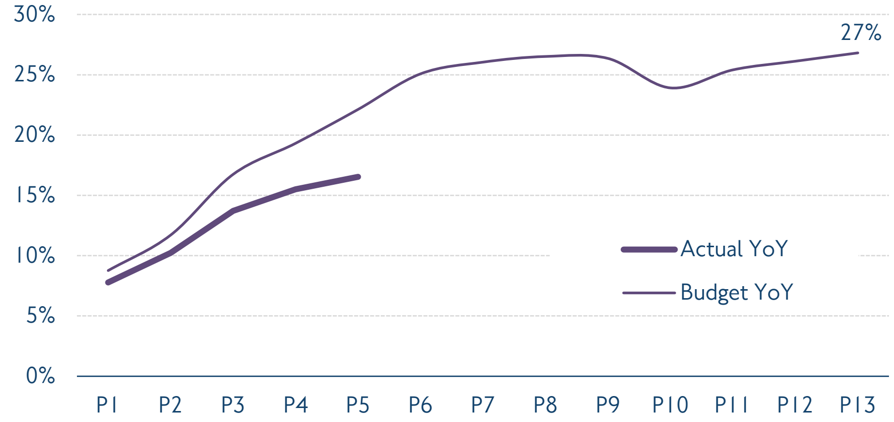
	Year to date, 2023/24				Year to date, 2022/23		
Income statement (£m)	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Passenger income	214	195	19	10%	80	134	168%
Other operating income	3	3	-	0%	6	(3)	-50%
Revenue	**217**	**198**	**19**	**10%**	**86**	**131**	**152%**
Operating costs	(197)	(202)	5	2%	(186)	(11)	-6%
Net contribution	**20**	**(4)**	**24**	**600%**	**(100)**	**120**	**120%**
Indirect costs	(6)	(10)	4	40%	(7)	1	14%
Net financing costs	(32)	(32)	-	0%	(33)	1	3%
Capital renewals	(3)	(4)	1	28%	(1)	(2)	-196%
Operating surplus / (deficit)	**(21)**	**(50)**	**29**	**59%**	**(141)**	**120**	**85%**
New capital investment	(2)	(4)	2	56%	(1)	-	-29%
Crossrail project	(21)	(48)	27	56%	(111)	90	81%
Total new capital investment	**(23)**	**(52)**	**29**	**56%**	**(113)**	**90**	**80%**

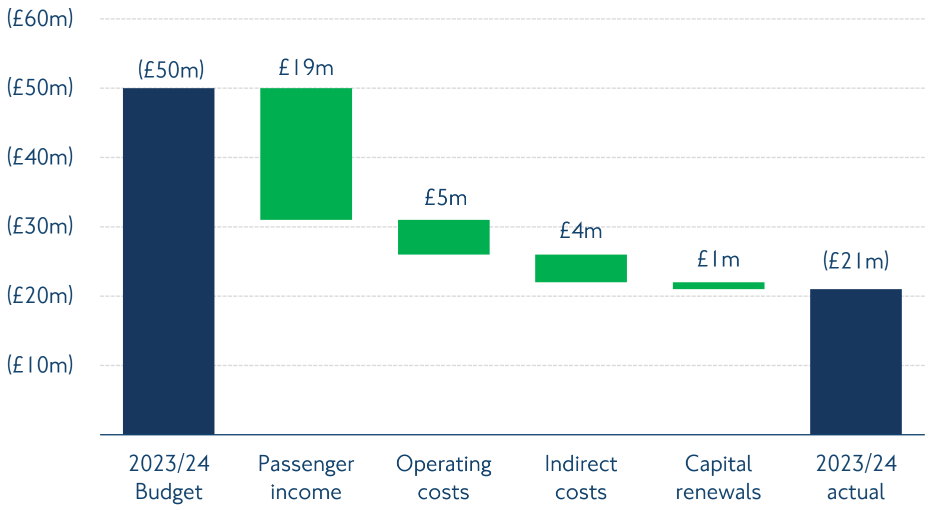
EL journeys year-on-year growth

% vs Growth Period / Budget		Absolute m	Var to Bud m
21%	34%	77	(4)



EL journeys are estimates and are subject to revision

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 2% increase in growth since last year, but is lower than expected. Journeys are 9 million lower than Budget in the year to date.

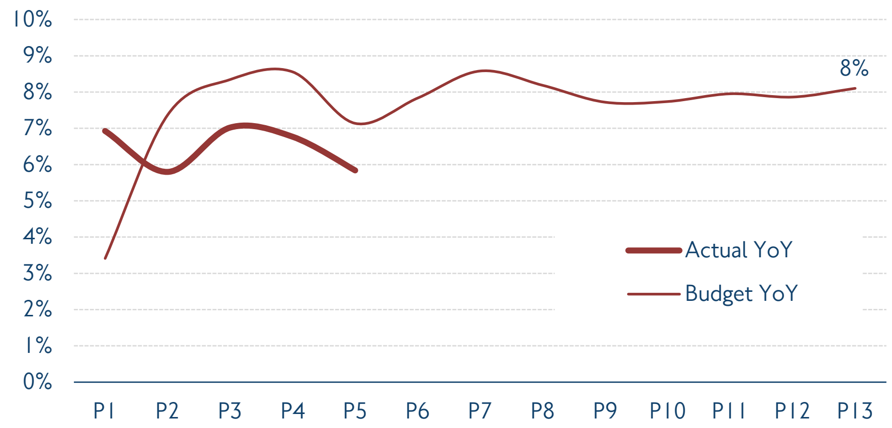
Other operating income is (£5m) below Budget. This is driven by lower roads enforcement and cycle hire income, which has been partly offset by higher Congestion Charge and ULEZ income.

Operating costs are £22m lower than Budget, with higher bus performance payments to operators offset by savings from lower bad debt (driven by lower enforcement income above), smaller savings on Network Management, and timing of ULEZ scrappage scheme applications.

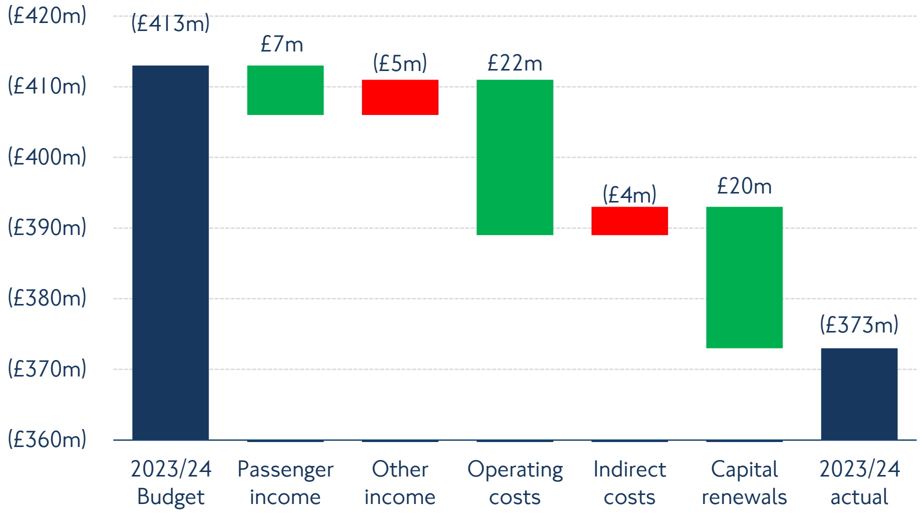
Income statement (£m)	Year to date, 2023/24 Actuals	Budget	Variance to Budget		Year to date, 2022/23 Last year	Variance to last year	
Passenger income	582	575	7	1%	516	66	13%
Other operating income	390	395	(5)	-1%	428	(38)	-9%
Revenue	**972**	**970**	**2**	**0%**	**944**	**28**	**3%**
Operating costs	(1,256)	(1,278)	22	2%	(1,178)	(78)	-7%
Net contribution	**(284)**	**(308)**	**24**	**8%**	**(234)**	**(50)**	**-21%**
Indirect costs	(31)	(27)	(4)	-15%	(29)	(2)	-7%
Net financing costs	(10)	(10)	-	0%	(10)	-	0%
Capital renewals	(48)	(68)	20	30%	(54)	6	11%
Operating surplus / (deficit)	**(373)**	**(413)**	**40**	**10%**	**(327)**	**(46)**	**-14%**
New capital investment	(91)	(116)	25	22%	(46)	(45)	-97%

Bus journeys year-on-year growth

% vs Pre Covid Period / Budget		Absolute m	Var to Bud m
2%	1%	711	(9)



Operating surplus/ (deficit) compared to Budget



Rail

Rail journeys are showing strong growth and are around 7% up on last year. Journeys are 4 million higher than Budget in the year to date. Passenger income is also £4m up on Budget, reflecting this strong performance.

Operating costs are (£212m) in the year to date, and are broadly in line with Budget.

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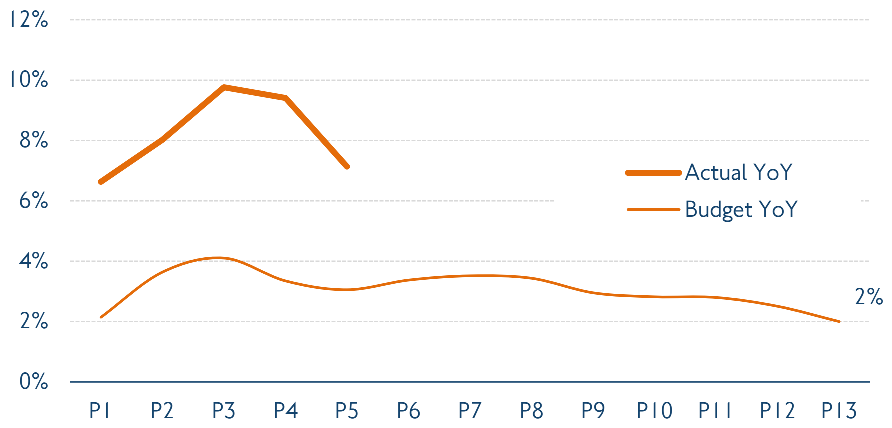
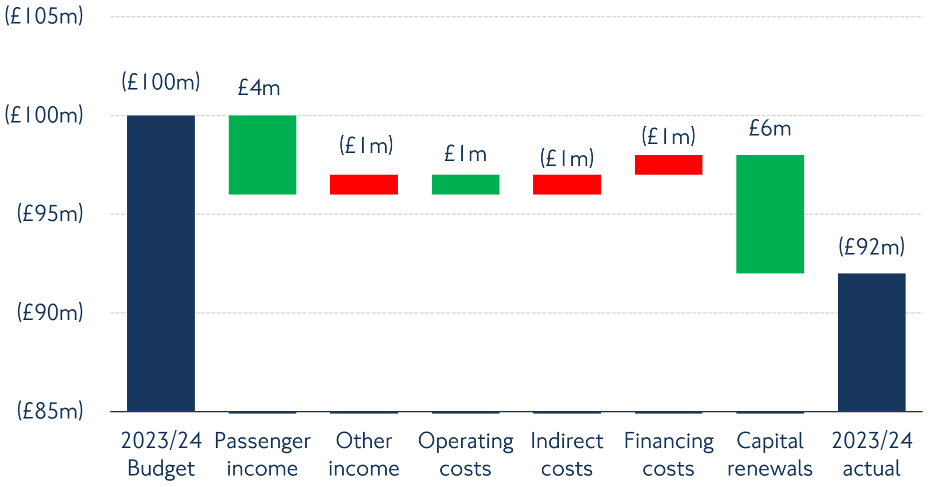
	Year to date, 2023/24				Year to date, 2022/23		
Income statement (£m)	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Passenger income	159	155	4	3%	135	24	18%
Other operating income	4	5	(1)	-20%	9	(5)	-56%
Revenue	**163**	**160**	**3**	**2%**	**144**	**19**	**13%**
Operating costs	(212)	(213)	1	0%	(202)	(10)	-5%
Net contribution	**(49)**	**(53)**	**4**	**8%**	**(58)**	**9**	**16%**
Indirect costs	(10)	(9)	(1)	-11%	(10)	-	0%
Net financing costs	(14)	(13)	(1)	-8%	(14)	-	0%
Capital renewals	(19)	(25)	6	25%	(16)	(3)	-20%
Operating surplus / (deficit)	**(92)**	**(100)**	**8**	**8%**	**(98)**	**6**	**6%**
New capital investment	**(89)**	**(92)**	**3**	**3%**	**(37)**	**(52)**	**-140%**

Rail journeys year-on-year growth

% vs Growth Period / Budget		Absolute m	Var to Bud m
-3%	2%	116	4



Operating surplus/ (deficit) compared to Budget



Key Project updates

DLR Rolling Stock and systems integration

Rolling stock delivery

The manufacture of the new rolling stock in Spain is continuing to plan, with 19 trains completed. Main line testing is underway with a number of successful elements already complete. Modifications and snagging were completed for two trains within the depot. Eleven HIF option trains have been ordered.

Testing of new signalling software is in progress with the existing fleet on the DLR network, in preparation for the new trains to enter into service in early 2024.

Green agenda

Our maintenance factory building contractor, Morgan Sindall, is participating in the 10T Carbon Challenge. This empowers project teams to work for a focused week with their consultants and supply chain to find intelligent solutions that reduce carbon from buildings and their delivery by a minimum of ten tonnes.

East London line

Morgan Sindall Infrastructure continues to progress the detailed design of the Surrey Quays station upgrade. Enabling works including diversion of utilities both inside and outside the rail corridor have begun. The focus is on the safe delivery of essential closure works in November and December 2023.

Balfour Beatty have been procured to deliver the signalling enhancement to the East London line, and works commenced in June 2023. Procurement of the necessary power infrastructure reinforcement has also concluded, with works scheduled to begin in late 2023. The programme team continues to collaborate with Network Rail on reinforcing their power infrastructure to provide further resilience to the East London line.

Piccadilly line upgrade

One-person operation closed-circuit TV (OPO CCTV)

Following design development, implementation has also begun for the new OPO CCTV system with the first installation at Caledonian Road station. This system will improve safety through transmission of high-quality digital images of the platform-train interface to both the train operator and the line control centre to ensure the safe departure of the train from the platform.

Enabling works for high voltage (HV) power

Good progress continues to be made with respect to the upgrade of HV power. Our initial focus is on the provision of additional capacity at Sudbury Hill, Northfields and Cockfosters sub-stations to support upgrades to the train maintenance depots and stabling facilities. Upgrades are also being progressed at Hyde Park Corner and Leicester Square sub-stations to enable new train operation.

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Finance Committee

Date: **11 October 2023**

Item: **Prudential Indicators – Outturn for the year ending 31 March 2023**

This paper will be considered in public

1 Summary

1.1 On 23 March 2022, the Board approved prudential indicators and debt limits for TfL for the 2022/23 financial year, as required and defined in the Chartered Institute of Public Finance and Accountancy Prudential Code (the Code). The limits and indicators were based on figures in TfL's Budget, as approved by the Board on 23 March 2022, adjusted for known significant changes in assumptions relating to revenue, cost and funding where relevant, and subject to assumptions on future government funding at the time these limits and indicators were approved.

1.2 The purpose of this paper is to report on TfL's performance against the indicators for the financial year 2022/23. In line with Code requirements, TfL's 2022/23 Statement of Accounts has been used to calculate the outturn which has been compared against the Board approved indicators.

2 Recommendation

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

3 Background

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

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

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

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

3.5 A revised Code was published in December 2021, setting out changes to the requirements for the capital strategy, prudential indicators and investment reporting, as well as a requirement that an authority must not borrow to invest primarily for financial return. Application of the revised reporting requirements were deferred, as permitted by the revised Code until 2023/24. However, the general ongoing principles of the revised Prudential Code were applied with immediate effect.

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

4 Outturn

Operational Boundary

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

Operational Boundary for External Debt (£m)	Approved	Outturn
TfL Corporation		
Borrowing	13,069.0	12,937.1
Long-term liabilities	535.3	506.7
Total Operational Boundary for External Debt	**13,604.3**	**13,443.8**
TfL Group		
Borrowing	13,069.0	12,937.1
Long-term liabilities	2,675.2	2,476.1
Total Operational Boundary for External Debt	**15,744.2**	**15,413.2**

4.2 The Operational Boundary for direct borrowing for the Group and Corporation was set at £13,069m, with the outturn coming £132m under this level. This was driven by the impact of repurchasing and refinancing some of our outstanding bonds and a decrease in our outstanding Commercial Paper balance.

4.3 The Operational Boundary for long-term liabilities at 31 March 2023 was set at £2,675m for the Group and £535m for the Corporation. The outturn for indirect borrowing was £26m below the boundary for the Corporation and £199m below for the Group.

4.4 The main driver of the variance for the Group was the purchase of Class 378 rolling stock, used on the London Overground, for £277m and termination of related lease liabilities of £102m. The reason for the difference in values is the lease liabilities only represented the existing lease contract, which was not for the full life of the assets. Higher interest rates meant that purchasing the rolling stock will result in a significant cost saving to TfL over the life of the assets.

4.5 Other drivers of the variance predominately relate to a rephasing, and earlier settlement, of long-term capital provisions when compared with the expected profile at the time prudential indicators were set.

Authorised limit

4.6 The most important prudential indicator is the Authorised Limit, which sets the maximum legal limit for direct and indirect (e.g. long-term creditors, provisions) debt for the organisation. Both the Corporation and the Group were within their Authorised Limits for the year ended 31 March 2023.

4.7 The Authorised Limit is derived by adding an element of headroom to the Operational Boundary for External Debt (the Operational Boundary), to allow for unexpected cashflow fluctuations. This provides a mechanism to raise further debt in a limited number of circumstances, without breaching TfL's maximum legal debt limit, at any point during the financial year – albeit these are an unbudgeted set of circumstance.

Authorised Limit for External Debt (£m)	**Approved**	**Outturn**
TfL Corporation		
Borrowing	13,769.0	12,937.1
Long-term liabilities	785.3	506.7
Total Authorised Limit for External Debt	**14,554.3**	**13,443.8**
TfL Group		
Borrowing	14,568.8	12,937.1
Long-term liabilities	3,175.4	2,476.1
Total Authorised Limit for External Debt	**17,744.2**	**15,413.2**

4.8 The Authorised Limit for direct borrowings for the Group was set at £14,569m, which included £1,500m of headroom items as at 31 March 2023. They are to mitigate against financial shocks and allow for short-term refinancing activities. For the Group they include:

(a) an existing overdraft facility of £100m and a money market facility of £100m;

(b) an allowance of £500m to avail of favourable market conditions in relation to short-term refinancing activities;

(c) the Places for London revolving credit facility (RCF) of £200m; and

(d) an allowance of £600m for refinancing of assets and assets under construction, which may have resulted in additional liabilities on the balance sheet.

4.9 With the exception of the Places for London (formerly TTL Properties Limited) RCF, the headroom items in the Authorised Limit do not represent additional borrowings that TfL can utilise to support further planned investment.

4.10 Total actual borrowings at 31 March 2023 were below this limit at £12,937m. The variance was driven by the variance against the Operational Boundary (explained above) and these headroom items not being utilised.

4.11 The Authorised Limit for direct borrowings for the Corporation was set at £13,769m, which included £700m of headroom items. The headroom items do not represent additional borrowings that TfL can undertake to fund its activities. For the Corporation, they include:

(a) an existing overdraft facility of £100m and a money market facility of £100m; and

(b) an allowance of £500m to avail of favourable market conditions in relation to short-term refinancing activities.

4.12 Total actual borrowings at 31 March 2023 were below this limit at £12,937m. The variance was driven by the variance against the Operational Boundary (explained above) and these headroom items not being utilised.

4.13 Long-term liabilities for the Group as at 31 March 2023 were £2,476m, compared to the Authorised Limit for indirect borrowing limit of £3,175m (£700m lower than the limit set). Aligned with the principle explained in 4.5, the Authorised Limit for indirect debt included an uplift to the Operational Boundary of £500m to capture the potential for new commercial contracts to be entered into that are classified as long-term leases under IFRS 16.

4.14 Similarly, for the Corporation, long-term liabilities as at 31 March 2023 totalled £507m, compared to an indirect borrowing limit of £785m, resulting in an outturn of £278m lower than the limit set. The Authorised Limit for indirect debt included an uplift to the Operational Boundary of £250m to capture the potential for new commercial contracts to be entered into that are classified as long-term leases under IFRS 16.

Capital expenditure

Capital Expenditure (£'m)	Approved	Outturn
TfL Corporation	1,571.6	1,983.2
TfL Group	2,445.1	2,484.9

4.15 The 2022/23 Budget for capital expenditure was set in March 2022 before the agreement of the 30 August 2022 funding settlement with Government, which provided additional funding to TfL.

4.16 Consistent with paragraphs 4.8 and 4.11, the capital expenditure estimate included a £500m for the Group and £250m for the Corporation to capture the potential for new commercial contracts to be entered into that are classified as long-term leases and consequently, capital spend/right of use assets under IFRS 16.

4.17 The Code acknowledges the capital expenditure indicator is an estimate and subject to fluctuation in the ordinary courses of business. The Corporation exceeded the budgeted assumption by £412m primarily due to the March 2022 budget assuming a lower level of funding from Government and the Corporation funding the purchase of Class 378 rolling stock for £277m explained in paragraph 4.4 which was not included in the budget.

Ratio of financing costs to net revenue stream

Ratio of financing costs to net revenue stream (%)	Approved	Outturn
TfL Corporation	15.4%	18.4%
TfL Group	17.1%	21.6%

4.18 The Code acknowledges the ratio of financing costs to net revenue stream is an estimate and subject to fluctuations in the ordinary course of business. There are numerous variables within the calculation and no predominant driver has been noted when compared with the indicators set. The outturn for the Corporation and Group is above the approved indicator. This does not represent an increase in the underlying interest charge and cash cost of direct and indirect debt and is largely driven by the portion of grant income allocated to capital being higher than assumed in the March 2022 budget, which reduces the net revenue stream. For the Group and Corporation, the outturn is considered within a reasonable range of the estimates set.

Gross Debt to Capital Financing Requirement

Gross debt to Capital Financing Requirement (£m)	Gross debt 31 March 2023	Capital Financing Requirement 31 March 2025
TfL Corporation	13,446.5	13,928.4
TfL Group	15,413.2	16,969.9

4.19 The final indicator set is the comparison of Gross Debt to Capital Financing Requirement and in line with expectations, the level of Gross Debt as at 31 March 2023 does not exceed the anticipated level of Capital Financing Requirement for the current and next two financial years as at 31 March 2025.

5 Conclusion

5.1 The outturn for the financial year 2022/2023 is satisfactory upon comparison to the Prudential Indicators approved.

List of appendices to this report:
None

List of Background Papers:
None

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

Finance Committee

Date: **11 October 2023**

Item: **Treasury Activities**

This paper will be considered in public

1 Summary

1.1 This paper provides a brief update on our key treasury activities for the period from 18 February 2023 to 22 September 2023 (the Reporting Period).

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 paper and the exempt supplementary information on Part 2 of the agenda.**

3 Key Highlights

3.1 In May 2023, Standard & Poor's (S&P) revised its outlook on TfL to positive from stable and affirmed the ratings 'A+/A-1'. Our ratings with Moody's and Fitch remain unchanged.

3.2 We continue to monitor the affordability of our future borrowing plans, using the debt affordability ratios presented to the Committee in March 2023.

3.3 Our ongoing collaboration with the GLA and its investment subsidiary, London Treasury Limited (LTL), continues to progress. Focus remains on integrating treasury processes with banking and settlements of securities proposed as being provided by TfL as a shared service. Investment management will be managed by LTL with TfL seconding two of its treasury team, with one full time equivalent resource allocation, to assist in due course.

4 Liquidity Update

4.1 We continue to manage our liquidity levels to balance the requirements stated in our Treasury Management Policies (TMP) with those in the Government funding agreement of August 2022.

5 Investment Update

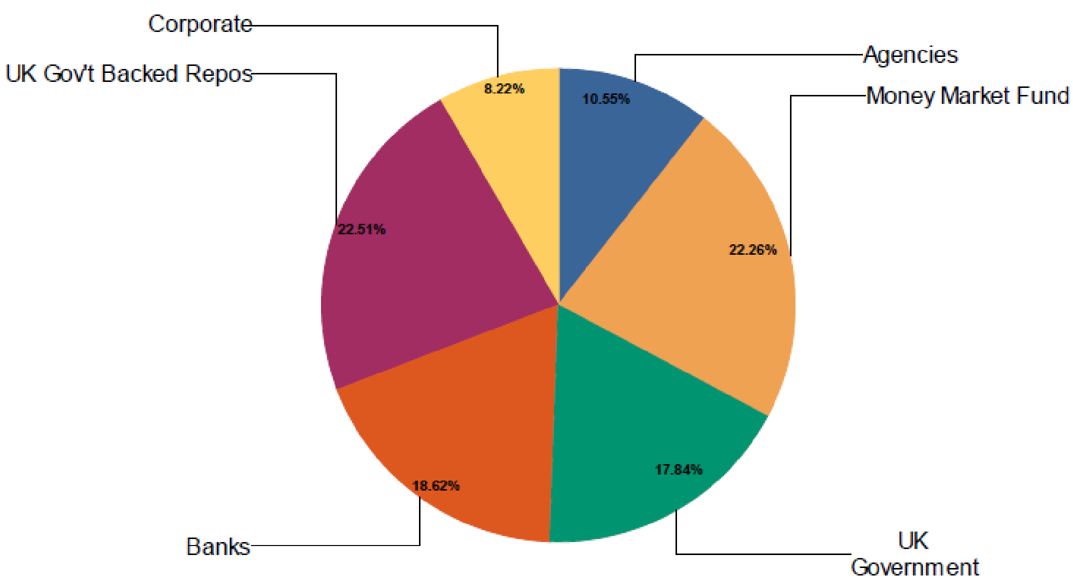
5.1 During the Reporting Period we have continued to diversify cash investments by country, sector, tenor, and counterparty. The maximum duration of investments has remained at three months. Bank of England base rates have continued to rise rapidly from 4 per cent to 5.25 per cent over the Reporting Period. The short-term nature of our investment strategy has meant that our investment yield has quickly reflected increases in interest rates.

5.2 Our investments remain short dated with 93 per cent maturing within two months. The weighted average maturity of investments over the Reporting Period decreased from 23 days to 18 days.

5.3 The weighted average investment yield on 22 September 2023 was 5.36 per cent, 17.5 basis points higher than the Sterling Overnight Index Average (known as SONIA) benchmark.

5.4 While we have continued to prioritise investments in short dated, highly rated instruments, we continue to seek opportunities to diversify the portfolio and maximise yield, within the bounds of our Treasury Management Strategy (TMS) and TMP. As of 22 September 2023, we held a diversified portfolio of investments in supra-nationals, government agencies and highly rated financial and corporate investments, as shown in Chart 1.

Chart 1 – Sector breakdown of TfL cash position on 22 September 2023



5.5 In the Reporting Period we worked with TfL's commercial property subsidiary, Places for London Limited (Places, formerly TTL Properties Limited), to enable Places to meet the requirements of its own Treasury Management Strategy and Policy, including the production of cash forecasts, which enabled us to begin depositing surplus cash. We are now working to open a Money Market Fund account for Places to allow for better diversification within their investments.

6 Risk Management Update

6.1 The level of floating rate borrowing, as a percentage of all borrowings outstanding, has decreased slightly over the Reporting Period, from 7.7 per cent to 6.6 per cent, primarily due to a small reduction in our Commercial Paper (CP) balance. This remains comfortably within the maximum target of 25 per cent set out in our TMS for 2023/24.

6.2 Although 6.6 per cent, or £985m, of total debt is exposed to floating interest rates, there is an element of natural hedge in the form of our short-term investments. This is because the income on those investments is also exposed to short-term interest rates. Therefore, a rise in interest rates on our floating rate debt is somewhat offset by a rise in interest receivable from our investment portfolio.

6.3 We continue to manage foreign exchange and interest rate risk, using derivatives to hedge material exposures. Over the Reporting Period we hedged the interest rate risk in respect of the lease arrangement for the Elizabeth line class 345 rolling stock and hedged the foreign exchange exposure for the additional Docklands Light Railway rolling stock, and the Northern Line Vehicle Control Centre Incremental Upgrade, which is replacing many of the components within the control centre systems that are now obsolete or becoming obsolete.

7 Borrowing Update

7.1 As of 22 September 2023, we had £12,725m in outstanding borrowing with an average tenor of 19.46 years and a weighted average interest rate of 3.46 per cent. We remained within the Authorised Limit for borrowing of £14,114m at all times during the Reporting Period.

7.2 During March 2023 our borrowing levels temporarily increased by £221m. This is a result of various new loans from the Public Works Loan Board which were used to fund some large cash outflows ahead of the end of 2022/23.

7.3 During the remainder of this financial year, we expect to refinance £109m of maturing borrowing (excluding maturing CP). Additionally, we estimate an incremental borrowing requirement of £191m for 2023/24. We will continue to monitor our options for the remainder of our borrowing requirement.

8 Credit ratings

8.1 Our credit ratings as of 22 September 2023 are shown in the table below.

Table 2: TfL’s credit ratings as of 22 September 2023

	Standard & Poor’s	Moody’s	Fitch
Long-term rating	A+	Baa1	AA-
Outlook	Positive	Stable	Negative
Short-term rating	A-1	P-2	F1+

8.2 We continued to engage with all three credit rating agencies during the Reporting Period. On 25 May 2023, S&P revised its outlook on TfL from stable to positive. This reflects S&P’s view that recovering ridership and cost control should allow TfL to gain higher financial flexibility despite a challenging economic environment. They also highlighted expectations that borrowing, and risk related to real estate operations will remain contained. There have been no rating actions from either Moody’s or Fitch during the Reporting Period.

9 Banking Update

9.1 Automation of the daily CHAPS payment process was successfully implemented in May 2023. This brings cost efficiencies in both banking fees and time management, allowing the Business Support Function to concentrate on other tasks.

9.2 We are working with our banking provider and outsourced partner to build a new virtual bank account structure as part of the Places for London Limited Client Split Project. A new structure is required as 900 tenant deposit accounts and balances need to be transferred from Transport Trading Limited to Places for London Limited. Both of these are expected to be completed by late October 2023.

List of appendices to this report:

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

List of background papers:
None

Contact Officer: Joanna Hawkes, Director of Corporate Finance
Email: JoannaHawkes@tfl.gov.uk

Finance Committee

Date: **11 October 2023**

Item: **Roadside Advertising Assets Disposal**

This paper will be considered in public

1 Summary

1.1 The purpose of this paper is to brief the Committee on the planned disposal of some of our income-producing roadside advertising assets in return for capital income.

1.2 A paper is included in Part 2 of the agenda, which contains exempt supplemental information. The information is exempt by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial affairs of TfL and legally privileged advice. 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 the note the paper and the exempt supplementary information in Part 2 of the agenda.**

3 Background

3.1 TfL owns 234 roadside advertising panels across London, which generate rental income. These include traditional fixed hoardings, and newly developed digital screens, such as the examples shown in Appendix 1.

3.2 Use of the panels is sold by several companies on our behalf, typically on ten-year licences tendered on the open market. TfL generally receives a fixed rental (or guaranteed minimum return), and at some locations an agreed profit share over the contract term.

3.3 This paper and the exempt supplementary paper on Part 2 of the agenda describe the proposed disposal of some of highest revenue generating sites on 99-year leases.

3.4 Most of TfL's advertising revenue comes from London Underground and bus shelters. These are not in scope of this proposal.

3.5 It is anticipated that approval of Land Authority to enter into the contracts will be required before the next meeting of the Committee and will therefore be sought under Chair's Action.

3.6 As the proposed transaction engages with TfL’s operational property estate (as well as TfL’s commercial property estate), it is within the remit of the Committee, as opposed to the Land and Property Committee.

List of appendices to this report:

Appendix 1: Example photographs of TfL’s roadside advertising sites

Exempt supplementary information is included in Part 2 of the agenda

List of background papers:

Finance Committee paper, 23 June 2021, Roadside Advertising

Contact Officer: Rachel McLean, Chief Finance Officer
Email: rachelmclean@tfl.gov.uk

Appendix 1 – examples of TfL's roadside advertising sites

Wandsworth Roundabout

Euston Underpass

Chiswick Towers

Finance Committee

Date: **11 October 2023**

Item: **London Overground Infrastructure Maintenance Contract Extension**

This paper will be considered in public

1 Summary

1.1 The purpose of this paper is to seek Procurement Authority to extend the current London Overground Infrastructure Maintenance Contract (IMC2) for up to two years, with a latest expiry date of 31 March 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 extension of up to two years of the London Overground Infrastructure Maintenance Contract, as described in this paper and the related paper on Part 2 of the agenda.**

3 Background

3.1 The IMC2 is a single, multidisciplinary contract for the maintenance of infrastructure assets controlled directly by London Overground. These include civils, structures, permanent way, signalling and telecoms, traction power, and electrical and mechanical assets. The contract also covers maintenance of depot facilities at New Cross Gate, Wembley and Silwood and includes stations along the West Anglia route network.

3.2 This is an operationally critical contract for maintenance of infrastructure assets controlled directly by London Overground and to ensure the smooth running of the London Overground rail service.

3.3 The IMC2 is divided into two main elements:

(a) delivery of core maintenance services. This includes delivery of the London Overground Fault Reporting Centre as part of core services (implemented in late 2018); and

(b) delivery of additional works and services as may be instructed in connection with London Overground managed infrastructure, typically for fault rectification, renewals and maintenance of assets normally maintained by others. These are defined and delivered on a case-by-case basis under a task order mechanism.

3.4 The IMC2 was awarded by Rail for London Limited (RfL) following a competitive process in January 2018 to Cleshar Contract Services Limited for an initial contract term of five years with the option to extend for period(s) up to a total of 36 months. To date, a 12-month extension has been implemented and the current expiry date is 31 March 2024.

3.5 RfL proposes to extend the term of IMC2 for up to a further two years until 31 March 2026. Further detail is contained in the paper included on Part 2 of the agenda.

3.6 The proposed extension entails exercising contractual options, so is permitted without the need for a further competitive process under procurement regulations.

List of appendices to this report:

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

List of Background Papers:

None

Contact Officer: Rachel McLean, Chief Finance Officer
Email: RachelMcLean@tfl.gov.uk

Contact Officer: Jonathan Wharfe, Director Procurement and Commercial - Operations
Email: JonathanWharfe@tfl.gov.uk

Finance Committee

Date: **11 October 2023**

Item: **Fabric and Drainage Maintenance Services Contract Extension**

This paper will be considered in public

1 Summary

1.1 The purpose of this paper is to seek approval for additional Procurement Authority for the award of a contract extension for the provision of fabric and drainage maintenance services across the London Underground (LU) estate.

1.2 A paper is included on Part 2 of the agenda containing supplementary information that is exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972, in that it contains information relating to the 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 and grant additional Procurement Authority, in the sum set out in the related paper on Part 2 of the agenda, for the extension of a contract for the supply of Fabric and Drainage Maintenance Services across the TfL estate.**

3 Background

3.1 TfL has a contract for the provision of fabric and drainage services across LU including stations, depots and substations (the Contract). The fabric and drainage maintenance services comprise of:

(a) planned and reactive maintenance of fabric: e.g. fabric, locks, gate and doors, safety markings, vegetation on structure;

(b) planned and reactive maintenance of drainage e.g. plumbing, drainage and seepage;

(c) planned and reactive maintenance of vegetation (excluding on-structure) and fencing; and

(d) planned and reactive maintenance of pest control.

3.2 The current supplier is Lanes Group Plc and the Contract was awarded following full competition in 2017 for an initial period of five years, concluding on 24 June

2022, with an option for TfL to extend for up to a further 36 months.

3.3 The contractual option to extend was exercised on 25 June 2022 for a period of 19 months to 24 January 2024 with Procurement Authority approved by the Committee via a Chair's Action on 28 January 2022.

3.4 This extension period facilitated development of the fabric and drainage scope for the retender of this Contract. To achieve the benefits of the latest procurement strategy, a further extension of elements of the current contract is required, to align service end dates with a number of contract arrangements currently being procured.

3.5 The total cumulative Procurement Authority sought for the extended Contract is within the values specified in the procurement process under which the Contract was originally let. This request relates to business-as-usual protection of safety critical assets.

3.6 These works preserve the day-to-day safety of our services; fabric and drainage maintenance services are essential in protecting the safety of TfL assets, and TfL people and customers.

3.7 Further detail regarding the proposed extension to the Contract is set out in the paper on Part 2 of the agenda.

List of appendices to this report:

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

List of Background Papers:

13 March 2017 Finance Committee paper - One Facilities Management Services Procurement: Approval of Award of Contracts

28 January 2022 TfL Finance Committee - Chair's Actions - Security Services Contract Extension/Premises and Fabric Maintenance Contract Extension - TfL Restricted

Endorsed at the Commercial Assurance Meeting on 21 August 2023.

Contact Officer: Rachel McLean, Chief Finance Officer
Email: RachelMcLean@tfl.gov.uk

Contact Officer: Jonathan Wharf, Procurement & Commercial Supply Chain Director, Operations
Email: JonathanWharfe@tfl.gov.uk

Finance Committee

Date: **11 October 2023**

Item: **Enterprise Risk Update – Financial Resilience (ER07)**

This paper will be considered in public

1 Summary

1.1 This paper describes Transport for London`s (TfL's) position on Enterprise Risk 07 (one of ten level 0 risks across TfL), Financial Resilience. This is the risk that changing market conditions, financial shocks, stakeholder relationships or internal delivery issues lead to TfL not having sufficient financial resources to make sufficient progress towards its strategic objectives.

1.2 This is the first time the risk has been presented to the Committee.

1.3 This paper outlines the scope of enterprise risk, current assessment, preventative controls, mitigation activities in place and improvement plans to reduce TfL's risk across our financial activities.

1.4 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 TfL has been on a journey to achieve financial sustainability since 2015/16 when the government confirmed that its revenue grant to TfL would be withdrawn. TfL responded by reducing its net operating deficit each year to 2019/20 and, as described in the 2019 Business Plan, was on trajectory to deliver an operating surplus by 2022/23.

3.2 This would mean generating sufficient operating income to cover operating costs, renewals and financing costs and creating an operating surplus for fund investment in new capital enhancements.

3.3 However, the pandemic had a devasting impact on TfL's finances. This meant financial resilience was a strategic issue which was being actively managed by the Executive Committee. TfL was reliant on funding agreements with the government to continue to operate its services and deliver critical projects. A significant amount of senior resource, including considerable time from the Commissioner and Chief Finance Officer, was dedicated to securing these agreements with government.

3.4 Since the initial phase of the pandemic, TfL has again been rebuilding its finances, and has been on a declining trajectory of government funding support. This has been achieved through supporting the recovery of passenger demand by maintaining service levels, generating new revenue sources and maintaining strong cost control.

3.5 In 2023/24, TfL is currently on course to achieve financial sustainability and deliver an operating surplus. This has meant that financial resilience has reverted to being an Enterprise (Level 0) risk, rather than a live issue, and will be managed accordingly.

3.6 Although TfL's financial position has improved since 2020/21, there remain strategic risks to TfL's financial resilience. These are categorised as the Strategic (Level 1) risks: systemic risk, liquidity risk, solvency risk, credit risk and operating risk.

3.7 This paper outlines the risks in these five areas, along with their causes, consequences, controls and mitigations (sections 4-8).

4 Causes of risks

Systemic risk

4.1 Systemic risk refers to demand shock or changing market conditions leading to reduction in revenue, significant increase in costs or inability to access capital markets.

4.2 This can include recessions, factors that influence people's ability or willingness to travel, significant inflation shocks or the failure of capital markets to operate effectively.

Liquidity risk

4.3 Liquidity risk is a cash-flow mismatch creating the inability to meet liabilities as they fall due. This could be caused by a failure to correctly predict timing of material payments and receipts, changes in payment terms or delays to material receipts.

Solvency risk

4.4 Solvency risk is due to the failure to deliver a recurring operating surplus over the medium term which would mean debt levels becoming unsustainable, general fund reserves being run down and ultimately liabilities exceeding assets. As TfL is required to have and maintain a balanced budget, this would mean TfL is no longer able to meet this requirement.

Credit risk

4.5 Credit risk is described as failure to collect revenue that falls due to the insolvency of a material customer or, more likely in TfL's case, a systemic failure in a large number of customers to pay fares, charges or commercial income. It could also be due to the insolvency of a counterparty on investments.

Operating risk

4.6 Operating risk is the internal failure to deliver operations, processes and controls which leads to an inability to collect revenue or a significant drop in customer confidence. This could be caused by sustained industrial action, a significant safety incident or a significant technology failure.

5 Consequences

5.1 If any of the risks listed above materialised, this could result in various impacts for TfL, some with more significant consequences than others.

5.2 **Value for money**: a lack of financial certainty results in short-term planning horizons and an inability to plan effective and efficient delivery, with a particular impact on capital projects. This would also result in an increasing cost of finance due to a deteriorating credit rating, which would further exacerbate the issue. During the pandemic, our external auditors highlighted the impact of short-term funding agreements with government were having on our ability to deliver value for money.

5.3 **Delivery**: as a large proportion of TfL's operating costs are fixed, in the short-term capital expenditure could need to be slowed, deferred or cancelled to maintain a balanced budget. Reducing new capital enhancements would impact TfL's ability to make progress towards its strategic objectives. Reducing capital renewals would lead to deteriorating asset condition, increasing maintenance costs and decreasing service reliability. Operating cost reductions take longer to deliver, but service reductions could lead to decreasing demand as services are less frequent and reliable, which further increases financial risks.

5.4 **Colleague**: financial uncertainty could lead to lower engagement and increasing employee turnover. It would also make it increasingly difficult to attract and retain talent, and TfL are already experiencing recruitment challenges in certain areas.

5.5 **Supply chain**: decreasing supplier confidence due to lower certainty around our delivery pipeline would increase costs and decrease credit terms, creating further financial pressures. Small and medium suppliers dependent on TfL could become insolvent which would have a ripple effect on jobs across the country.

5.6 **Expenditure and new agreement controls**: TfL is required to set and maintain a balanced budget. If this is not possible, the statutory Chief Finance Officer would need to consider if it is necessary to prepare a report under section 114 of the Local Government Finance Act 1988, which would be presented to the Board to consider. This would also require the implementation of tight controls over new expenditure agreements, which could impact our ability to deliver services and investment.

6 Current Controls

6.1 A number of controls are currently in place under each risk, to reduce the probability of the risk materialising.

6.2 Systemic controls include:

(a) demand forecasting, including the use of independent economic forecasts;

(b) customer research to understand changing customer behaviours;

(c) horizon scanning for potential market disruption;

(d) scenario planning to test business plan under different scenarios;

(e) maintaining budget contingency and borrowing facilities to maintain operations and investment during temporary demand shocks;

(f) use of hedging on interest rate and foreign exchange rate risk exposure;

(g) scenario planning to test business plan under different scenarios;

(h) reporting on savings delivery; and

(i) quarterly reporting of pension fund valuation.

6.3 Liquidity controls include:

(a) short-term (12 week) direct cashflow forecasting;

(b) medium- to long-term indirect cashflow forecast;

(c) daily cash reporting;

(d) maintaining target of 60 days operating expenses as minimum cash levels in business planning;

(e) maintaining minimum strategic reserve of £900m cash reserves; and

(f) bank overdrafts and standby credit facilities are not used in the normal course of business but are available to address short-term liquidity needs.

6.4 Solvency controls include:

(a) annual balanced budget approved by the Board;

(b) prudential borrowing limits approved by the Board;

(c) use of credit rating agencies to provide external assurance on borrowing levels;

(d) scenario planning to test business plan under different scenarios; and

(e) maintaining general fund reserve at minimum of £500m.

6.5 Credit controls include:

(a) Treasury Management Policy-based overriding principle being the prioritisation of security before liquidity and liquidity before yield, including defined counter-party exposure limits;

(b) revenue reporting on fare revenue, road user charging and rental collections; and

(c) arrears reporting on rental collections.

6.6 Operating controls include:

(a) Internal Audit reviews and annual Head of Internal Audit Opinion; and

(b) periodic analysis of variances against budget.

7 Mitigations

7.1 TfL is also taking mitigating actions to better prepare TfL and reduce the severity and length of the impact should one of the risks above materialise.

7.2 Systemic mitigations:

(a) development of customer strategy to focus efforts to grow customer demand;

(b) growing new sources of revenue to reduce dependence on fare revenue;

(c) case-making to government for future funding;

(d) further improvement on business planning process to include more long-term scenarios; and

(e) improvement to savings reporting.

7.3 Liquidity mitigations:

(a) an internal programme 'Making Cash Count', aimed at improving cashflow forecasting and cash reporting, to drive accountability and responsibility for cash across the organization.

7.4 Solvency mitigations:

(a) further improvement on prudential borrowing process to more explicitly and transparently set limits based on range of ratios; and

(b) further improvement on business planning process to include more long-term scenarios.

8 Next Steps

8.1 The Chief Finance Officer's leadership team will improve the effectiveness of its controls where necessary to reduce the probability of each risk materialising, and continue developing its mitigating actions.

List of appendices to this report:

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

List of Background Papers:

None

Contact Officer: Patrick Doig, Group Finance Director
Email: Patrick.Doig@tfl.gov.uk

Finance Committee

Date: **11 October 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

Contact Officer: Andrea Clarke, Interim General Counsel
Email: AndreaClarke@tfl.gov.uk

Appendix 1

Finance Committee Forward Plan 2023/24

Membership: Anne McMeel (Chair), Anurag Gupta (Vice-Chair), Prof Greg Clark CBE, Seb Dance 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)

22 November 2023		
Use of Delegated Authority	GC	To note.
Finance Report	CFO	To note.
Forthcoming Key Procurement Activities	CFO	To note.
TfL Energy Purchasing: Crown Commercial Service and Power Purchase Agreements	CSHEO	To approve.
Communications Systems Maintenance Contract	CFO	To approve.

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	CFO	To note.
Investment Management Strategy 2024/25 – Non-Financial Assets	CEO TTLP	To note.

As at 3 October 2023

Enterprise Risk Update – Changes in Customer Demand (ER09)	CCSO	To note.
Procurement and Commercial Improvement Programme – Cost Management Update	CFO	To note.
Energy Purchasing Strategy Review and Power Purchase Agreements	CSHEO	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)
- Forthcoming Key Procurement Activities (CFO)

Additional items to be scheduled:

- Spending Review Issues (e.g. Business Rates Devolution) (CFO)
- Income Generation Proposals (CFO & CCSO)
- Securing New Income Streams (CFO & CCSO)
- TfL Strategy on Working Capital
- 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.

Agenda Item 17

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Agenda Item 18

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Agenda Item 21

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