

Agenda

Meeting: Finance Committee

Date: Wednesday 22 November 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)
Seb Dance

Prof Greg Clark CBE
Dr Nina Skorupska CBE

Copies of the papers and any attachments are available on [tfl.gov.uk How We Are Governed](https://www.tfl.gov.uk/How-We-Are-Governed).

This meeting will be open to the public and webcast live on [TfL YouTube channel](https://www.tfl.gov.uk/YouTube-channel), except for where exempt information is being discussed as noted on the agenda.

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

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Jackie Gavigan, Secretariat Manager; Email: [v JackieGavigan@tfl.gov.uk](mailto:JackieGavigan@tfl.gov.uk)

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

Andrea Clarke, Interim General Counsel
Tuesday 14 November 2023

**Agenda
Finance Committee
Wednesday 22 November 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 11 October 2023
(Pages 1 - 10)**

Interim General Counsel

The Committee is asked to approve the minutes of the meeting of the Committee held on 11 October 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 7, 2023/24 (Pages 21 - 44)

Chief Finance Officer

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

7 TfL Energy Purchasing: Crown Commercial Service (Pages 45 - 50)

Chief Safety, Health and Environment Officer

The Committee is asked to note the paper and (a) approve Procurement Authority of £1077m for the purchase of electricity and natural gas pan-TfL for supply during the 2026/27, 2027/28 and 2028/29 financial years; and (b) note that the matters for which authority is sought above extend beyond the current Business Plan and Budget and provision will need to be made in future Business Plans and Budgets, including that due to be considered by the Board in December 2023.

8 Communications, CCTV, Access Control and Security Systems Maintenance and Upgrade Services Contract (Pages 51 - 52)

Chief Finance Officer

The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda and, subject to approval of the revised Business Plan to be considered by the Board in December 2023, grant additional Procurement Authority, in the sum set out in the paper in Part 2 of the agenda, for the provision of maintenance and upgrade services for Communications, CCTV, Access Control and Security Systems across the TfL estate, as described in this paper and the related paper on Part 2 of the agenda.

9 Forthcoming Key Procurement Activities (Pages 53 - 56)

Chief Finance Officer

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

10 Members' Suggestions for Future Discussion Items (Pages 57 - 60)

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.

11 Any Other Business the Chair Considers Urgent

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

12 Date of Next Meeting

Wednesday 6 March 2024 at 10.00am.

13 Exclusion of the Press and Public

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

Agenda Part 2

14 Finance Report - Period 7, 2023/24 (Pages 61 - 74)

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

15 Communications, CCTV, Access Control and Security Systems Maintenance and Upgrade Services Contract (Pages 75 - 78)

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

16 Forthcoming Key Procurement Activities (Pages 79 - 84)

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

Transport for London

Minutes of the Finance Committee

**Conference Rooms 1 and 2, Palestra,
197 Blackfriars Road, London, SE1 8NJ
10.00am, Wednesday 11 October 2023**

Members

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

Government Special Representative

John Hall

Executive Committee

Andrea Clarke	Interim General Counsel
Andy Lord	Commissioner
Rachel McLean	Chief Finance Officer

Staff

Justine Curry	Interim Director of Legal
Stephen Dadswell	Head of Corporate Finance
Patrick Doig	Group Finance Director and statutory Chief Finance Officer
Jackie Gavigan	Secretariat Manager
Oliver Gearing	Finance Director - Operations
Joanne Hawkes	Director of Corporate Finance
Lorraine Humphrey	Director of Risk and Assurance
Shamus Kenny	Head of Secretariat
Patrice Locker	Senior Risk Manager
Paul Mason	Group Treasurer
Heather McStay	Head of Procurement, Facilities Management
Pritesh Patel	Head of Financial Planning and Analysis
Christopher Tann	Head of Financial Accounting and Tax
Jonathan Wharfe	Director of Procurement and Commercial Operation

37/10/23 Apologies for Absence and Chair's Announcements

An apology for absence had been received from Dr Nina Skorupska CBE. Professor Greg Clark CBE was attending the meeting via Teams and was able to participate in the discussion but did not count toward the quorum. The meeting was quorate.

The Chair welcomed everyone to the meeting, particularly the new Procurement and Commercial team apprentices and graduates, who observed the meeting from the public gallery. The meeting was 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.

It was Anurag Gupta's first meeting as Vice-Chair. The Chair expressed her gratitude for the advice and support received from his predecessor as Vice-Chair, Ben Story, and looked forward to continuing the important work of the Committee.

As Anurag Gupta would need to leave the meeting at 12 noon, at which it would be inquorate, the Chair reordered the agenda so that the meeting was quorate for all items that required a decision. The items on Roadside Advertising Assets Disposal, London Overground Infrastructure Maintenance Contract Extension, and Fabric and Drainage Maintenance Services Contract Extension were taken immediately before the item on Prudential Indicators – Outturn for the year ending 31 March 2023. The minutes reflect the meeting agenda order.

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.

38/10/23 Declarations of Interests

Members confirmed that their declarations of interests, as published on [tfl.gov.uk](https://www.tfl.gov.uk), were up to date and there were no interests to declare that related specifically to items on the agenda.

39/10/23 Minutes of the Meeting of the Committee held on 21 June 2023

The minutes of the meeting of the Committee held on 21 June 2023 were approved as a correct record and the Chair was authorised to sign them.

40/10/23 Matters Arising and Actions List

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

The Committee noted the updated actions list.

41/10/23 Use of Delegated Authority

Andrea Clarke introduced the paper. Members noted that since the last meeting of the Committee, on 21 June 2023, there had been one use of Chair's Action in relation to the Crossrail Assets Restructuring.

There had been one use of Procurement Authority by the Commissioner in relation to the GTT Network Contract Variation.

The paper referenced one Mayoral Direction to TfL in relation to Withdrawal of Day Travelcards on the TfL Network. Since the publication of the paper, the Mayor directed TfL to implement and operate the 18-25 Care Leavers' Discounted Travel Concession Scheme as soon as practicable before the end of February 2024. This would provide

Care Leavers with half-price adult fares on the TfL bus and tram network. TfL would fund the development and ongoing costs of this new concession from its existing budgets, including utilising previous financial support for Mayoral ticketing priorities which had already been provided by the Greater London Authority.

The Committee noted the paper.

42/10/23 Finance Report – Period 5, 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 5 of 2023/24, the year-to-date ending 19 August 2023. Performance to date continued to show strong results and TfL was successfully rebuilding its finances, delivering an operating surplus and was on track to achieve financial sustainability this financial year.

In July 2023, the Department for Transport (DfT) confirmed that TfL would not receive £181m of inflation funding for this financial year. After some changes to the DfT revenue top-up mechanism to reflect last year's fares rises, this created a £137m funding gap for 2023/24. TfL would mitigate this gap through a combination of deferring capital expenditure and short-term financing options.

TfL was actively growing passenger demand, while creating new sources of revenue to reduce reliance on fares income. In Period 5, cumulative growth was on target at just over six per cent. Passenger journeys were relatively steady at 89 per cent of pre-coronavirus pandemic levels, up from 85 per cent at the end of 2022/23. There was some pressure on road enforcement income from the delays to the Deployable Enforcement Cameras rollout. Overall, total revenue was in line with budget.

TfL continued to make recurring cost savings. Like-for-like operating costs were seven per cent higher than last financial year, despite year-on-year inflation of 11 per cent, so a fall in real terms. Operating costs were two per cent lower than budget, mainly from contingencies not yet used. There were some cost pressures from bus operator performance payments, due to improving performance. There were also some timing differences in delivering savings, but TfL remained committed to delivering almost £230m of savings this year.

In the year to date, TfL made an operating surplus of £47m, excluding revenue top-up from Government, which was £85m better than budget. The headline surplus was £143m which was £72m better than budget. After adjusting for timing differences for later delivery of savings and contingency, the surplus was £25m better than budget. TfL remained on track to deliver an underlying operating surplus in 2023/24.

TfL was focussing on fully funding its capital programme with a long-term Government agreement and affordable level of debt. Capital renewals were slightly lower than budget but were expected to be in line with available funding of £736m over the full year. Capital enhancements continued to slip and were £70m below budget, partly due to funding uncertainty.

Cash balances were in line with budget at just over £1.2bn, as set out in the funding agreement. The GLA financing facility of £500m was maintained for additional protection against shocks and risks.

John Hall advised that the fiscal environment had changed enormously since the funding agreement was made. The DfT was having to cover its own inflation costs and difficult decisions had to be made, although it was not ideal that TfL had not received the inflation funding decision earlier in the year.

There was also uncertainty around capital funding for the next financial year. TfL submitted its 2024/25 Capital Business Case to the DfT in September 2023 and expected an outcome on capital funding in the autumn. It was crucial to confirm funding with Government well in advance of March 2024, when TfL's budget was finalised, and active discussions were underway. Without capital funding confirmation, TfL would have to reprioritise its Business Plan, undoing the progress made under the current funding agreement. It would again need to start making difficult choices relating to reducing service levels, asset renewals and delaying non-committed investment.

Specific work was underway to demonstrate how the Elizabeth line was providing economic growth in London and across the South East. To help demonstrate and draw a direct link between ridership across the network and the economic value to London and the wider United Kingdom (UK), other information would be consolidated (such as case studies on the impacts on tourism, the West End of London, employment and the additional bus services), to articulate the benefits of investing in transport services.

[Action: Rachel McLean]

A chart from the DfT showing the proportion of capital funding across UK transport would be circulated to the Committee for additional context.

[Action: Andy Lord]

Further consideration would be given to the possible outcomes of the Crossrail 2 funding workstream and TfL would continue to discuss the safeguarding for the scheme with the DfT.

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

43/10/23 Prudential Indicators – Outturn for the year ending 31 March 2023

Patrick Doig and Christopher Tann introduced the paper, which set out TfL's performance against the prudential indicators for the financial year 2022/23.

The prudential indicators and debt limits were approved by the Board on 23 March 2022. These were based on figures in TfL's Budget and 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.

TfL's 2022/23 Statement of Accounts had been used to calculate the outturn. The outturn for the financial year 2022/2023 was satisfactory upon comparison with the prudential indicators, albeit that there were ongoing constraints on TfL's ability to further borrow to fund capital investment. TfL had managed its debt within the limits approved by the Board but there were two metrics that were above the approved limits, for reasons that were allowable under the Prudential Code.

The overall capital expenditure for the Group and the Corporation was exceeded but was based on the March 2022 Budget, which was prepared prior to the August 2022 Government funding agreement. The main driver for the Corporation increase was funding the purchase of the Class 378 London Overground rolling stock.

The ratio of financing costs to net revenue stream, which measured TfL's net financing costs, had been exceeded due to higher levels of capital expenditure so more grant income was allocated to capital spend.

The Committee noted the paper.

44/10/23 Treasury Activities

Joanna Hawkes and Paul Mason introduced the paper and related supplementary information on Part 2 of the agenda, which provided an update on key treasury activities for the reporting period from 18 February to 22 September 2023.

In May 2023, credit rating agency Standard & Poor's revised its outlook on TfL to positive from stable and affirmed the ratings 'A+/A-1', largely due to return to ridership. Ratings with Moody's and Fitch remained unchanged. TfL continued to monitor the affordability of future borrowing plans, using the debt affordability ratios presented to the Committee in March 2023.

TfL continued to manage its liquidity levels and the maximum duration of investments had remained at three months. Investments remained short dated, with 93 per cent maturing within two months. The weighted average investment yield was 5.36 per cent.

Work with TfL's commercial property subsidiary, Places for London Limited (formerly TTL Properties Limited), continued to enable it to meet its treasury management requirements including the production of cash forecasts, which enabled TfL to begin depositing surplus cash.

On risk management, TfL remained well hedged at 93 per cent and continued to monitor its foreign exchange and interest rate risk, using derivatives to hedge material exposures. TfL 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. TfL estimated an incremental borrowing requirement of £191m for 2023/24.

Automation of the daily CHAPS payment process was successfully implemented in May 2023. TfL was working with its banking provider and outsourced partner to build a new virtual bank account structure as part of the Places for London Limited Client Split Project, which was expected to be completed by late October 2023.

Ongoing collaboration with the Greater London Authority (GLA) and its investment subsidiary, London Treasury Limited (LTL), continued to progress. Focus remained on integrating treasury processes with banking and settlements of securities, which was proposed to be provided by TfL as a shared service. Investment management would be managed by LTL with TfL seconding two of its Treasury team, with one full-time equivalent resource allocation to assist in due course.

The Chair expressed her thanks to Anurag Gupta and Ben Story for their work with the Treasury team and the GLA on the set-up of the new arrangements, which was very helpful and had resulted in a good outcome.

It was anticipated that TfL's Treasury Management Policy would be revised in future due to increased investment with the GLA. Consideration would be given to whether some constraints could be relaxed to take advantage of investment options that were available now that cash was yielding more benefits than previously. **[Action: Joanna Hawkes]**

Following a separate discussion with Anurag Gupta, a briefing note on the potential benefits and risks of borrowing commercial paper in other currencies would be circulated to the Committee. **[Action: Joanna Hawkes]**

Members noted that the figures on foreign exchange hedges in table 4.6 in the Part 2 paper had inadvertently been juxtaposed.

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

45/10/23 Roadside Advertising Assets Disposal

Stephen Dadswell introduced the paper and related supplementary information on Part 2 of the agenda, which provided an update on the planned disposal of some of TfL's income-producing roadside advertising assets in return for capital income.

When the Committee last received a paper on Roadside Advertising in June 2021, the assets were considered saleable and the cash injection was needed. Since then, significant development work had been carried out. All revenue generating assets were valuable but roadside media were regarded as non-core assets. Most of TfL's advertising revenue came from London Underground and bus shelters, which were not in scope of the proposal.

It was anticipated that approval of Land Authority to enter into the contracts was necessary, this would be sought at a future meeting of the Committee, or via Chair's Action. Members requested that additional information be included in the paper when it came back to the Committee for approval in relation to: the proportion of the wider portfolio of roadside advertising that the sites represented; the percentage revenue from the overall roadside advertising activity and any consequences for the remaining activity; if there were any alternative uses for the land; and assurance that the most competitive and best value offer had been generated. **[Action: Stephen Dadswell]**

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

46/10/23 London Overground Infrastructure Maintenance Contract Extension

Jonathan Wharfe introduced the paper and related supplementary information on Part 2 of the agenda, which sought Procurement Authority for the extension of the current London Overground Infrastructure Maintenance Contract of up to two years.

The contract was operationally critical for the maintenance of infrastructure assets controlled directly by London Overground and to ensure the smooth running of the London Overground rail service.

The contract was awarded by Rail for London Limited (RfL) in January 2018 to Cleshar Contract Services Limited for an initial contract term of five years, with the option to extend for further periods up to a total of 36 months. To date, a 12-month extension had been implemented and the current expiry date was 31 March 2024. RfL proposed to extend the term of contract for up to a further two years until 31 March 2026, to retender and ensure the correct commercial terms were in place.

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 extension of up to two years of the London Overground Infrastructure Maintenance Contract, as described in the paper and the related paper on Part 2 of the agenda.

47/10/23 Fabric and Drainage Maintenance Services Contract Extension

Heather McStay introduced the paper and related supplementary information on Part 2 of the agenda, which sought additional Procurement Authority for the contract extension for the provision of fabric and drainage maintenance services across the London Underground estate, including stations, depots and substations. The works preserved the day-to-day safety of services.

The contract was awarded to Lanes Group Plc 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.

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 Chair's Action on 28 January 2022. That extension facilitated development of the fabric and drainage scope for the retender of the contract. To achieve the benefits of the latest procurement strategy, a further extension of elements of the current contract was required, to align service end dates with contract arrangements currently being procured.

The total cumulative Procurement Authority sought for the extended contract was within the values specified in the procurement process under which the contract was originally let.

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

48/10/23 Enterprise Risk Update – Financial Resilience (ER07)

Patrick Doig introduced the paper and related supplementary information on Part 2 of the agenda, which provided an update on Enterprise Risk 07 – Financial Resilience (ER07). This was the first time that the risk had been presented to the Committee.

Changing market conditions, financial shocks, stakeholder relationships or internal delivery issues lead to the risk of TfL not having sufficient financial resources to make sufficient progress towards its strategic objectives. The paper outlined the scope of ER07, current assessment, preventative controls, mitigation activities in place and improvement plans to reduce TfL's risk across its financial activities.

In 2023/24, TfL was currently on course to achieve financial sustainability and deliver an operating surplus, which meant that financial resilience had reverted to being an Enterprise Risk, rather than a live issue. Capital funding remained a strategic issue for TfL and continued to be managed accordingly.

Although TfL's financial position had improved since 2020/21, there remained strategic risks to its financial resilience, categorised as systemic risk, liquidity risk, solvency risk, credit risk and operating risk. Areas focussed on for improvement were cash forecasting and cash management, as TfL would be operating with a tighter cash position for the foreseeable future. Improvements were underway to understand and track cash across the management structure of the organisation which would result in enhanced reporting.

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

49/10/23 Members' Suggestions for Future Discussion Items

Andrea Clarke introduced the item.

Members noted that a number of informal briefings were scheduled, particularly around Business Planning which was the focus for the next few months.

The Committee noted the forward plan.

50/10/23 Any Other Business the Chair Considers Urgent

There was no other urgent business to discuss.

51/10/23 Date of Next Meeting

The next scheduled meeting of the Committee would be held on Wednesday 22 November 2023 at 10.00am.

52/10/23 Exclusion of the Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972 (as amended), when it considered the exempt information in relation to the items on: Finance Report – Period 5, 2023/24; Treasury Activities; Roadside Advertising Assets Disposal; London Overground Infrastructure Maintenance Contract Extension; Fabric and Drainage Maintenance Services Contract Extension; and Enterprise Risk Update – Financial Resilience (ER07).

The meeting closed at 12.09pm.

Chair: _____

Date: _____

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Finance Committee



Date: 22 November 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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Finance Committee Actions List (to be reported to the meeting on 22 November 2023)

Actions from the meeting held on 11 October 2023

Minute No.	Item/Description	Action By	Target Date	Status/Note
42/10/23 (1)	Finance Report – Period 5, 2023/24 – Transport Investment and Economic Growth To help demonstrate and draw a direct link between ridership across the network and economic value to London and the country as a whole, other information would be consolidated such as case studies on the impacts on tourism, the West End of London, employment and the additional bus services, in order to articulate the benefits of investing in transport services.	Rachel McLean	December 2023	A slide on the impact of transport investment on economic growth will be included in the Draft TfL 2024 Business Plan update to the Board meeting on 13 December 2023.
42/10/23 (2)	Finance Report – Period 5, 2023/24 – UK Transport Capital Funding Chart A chart from the Department for Transport (DfT) showing the proportion of capital funding across UK transport would be circulated to the Committee for additional context.	Andy Lord	November 2023	Completed: The information is contained in Figure 4 on page 12 of the DfT Network North document published at the following link: https://assets.publishing.service.gov.uk/media/651d64646a695500d78b2e0/network-north-transforming-british-transport.pdf
44/10/23 (1)	Treasury Activities – Treasury Management Policy It was anticipated that TfL's Treasury Management Policy would be revised in future due to increased investment with the Greater London Authority. Consideration would be given to whether some constraints could be relaxed to take advantage of investment options that were available now that cash was yielding more	Joanna Hawkes	March 2024	This will be considered for the next Treasury Policies update to the meeting of the Committee on 6 March 2024.

Minute No.	Item/Description	Action By	Target Date	Status/Note
	benefits than previously.			
44/10/23 (2)	<p>Treasury Activities – Commercial Paper Borrowing</p> <p>Following a separate discussion with Anurag Gupta on the potential risks of borrowing commercial paper in other currencies, a briefing note on the outcome would be circulated to the Committee.</p>	Joanna Hawkes	November 2023	An update will be provided by the end of November 2023.
45/10/23	<p>Roadside Advertising Assets Disposal – Additional Information</p> <p>Members asked that additional information be included in the paper when it came back to the Committee for approval in relation to: the proportion of the wider portfolio of roadside advertising that the sites represented; the percentage revenue from the overall roadside advertising activity and any consequences for the remaining activity; if there were any alternative uses for the land; and assurance that the most competitive and best value offer had been generated.</p>	Stephen Dadswell	January 2024	Agreement of contracts is expected during December 2023. Approval of the Committee via a Chair's Action will be sought before exchange of contracts.

Actions from previous meetings

Minute No.	Item/Description	Action By	Target Date	Status/Note
21/06/23	<p>Matters Arising and Actions List – Taxi Trade and Kerbside Review Timescale</p> <p>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.</p>	Alex Williams/ Glynn Barton	December 2023	<p>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.</p> <p>We expect to conclude the pilots and summarise our findings by the end of this year. See action 09/03/23(2) below.</p>
25/06/23	<p>Procurement and Commercial Improvement Programme – Cost Management - Update</p> <p>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.</p>	Rachel McLean/ Jadon Silva	March 2024	On the forward plan for the meeting of the Committee on 6 March 2024.
27/06/23 (1)	<p>Forthcoming Key Procurement Activities – Look Ahead</p> <p>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</p>	Rachel McLean/ Luke Jarvis	November 2023 and ongoing	Completed: A paper on the two-year look ahead is on the agenda for this meeting and on the forward plan as a standing item at each meeting of the Committee.

Minute No.	Item/Description	Action By	Target Date	Status/Note
	ambitious projects.			
08/03/23	<p>Investment Management Strategy 2023/24 – Non-Financial Assets</p> <p>Approval of the strategy would be sought by the Land and Property Committee in future and would be brought to the Finance Committee for noting, which had not been possible this year due to timing issues.</p>	Joanna Hawkes/ Digby Nicklin	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)	<p>Taxi Fares and Tariffs Update – Future of London’s Licensed Taxi Trade</p> <p>On the future of London’s licensed taxi trade, given the ageing demographic profile and reducing numbers of taxi drivers, officers would review when and where would be the right forum to discuss this and take it forward, potentially at an informal briefing specifically looking at the demographics issue and the further adoption of new technology.</p>	Alex Williams/ Glynn Barton	Ongoing	We agree that there is a case for a review of the place the taxi trade has within London’s transport network. See action 21/06/23 above.
58/11/22	<p>TfL Power Purchase Agreements – Energy Prices and Purchasing</p> <p>To date, TfL’s Energy Purchasing Strategy protected it from the highest of energy prices, however there was increasing risk from energy prices to its operating cost base. TfL was reviewing its overall approach to energy purchasing to ensure it remained robust, agile and fit for purpose in the current market. An update would be provided to the Committee in spring 2023.</p>	Lilli Matson	March 2024	On the forward plan for the meeting of the Committee on 6 March 2024.

Finance Committee



Date: 22 November 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 11 October 2023, there has been:
 - (a) no use of Chair's Action;
 - (b) one use of Procurement Authority by the Commissioner in relation to the Bus Stops and Shelters Maintenance Services Contract award; and
 - (c) one Mayoral Direction to TfL relating to the 18-25 Care Leavers' Discounted Travel Concession Scheme (MD3173).
- 1.3 The Mayoral Direction on the Withdrawal of Day Travelcards on the TfL Network (MD3142) is no longer applicable because, as provided for in that decision, agreement has been reached that is financially acceptable to TfL such that Day Travelcards can continue to be bought by customers as part of their train tickets to London.
- 1.4 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 no use of Chair's Action since the last meeting.

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) Bus Stops and Shelters Maintenance Services Contract. Procurement Authority of £44,028,831 was approved for the award of the contract to ABM Facilities Services Limited, following a competitive tendering exercise. The contract length is five years with an option to extend for up the three years.

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 was reported to the Board on 18 October 2023 and will be reported to the next meeting of the Audit and Assurance Committee.

18-25 Care Leavers' Discounted Travel Concession Scheme (MD3173 06/10/23)

- (a) TfL is directed to implement, provide and operate the 18-25 Care Leavers' Discounted Travel Concession Scheme for those meeting the eligibility criteria as soon as practicable before the end of February

2024. This will provide London care leavers aged 18-25 with half-price adult fares on the TfL bus and tram network. The travel concession will extend to pay-as-you-go tickets and Bus & Tram Pass season tickets. TfL will fund the development and ongoing costs of this new concession from its existing budgets, including utilising previous financial support for Mayoral ticketing priorities which have already been provided by the GLA.

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

- 6.9 At the last meeting, it was reported that the Mayor had directed TfL to give six-months' notice to terminate the relevant provisions of the Travelcard Agreement, as TfL assessed that it was underfunded on Day Travelcards at a total cost of approximately £40m a year.
- 6.10 As provided for within the Mayoral Decision, the Direction is no longer applicable as agreement has been reached with the Department for Transport and Train Operating Companies which is financially acceptable to TfL and allows such that Day Travelcards can continue to be bought by customers as part of their train tickets to London.

List of appendices to this report:

None

List of Background Papers:

Minutes from previous meetings of the Committee.

Greater London Authority Decision Making Database.

Contact Officer: Andrea Clarke, Interim General Counsel
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Finance Committee

Date: 22 November 2023

Item: Finance Report – Period 7, 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 7, 2023/24 - the year-to-date ending 14 October 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. 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 Financial Reporting to the Committee

Finance Report – Period 7, 2023/24

- 3.1 The Finance Report presentation at Appendix 1 provides a summary of year-to-date financial performance against the Budget as 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

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Finance Report

Period 7, 2023/24

Management results from 1 April 2023 – 14 October 2023

TfL Finance Committee

22 November 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 almost 8% 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 90% of pre-pandemic levels, up from 85% at the end of 2022/23

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

- Like-for-like operating costs falling in real terms: 6% higher than last year despite year-on-year inflation of 10%
- Operating costs 1% lower than Budget, mainly from contingency we have not yet used
- 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

- Our headline surplus is £142m, £58m up on Budget in the year to date
- Risks for the remainder of the year, but we remain on track to deliver an operating surplus in 2023/24

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

- The DfT has confirmed TfL will not receive inflationary support of £181m this year and funding for 2024/25 remains uncertain
- This has meant capital enhancements expenditure has had to be allowed to slip, and is now almost £90m lower than Budget
- Capital renewals are slightly lower than Budget, but we expect to be in line with available funding of £736m over the full year

Maintain cash reserves to make payments and protect against shocks

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

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

2023/24 Operating financial sustainability

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

- *Savings targets* – are stretching, with a target of £229m incremental recurring savings set out in our 2023/24 Budget. However, we have a strong track record of delivering savings and managing to budget. In the year to date, we were slightly behind the phasing of savings delivery, but have plans in place to deliver over the full year.
- *Other income* – although the funding settlement with Government protects TfL from risk on passenger income, there remains uncertainty on other operating income. This range is partly covered through the contingency held in the 2023/24 Budget.
- *Judicial Review in relation to use of CCTV on red route parking bays* – following a successful adjudicators appeal against a PCN issued by TfL using CCTV evidence, TfL judicially reviewed the decision to clarify the legal position. The case was heard in the High Court on 26 October 2023 and we await the decision.

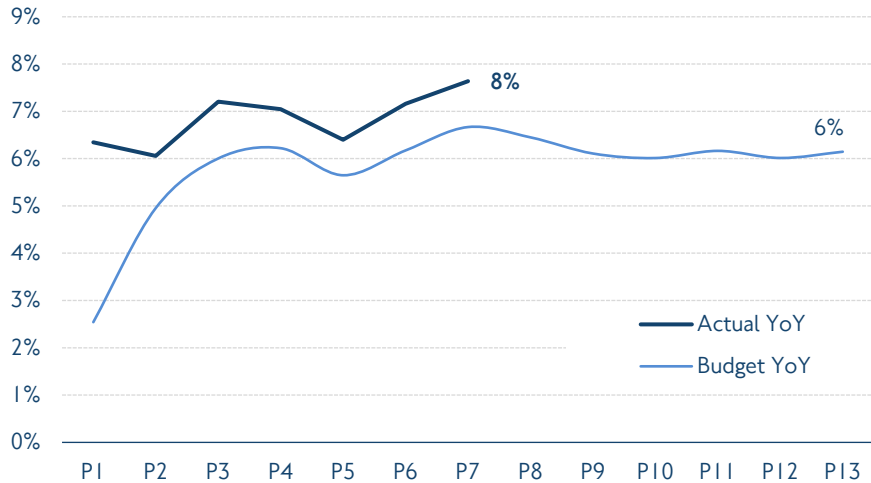
2024/25 capital funding

The primary risk to our financial sustainability in the medium term is the lack of capital funding certainty from government beyond 31 March 2024. 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 almost 8% year-on-year to Period 7, 90% 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

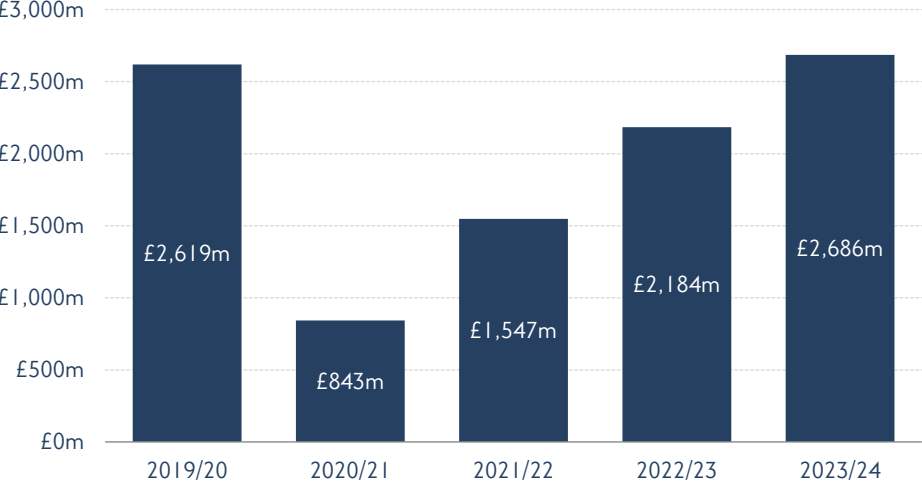
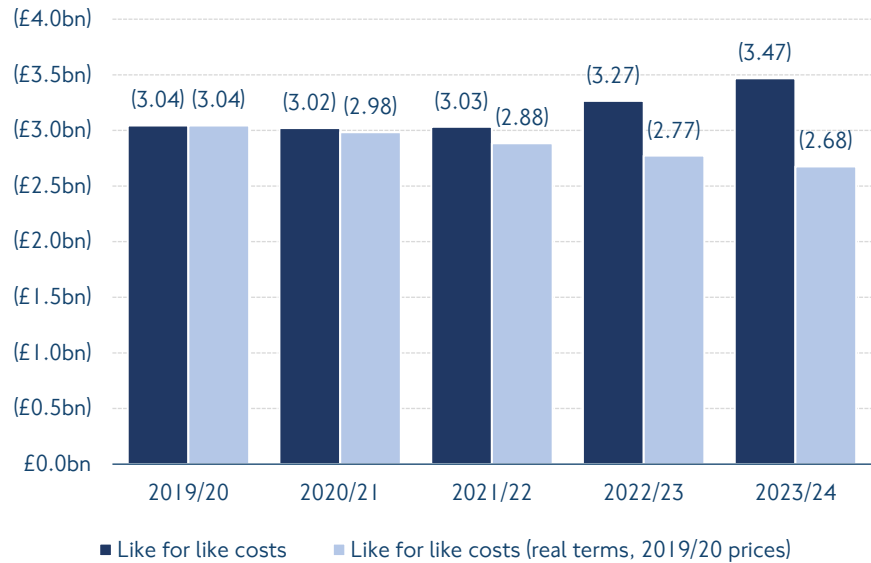
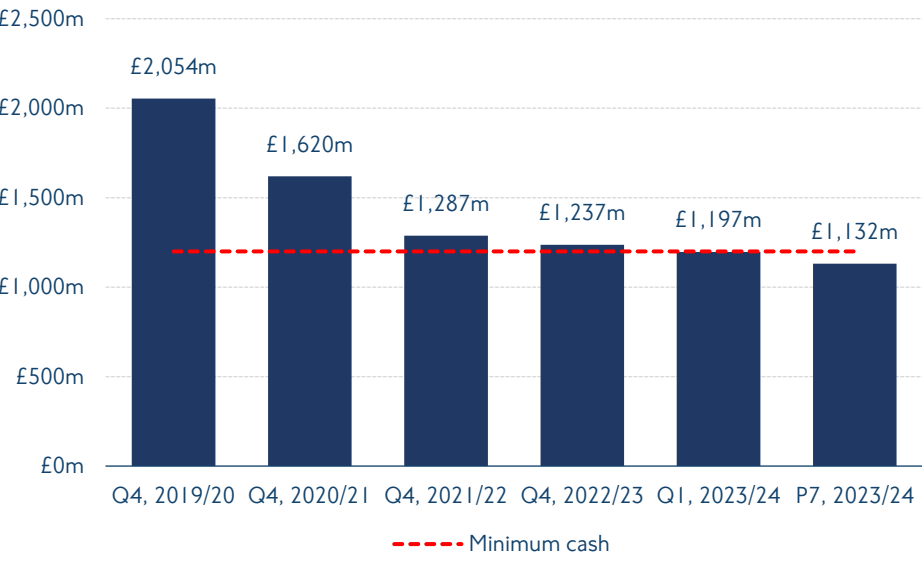


Chart shows results to end of Period 7 for each year

Like-for-like operating costs 6.2% higher than last year, but down in real terms as inflation at 10.1%



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



Passenger journeys

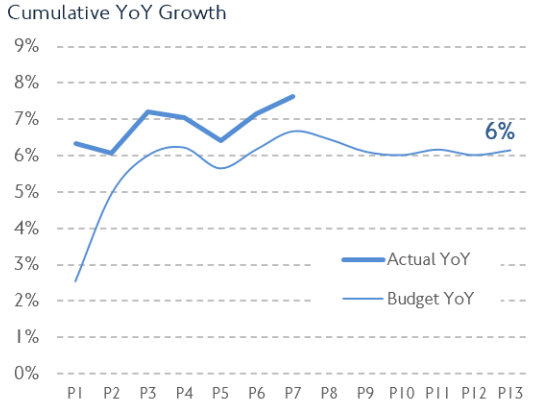
In 2023/24 we have budgeted 6% underlying year on year growth in demand. Journeys to date are positive, with cumulative growth of almost 8%.

TfL passenger journeys were 17 million better than Budget. LU and Rail journeys continue to perform strongly in the year to date, offsetting slower growth on buses. On buses, we are seeing a slightly improved ticket yield, with passenger income higher than expected.

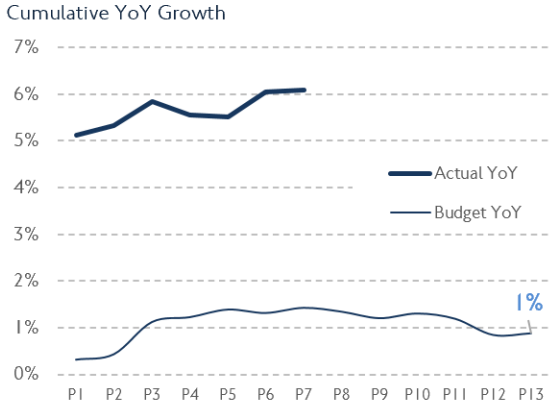
LU and DLR journeys are higher than expected as the assumed impact of Elizabeth line new services to these modes is less than expected.

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

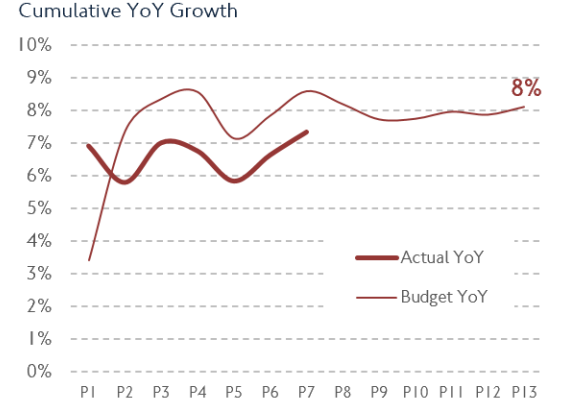
TfL	% Growth period / budget		Absolute m		Var to Bud m
	10.4%	9.5%	P	293	2.3
			Y	1907	17.2



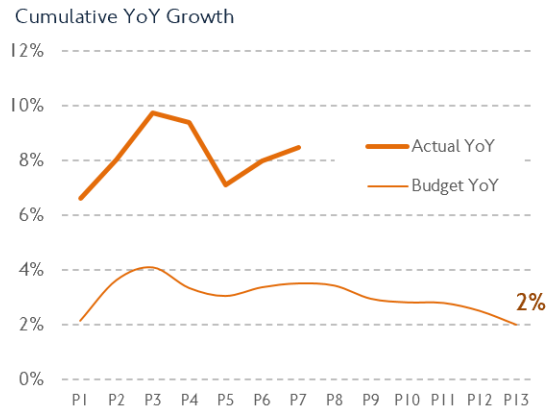
LU	% Growth period / budget		Absolute m		Var to Bud m
	6%	2%	P	94	3.8
			Y	629	27.6



Bus	% Growth period / budget		Absolute m		Var to Bud m
	11%	13%	P	156	(2.0)
			Y	1005	(11.5)



Rail	% Growth period / budget		Absolute m		Var to Bud m
	11%	4%	P	25	1.6
			Y	163	7.5

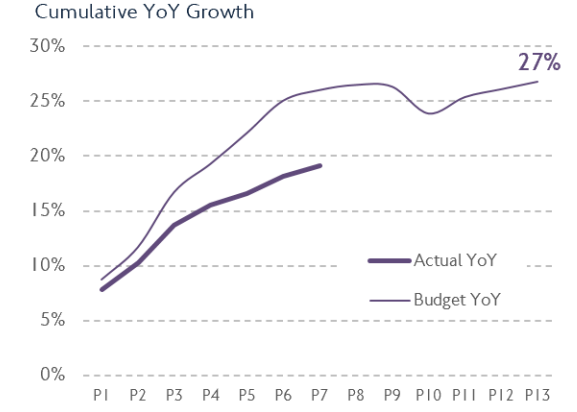


LO	% Growth period / budget		Absolute m		Var to Bud m
	15%	9%	P	15	0.7
			Y	98	3.6

DLR	% Growth period / budget		Absolute m		Var to Bud m
	8%	-7%	P	8	1.1
			Y	54	5.1

Tram	% Growth period / budget		Absolute m		Var to Bud m
	1%	18%	P	2	(0.3)
			Y	11	(1.2)

EL	% Growth period / budget		Absolute m		Var to Bud m
	24%	32%	P	17	(1.0)
			Y	110	(6.4)



EL journeys are estimates and are subject to revision

Income statement

Total revenue is in line with Budget. Passenger income is £44m higher, which is offset by lower revenue top up from Government. These variances should net off over a full year.

Operating costs are £40m lower than Budget. We are seeing some timing differences on savings delivery, higher ULEZ scrappage payments (offset by grant shown in other revenue grants) and some cost pressures on bus operators costs, through improved performance. 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. We need to retain contingency to mitigate risks over the remainder of the year.

Capital renewals are £17m lower than Budget. We expect to deliver to available funding over the full year.

Income statement (£m)

	£m	Year to date, 2023/24			Year to date, 2022/23		
		Actuals	Budget	Variance to Budget	Last year	Variance to last year	
Underlying passenger income		2,686	2,642	44 2%	2,184	502 23%	
DfT revenue top up		90	155	(66) -42%	105	(15) -15%	
Passenger income		2,776	2,797	(21) -1%	2,290	486 21%	
Other operating income		786	786	(0) 0%	819	(33) -4%	
Business Rates Retention		1,030	1,030	0 0%	986	44 4%	
Other revenue grants		202	178	24 14%	560	(358) -64%	
Revenue		4,794	4,791	3 0%	4,655	139 3%	
Operating cost		(4,068)	(4,107)	40 1%	(3,753)	(315) -8%	
Operating surplus before interest and renewals		726	684	42 6%	902	(176) -19%	
Capital renewals		(360)	(376)	17 4%	(287)	(73) -25%	
Net interest costs		(224)	(224)	(1) 0%	(231)	6 3%	
Operating surplus / (deficit)		142	84	58 70%	384	(242) -63%	

Income statement

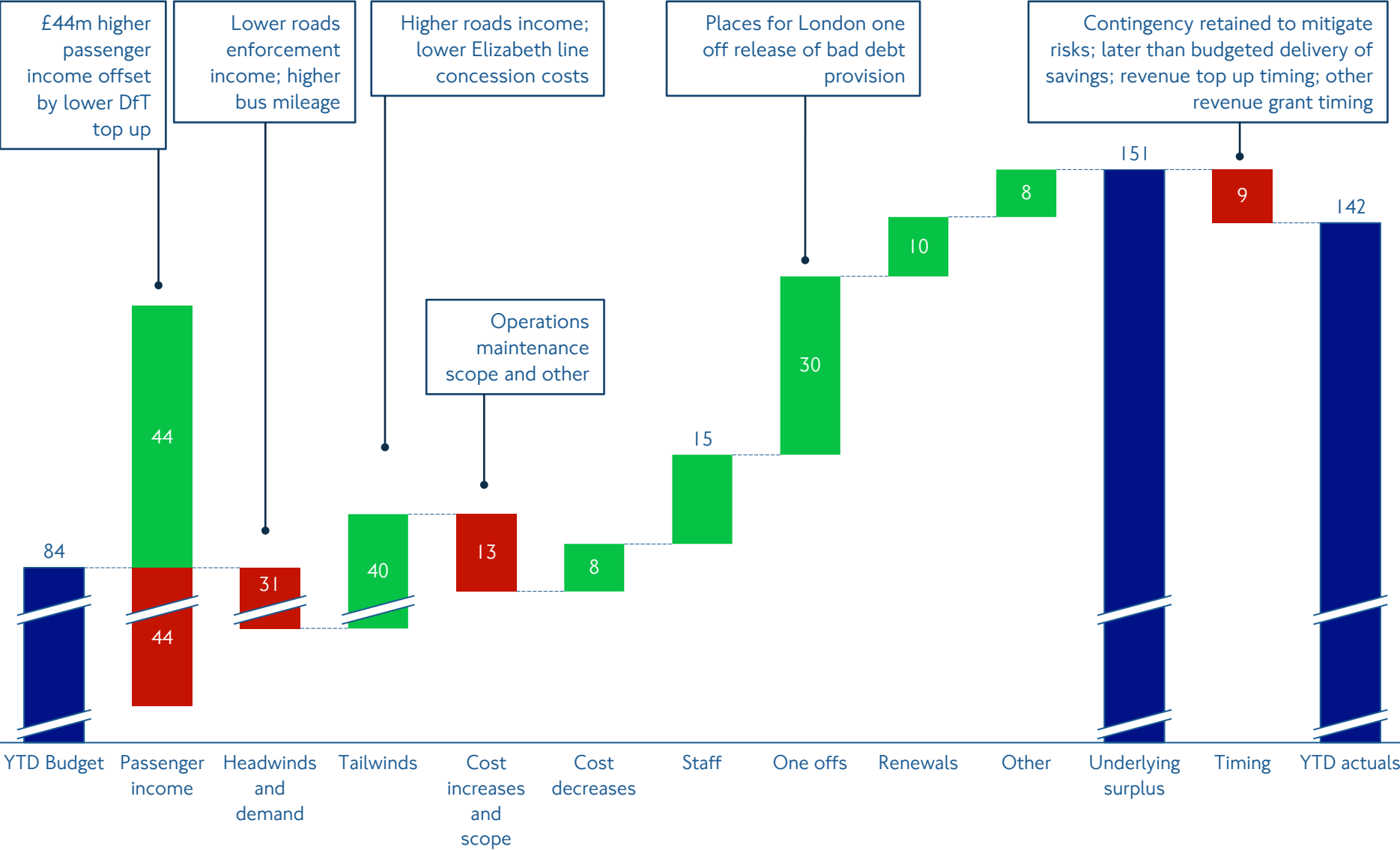
The underlying surplus – after adjusting for timing differences on savings and capital renewals - is £151m, £67m better than Budget and £37m better after adjusting for one-offs.

We need to retain contingency for later this year to mitigate the financial risks we still face.

Over the remainder of the year, we expect our favourable surplus position to trend back towards our budget target due to:

1. renewals spend ramping up to meet the funding envelope
2. some costs such as rolling stock lease payments are phased in the second half of the year
3. bus contracts renew based on a higher inflation than budgeted.

Income statement variances by cause (£m)



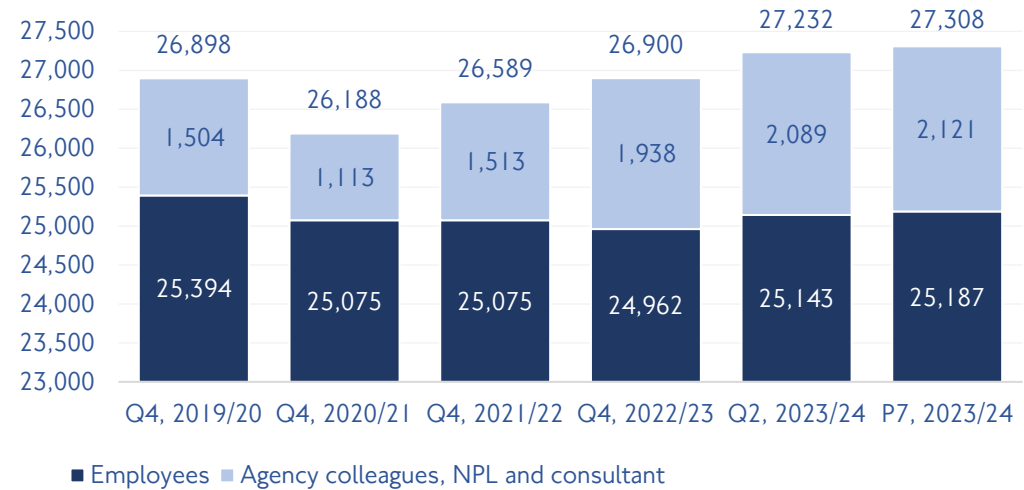
Colleagues

Total colleague numbers are now slightly above pre-pandemic levels. This reflects the ramp up our capital programme and new services introduced in the last three years, including the Elizabeth line, Northern Line Extension and Barking Riverside extension.

Permanent employee numbers are over 200 lower than before the pandemic, but are over 200 above the end of 2022/23. This is mostly driven by recruitment of graduates and apprenticeship trainees.

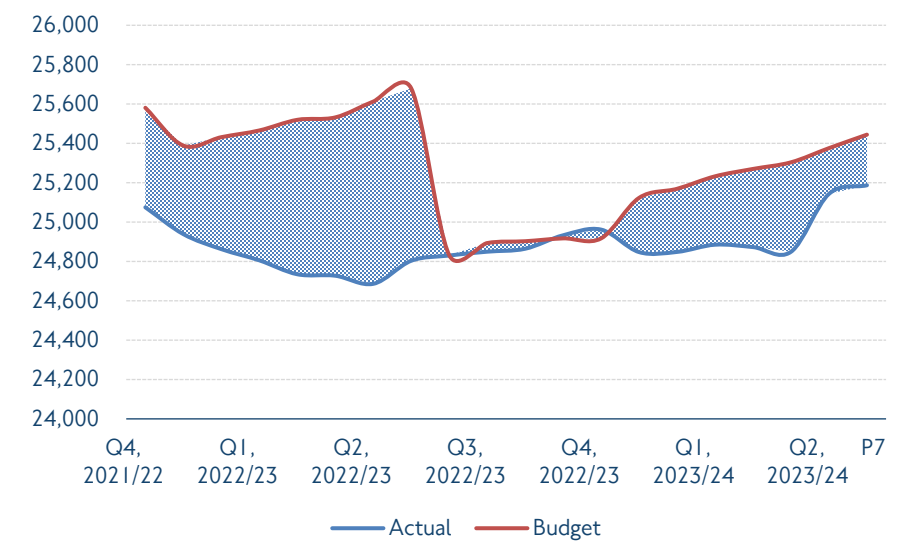
Agency and NPL colleagues have increased by over 600 since the end of 2019/20, but remain significantly lower than 2015/16 levels. NPL offers flexibility, particularly through time of change and temporary peaks in demand.

Headcount trends since 2019/20



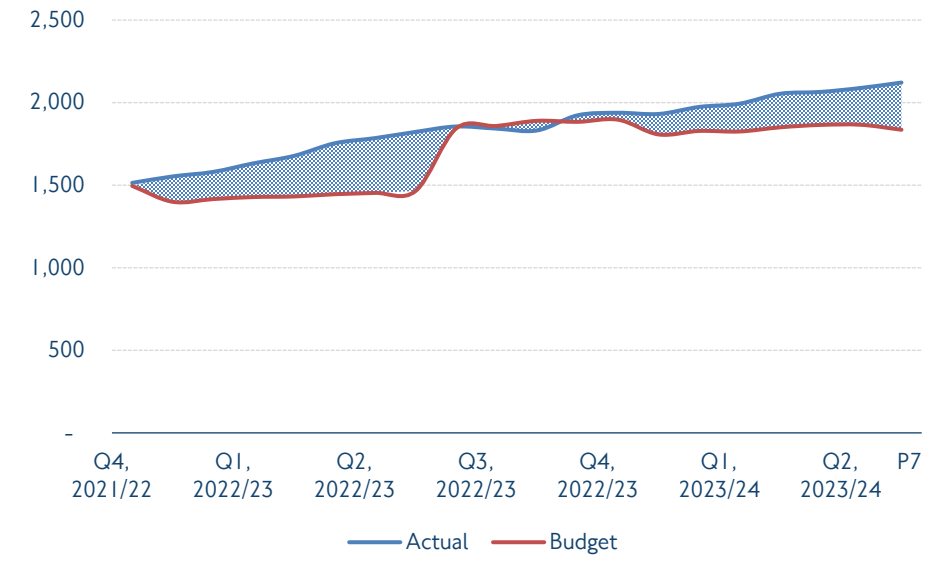
Permanent colleagues (FTE): actuals and Budget

Permanent employees up by over 200 since the end of 2022/23, mostly driven by the recruitment of graduate and apprenticeship trainees. Staff levels are below Budget in Period 7 with the gap widening this year.



Agency and NPL colleagues (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 challenges.



Capital renewals

Capital renewals are £17m lower than Budget in the year to date, but significantly higher than last year. We have seen some underspend over the first periods, largely driven by historical accrual releases in Streets, Bus & RSS Renewals programme and slippage in Technology, including ERP and Payments projects.

We are closely managing our workbank and forecast to spend in line with available funding of £736m over the full year.

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

£m	Year to date, 2023/24				Year to date, 2022/23		
	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Major Projects	(2)	(2)	(0)	-10%	(2)	(0)	-13%
Four Lines Modernisation	(2)	(2)	(0)	-3%	(2)	(0)	(0)
Silvertown Tunnel	(0)	0	(0)	0%	0	(0)	0%
Programmes	(357)	(374)	17	5%	(285)	(72)	-25%
Safe & Healthy Streets	(0)	(1)	1	100%	0	(0)	100%
Streets, Bus & RSS Renewals	(74)	(95)	21	22%	(73)	(1)	-2%
Environment	(9)	(11)	1	13%	(7)	(3)	-41%
Rail & Station Enhancements	(2)	(5)	3	52%	(4)	2	47%
LU Renewals	(203)	(182)	(20)	-11%	(151)	(52)	-35%
Technology	(62)	(74)	12	16%	(47)	(16)	-34%
Estates Directorate	(3)	(4)	0	13%	(0)	(3)	-1461%
Elizabeth Line	0	0	0	0%	(1)	1	100%
Other (TPH, City Planning, Group etc)	(3)	(3)	0	3%	(3)	0	4%
Total	(360)	(376)	17	4%	(287)	(73)	-25%

Capital enhancements

Enhancements spend is £86m lower than Budget driven by:

- DLR RS: £17m underspend driven by rephasing delivery of the Maintenance Facility Building to align with the contractors latest programme.
- Piccadilly Line Upgrade: £9m underspend due to delays in onboarding contractors
- Environment: slippage by £19m driven by reclassification of costs into IP Opex, rephasing of spend into later years and cost estimates adjustment
- Technology: £35m slippage largely driven by change in delivery approach of Telecoms Commercialisation Project 2 (simultaneous delivery of 4G & 5G): a third party funded project.

We are unable to mitigate this underspend given the Government's decision not to provide additional inflation support for 2023/24.

£m	Year to date, 2023/24				Year to date, 2022/23		
	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Major Rolling Stock and Signalling	(335)	(363)	29	8%	(230)	(105)	-45%
Four Lines Modernisation	(52)	(54)	2	4%	(65)	14	21%
DLR Rolling Stock Replacement	(109)	(126)	17	14%	(46)	(63)	-139%
Piccadilly Line Upgrade	(173)	(182)	9	5%	(119)	(54)	-46%
Bakerloo Line Trains	0	0	0	0%	0	0	0%
Trams - project	(1)	(2)	1	35%	(0)	(1)	-135%
Other Enhancements	(177)	(234)	58	25%	(162)	(14)	-9%
Silvertown Tunnel	(4)	(8)	4	51%	(6)	2	32%
Northern Line Extension	0	(0)	0	1	0	0	(4)
Barking Riverside	(1)	4	(6)	130%	(3)	2	56%
Bank Station Capacity Upgrade	(4)	(7)	3	41%	(41)	38	91%
Elizabeth Line	(0)	(2)	2	83%	(2)	2	83%
Safe & Healthy Streets	(60)	(65)	5	8%	(33)	(27)	-82%
Environment	(56)	(75)	19	25%	(21)	(35)	-166%
Streets, Bus & RSS Renewals	(0)	0	(0)	0%	(3)	3	99%
LU Renewals PIC Programme	(3)	(9)	6	63%	(7)	4	54%
Estates Directorate	(1)	(1)	(0)	-59%	(0)	(1)	-591%
Rail & Station Enhancements (excl. Trams)	(20)	(21)	0	1%	(12)	(8)	-63%
Technology	(27)	(63)	35	56%	(36)	8	23%
Network Development & Third Party Pipeline	(1)	(1)	(0)	-11%	0	(1)	0%
Other (TPH, City Planning, OP, Group etc)	2	14	(12)	87%	3	(1)	37%
London Transport Museum	(0)	(1)	1	69%	(0)	(0)	-67%
Total TfL excl Places and Crossrail	(512)	(598)	86	14%	(393)	(119)	-30%
Places for London	(57)	(75)	18	24%	(33)	(24)	-71%
Crossrail	(32)	(59)	27	45%	(143)	111	78%
Total	(601)	(731)	130	18%	(569)	(32)	-6%

Cash flow statement

Cash balances are £1.13bn at the end of Period 7, just over £30m lower than Budget. This was driven by lower borrowing and temporary adverse working capital.

Cash balances

£m	Year to date, 2023/24			Year to date, 2022/23		
	Actuals	Variance to Budget		Actuals	Variance to last year	
Opening balance	1,237	37	3%	1,287	(50)	-4%
Change in cash balance	(106)	(72)	212%	(182)	76	-42%
Closing balance	1,132	(34)	-3%	1,106	26	2%

Cash flow statement

£m	Year to date, 2023/24			Year to date, 2022/23		
	Actuals	Variance to Budget		Actuals	Variance to last year	
Operating surplus before capital renewals and interest	726	42	6%	902	(176)	-19%
Less Places, LTIG and LTM	(28)	(17)	149%	(53)	25	-47%
<i>Cash generated / (used) from operating activities</i>	698	26	4%	849	(150)	-18%
Capital renewals	(360)	17	-4%	(287)	(73)	25%
New capital investment	(512)	86	-14%	(393)	(119)	30%
Investment grants and ring-fenced funding	503	25	5%	35	468	1324%
Working capital movements	(74)	(122)	-252%	45	(119)	-263%
<i>Cash generated / (used) from investing activities</i>	(442)	6	-1%	(599)	157	-26%
Free cash flow	256	32	14%	250	6	3%
Net interest costs	(224)	(1)	0%	(231)	6	-3%
Existing debt maturing	(129)	0	0%	(634)	505	-80%
New debt issued	0	(94)	-100%	554	(554)	-100%
Short-term net borrowing change	(9)	(9)	N/A	(121)	112	-93%
<i>Cash generated / (used) from financing activities</i>	(362)	(104)	40%	(432)	69	-16%
Change in cash balance	(106)	(72)	212%	(182)	76	-42%

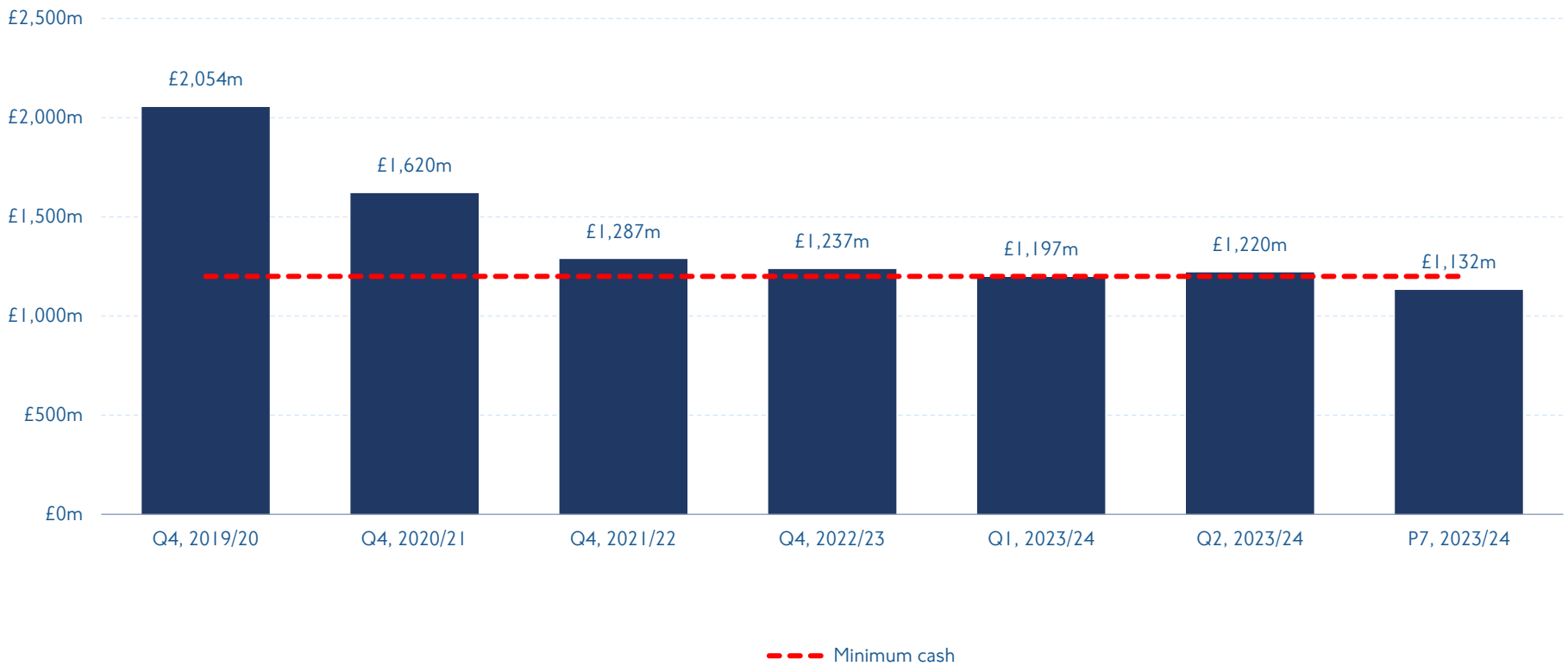
Cash balances

Total cash balances (excl. cash balances identified for Crossrail construction) are just over £1.1bn at the end of Period 7, around £100m lower than at the end of last year. This is driven from timing of new borrowing and working capital.

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 £1,132m at the end of Period 7, 2023/24



Reserves

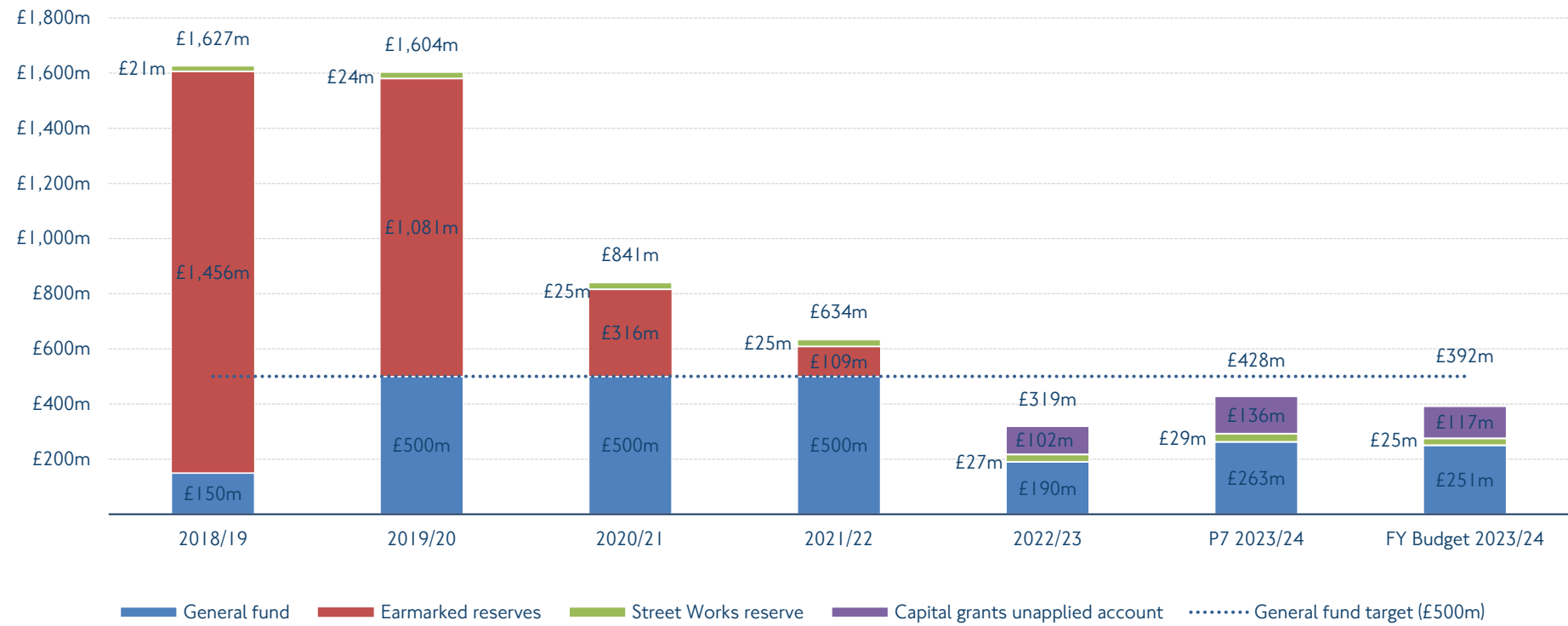
The pandemic has seen a material reduction in TfL’s useable reserves, which consist of its General Fund and Earmarked Reserves.

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 (£m)



- 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 Account 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 P7, usable reserves are tracking above the full year figure due to timing of the DfT capital grant receipts of £480m to P7 (of FY Budget £696m), which are recognised in usable reserves when received rather than straight lined.

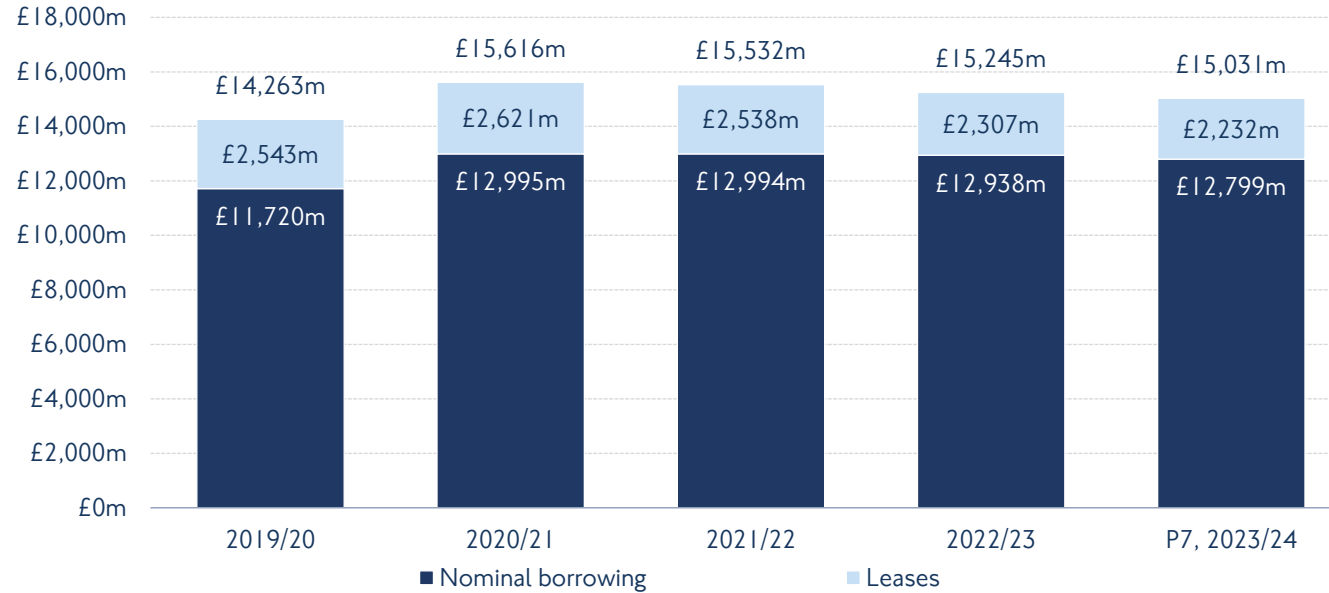
Debt

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 £138m for the year up to Period 7, bringing our total borrowing balance to £12,799m. 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

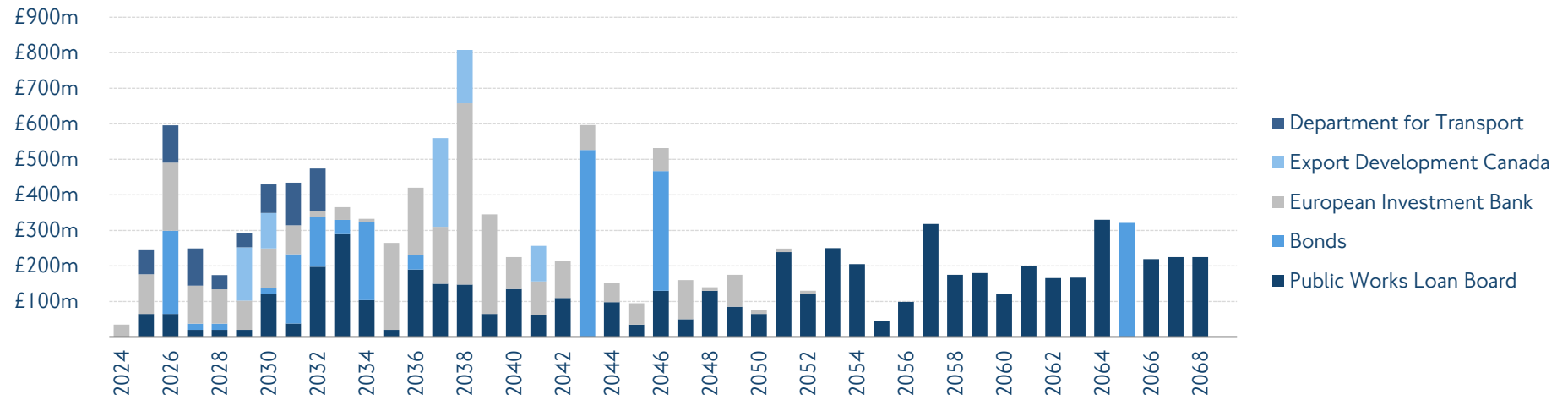
3.5%

The weighted average interest rate on our borrowing is 3.5%

19.3 years

The weighted average tenor of our borrowing is 19.3 years

TfL borrowing maturity profile



The borrowing maturity profile excludes £526m 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+	Baa 1	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

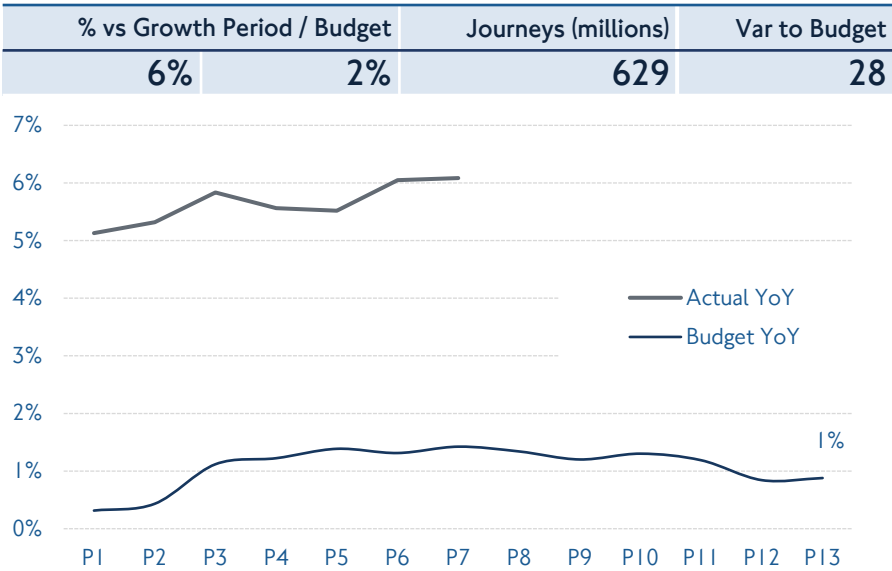
Tube journeys are 6% up on 2022/23. Journeys are showing strong growth and are 28 million higher than Budget. Passenger income is (£1m) down Budget, a result of lower ticket yield compared to Budget.

Operating costs are (£1,188m) in the year to date, (£31m) higher than Budget. This is mainly driven by higher maintenance costs and the timing of efficiencies delivery, which we expect to deliver later in the year.

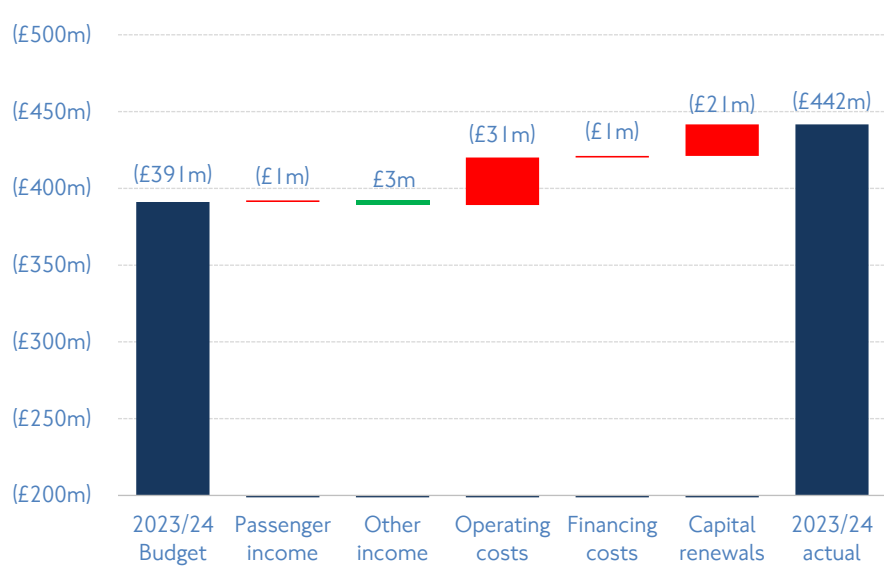
Capital renewals are (£21m) higher than Budget in the year to date, driven by timing differences from accelerated delivery.

Income statement (£m)	Year to date, 2023/24				Year to date, 2022/23		
	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Passenger income	1,337	1,338	(1)	0%	1,156	181	16%
Other operating income	16	13	3	23%	16	-	0%
Revenue	1,353	1,351	2	0%	1,172	181	15%
Operating costs	(1,188)	(1,157)	(31)	3%	(1,130)	(58)	5%
Net contribution	165	194	(29)	-15%	42	123	293%
Indirect costs	(238)	(238)	-	0%	(222)	(16)	7%
Net financing costs	(147)	(146)	(1)	1%	(151)	4	-3%
Capital renewals	(222)	(201)	(21)	10%	(170)	(51)	30%
Operating surplus / (deficit)	(442)	(391)	(51)	13%	(501)	60	-12%
New capital investment	(253)	(280)	27	-10%	(263)	10	-4%

Tube journeys year-on-year growth



Operating surplus/ (deficit) compared to Budget



Elizabeth line

Elizabeth line journeys are showing strong growth, with cumulative journeys around 20% up on last year. Passenger income is £36m higher than Budget.

Operating costs are £7m lower than Budget, driven by lower concession costs.

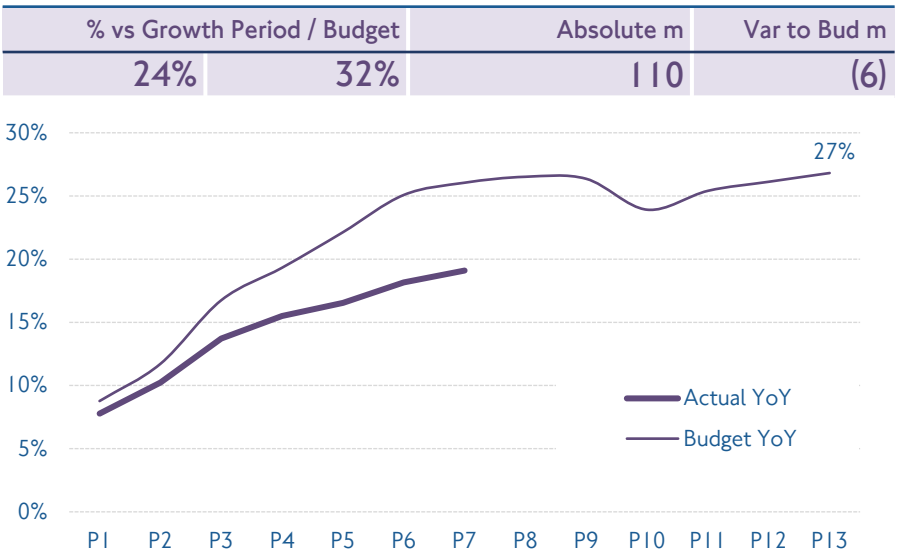
The Elizabeth line is delivering a positive net contribution, and is within £8m of covering its indirect costs, financing costs and renewals.

Income statement (£m)	
Passenger income	
Other operating income	
Revenue	
Operating costs	
Net contribution	
Indirect costs	
Net financing costs	
Capital renewals	
Operating surplus / (deficit)	
New capital investment	
Crossrail project	
Total new capital investment	

Year to date, 2023/24			
Actuals	Budget	Variance to Budget	
316	280	36	13%
4	5	(1)	-20%
320	285	35	12%
(271)	(278)	7	-3%
49	7	42	600%
(9)	(15)	6	-40%
(44)	(44)	-	0%
(4)	(5)	1	-25%
(8)	(57)	49	-86%
-	(5)	5	-93%
(32)	(59)	27	-45%
(32)	(64)	31	-49%

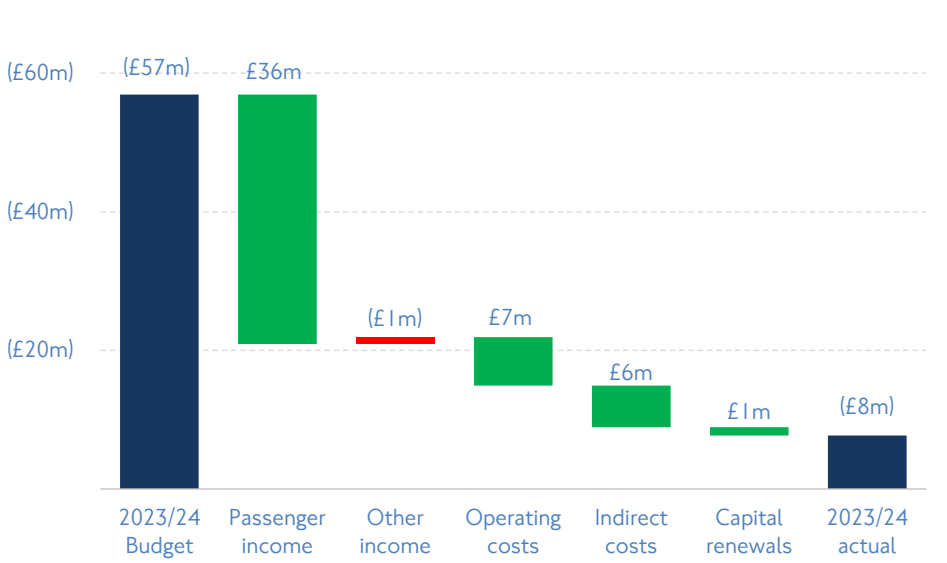
Year to date, 2022/23		
Last year	Variance to last year	
126	190	151%
10	(6)	-60%
136	184	135%
(257)	(14)	5%
(121)	170	-140%
(9)	-	0%
(46)	2	-4%
(1)	(3)	436%
(177)	169	-96%
(3)	3	-90%
(143)	111	-78%
(146)	114	-78%

EL journeys year-on-year growth



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 an 7% increase in growth since last year, but is lower than expected. Journeys are 12 million lower than Budget in the year to date. Despite this, passenger income is £6m higher than Budget.

Other operating income is (£3m) 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 (before the introduction of the London-Wide expansion).

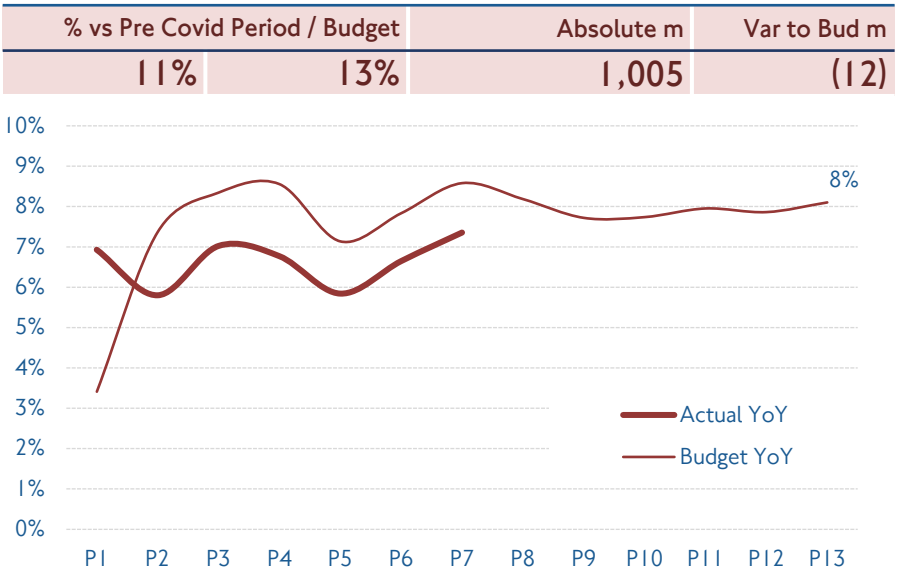
Operating costs are (£37m) higher than Budget, mainly from timing of ULEZ scrappage scheme applications. We have also seen higher bus performance payments to operators, partly offset by savings.

Income statement (£m)	Year to date, 2023/24			
	Actuals	Budget	Variance to Budget	
Passenger income	813	807	6	1%
Other operating income	555	558	(3)	-1%
Revenue	1,368	1,365	3	0%
Operating costs	(1,823)	(1,786)	(37)	2%
Net contribution	(455)	(421)	(34)	8%
Indirect costs	(41)	(37)	(4)	11%
Net financing costs	(13)	(13)	-	0%
Capital renewals	(74)	(99)	25	-25%
Operating surplus / (deficit)	(583)	(570)	(13)	2%
New capital investment	(126)	(162)	36	-22%

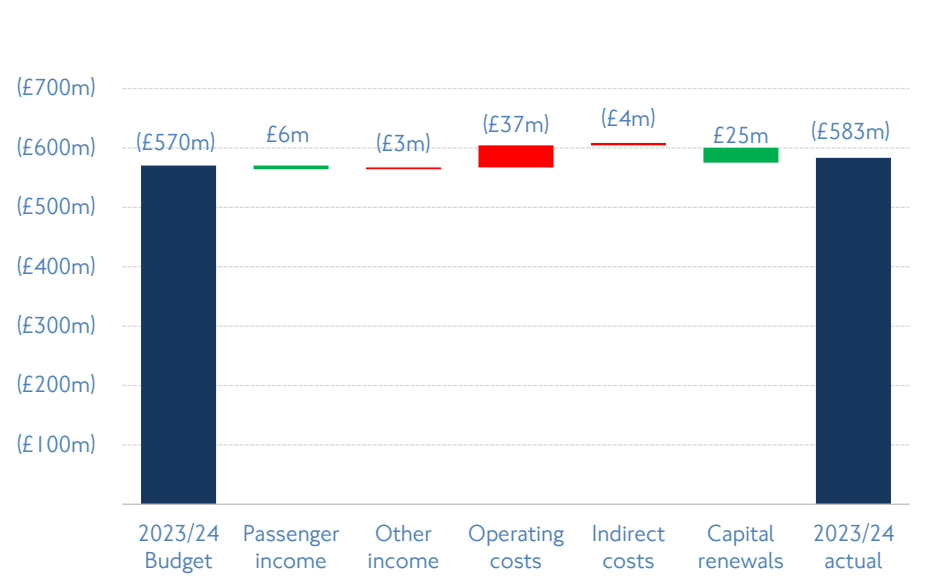
Income statement (£m)	Year to date, 2023/24				Year to date, 2022/23		
	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Passenger income	813	807	6	1%	725	88	12%
Other operating income	555	558	(3)	-1%	587	(32)	-5%
Revenue	1,368	1,365	3	0%	1,312	56	4%
Operating costs	(1,823)	(1,786)	(37)	2%	(1,629)	(194)	12%
Net contribution	(455)	(421)	(34)	8%	(317)	(138)	44%
Indirect costs	(41)	(37)	(4)	11%	(42)	1	-2%
Net financing costs	(13)	(13)	-	0%	(14)	1	-7%
Capital renewals	(74)	(99)	25	-25%	(77)	3	-4%
Operating surplus / (deficit)	(583)	(570)	(13)	2%	(450)	(133)	29%
New capital investment	(126)	(162)	36	-22%	(65)	(60)	92%

Income statement (£m)	Year to date, 2023/24				Year to date, 2022/23		
	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Passenger income	813	807	6	1%	725	88	12%
Other operating income	555	558	(3)	-1%	587	(32)	-5%
Revenue	1,368	1,365	3	0%	1,312	56	4%
Operating costs	(1,823)	(1,786)	(37)	2%	(1,629)	(194)	12%
Net contribution	(455)	(421)	(34)	8%	(317)	(138)	44%
Indirect costs	(41)	(37)	(4)	11%	(42)	1	-2%
Net financing costs	(13)	(13)	-	0%	(14)	1	-7%
Capital renewals	(74)	(99)	25	-25%	(77)	3	-4%
Operating surplus / (deficit)	(583)	(570)	(13)	2%	(450)	(133)	29%
New capital investment	(126)	(162)	36	-22%	(65)	(60)	92%

Bus journeys year-on-year growth



Operating surplus/ (deficit) compared to Budget



Rail

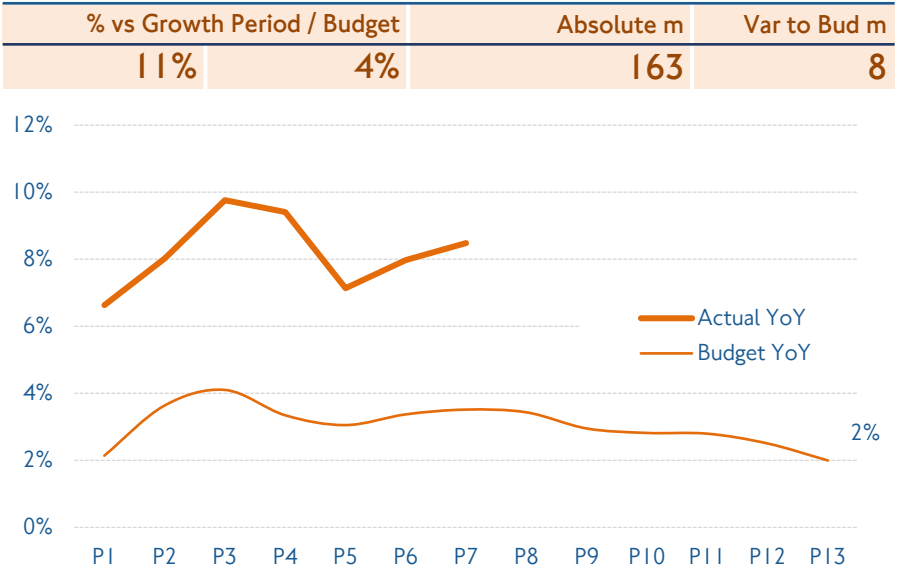
Rail journeys are showing strong growth and are around 8% up on last year. Journeys are 8 million higher than Budget in the year to date. Passenger income is also £9m up on Budget, reflecting this strong performance.

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

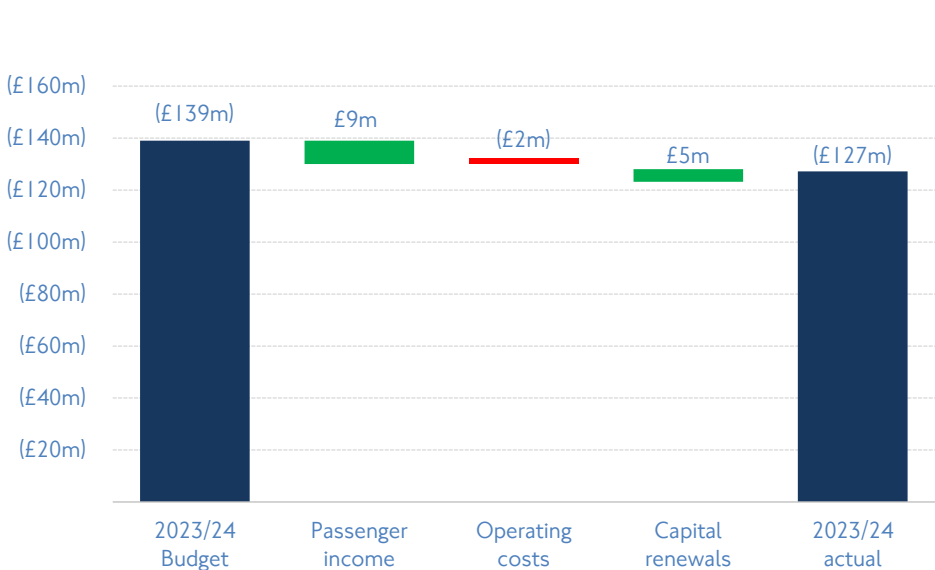
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Income statement (£m)	Year to date, 2023/24				Year to date, 2022/23		
	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Passenger income	225	216	9	4%	190	35	18%
Other operating income	7	7	-	0%	12	(5)	-42%
Revenue	232	223	9	4%	202	30	15%
Operating costs	(298)	(296)	(2)	1%	(290)	(8)	3%
Net contribution	(66)	(73)	7	-10%	(88)	22	-25%
Indirect costs	(14)	(14)	-	0%	(14)	-	0%
Net financing costs	(19)	(19)	-	0%	(19)	-	0%
Capital renewals	(28)	(33)	5	-15%	(22)	(6)	27%
Operating surplus / (deficit)	(127)	(139)	12	-9%	(143)	16	-11%
New capital investment	(122)	(131)	9	-7%	(54)	(68)	127%

Rail journeys year-on-year growth



Operating surplus/ (deficit) compared to Budget



Key Project updates

Silvertown Tunnel



The tunnel boring machine (TBM) completed its drive on 23 July, 62 days ahead of plan. This was a significant achievement for the programme as it represents successful completion of a complex TBM manoeuvre and is the first time this technique has been used in the UK. In October, the Riverlinx consortium won the Temporary Works Initiative of the Year at the 2023 British Construction Awards for this solution. The TBM has now been dismantled and removal from the retrieval chamber was completed in September.

TfL took full possession of the land required for both tunnel construction and operation on 14 August 2023.

Road User Charging

On 29 August 2023, the Ultra Low Emission Zone (ULEZ) was expanded London wide to cover all London boroughs, which will bring cleaner air to 5 million more Londoners.

We have installed an extensive camera network to support the effective operation of the scheme. Up to 2 October 2023, we had installed over 2,000 new cameras with a total of more than 3,500 cameras enforcing road user charging schemes in London.

Unfortunately, there have been incidences of vandalism on the ULEZ cameras and signs. All incidents are reported to the police and some arrests have been made. We are working closely with our contractors and the police. Vandalism is not impacting the operation of the scheme.

The London-wide ULEZ back-office system successfully went live on 29 August 2023 and is performing well.

Four Lines Modernisation



We continue to make progress on the programme, which is delivered by progressively installing new signalling on sections of the railway called Signal Migration Areas (SMAs).

Software development continues for the next SMA to be commissioned, covering the Metropolitan line between Finchley Road and Preston Road (SMA8), which is due to go live in 2024.

SMA8 is the most complex area integrating the new signalling system on the Metropolitan line with the Jubilee line and Neasden depot train control software, with significant testing challenges expected.

This has created challenges in determining with confidence the precise date for SMA8 Go Live in 2024 which is currently under review by the project team.

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Finance Committee

Date: 22 November 2023

Item: TfL Energy Purchasing: Crown Commercial Service

This paper will be considered in public

1 Summary

- 1.1 On 25 November 2020, the Committee noted a paper on TfL Energy Purchasing: Crown Commercial Service and Power Purchase Agreements, which set out our Energy Purchasing Strategy (EPS). This strategy outlined a refined approach to procuring renewable energy through Power Purchase Agreements (PPAs) to meet our ambition to operate a zero-carbon railway by 2030. As detailed in the EPS, our existing energy purchasing arrangements with the Crown Commercial Service (CCS) are an essential part of managing our energy price risk and fundamental to the delivery of renewable energy PPAs.
- 1.2 This paper seeks Procurement Authority to extend the current arrangements, which will allow the continuation of the current energy purchasing and risk management strategy through the CCS Energy Framework.
- 1.3 The proposed approach will ensure the ongoing supply of cost competitive electricity and gas supplies for our operations in the near term, while also enabling the transition to renewable energy; our existing EPS sees TfL securing 50 per cent of its energy through renewable PPA tranches over the coming years in line with our ambition to run a zero-carbon railway by 2030.

2 Recommendations

2.1 The Committee is asked to note the paper and:

- (a) approve Procurement Authority of £1077m for the purchase of electricity and natural gas pan-TfL for supply during the 2026/27, 2027/28 and 2028/29 financial years; and**
- (b) note that the matters for which authority is sought above extend beyond the current Business Plan and Budget and provision will need to be made in future Business Plans and Budgets, including that due to be considered by the Board in December 2023.**

3 Background – Existing Purchasing Route and risk management strategy

- 3.1 We have an annual aggregated requirement of around 1600GWhs (gigawatt hours) of electricity and around 80 GWhs of natural gas, which is equivalent to approximately 551,000 average domestic electricity consumers and 6,000 average domestic gas consumers.

- 3.2 We have been utilising the procurement services and frameworks of CCS for energy purchasing since 2013. This has enabled us to have additional commercial leverage by subscribing to the largest procurer of energy in the UK and aggregating our volume with other public sector organisations.
- 3.3 The framework arrangements competitively tendered by CCS are used for energy purchasing by all of central government, many local authorities and other organisations across the public and not-for-profit sectors. Subject to Committee approval, we will contract with CCS through an updated Customer Access Agreement, which will enable us to access the electricity and gas framework let by CCS for supply from April 2026, and subsequently we will enter into the pre-agreed contract terms with suppliers appointed to the framework, currently EDF Energy Customers Limited (EDF) for electricity and Total Energies Gas and Power Limited for natural gas.
- 3.4 The CCS framework obliges the framework electricity supplier (EDF) to deliver (or “sleeve”) energy directly procured by a customer (such as TfL) from a generator via a PPA (with terms including price and duration of the on-sale/sleeving arrangements to be agreed between us and the framework supplier). Therefore, continued use of the CCS framework provides flexibility and is an essential delivery route for renewable energy we will procure via PPAs.
- 3.5 CCS leverages its position and aggregates customer volumes to deliver sustainable savings and to provide an enhanced managed service delivering value directly to its customers.
- 3.6 By combining customer volumes, CCS can exert greater buying power in the marketplace and reduce charges/costs incurred through supplier margin, bid/offer spread and brokerage fees.
- 3.7 The aggregation of volume with other public sector customers creates further benefits for us by reducing the relative proportion of more expensive peak volume versus cheaper baseload volume.

4 CCS Risk Management

- 4.1 As the largest aggregator of gas and electricity purchasing requirements in the UK, CCS has skilled in-house market analysts and risk management specialists.
- 4.2 CCS offers several risk management products for its customers; the current proposal is that we continue to use the product we have used to date, which comprises a minimum purchasing window ahead of delivery. For example, from December 2023, CCS will be looking to procure electricity and gas for the financial year commencing in April 2026, and from December 2024, CCS will be looking to procure electricity and gas for the financial year commencing in April 2027.
- 4.3 The product incorporates a minimum volume profile that CCS must purchase to provide minimum coverage levels closer to delivery; this is designed to mitigate the impact of wholesale market price spikes and provides greater budget certainty.
- 4.4 CCS can also unlock/sell back previously hedged volumes, if it believes the market fundamentals indicate potential upside. This mechanism is limited to and operated within pre-agreed stop loss parameters.

4.5 The effectiveness and operation of the purchasing strategy is overseen by the CCS External Risk and Governance Board; current members include the Ministry of Defence, the Ministry of Justice, the National Procurement Service (Wales), Guy's and St Thomas' NHS Foundation Trust, the Department for Work and Pensions, the Royal Borough of Kensington and Chelsea, and TfL. The board is chaired by an independent expert, Patrick Heren.

5 Energy Bill Relief Scheme and CCS performance

5.1 During 2022, the government announced its intention to shield UK Industrial and Commercial sectors (including transport) from exceptionally high wholesale commodity prices via the Energy Bill Relief Scheme (EBRS).

5.2 The Energy Prices Act 2022 gave the government the powers to establish the EBRS and make regulations for subsequent schemes, resulting in UK I&C users who were expecting to pay energy above £211/MWh for electricity and 220p/therm for gas over the winter 2022 period (October 2022 to March 2023 inclusive), receiving discounts to bring their costs closer to (but not lower than) £211/MWh and around 220p/therm. I&C users who hedged at prices below the above levels were not eligible for additional relief and paid the prices they had achieved.

5.3 Most of CCS' customers, including TfL, did not receive any relief under the scheme as CCS prices achieved for winter 2022 were considerably lower than the EBRS cap. The total benefit against the EBRS price for TfL is estimated to be £84.7m. (This is the additional amount we would have been paying at EBRS levels of £211/MWh and 220p/therm).

5.4 The EBRS scheme was replaced in April 2023 by the Energy Bills Discount Scheme (EBDS). This revised scheme continues to provide some support with energy bills for eligible non-domestic consumers, however, similar to EBRS, we remain ineligible due to prices achieved through CCS continuing to be considerably below the eligibility thresholds.

CCS Performance for Financial Year 2022/23

5.5 A key component of the strategy that we operate through CCS is price stability; this is achieved by having a long buying window (up to 42 months ahead of delivery).

5.6 The long buying window provides the CCS trading team flexibility in timing its purchases and the ability to start setting our energy costs well in advance, but the strategy also allows for some exposure to shorter term markets.

5.7 Annual market prices for Financial Year 2022/23:



5.8 The above graph shows how market prices for year starting April 2022 moved over the effective buying window, from October 2019 when purchasing started through to the end of the delivery year in March 2023. The graph highlights how markets moved from relative stability in the initial 18 months of the buying period to extreme volatility over the closing 18 months, with a transition period over the summer of 2021 when prices initially started pushing higher.

5.9 Our achieved prices for the financial year April 2022/2023 were more than 40 per cent below the traded market average.

6 Procurement Authority for Financial Years 2026/27, 2027/28 and 2028/29.

6.1 In line with the gating procedure considered by the Committee in December 2017, this paper seeks Procurement Authority of £1,077m to continue with the procurement of energy for financial year 2026/27, and in addition, financial years 2027/28 and 2028/29 through the CCS framework. Agreeing a further three years of this arrangement now will enable the necessary on-sale/sleeving arrangements for our under-tender renewable energy “new build” PPA to be agreed up front and implemented at the appropriate time with the supplier. The on-sale/sleeving arrangements are critical to the delivery of our proposed ‘new build’ PPA from 2026 onwards, and having at least a three-year period agreed upfront will ensure these arrangements are in place and ready for the commissioning and operational phase. This will also allow us to continue our purchasing and risk management strategy alongside PPA procurements, which protects us against wholesale market price volatility, while providing opportunities to secure the wholesale energy at a low market price. Financial years 2027/28 and 2028/29 will not be traded any further ahead than usual (30 months ahead of the start of each financial year); the extended duration is purely so on-sale/sleeving terms for our PPAs can be executed at the appropriate time.

- 6.2 The amount requested includes five per cent risk (in line with previous years), is aligned with the draft Business Plan which is due to be considered by the Board in December, and is based on the Department for Energy Security & Net Zero wholesale energy price forecast plus all expected Non-Energy Costs (NECs) i.e. transmission, distribution, system costs and environmental levies.
- 6.3 This amount also includes energy volume (around ten per cent of estimated total) in the process of being procured via PPA (PPA Comet), this is to ensure requisite authority is in place (for the period April 2026 to March 2029) if PPA Comet is not awarded. The delivery window for PPA Comet is April 2025 to December 2028.
- 6.4 NECs for CCS volumes and delivery period are expected to make up at least around 60 per cent (or £646m) of the fully delivered of the cost we pay. These charges include statutory environmental charges intended to support and incentivise new zero carbon energy generation, which are payable on all electricity delivered via the grid.
- 6.5 Continuing to source through the CCS framework for this period will provide the opportunity to purchase energy ahead of delivery (if financially beneficial to do so), while managing price risk and providing flexibility to source renewable energy alongside this arrangement.
- 6.6 Funded measures from building decarbonisation in TfL's Climate Budget are expected to lead to a reduction in gas consumption of approximately 45 per cent by 2030. The majority of this reduction will be due to heat electrification, and therefore cost savings from reduced gas usage are expected to be partly offset by increased spend on electricity. At the same time, investment in energy efficiency improvements in building fabric, lighting, equipment and operations across the estate will lead to reduced energy consumption and overall cost savings, though further site-specific analysis and feasibility studies are required to fully quantify and cost this opportunity. Given this uncertainty in projected changes to TfL's electricity and gas consumption, the current proposal for energy purchasing is a prudent approach to managing future requirements, and does not lock TfL into buying specific volumes long term.
- 6.7 Separate authority requests for purchases beyond March 2029 will be made in line with our commitment to move to zero carbon sources of electricity for our rail operations and will be submitted to the Committee in due course.

7 Update on Revised TfL Energy Purchasing Strategy

- 7.1 A revised EPS will be brought to the Committee in March 2024. The EPS has two primary objectives: achieving our ambition of operating a zero-carbon railway by 2030 by procuring renewable grid electricity for power consumption that cannot be reduced through energy efficiency measures, or displaced by onsite and near-site renewable power generation; and achieving value for money for our energy purchasing. The energy market is dynamic, complex and challenging to forecast beyond a limited time horizon, and therefore we will need to retain a degree of flexibility in how we best pursue these objectives.
- 7.2 The revised EPS will set out: the total target volume of our power consumption to be met through corporate PPAs out to 2030; our approach to collaboration with the Greater London Authority Group Functional Bodies; and key market and regulatory risks to achieving our objectives, and risk mitigation strategies.

List of appendices to this report:

None

List of Background Papers:

Finance Committee 25 November 2020, paper on TfL Energy Purchasing: Crown Commercial Service and Power Purchase Agreements

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Email: [Lilli Matson@tfl.gov.uk](mailto:Lilli.Matson@tfl.gov.uk)

Finance Committee



Date: 22 November 2023

Item: Communications, CCTV, Access Control and Security Systems Maintenance and Upgrade Services Contract

This paper will be considered in public

1. Summary

1.1 This paper seeks approval to increase the additional Procurement Authority for the Communications, CCTV, Access Control and Security Systems provided by Telent Technology Services Limited across the following areas:

- (a) London Underground;
- (b) Surface Transport Head Office Facilities;
- (c) London Transport Museum;
- (d) Rail for London;
- (e) Dial a Ride;
- (f) Croydon Trams; and
- (g) New Cross Depot.

1.2 A paper is included on Part 2 of the agenda which contains exempt supplementary information. The information is exempt and is therefore not for publication to the public or press 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 the meeting.

2. Recommendation

2.1 **The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda and, subject to approval of the revised Business Plan to be considered by the Board in December 2023, grant additional Procurement Authority, in the sum set out in the paper in Part 2 of the agenda, for the provision of maintenance and upgrade services for Communications, CCTV, Access Control and Security Systems across the TfL estate as described in this paper and the related paper on Part 2 of the agenda.**

3. Background

- 3.1 In July 2019 the Committee approved Procurement Authority for the One FM Contract Bundle 1 for Technical Facilities Management Services (Communications, CCTV, Access Control and Security Systems) (the Contract).
- 3.2 The commencement date was 1 January 2020, and the Contract duration is for seven years and three months, until 31 March 2027, with an option to extend for up to five years.
- 3.3 The contract notice stated an estimated contract value of between £217m to £287m and the scope described at paragraph 1.1 above. The upper end of the value range was stated in the notice as representing the potential additional requirements that may be included before expiry of the Contract.
- 3.4 No changes are being proposed to the terms of the Contract. A paper on Part 2 of the agenda contains detail of the authority sought.

List of appendices to this report:

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

List of Background Papers:

1 July 2019 Finance Committee paper - Technical Facilities Management Services

23 November 2022 Finance Committee paper - Communications, CCTV, Access Control and Security Systems Maintenance and Upgrade Services Contract - Increase to Procurement Authority

Contact Officer: Rachel McLean, Chief Finance Officer
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Finance Committee



Date: 22 November 2023

Item: Forthcoming Key Procurement Activities

This paper will be considered in public

1 Summary

- 1.1 This paper sets out a summary of the major new procurements or contract extensions planned over the next 24 months and decisions that are anticipated to be required from the Committee by way of Chair's Action between this meeting and the next planned meeting in March 2024. It also highlights significant forthcoming procurements that require approval at officer level during that period.
- 1.2 A paper is included on Part 2 of the agenda which contains exempt supplementary information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial and business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from the meeting.

2 Recommendation

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

3 Background

- 3.1 There is a recognised need to provide this Committee and other decision makers in TfL with a forward look on the pipeline of major procurements requiring decisions.
- 3.2 The Procurement and Commercial (P&C) function within TfL has worked to improve its forward planning, for example by consolidating multiple sources of data regarding the plans for contract renewals and new procurements. This has enabled P&C to establish a pipeline of activities over the next 24 months.
- 3.3 P&C's ability to plan the necessary governance and approval timescales, in conjunction with meetings of relevant committees, where appropriate, is improving and will continue to improve. This will not entirely remove the possible need for out of cycle approvals that require Chair's Action, either because of the conclusion of a procurement which falls naturally in timing between meetings, or because of an urgent requirement.

3.4 This paper sets out the approvals anticipated to be required from the Committee between this meeting and the next planned meeting of the Committee in March 2024 and highlights significant forthcoming procurements that require approval at officer level during that period.

4 Two year look ahead

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

4.2 The two year look ahead is summarised below, including only those projects with an estimated value of £1m or over. The pipeline covers 247 contracts with an estimated total value of £14.7bn, and equivalent annual spend of £2.7bn. This is broken down as follows:

P&C Division	Team	No	Estimated Contract Spend	Equivalent Annual Spend
Capital and Technology	Capital Infrastructure (including Highways)	21	£1,740m	£267m
	Capital Systems	9	£147m	£34m
	Technology	32	£1,838m	£289m
Operations and Professional Services	Fleet	49	£292m	£98m
	FM	17	£2,900m	£615m
	Indirects	23	£3,874m	£738m
	Infrastructure	49	£1,706m	£262m
	Rail and Sponsored Services	25	£732m	£144m
	Track	22	£1,504m	£220m
Total		247	£14,733m	£2,667m

5 Planned procurement activity ahead of the next meeting

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

5.2 In Operations and Professional Services, we are currently forecasting that Procurement Authority for one contract will require Committee approval by Chair's Action between now and the next meeting.

5.3 In Capital and Technology, most authority decisions are within the remit of the Programmes and Investment Committee, rather than this Committee. There are currently no contracts forecast to need approval from this Committee between now and the next planned meeting.

6 Improving Visibility of the Procurement Pipeline

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

- (a) an initiative to improve the quality of data captured in the Ariba Source to Contract system with guidance and processes flow provided by our P&C Central Enabling team;
- (b) obtaining visibility of the Central Project List (held by the Programme Management Office) to ensure P&C's view of the pipeline is aligned with data held elsewhere in TfL. Further work in this area will be necessary to enable P&C to expand the forward look of the pipeline beyond two years; and
- (c) the Pipeline and Planning team within P&C is now at full complement: bringing all activities on pipeline visibility, savings tracking, data quality and resource planning under one central function.

6.2 P&C's work on improving the visibility of the procurement pipeline will enable TfL to be prepared to meet a requirement in the Procurement Act 2023 for all contracting authorities to publish a pipeline notice within 56 days of the start of each financial year. The pipeline notice will need to set out details of all procurements over £2m in value due to take place within that year. The Act received Royal Assent on 26 October 2023; the date on which it comes into force is not yet settled but is widely expected to be from October 2024.

List of appendices to this report:

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

List of background papers:

None

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Finance Committee



Date: 22 November 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; and
 - (e) Items requested by Members: The Deputy Chair of TfL and the Chair of this Committee will regularly review the forward plan and may suggest items. Other items will arise out of actions from previous meetings (including meetings of the Board or other Committees and Panels) and any issues suggested under this agenda item.

4 Current Plan

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

List of appendices to this report:

Appendix 1: Finance Committee Forward Plan

List of Background Papers:

None

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Finance Committee Forward Plan 2023/24

Membership: Anne McMeel (Chair), 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)

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.
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)

As at 14 November 2023

Finance Committee Forward Plan 2023/24

- 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 and CCSO)
- Securing New Income Streams (CFO and 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 and CTO)
- London Overground Concession (COO) – proposals prior to going to market

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