

# Agenda

**Meeting: Finance Committee**

**Date: Wednesday 18 December 2024**

**Time: 10:00am**

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

## Members

Anne McMeel (Chair)  
Deborah Harris-Ugbomah (Vice-Chair)  
Zoë Billingham CBE

Prof Greg Clark CBE  
Seb Dance  
Anurag Gupta

## Government Observer

Samantha Collins-Hill

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

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

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

Andrea Clarke, General Counsel  
Tuesday 10 December 2024

**Agenda  
Finance Committee  
Wednesday 18 December 2024**

**1 Apologies for Absence and Chair's Announcements**

**2 Declarations of Interests**

General Counsel

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

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

**3 Minutes of the Meetings of the Committee held on 9 October and 19 November 2024 (Pages 1 - 16)**

General Counsel

**The Committee is asked to approve the minutes of the meetings of the Committee held on 9 October and 19 November 2024 and authorise the Chair to sign them.**

**4 Matters Arising and Actions List (Pages 17 - 26)**

General Counsel

**The Committee is asked to note the updated actions list.**

**5 Use of Delegated Authority (Pages 27 - 32)**

General Counsel

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

**6 Finance Report - Period 8, 2024/25 (Pages 33 - 60)**

Chief Finance Officer

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

**7 TfL Scorecard and Implications of the Cyber Security Incident** (Pages 61 - 62)

Chief Customer and Strategy Officer

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

**8 Communications, CCTV, Access Control and Security Systems Maintenance and Upgrade Services Contract** (Pages 63 - 64)

Chief Finance Officer

**The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda and grant additional Procurement Authority, 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 Track Labour Framework Contract Extension** (Pages 65 - 66)

Chief Finance Officer

**The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda and approve additional Procurement Authority of £100.1m for external Track Labour Resources procured through the London Underground Track Labour Framework for the period from 1 April 2025 to 31 March 2026, giving a total Procurement Authority of £808.5m.**

**10 Forthcoming Key Procurement Activities** (Pages 67 - 70)

Chief Finance Officer

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

**11 Risk and Assurance Report Quarter 2 2024/25** (Pages 71 - 80)

Director of Risk and Assurance

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

**12 Members' Suggestions for Future Discussion Items** (Pages 81 - 84)

General Counsel

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

**13 Any Other Business the Chair Considers Urgent**

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

**14 Date of Next Meeting**

Wednesday 26 February 2025 at 10.00am.

**15 Exclusion of the Press and Public**

**The Committee is recommended to agree to exclude the press and public from the meeting, in accordance with paragraphs 3 and 7 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following items of business.**

**Agenda Part 2**

**16 Finance Report - Period 8, 2024/25** (Pages 85 - 92)

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

**17 TfL Scorecard and Implications of the Cyber Security Incident** (Pages 93 - 100)

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

**18 Communications, CCTV, Access Control and Security Systems Maintenance and Upgrade Services Contract** (Pages 101 - 102)

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

**19 Track Labour Framework Contract Extension** (Pages 103 - 108)

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

**20 Forthcoming Key Procurement Activities** (Pages 109 - 116)

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

**21 Risk and Assurance Report Quarter 2 2024/25** (Pages 117 - 124)

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

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## Transport for London

### Minutes of the Finance Committee

**Conference Rooms 1 and 2, Ground Floor, Palestra,  
197 Blackfriars Road, London, SE1 8NJ  
10.00am, Wednesday 9 October 2024**

#### Members

Anne McMeel (Chair)  
Deborah Harris-Ugbomah (Vice Chair)  
Zoë Billingham CBE  
Seb Dance (from Minute 49/10/24 inclusive)

#### Government Observer

Samantha Collins-Hill Deputy Director, London Partnerships and Delivery,  
Department for Transport

#### Executive Committee

Andrea Clarke General Counsel  
Rachel McLean Chief Finance Officer

#### Staff

James Collins Corporate Finance Senior Manager (D&R)  
Justine Curry Interim Director of Legal  
Patrick Doig Group Finance Director and statutory Chief Finance Officer  
Jackie Gavigan Secretariat Manager  
Joanna Hawkes Director of Corporate Finance  
Lorraine Humphrey Director of Risk and Assurance  
Shamus Kenny Head of Secretariat  
Heather McStay Head of Procurement - FM  
Collan Murray Head of Procurement and Commercial Improvement  
Henry Yeomans Head of Procurement – Track and Fleet

### **44/10/24 Apologies for Absence and Chair's Announcements**

Apologies for absence had been received from Professor Greg Clark CBE and Anurag Gupta. Seb Dance had given apologies for lateness. The meeting was quorate.

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

The Chair welcomed everyone to the meeting, particularly new Board Members Deborah Harris, as Vice Chair, and Zoë Billingham CBE, as it was their first meeting of the Finance Committee. The meeting was broadcast live to TfL's YouTube channel, except for the discussion of the information on Part 2 of the agenda, which was exempt from publication, to ensure the public and press could observe the proceedings and decision-making.

The Chair 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.

## **45/10/24 Declarations of Interests**

Members confirmed that their declarations of interests, as published on tfl.gov.uk, were up to date.

Since the last meeting of the Committee, Anne McMeel had been appointed as a Non-Executive Director to the National Crime Agency Board.

There were no interests to declare that related specifically to items on the agenda.

## **46/10/24 Minutes of the Meetings of the Committee held on 11 July and 19 August 2024**

**The minutes of the meetings of the Committee held on 11 July and 19 August 2024 were approved as correct records, and the Chair was authorised to sign them.**

## **47/10/24 Matters Arising and Actions List**

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

An update in relation to the actions on the Taxi Trade and Kerbside Review Timescale from the meetings on 8 March and 21 June 2023 would be circulated to Committee Members following the meeting. **[Action: Alex Williams / Claire Mann]**

**The Committee noted the updated actions list.**

## **48/10/24 Use of Delegated Authority**

Andrea Clarke introduced the item. Since the meeting of the Committee on 11 July 2024, there had been no use of specific authority delegated by the Board, nor any Mayoral directions to the Board within the remit of the Committee.

There had been one use of Chair's Action for Procurement Authority, unbudgeted Financial Authority, and Programme and Project Authority specifically in respect of the Capital Commitments, for the award of New Advertising Arrangements for Rail (including London Underground) and for Bus Shelters.

Several bus operating contracts had required unbudgeted Financial Authority approval by the Chief Finance Officer. There had also been four uses of Procurement Authority in relation to: the Digital Spot Speed Cameras contract; the Fire Protection (Rail) maintenance contract; Trust Fund Payments for claims processed through TfL's Private Medical Benefit Administrator contract; and the Telephony Maintenance contract ancillary services.

**The Committee noted the paper.**



## 49/10/24 Finance Report – Period 5, 2024/25

Rachel McLean and Patrick Doig introduced the item, which set out TfL's financial results to the end of Period 5 of 2024/25, the year-to-date ending 17 August 2024.

TfL was currently dealing with an ongoing cyber security incident. With support from the National Cyber Security Centre and the National Crime Agency, it identified some suspicious activity on 1 September 2024 and took action to limit access. TfL continued to work with partners to conduct a thorough investigation into the incident. The National Crime Agency was leading the law enforcement response and as such limited information could be shared. The incident occurred after the end of Period 5 and did not form part of the report but would be included in updates to future meetings.

Period 2 had seen growth in passenger journeys compared to last year, although the growth this financial year so far had been lower than expected. The trend continued into Period 5 but the rate had slowed further. Travel patterns tended to change in the month of September, which would provide further insight into the extent to which the trends would impact the second half of the year and the longer-term.

The trend on passenger demand continued to be the primary focus of TfL's work to analyse performance and improve forecast results this year. TfL historically had a strong track record of accurately forecasting passenger demand and was investigating three broad areas for analysis around the economy, return to work patterns and service levels, with the economy being the dominant factor. Some of the drivers for the shortfall in passenger income included: lower income growth, which was affecting the choices of individuals and households; lower wage growth for younger adults who used TfL's services more; inflation costs; higher housing costs, particularly in London; higher interest rates; and economic uncertainty.

Evidence to date suggested that the rate of growth in commuter related demand had started to decline but was now beginning to stabilise, and employment levels continued to grow across London. Some service levels continued to perform below TfL's expectations, which was anticipated to have an impact on levels of demand. This included the Central line on London Underground, which TfL had plans in place for improvement in autumn 2024.

TfL had plans to mitigate some of the cost pressure and was strengthening additional soft controls over discretionary expenditure that it put in place several months ago. A TfL-wide exercise was looking at existing trends where expenditure was lower than Budget and identifying strategic opportunities to do more fine tuning, noting that the stretch to save more on operating costs was only around two per cent of total expenditure over the year.

Capital renewals were up compared to the last financial year, as TfL increased renewals investment to start to mitigate the backlog of asset replacement. Enhancements spend was expected to be a little lower than last year, due to the agreement to defer some payments and the variation under the Manufacture and Supply Agreement for the Deep Tube Upgrade Programme with Siemens Mobility Limited in response to the Government funding settlement in 2024/25.

Average cash balances for the financial year had been maintained above the minimum cash requirement of £1.3bn. At the end of Period 5, TfL's cash balance was £1.27bn, which was £140m below Budget due to timing differences.

There had been just over two per cent cumulative growth in customer journeys from the last financial year, compared to the six per cent year-on-year growth budgeted for and in addition to nine per cent growth in 2023/24. Journeys were 52 million lower than Budget and total revenue was £78m, which was four per cent lower than Budget. TfL had forecast that this could increase to around £150m lower than Budget by year end.

TfL was able to mitigate an element of the pressure so the operating surplus was forecast to be £100m lower than Budget at £61m for the full financial year. Every penny of the surplus generated was committed entirely to supporting TfL's Investment Programme. Operating costs were one per cent lower than Budget, mainly from cost control and contingency held to mitigate risks on revenue. The Budget included delivery of £259m of savings this financial year, including £130m of recurring savings. Real terms like-for-like operating costs were over £100m lower than in 2020/21.

Another key measure was the level of accounting reserves and TfL planned to rebuild its usable reserves by the end of 2025/26, which was a key feature of the Budget.

In July 2024, Moody's had upgraded TfL's long-term and short-term credit ratings by one notch to A2/P-1 and changed the outlook to stable. The rating was based on significant improvements in TfL's operating performance, which Moody's expected to be sustained with growing operating surpluses over the medium-term.

TfL started 2024/25 with a £250m contribution from Government for its major capital investment programmes, the majority of which was received in 2023/24. It continued to work with the constructive support of Government to make the case for a multi-year settlement for capital to enable greater efficiency in planning and procurement. Positive discussions with Government continued and were currently focused on the 2025/26 funding arrangements. TfL continued to demonstrate the positive impact its expenditure had on jobs and growth, not only in London and the South-East but across the UK.

A deep-dive into TfL's work to minimise bad debt, including the comprehensive programme to tackle the worsening trend of repeat and persistent fare evasion, would be brought to a future meeting of the Committee. **[Action: Rachel McLean]**

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

## **50/10/24 Treasury Activities**

Joanna Hawkes and James Collins introduced the item, which provided an update on TfL's key treasury activities for the period from 24 February to 20 September 2024.

There had been some minor impact to workflows during the cyber security incident, although treasury activities and banking systems remained operational throughout with no disruption to payments and key stakeholders were being kept informed.

Credit rating agency Fitch had revised TfL's outlook to stable from negative. S&P Global Ratings and Moody's had both upgraded the long-term and short-term rating for TfL with a stable outlook. Benefits from the upgrades included reduced costs of commercial paper borrowing.

TfL continued to comply with its liquidity policy and minimum cash levels. It continued to diversify cash investments and just under 94 per cent of investments remained short-

dated maturing within two months. The weighted average investment yield was 5.01 per cent.

The Budget set out an incremental borrowing amount of £470m, in addition to £250m of refinancing. Borrowing of £580m was completed, including the £300m facility to support the DLR rolling stock replacement programme. The balance of outstanding commercial paper had increased, partly due to Government permission to issue in Euros and US dollars.

TfL continued to work with its banking provider HSBC, Places for London and the London Transport Museum to implement automated direct debit mandates to replace the paper-based systems and streamline processes.

The ongoing collaboration project with the Greater London Authority (GLA) had progressed well and the project team now operated the same treasury management system as TfL, which had been a major milestone. Secondment agreements were progressing and onboarding of GLA colleagues had begun. On the back-office collaboration, the shared service agreement was being finalised and expected to go live in November 2024.

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

## **51/10/24 Prudential Indicators – Outturn for the Year Ending 31 March 2024**

Patrick Doig introduced the item, which set out TfL's performance against the prudential indicators for the financial year 2023/24. The prudential indicators and debt limits were approved by the Board on 29 March 2023.

TfL's 2023/24 draft Statement of Accounts had been used to calculate the outturn. The audit of the accounts had been delayed due to the cyber security incident. Should there be any material change to the draft accounts before finalisation, the indicators would be updated and presented to the next meeting of the Committee.

The outturn for the financial year 2023/24 was satisfactory upon comparison with the prudential indicators and within acceptable limits. The authorised limit, the ceiling set for debts and other liabilities, had not been exceeded.

Deviations from the approved limits were the ratio of financing costs to net revenue stream where the outturn was above the approved indicator. This did not represent an increase in the underlying interest charge and cash cost of direct and indirect debt and was largely driven by the portion of grant income allocated to capital being higher than assumed in the March 2023 Budget, which reduced the net revenue stream. The outturn was considered within a reasonable range of the estimates set. Also, the ratio of net income from investments was a small percentage of the net revenue stream. The outturn was considered within a reasonable range of the estimates set and did not indicate a disproportionate reliance on commercial and investment income.

**The Committee noted the paper.**

## **52/10/24 Public Service Obligations Regulations 2023 – Contract for the Provision of Railway Services by London Underground**

Andrea Clarke introduced the item, which sought Procurement Authority for entry into a contract between TfL and London Underground for the provision of the Underground services, as required by the Public Service Obligations in Transport Regulations 2023.

The regulations set out the public service obligations relating to public transport. The previous contract was enshrined in EU law and was due to expire at the end of November 2024. A new arrangement needed to be put in place to comply with the new UK regulations, which was required solely for London Underground as the regulation provided that an in-house operation, such as London Underground, was separate from the TfL legal entity. A direct award would be made through a basic contract setting out the minimum requirements for another period for a maximum of 15 years.

**The Committee noted the paper and approved Procurement Authority for entry into a contract between TfL and London Underground for the provision of the Underground services as required by the Public Service Obligations in Transport Regulations 2023, as described in the paper.**

## **53/10/24 Track Protection Resources Contract Extension**

Henry Yeomans introduced the item, which sought Procurement Authority for external Track Protection Resources procured through the London Underground Track Labour Frameworks for the period from January to March 2025.

The existing Track Labour Frameworks had Procurement Authority until March 2025, approved by the Committee in March 2024. The Procurement Authority allocated to Track Protection Resources would, however, only last until December 2024 and a short extension was required to complete the current tender process and mobilisation period for the new contract.

**The Committee noted the paper and the exempt supplementary information on Part 2 of the agenda and approved Procurement Authority for £7.27m for external Track Protection Resources procured through the London Underground Track Labour Frameworks for the period to March 2025, giving a total Procurement Authority of £708.42m.**

## **54/10/24 Extension and Increase in Procurement Authority for Cleaning Contract with ABM Facility Services UK Limited**

Heather McStay introduced the item, which sought additional Procurement Authority for the contract extension for the supply of cleaning services across the TfL estate.

Cleaning services on the network were of a specialist nature and were essential to ensuring the protection of TfL assets, its people and customers, and ensuring safety standards were met. A six-month extension of the current contract, from 16 September 2025 to the end of March 2026 was required to enable further work on the development of integrated pan-TfL specifications to inform the new contract tender exercise.

**The Committee noted the paper and the exempt supplementary information on Part 2 of the agenda and approved additional Procurement Authority in the sum set out in the paper on Part 2 of the agenda for the supply of cleaning services across the TfL estate.**

## **55/10/24 Procurement and Commercial Review**

Rachel McLean introduced the item, which provided an update on TfL's Procurement and Commercial (P&C) Review, including cost management practice, and highlighted developments since the last update to the Committee in June 2023.

The Procurement and Commercial Improvement Programme (PCIP), which ran from January 2020 to March 2023, had succeeded in delivering several benefits, including the implementation of SAP Ariba, a new P&C Management Framework and a top-level leadership structure. Along with other TfL support functions, P&C had integrated into business partnering within the different modes and there was more opportunity for engagement with the supply chain and extra value for money in integrated pan-TfL procurements and post-contract awards.

Following wider changes to TfL's Chief Officer structure, several key opportunity areas in the PCIP were paused and remained outstanding. These include a review of the wider P&C organisation and capital capability, which would need to be designed to align to the new organisation and ways of working.

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

## **56/10/24 Forthcoming Key Procurement Activities**

Heather McStay introduced the item, which provided a summary of the major new procurements or contract extensions planned over the next two years and decisions that were anticipated to be required from the Committee by way of Chair's Action over the next six months. It also highlighted significant forthcoming procurements that required approval at officer level during that period.

The two-year look ahead included only those projects with an estimated value of £1m or over and covered 310 contracts with an estimated total value of £20bn. The summary information had been broken down to show the revenue and expenditure activity separately and contracts that were linked were shown grouped together.

In Operations (excluding concessions), two contract awards were currently forecast to require approval from the Committee by way of Chair's Action in the next six months and two would require approval from the Committee at a future meeting.

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

## **57/10/24 Risk and Assurance Report Quarter 1 2024/25**

Lorraine Humphrey introduced the item, which provided an overview of the status of, and changes to: Enterprise Risk 3 – Environment including climate adaptation (ER03); Enterprise Risk 5 – Supply chain disruption and ineffective procurement and contract management (ER05); Enterprise Risk 7 – Financial resilience (ER07); and Enterprise Risk 9 – Changes in customer demand (ER09). It also summarised the findings from the assurance activity associated with the risks completed by the Risk and Assurance Directorate during Quarter 1 of 2024/25 (1 April to 22 June 2024).

Risk review workshops had been undertaken for all Enterprise Risks. ER03 fell within the remit of the Committee due to the investment required. ER05 and ER07 papers were on the agenda for consideration at this meeting and ER03 and ER09 would be scheduled for future meetings of the Committee.

The audit plan for the next six months was approved but would be reviewed should any changes be needed because of the cyber security incident. Four audit reports were issued and there were two requires improvement reports. A series of weather audits had been undertaken for heat, heavy rain and flooding, wind, snow and ice to enable the operations teams to test their plans, which had fed into changes and pan-TfL scenario exercises. A memo was issued for the TfL Scorecard year-end results audit. The four overdue audit actions had now been closed.

More detail on overall control of supply chain issues around conflicts of interest including internally was requested going forward. A backward look across all the risk findings would be undertaken for the audit actions for the Procurement and Commercial function, and colleagues who regularly engaged with the supply chain, to ensure any additional controls and changes in accountability were designed into the later stages of the change programme. Details would be included in the next change programme update to the Committee.

**[Action: Rachel McLean / Lorraine Humphrey]**

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

## **58/10/24 Enterprise Risk Update – Supply Chain Disruption and Ineffective Procurement and Contract Management (ER05)**

Collan Murray introduced the item, which provided an update on Enterprise Risk 5 – Supply chain disruption and ineffective procurement and contract management (ER05). The title of ER05 was amended in June 2024 to provide a clearer articulation of the risk subject. The previous title of ER05 was - Efficient and high performing supply chains and effective procurement.

Failure to sufficiently identify and appropriately manage risks arising internally from how TfL procured and contracted its supply chain, and externally from market factors, could cause adverse impacts on safety, increase costs, cause delays to project delivery and interrupt operational services. The paper outlined the scope of ER05, current assessment, preventative controls, mitigation activities and improvement plans to reduce TfL's risk across its supply chain activities.

The current risk rating was very high due to the value of investment in the supply chain and the potential impact of major supply chain disruption, with plans to move to a high

rating with mitigations. The probability of the risk was high due to volatility in the complex political and economic global market and the breadth of the supply chain, with a target to move to medium.

The overall control effectiveness rating was requires improvement, which reflected the need for increasingly sophisticated responses to the complex global supply chain risk landscape. Key mitigation initiatives included: supplier risk monitoring; centralised co-ordination of supply chain risks; strengthening the Procurement and Commercial Risk Management Framework; and key supplier relationship management.

The future Procurement Strategy and way forward, including responsible procurement, would either be considered at a briefing or a future agenda item.

**[Action: Rachel McLean]**

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

### **59/10/24 Enterprise Risk Update – Financial Resilience (ER07)**

Patrick Doig introduced the item, which provided an update on Enterprise Risk 7 – Financial resilience (ER07). 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.

TfL's finances were still recovering from the coronavirus pandemic and the impact on its reserves and liquidity, and TfL hoped to progress towards more long-term capital funding certainty. The revenue true-up mechanism under the Government funding conditions had ended and the risk had passed back to TfL. This was a systemic risk for TfL as it was more dependent on revenue as a percentage of income and created a mismatch between long-term funding of contractual capital commitments and short-term revenue streams.

Key controls included: demand forecasting; planning, budgeting and reporting variances; and liquidity and research policies to help identify, plan for and mitigate financial risks. TfL's key focus was improving demand forecasting, including the detailed work on deeper understanding of the issues, and improving customer demand.

The Committee would be updated on the range of additional benefits of having longer-term capital funding certainty, beyond the obvious advantages of being able to plan and identify projects more readily.

**[Action: Rachel McLean]**

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

## **60/10/24 Members' Suggestions for Future Discussion Items**

Andrea Clarke introduced the item. No additional suggestions were raised for future discussion items on the forward plan, other than those already noted during the meeting.

**The Committee noted the forward plan.**

## **61/10/24 Any Other Business the Chair Considers Urgent**

There was no other urgent business to discuss.

## **62/10/24 Date of Next Meeting**

The next scheduled meeting of the Committee would be held on Wednesday 18 December 2024 at 10.00am.

## **63/10/24 Exclusion of the Press and Public**

**The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 and 7 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, 2024/25; Treasury Activities; Track Protection Resources Contract Extension; Extension and Increase in Procurement Authority for Cleaning Contract with ABM Facility Services UK Limited; Procurement and Commercial Review; Forthcoming Key Procurement Activities; Risk and Assurance Report Quarter 1 2024/25; Enterprise Risk Update – Supply Chain Disruption and Ineffective Procurement and Contract Management (ER05); and Enterprise Risk Update – Financial Resilience (ER07).**

The meeting closed at 12.16pm.

Chair: \_\_\_\_\_

Date: \_\_\_\_\_



# Transport for London

## Minutes of the Finance Committee

**Elizabeth Line Room, 11Y8, Palestra,  
197 Blackfriars Road, London, SE1 8NJ  
12 noon, Tuesday 19 November 2024**

### Members

Anne McMeel (Chair)  
Deborah Harris-Ugbomah (Vice Chair)  
Zoë Billingham CBE (via Teams, from Minute 67/11/24 inclusive)  
Professor Greg Clark CBE (via Teams)  
Anurag Gupta (via Teams)

### Government Observer

Andrew Hillin                      Head of London Projects, London Partnerships and Delivery,  
Department for Transport

### Executive Committee

Andy Lord	Commissioner
Andrea Clarke	General Counsel
Claire Mann	Chief Operating Officer
Lilli Matson	Chief Safety, Health and Environment Officer
Rachel McLean	Chief Finance Officer

### Staff

Geordie Costello	Corporate Finance Senior Manager
Christopher Cubitt	Corporate Finance Senior Manager
Justine Curry	Interim Director of Legal
Patrick Doig	Group Finance Director and statutory Chief Finance Officer
Jackie Gavigan	Secretariat Manager
Joanna Hawkes	Director of Corporate Finance
Shamus Kenny	Head of Secretariat
Glyn Lenton	Senior Category Manager Eng & Utilities
Andrew McIntosh	Head of Concession Management
Jasmine Moss	Senior Sourcing Manager
Sarah O'Donnell	Senior SHE Energy and Carbon Manager
Heather McStay	Head of Procurement - FM
Dharmina Shah	Interim Chief of Staff to Commissioner
Howard Smith	Director of the Elizabeth Line

## **64/11/24 Apologies for Absence and Chair's Announcements**

An apology for absence had been received from Seb Dance. Zoë Billingham CBE, Professor Greg Clark CBE and Anurag Gupta attended the meeting via Teams and were able to participate in the discussion but did not count toward the quorum. Zoë Billingham CBE had given an apology for lateness.

As the meeting was inquorate, with five Members available to discuss the items and only two present in the room, any decisions required were taken using Chair's Action

after the discussion of the items. Given the strategic importance of the contracts, it was considered appropriate to continue to meet to ensure transparency in decision-making.

Andrew Hillin was attending the meeting as Government Observer, in place of Samantha Collins-Hill.

The Chair welcomed everyone to the additional meeting of the Committee, called to consider the Elizabeth Line Concession 2 Procurement and the Power Purchase Agreement Comet: Contract Award. The meeting was broadcast live to TfL's YouTube channel, except for the discussion of the information on Part 2 of the agenda which was exempt from publication, to ensure the public and press could observe the proceedings and decision-making.

The Chair 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.

## **65/11/24 Declarations of Interests**

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

## **66/11/24 Elizabeth Line Concession 2 Procurement**

Howard Smith introduced the item, which provided an update on the procurement process undertaken by Rail for London (RfL) for the proposed new concession agreement to operate Elizabeth line passenger train services from May 2025 and sought approvals for the new concession agreement.

The existing operating contract was entered into in July 2014 and had required the operator to recruit and train large numbers of staff, increase daily services and manage change as phases of the Crossrail project were delivered, while consistently delivering high levels of customer satisfaction and performance. In June 2023, the Committee was updated on proposals to commence procurement to appoint a new operator for the Elizabeth line, which included close co-ordination with the DLR procurement process to present a consistent message to the market, maximise interest and share lessons.

In November 2023, after an early market engagement exercise, RfL commenced the procurement to appoint a new operator. The new concession agreement would ensure that the Elizabeth line continued to showcase investment in TfL, rail and public transport through optimisation and improvement on current high levels of safety, performance and customer satisfaction, while remaining adaptable to an evolving industry and changing customer needs.

RfL had undertaken a detailed procurement process and reviewed the current concession agreement in light of lessons learnt throughout its term, updated strategic priorities across TfL, insight from market engagement, wider industry changes and best practice from similar arrangements in TfL. The scope and structure of the new concession agreement would continue to cover all aspects of train and station

operations over the Elizabeth line. Revenue generated from fares and rail products together with patronage risk would be retained by TfL.

In February 2024, four bidders pre-qualified for the competition and took part in the process. The key principle of the evaluation methodology was to ensure that the new concession agreement would be awarded to the most economically advantageous bid, allowing for a balance between technical, commercial and financial factors. It took account of the commercial structure and required bids to be submitted against the performance regime.

Next steps were to notify the bidders and for the new concession agreement to be signed in December 2024. Following contract signature, a mobilisation phase would commence to ensure that the supplier under the new concession agreement was ready to take over the operation of Elizabeth line services prior to concession commencement in May 2025.

Following the taking of the decision, GTS Rail Operations Limited, a joint venture between Go Ahead Group, Tokyo Metro and Sumitomo Corporation, was announced as taking over the Elizabeth line operator contract in May 2025. The contract was for seven years with an option to extend for up to two additional years.

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

- 1 approved Procurement Authority in the amount set out in the paper on Part 2 of the agenda to enable entry into the New Concession Agreement for the operation of the Elizabeth line and ancillary agreements; and**
- 2 noted that matters for which Procurement Authority was sought above extend beyond the current TfL Business Plan and Budget and provision will, therefore, need to be made in future Business Plans and Budgets.**

## **67/11/24 Power Purchase Agreement Comet: Contract Award**

Lilli Matson introduced the item, which provided an update on the procurement process for the first generator Power Purchase Agreement (PPA) Comet and associated onsale and sleeving agreements to advance TfL's Energy Purchasing Strategy and sought approvals to enable the contract award.

TfL's first PPA procurement process was close to completion and represented a significant milestone and major step forward in realising the target set in the Mayor's Transport Strategy to run a zero-carbon railway by 2030. TfL was London's largest single consumer of electricity, using around 1.6TWh per annum at a cost of around £350m. This represented around 43 per cent of its operational carbon emissions.

To meet this target, TfL had set out a plan to transition the way it purchased electricity to ensure it was sourced from renewable generation. TfL's Energy Purchasing Strategy was considered by the Committee in July 2024, which outlined the plan to procure up to 70 per cent of TfL's total electricity needs from a generator through renewable energy corporate PPAs. The first step in this initiative was PPA Comet, which involved procuring up to 12.5 per cent of TfL's electricity demand, or up to 200GWh, from a new renewable project. The proposed project had already secured planning permission and

was due to commence construction in 2026. Power delivery from the asset was anticipated to begin in 2028.

The different options considered included continuing with business as usual, looking at renewable energy guarantees of origin and the PPA route. PPAs offered the best alignment with TfL's financial needs and delivered a new renewable energy supply facility, an additional renewable greening of the grid network and aligned with the Government's policy to accelerate the decarbonisation of the grid.

The environmental benefits concerned the long-term price stability with PPAs providing a longer-term hedge, with a 15-year contract for this procurement in the context of a volatile electricity market. Under PPA Comet, TfL was purchasing renewable energy source electricity on a half hourly pay as produced basis so needed to contract an onsale PPA which closely aligned with it for the delivery of the electricity into the network. TfL would be working with EDF Energy Limited as a regulated trading party to the onsale PPA for at least until 2029.

Members noted that the pay as produced contract meant TfL would be consuming electricity from the grid that was not 100 per cent green at certain points in time of low power generation. Members suggested exercising caution in not overclaiming that the renewable energy production was 100 per cent green in light of this.

The procurement was for up to five to 10 per cent of TfL's consumption, using grid consumed energy for the most of its energy needs, which was currently constituted with around 40 per cent from renewable sources. TfL had taken a risk mitigated approach to ensure the renewable energy guarantees of origin from an asset and genuine additionality in connecting a new asset to the grid, without paying a premium. Over the next few years, as more renewables came on grid, TfL would look to do more for future corporate PPAs and continued to look closely at greening the remainder of its supplies and the flexible green tariff option as it approached 2030. It was an important first step forward in the right direction into an evolving and maturing market.

Beyond this procurement, consideration would be given to what TfL considered to be renewables as part of its future strategic direction and next steps as it was an evolving situation. **[Action: Lilli Matson]**

The lessons learnt during the PPA Comet procurement process would be shared with the Committee. **[Action: Lilli Matson]**

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

- 1 approved Procurement Authority of £225m for electricity purchased under a Power Purchase Agreement for 15 years and the costs under the associated onsale/sleeving arrangements for the same duration; and**
- 2 noted that matters for which Procurement Authority was sought above extend beyond the current TfL Business Plan and Budget and provision will, therefore, need to be made in future Business Plans and Budgets.**

## **68/11/24 Any Other Business the Chair Considers Urgent**

There was no other urgent business to discuss.

## **69/11/24 Date of Next Meeting**

The next scheduled meeting of the Committee would be held on Wednesday 18 December 2024 at 10.00am.

## **70/11/24 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: Elizabeth Line Concession 2 Procurement; and Power Purchase Agreement Comet: Contract Award.**

The meeting closed at 1.20pm.

Chair: \_\_\_\_\_

Date: \_\_\_\_\_

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## Finance Committee



**Date:** 18 December 2024

**Item:** Matters Arising and Actions List

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### **This paper will be considered in public**

#### **1 Summary**

1.1 This paper informs the Committee of progress against actions agreed at previous meetings. Appendix 1 sets out the progress against actions agreed at previous meetings.

#### **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, General Counsel  
Email: [AndreaClarke@tfl.gov.uk](mailto:AndreaClarke@tfl.gov.uk)

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Actions from the meetings held on 9 October and 19 November 2024

Minute No.	Item/Description	Action By	Target Date	Status/Note
67/11/24 (1)	<p><b>Power Purchase Agreement (PPA) Comet: Contract Award – Renewables and Future Strategic Direction</b>                      Beyond this procurement, consideration would be given to what TfL considered to be renewables as part of its future strategic direction and next steps as it was an evolving situation.</p>	Lilli Matson	-	<p><b>Closed.</b> TfL’s strategy regarding Corporate PPA has specified ‘established technology’ which is limited to solar photovoltaics, onshore and offshore wind. These established technologies offer consistently competitive prices for renewable energy. This choice of technology was noted in the paper to the Committee in July 2024, updating our Energy Purchasing Strategy. The Government’s most recent auction for renewables under their Contracts for Difference (CfD) scheme saw the strike price for solar and onshore wind coming in at lower prices, whereas less established technologies cleared much higher prices e.g. tidal stream.</p> <p>It is acknowledged that other clean energy technologies may provide a steady baseload profile in future, however the current cost of many of these is substantially higher. We will continue to keep all technologies under review to understand their potential role in the future review of our purchasing strategy.</p>

Minute No.	Item/Description	Action By	Target Date	Status/Note
67/11/24 (2)	<p><b>Power Purchase Agreement (PPA) Comet: Contract Award – Procurement Lessons Learnt</b></p> <p>The lessons learnt during the PPA Comet procurement process would be shared with the Committee.</p>	Lilli Matson	February 2025	TfL will undertake a lessons learnt exercise on the PPA procurement process. Following this, we will share the key themes identified with the Committee.
47/10/24	<p><b>Matters Arising and Actions List – Taxi Trade and Kerbside Review Timescale Update</b></p> <p>An update in relation to the actions on the Taxi Trade and Kerbside Review Timescale from the meetings on 8 March and 21 June 2023 would be circulated to Committee Members following the meeting.</p>	Alex Williams/ Claire Mann	December 2024	<b>Completed.</b> An update was provided to Members on 3 December 2024. See completed actions 21/06/23 and 09/03/23 (2) below.
49/10/24	<p><b>Finance Report – Period 5, 2024/25 – Minimising Bad Debt and Fare Evasion</b></p> <p>A deep-dive into TfL’s work to minimise bad debt, including the comprehensive programme to tackle the worsening trend of repeat and persistent fare evasion, would be brought to a future meeting of the Committee.</p>	Rachel McLean	February 2025	A paper will be brought to the next meeting of the Committee scheduled for 26 February 2025, which will also address action 15/03/24.
57/10/24	<p><b>Risk and Assurance Report Quarter 1 2024/25 – Supply Chain Controls Update</b></p> <p>More detail on overall control of supply chain issues around conflicts of interest including internally was requested going forward. A backward look across all the risk findings would be undertaken for the audit actions for the Procurement and Commercial function, and colleagues who regularly engaged with the supply chain, to ensure any additional</p>	Rachel McLean/ Lorraine Humphrey	February 2025	Due to the cyber security incident, we are currently unable to access all the information needed to complete this action. As such an update will be provided to the next meeting of the Committee scheduled for 26 February 2025.

Minute No.	Item/Description	Action By	Target Date	Status/Note
	controls and changes in accountability were designed into the later stages of the change programme. Details would be included in the next change programme update to the Committee.			
58/10/24	<p><b>Enterprise Risk Update – Supply Chain Disruption and Ineffective Procurement and Contract Management (ER05) - Procurement Strategy</b></p> <p>The future Procurement Strategy and way forward, including responsible procurement, would either be considered at a briefing or a future agenda item.</p>	Rachel McLean	February 2025	A briefing will be provided to the Committee when the review work has completed.
59/10/24	<p><b>Enterprise Risk Update – Financial Resilience (ER07) – Long-term Capital Funding Benefits</b></p> <p>The Committee would be updated on the range of additional benefits of having longer-term capital funding certainty, beyond the obvious advantages of being able to plan and identify projects more readily.</p>	Rachel McLean	December 2024	The Finance team will provide an update to Members.

### Actions from previous meetings

Minute No.	Item/Description	Action By	Target Date	Status/Note
25/07/24	<p><b>Use of Delegated Authority – Bus Contract Retendering Outcomes</b></p> <p>Once the current round of bus contract retendering was completed, a report on the overall position and whether the exercise had</p>	Rachel McLean	February 2025	A paper is included on the forward plan for the meeting scheduled for 26 February 2025.

Minute No.	Item/Description	Action By	Target Date	Status/Note
	resulted in any net financial pressures or opportunities would be brought to a future meeting of the Committee.			
30/07/24	<b>Energy Purchasing Strategy Update – Procurement Strategy Outline</b> An outline of the procurement strategy, including the Power Purchase Agreement (PPA) parameters, would be brought to the Committee prior to commencing the next procurement.	Lilli Matson	Summer 2025	An outline of the procurement strategy will be brought to a future meeting of the Committee, dependent on the progress of PPA Comet.
32/07/24 (2)	<b>Forthcoming Key Procurement Activities – Update on Concessions Procurement</b> An update would also be provided to the Committee on the procurement process for each of the DLR, Elizabeth line and London Overground concessions.	Rachel McLean/ Claire Mann	2025	The DLR concession was approved in August 2024 and the Elizabeth line concession in November 2024. The London Overground concession will be considered in the New Year in alignment with the tender process.
34/07/24	<b>Members’ Suggestions for Future Discussion Items – Committees and Panels Induction Briefings</b> Members suggested that briefings on the background and work of each Committee and Panel be provided for new Board Members as part of the induction programme.	Andrea Clarke/ Secretariat	Ongoing	<b>Completed.</b> Introductory briefings have been held for all Committees and specific topics for Panels, with follow up Panel sessions being arranged.
07/03/24	<b>TfL Prudential Indicators 2024/25 to 2026/27 – Reducing Debt Costs</b> Consideration would be given to modelling the debt service coverage ratio and the operating surplus profile to help reduce debt costs as part of the scenario planning for the next Business Plan process.	Rachel McLean	December 2024	<b>Completed.</b> The debt service coverage ratio and the operating surplus profile to help reduce debt costs has been modelled as part of the scenario planning process as one of the metrics that is included in the 2025 Business Plan model.

Minute No.	Item/Description	Action By	Target Date	Status/Note
10/03/24	<p><b>Investment Management Strategy 2024/25 – Non-Financial Assets – Streamlining Report</b></p> <p>Consideration would be given to streamlining the paper in future based on how the Land and Property Committee and the Finance Committee operated long-term going forward.</p>	Joanna Hawkes	February 2025	To be reviewed as part of the next annual update of the strategy, included on the forward plan for the meeting scheduled for 26 February 2025.
11/03/24 (1)	<p><b>Taxi Fares and Tariffs Update – Verifying Consultation Respondents</b></p> <p>Given the emphasis assigned to the consultation responses, consideration would be given to ways of verifying which stakeholder group respondents belonged to and of declaring their interests for future consultations.</p>	Helen Chapman	February 2025	To be reviewed as part of the next annual taxi fares and tariffs review consultation, included on the forward plan for the meeting scheduled for 26 February 2025.
11/03/24 (2)	<p><b>Taxi Fares and Tariffs Update – Benchmarking Electricity Charges</b></p> <p>With the increase in more electric taxi vehicles and given the variable ways and costs of charging vehicles, consideration would be given to the use of other reference prices, in addition to energy prices, as part of the benchmarking of electric charges for future reviews.</p>	Helen Chapman	February 2025	To be included as part of the next annual taxi fares and tariffs review, included on the forward plan for the meeting scheduled for 26 February 2025.
15/03/24	<p><b>Risk and Assurance Report Quarter 3 2023/24 – Broader Bad Debt Landscape</b></p> <p>Consideration would be given to the broader landscape and strategies across all forms of bad debt and whether a separate paper should be brought to a future meeting of the Committee on the wider financial implications, in addition to the work on fare evasion that was already reported to the Customer Service and Operational Performance Panel.</p>	Rachel McLean	February 2025	This action will be addressed in the paper referenced in Action 49/10/24.

Minute No.	Item/Description	Action By	Target Date	Status/Note
16/03/24	<p><b>Enterprise Risk Update – Changes in Customer Demand (ER9) – Artificial Intelligence Forecasts</b></p> <p>Longer-term scenario planning considered a wide basket of indicators, including technology innovations, and were updated each year to help shape the passenger forecasts for the next Business Plan. Artificial intelligence would be factored into the longer-term forecasts going forward including the fast-moving nature of this area.</p>	Alex Williams	December 2024	<p><b>Completed.</b> Artificial intelligence has been factored into the longer-term forecasts included as part of the scenario planning process for the 2025 Business Plan model.</p>
21/06/23	<p><b>Matters Arising and Actions List – Taxi Trade and Kerbside Review Timescale</b></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/ Claire Mann	-	<p><b>Completed.</b> We have completed work on the kerbside framework and adopted this as a planning tool. We are currently applying the framework to reviewing parking and loading allocation on a trial corridor on the TfL Road Network before carrying out a wider review of the network. Once the trial is complete, we will disseminate the framework for adoption across relevant TfL teams and departments.</p> <p>Following on from listening sessions on the taxi and private hire action plan with taxi and private hire stakeholders in March 2024, further engagement with the trade took place in July and August 2024, as well as engagement with wider stakeholder groups such as the Independent Disability Advisory Group, Inclusive Transport Forum and the Youth Panel. The refresh of the plan is expected</p>

Minute No.	Item/Description	Action By	Target Date	Status/Note
				to be completed in March 2025 and will consider a range of different themes including interaction at the kerbside.
09/03/23 (2)	<p><b>Taxi Fares and Tariffs Update – Future of London’s Licensed Taxi Trade</b></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/ Claire Mann	-	<b>Closed.</b> We agree that there is a case for a review of the place the taxi trade has within London’s transport network. See completed action 21/06/23 above.

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## Finance Committee

**Date:** 18 December 2024

**Item:** Use of Delegated Authority

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### 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 report to the meeting of the Committee on 9 October 2024, there has been:
  - (a) no use of specific authority delegated by the Board,
  - (b) one use of Chair's Action for Procurement Authority, to enable an extension to TfL's current contract for the supply of physical security services across the pan-TfL estate;
  - (c) uses of unbudgeted Financial Authority in relation to the cyber security incident and bus contracts;
  - (d) five uses of Procurement Authority in relation to: Collaborative Planning and Media Buying Variation; Concessions Scheme Management contract uplift; Existing Oyster Card Framework Agreement extension; Jubilee Line Heavy Overhaul Programme – 96 Train Stock parts; and various agreements with Network Rail and train operating companies; and
  - (e) one Mayoral direction issued to TfL on 16 October 2024 in relation to further financial support fund for Seven Sisters Market traders (MD3299). This has been reported to the Board, the Audit and Assurance Committee and the Land and Property Committee.
- 1.3 Similar papers are submitted to the Land and Property Committee and the Programmes and Investment Committee in respect of the use of Chair's Action, Authorities granted by the Commissioner and the Chief Finance Officer and any relevant Mayoral Directions that fall within the remit of those Committees.

## 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 specific authority delegated by the Board since the last report.

## **4 Use of Chair's Action**

- 4.1 Under Standing Order 113, in situations of urgency, the Board delegates to each of the Chair, the Deputy Chair and the Chairs of any Committee the exercise of any functions of TfL on its behalf, including the appointment of Members to Committees and Panels. If the Chair, the Deputy Chair or the Chair of a Committee is unable to exercise authority due to unavailability or a conflict of interests, that authority may be exercised by the Chair or Vice Chair of any Committee. Members will be informed as soon as practicable following any use of Chair's action using the authority of this standing order and it must be reported to the next ordinary meeting.
- 4.2 There has been one use of Chair's Action since the last report.

### **Security Services Contract Extension**

- 4.3 On 26 November 2024, Members were sent a paper requesting the exercise of Chair's Action to approve additional Procurement Authority to enable an extension of the contract for the provision of physical security services across TfL. The contract was awarded to Mitie FM Limited in 2017 for a period of five years with the option to extend for a further three years. In January 2022, the Committee had approved additional Procurement Authority to extend the contract until 24 June 2025 and a further extension was proposed.
- 4.4 On 29 November 2024, the Chair of the Committee, in consultation with available Members, approved additional Procurement Authority in the sum set out on the exempt appendix to enable an extension to TfL's current contract for the supply of physical security services across the pan-TfL estate.
- 4.5 The potential use of Chair's Action was included in the Forthcoming Key Procurement Activities paper considered by the Committee on 9 October 2024 and referenced at the additional meeting of the Committee on 19 November 2024. The use of Chair's Action was considered appropriate as the decision was required before this meeting, for continuity of service.
- 4.6 The public paper relating to this request has been published on [tfl.gov.uk](https://www.tfl.gov.uk). The information in the appendix to that paper remains exempt from publication.

## **5 Authority Approvals**

- 5.1 Financial Authority is the authority to spend money, receive income, incur a financial liability or redistribute funds to relevant third parties in respect of their respective allocated budgets. Financial Authority is automatically granted to the extent that an activity or programme or project is 'budgeted'. This paper reports on any use of unbudgeted Financial Authority.
- 5.2 Procurement Authority is the authority to make a binding or contractual commitment with a supplier for the purchase of goods, services, land or works or to receive income arising from TfL Group activities in the areas of goods, services, land or works.
- 5.3 Land Authority is the authority to engage in a Land Transaction or to dispose of any assets. Use of Land Authority related to 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 165.

### **Unbudgeted Financial Authority: Bus Contracts**

- 5.5 There has been an increasing cost pressure in tender prices for bus operating contracts, which was not fully anticipated when the 2024/25 Budget was set, largely driven by inflation and market conditions. This has been compounded by an increase in the size of the tender programme for this year, due to the early termination of contracts by operators.
- 5.6 Consequently, several bus operating contracts have required unbudgeted Financial Authority, which has been approved by the Chief Finance Officer. The total value of the unbudgeted Financial Authority for 2024/25 is currently £29.4m, although the annualised impact in future years is £65.8m per annum.

### **Unbudgeted Financial Authority and Procurement Authority: Cyber Security**

- 5.7 Cyber Security Incident: The Commissioner approved unbudgeted Financial Authority and Procurement Authority in relation to TfL's response to the various matters relating to TfL's response to the cyber incident. Further detail is provided on the Finance Report elsewhere on the agenda for this meeting.

### **Procurement Authority**

- 5.8 Collaborative Planning and Media Buying Variation: The Commissioner approved Procurement Authority of £36.1m to exercise the option to extend the TfL collaborative planning and media buying framework with Wavemaker for a period of two years.
- 5.9 Concessions Scheme Management contract uplift: The Commissioner approved Procurement Authority of £2.9m for a forecasted shortfall in the contract which makes provisions for contact centre support and system and scheme management (Oyster Photocards/Oyster card fulfilment services) to customers who are eligible for concessionary travel.
- 5.10 Existing Oyster Card Framework Agreement extension: The Commissioner approved Procurement Authority of £6.25m for a 12-month single-source extension. The Oyster Card Supply Framework is the current route to market for all 16 variants of the Oyster cards. The extension covers the expiration of the existing contracts and the mobilisation of the new contracts.
- 5.11 Jubilee Line Heavy Overhaul Programme – 96 Train Stock parts: The Commissioner approved Procurement Authority of £28.35m for the supply a mix of mandatory and on-condition parts by Alstom to be replaced in line with the Train Maintenance Regime. Alstom is the Original Equipment Manufacturer supplier of the 96 Train Stock Jubilee line trains, the designer and manufacturer of the trains and systems have an in-depth knowledge of how they interface with each other. This level of knowledge and understanding is unique to them.
- 5.12 Various agreements with Network Rail and train operating companies: The Commissioner approved Procurement Authority for 30 live agreements with Network Rail and the train operating companies (eight counterparties in all) in relation to issues such as Track Access and Station Access. Apart from standardisation, the benefits of bringing these together enables us to simplify future arrangements.

## 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 Mayoral decision papers inviting the Mayor to issue a direction 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 relating to TfL are reported to the Board's Committees for discussion as soon as possible after they are received by TfL or published. Regular reports will list the relevant Directions for as long as they are applicable.
- 6.5 Annually, the Audit and Assurance Committee considers the list as part of its consideration of the annual audit plan to ensure that appropriate audit resource is applied to assurance on TfL's work in implementing Mayoral Directions. This will also be kept under review at each quarterly meeting of that Committee.
- 6.6 A summary of current Mayoral Directions to TfL is maintained on the "How we are governed" page on our website, with links to the relevant Mayoral Decisions: <https://tfl.gov.uk/corporate/about-tfl/how-we-work/how-we-are-governed>. That page will be updated as and when further Directions are made.
- 6.7 Mayoral Directions to TfL addressing technical issues with our statutory powers or commercial development activities within the remit of this Committee are reported to this Committee.
- 6.8 There has been one Mayoral direction issued to TfL since the last meeting.

### **Further Financial Support Fund for Seven Sisters Market traders ([MD3299](#))**

- 6.9 Seven Sisters Market is an indoor market consisting of 38 traders and plays a vital role in London's Latin American community as a specialist, culturally specific amenity. The market was housed in a TfL owned building that had to close. As the traders were unable to trade, [MD2724](#) directed TfL to provide financial assistance to traders until a temporary market opened at Apex Gardens, as part of the Seven Sisters regeneration project. The developer withdrew from the regeneration project and [MD2868](#) directed TfL to provide further financial support while TfL progressed new plans. [MD3097](#) directed TfL to provide further financial support across all traders as they were unable to trade until a temporary market opened. [MD3097](#) confirmed that TfL had planning permission for a temporary indoor market, which was expected to open in July 2023, and was applying to open a temporary outdoor market in October 2023.
- 6.10 The opening of a temporary market has been delayed due to unforeseen flaws in the fabric of the building, which must be resolved to make the market safe; and is not now expected until 2025. On 16 October 2024, the Mayor directed TfL to make a fourth hardship payment to traders to support them until the temporary market opens.

6.11 The Mayoral direction has been reported to the meeting of the Audit and Assurance Committee on 27 November 2024, the meeting of the TfL Board on 4 December 2024 and the meeting of the Land and Property Committee on 10 December 2024.

**List of appendices to this report:**

None

**List of Background Papers:**

Security Services Contract Extension Chair's Action paper, issued 26 November 2024  
Greater London Authority Decision Making Database

Contact Officer: Andrea Clarke, General Counsel  
Email: [AndreaClarke@tfl.gov.uk](mailto:AndreaClarke@tfl.gov.uk)

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## Finance Committee

**Date:** 18 December 2024

**Item:** Finance Report – Period 8, 2024/25

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### **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 8, 2024/25 - the year-to-date ending 9 November 2024.
- 1.2 A paper is included on Part 2 of the agenda which contains supplementary information that is exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial 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 Financial Reporting to the Committee**

##### **Finance Report – Period 8, 2024/25**

- 3.1 The Finance Report Presentation at Appendix 1 provides a summary of year-to-date financial performance against the Budget approved by the Committee on 13 March 2024.

#### **List of appendices to this report:**

Appendix 1: Finance Report Presentation

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

#### **List of Background Papers:**

None

Contact Officer: Rachel McLean, Chief Finance Officer  
Email: [RachelMcLean@tfl.gov.uk](mailto:RachelMcLean@tfl.gov.uk)

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# Finance Report

## Period 8, 2024/25

Management results from 1 April 2024 – 9 November 2024

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TfL Finance Committee

18 December 2024



# We are aiming to offset the impact of lower growth in demand on our ability to invest



We delivered an operating surplus in 2023/24, reinvesting this in maintaining and improving our network. Our 2024/25 Budget builds on this foundation, aiming to increase our ability to invest by continuing to deliver on our financial strategy:

**Grow and diversify our revenue**

- Cumulative journey growth in the year to date is 1.6%, slightly down from the 2% reported in Period 5. In our budget we were targeting 6% year-on-year journey growth over the full year, on top of the 9% we saw in 2023/24.
- Despite growth on last year, journeys are 88 million lower than Budget with passenger income £131m lower than Budget.
- Our latest forecast is for passenger income to be £300m up on last year, but £188m lower than Budget.

**Deliver recurring cost savings**

- Total operating costs are £5m higher than Budget. Core operating costs are £67m higher than Budget, mainly from higher bad debt charges from enforcement income and pressures from higher bus retender costs. This is offset by contingency, which was budgeted to mitigate risks on revenue and other unforeseen events.
- Our Budget included delivery of £259m of savings this year, including £130m of recurring savings.
- We have implemented cost saving measures to help mitigate the revenue pressure and have so far reduced non-permanent labour (NPL) by 300 this year.

**Grow our operating surplus**

- We had budgeted for an operating surplus in the year to date – lower passenger income means we have a slight deficit of £5m at Period 8. Our surplus has improved by £27m this period.
- Our latest forecast is for an operating surplus of £23m this year, £138m lower than Budget, but still a small growth in underlying surplus compared to 2023/24.
- Our forecast has worsened by £38m since Quarter 1.

**Fund our capital investment**

- Capital renewals are £509m in the year to date, £69m up on last year as we increase renewals investment to address the backlog of asset replacement.
- Renewals are £14m higher than Budget, from an early ramp up in spend and some cost increases. We expect to hit Budget over the full year.
- We have secured £485m of government capital funding for 2025/26.

**Maintain liquidity to protect us against shocks**

- Cash balances are £1.13bn at the end of Period 8 and are over £180m lower than Budget, a result of revenue pressures and timing of borrowing.
- The Greater London Authority (GLA) financing facility of £350m offers additional protection against shocks and risks.

# Our progress

Our underlying revenue has increased by over £3bn since 2020/21 and over £400m on last year, with increases from all revenue sources.

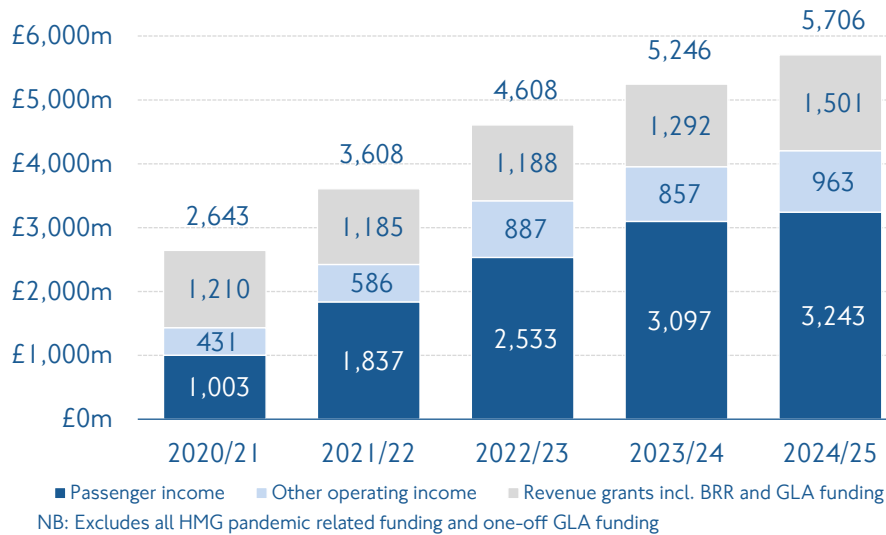
Real terms like-for-like operating costs are almost £300m lower than in 2020/21.

We turned an operating deficit into a surplus in 2023/24 through revenue increases and cost control. We are currently making a small deficit, a result of lower than budgeted revenue growth and higher capital renewals. Our operating surplus has, however, improved by £27m this period. Our forecast surplus for this year is now £23m. We are continuing to take steps to deliver in excess of this.

Although our cash balance is temporarily below £1.2bn mainly due to timing differences on borrowing, we are still forecasting to end the year above £1.3bn of cash.

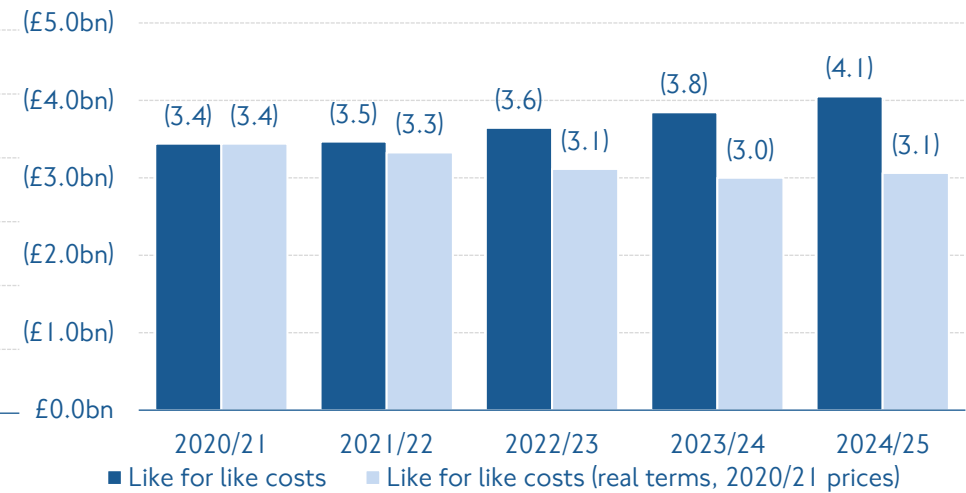
## Grow and diversify our revenue

Revenue (excluding extraordinary funding) – Year to Period 8 (£m)



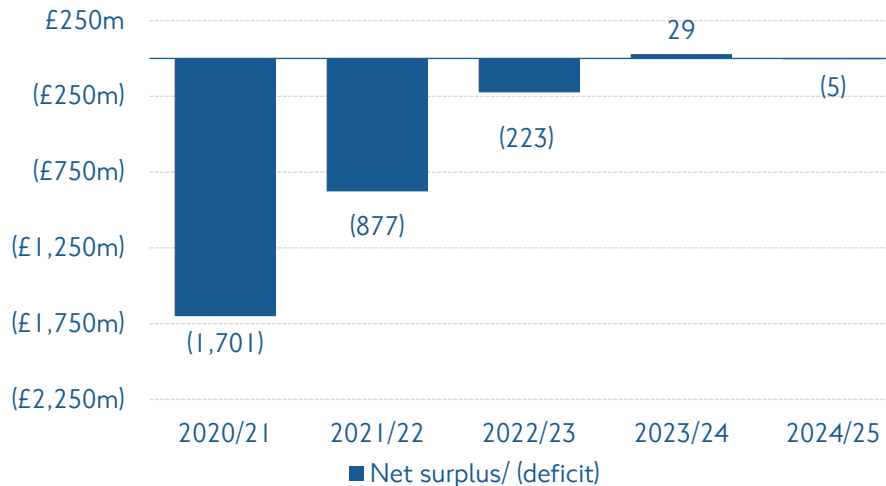
## Deliver recurring cost savings

Like-for-like costs since 2020/21 – Year to Period 8 (£bn)



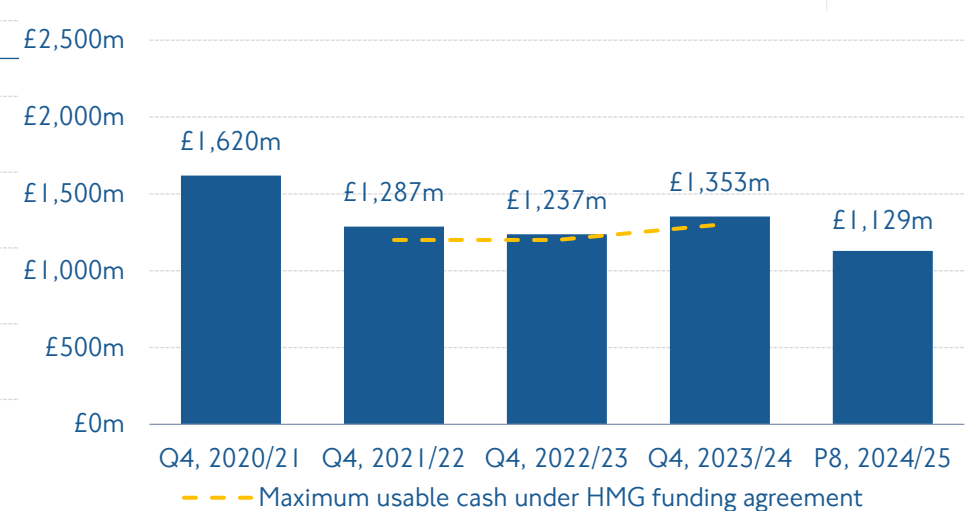
## Grow our operating surplus

Operating surplus / (deficit) – Year to Period 8 (£m)



## Maintaining liquidity to protect us against shocks

Cash balance (£m)



NB: Excludes all HMG pandemic related funding

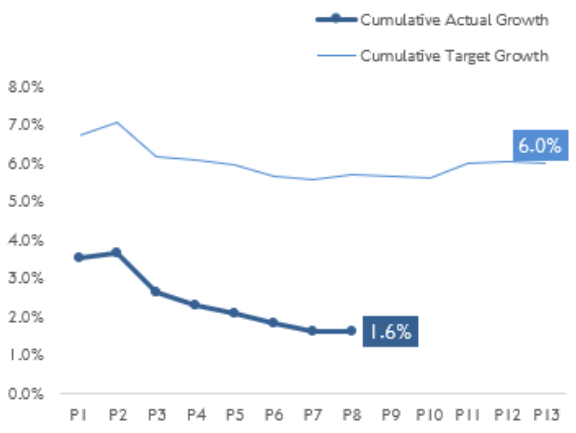
# Passenger journeys

In 2024/25 we have budgeted 6% year-on-year growth in demand. In the year to date, journeys are 1.6% up on last year, but are 88 million lower than Budget. This is largely owing to a range of economic factors, which are impacting both leisure and commuting demand. There is also a range of other factors impacting customer choices including seasonality, weather and national rail strikes.

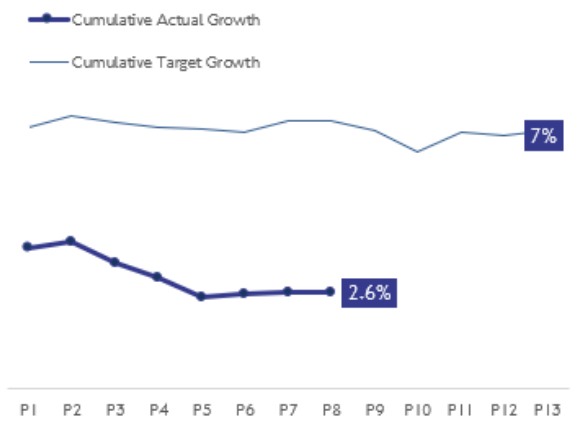
As a result of the cyber incident, journey results are estimated based on income received. Journey data continues to be manually reconciled due to the cyber security incident; whilst we have confidence in passenger income, there is some uncertainty on journeys as we do not have complete demand data. This is not expected to be resolved until Quarter 3.

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

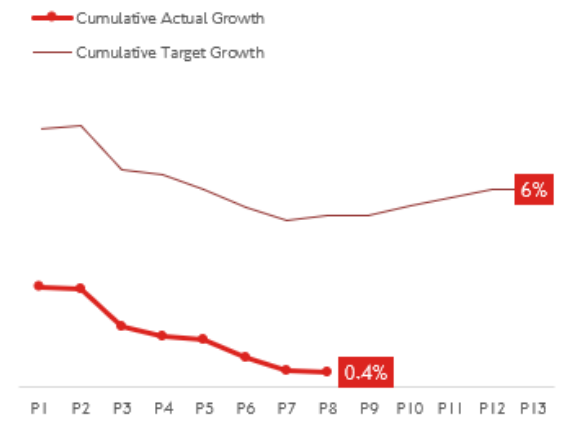
TfL	Absolute m		Var to Bud m		Var to Last Year (m/ %)	
	P	289	(13.7)	5.2	1.8%	
	Y	2,214	(88.2)	35.5	1.6%	



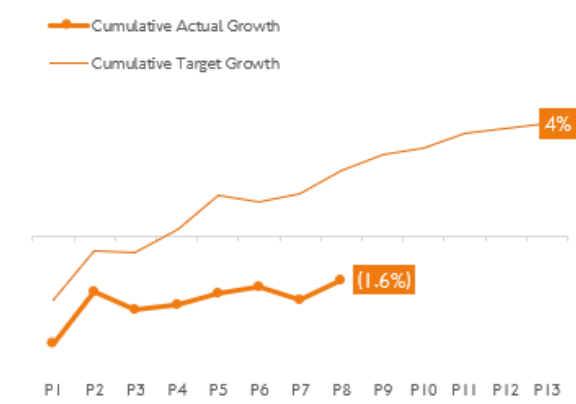
LU	Absolute m		Var to Bud m		Var to Last Year (m/ %)	
	P	98	(4.7)	2.3	2.4%	
	Y	737	(33.1)	18.5	2.6%	



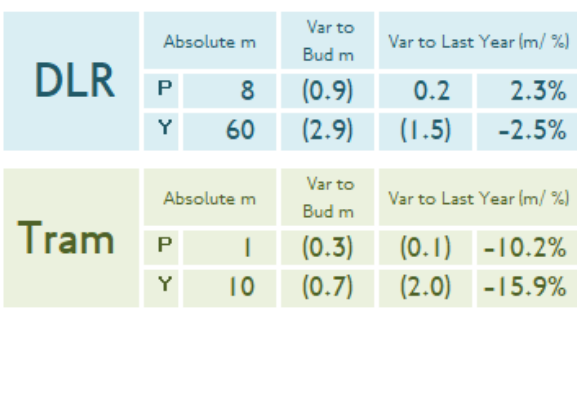
Bus	Absolute m		Var to Bud m		Var to Last Year (m/ %)	
	P	147	(7.7)	0.5	0.3%	
	Y	1,151	(49.9)	4.6	0.4%	



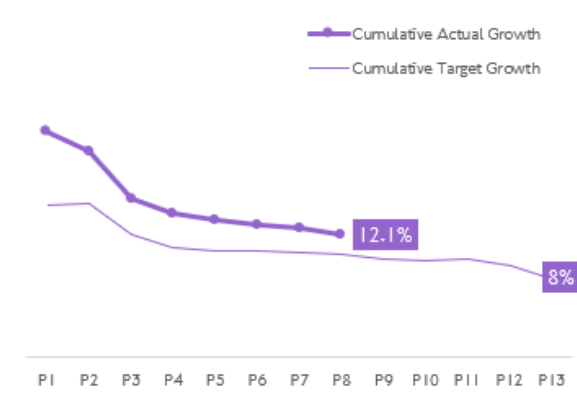
Rail	Absolute m		Var to Bud m		Var to Last Year (m/ %)	
	P	25	(1.3)	0.8	3.3%	
	Y	184	(7.8)	(3.1)	-1.6%	



LO	Absolute m		Var to Bud m		Var to Last Year (m/ %)	
	P	16	(0.1)	0.8	5.0%	
	Y	113	(4.1)	0.4	0.4%	



EL	Absolute m		Var to Bud m		Var to Last Year (m/ %)	
	P	19	(0.1)	1.6	8.9%	
	Y	143	2.6	15.4	12.1%	



# Economic context

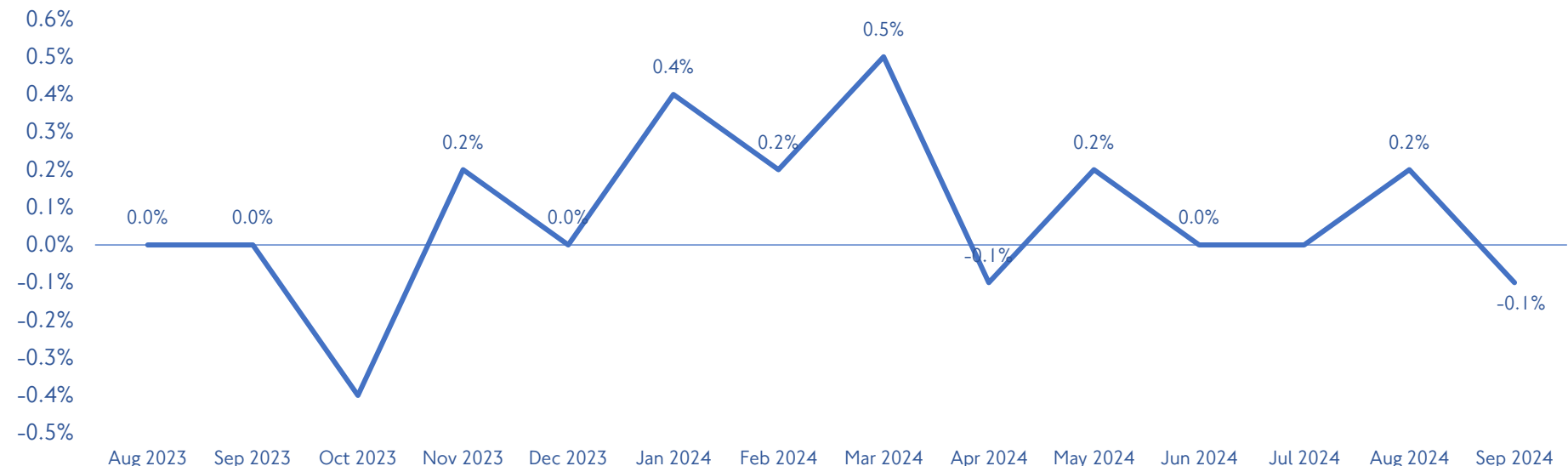
Economic growth has been lower than expected. The economic forecast that underpinned our Budget estimated gross domestic product (GDP) growth at between 1% and 1.6% this year. However, GDP has been relatively flat.

Wages are growing in real terms, but are lower than pre-pandemic levels and affect individuals and households differently. Younger adults, who use our services more, are seeing lower wage growth, especially relative to housing costs.

Wage growth in London is skewed by housing costs. On average, Londoners spend 17% of their income on housing costs, compared to c.10% or less in other regions of the UK. The proportion of income spent on housing has fallen significantly since the financial crisis in every region except for London.

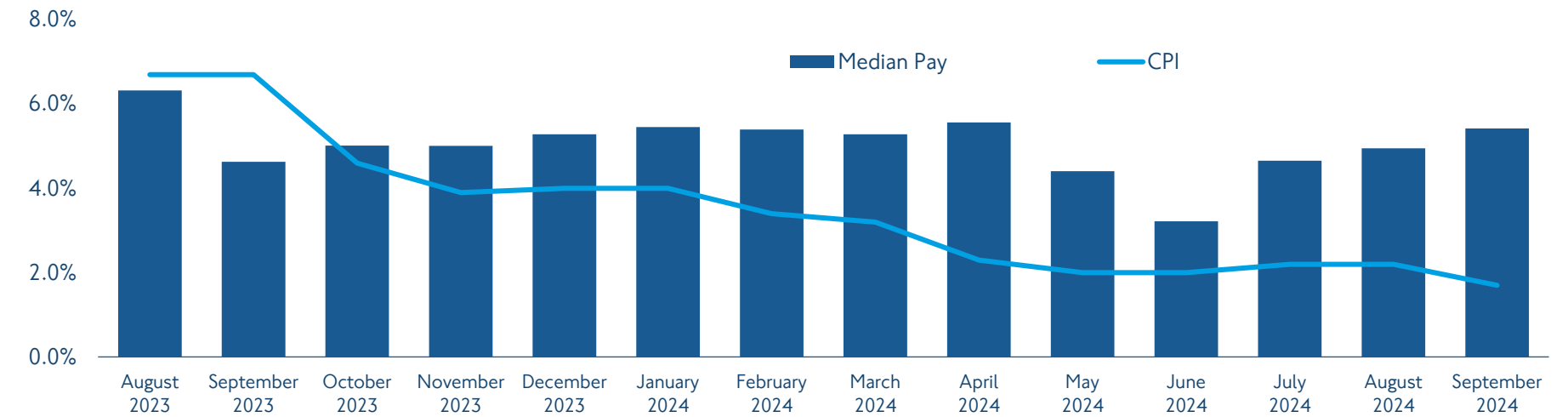


## Economic growth remains sluggish



ONS, GDP monthly estimate, UK: September 2024 (November 2024)

## The UK is seeing real-terms wage growth, but this affects households differently



ONS, Earnings and employment from Pay As You Earn Real Time Information, non-seasonally adjusted (November 2024)

# Income statement

In the year to date we have made a small operating deficit of £5m. Our latest forecast is to deliver an operating surplus of £23m, which is down from our earlier Quarter 1 forecast, a result of lower passenger income and new cyber incident impacts.

Passenger income is £131m lower than Budget in the year to date, driven by lower passenger growth than expected. Other operating income is £10m up on Budget from higher ULEZ enforcement income.

Our core operating costs are £67m higher than Budget, mainly from higher bad debt charges from enforcement income. Exceptional costs are £63m lower than Budget, mainly from from central contingency, which was budgeted to mitigate risks on revenue and other unforeseen events.

	£m	Actuals	Variance to Budget	Variance to last year
Underlying passenger income		3,243	(131) -4%	146 5%
DfT revenue top up		0	0 N/A	(97) -100%
<b>Passenger income</b>		<b>3,243</b>	<b>(131) -4%</b>	<b>49 2%</b>
Other operating income		963	10 1%	106 12%
Business rates retention		1,335	0 0%	158 13%
Other revenue grants		187	(2) -1%	(51) -21%
<b>Revenue</b>		<b>5,728</b>	<b>(124) -2%</b>	<b>262 5%</b>
Core operating costs		(4,845)	(67) -1%	(416) -9%
Investment programme operating costs		(103)	(1) -1%	108 51%
Exceptional costs		(11)	63 85%	(8) -232%
<b>Operating surplus before interest and renewals</b>		<b>769</b>	<b>(128) -14%</b>	<b>(53) -6%</b>
Capital renewals		(509)	(14) -3%	(69) -16%
Net interest costs		(264)	(7) -3%	(7) -3%
<b>Operating surplus / (deficit)</b>		<b>(5)</b>	<b>(149) -103%</b>	<b>(130) -104%</b>
Places for London net contribution		22	5 27%	(3) -12%
<b>Operating surplus/ (deficit) including Places for London</b>		<b>17</b>	<b>(144) -89%</b>	<b>(133) -88%</b>

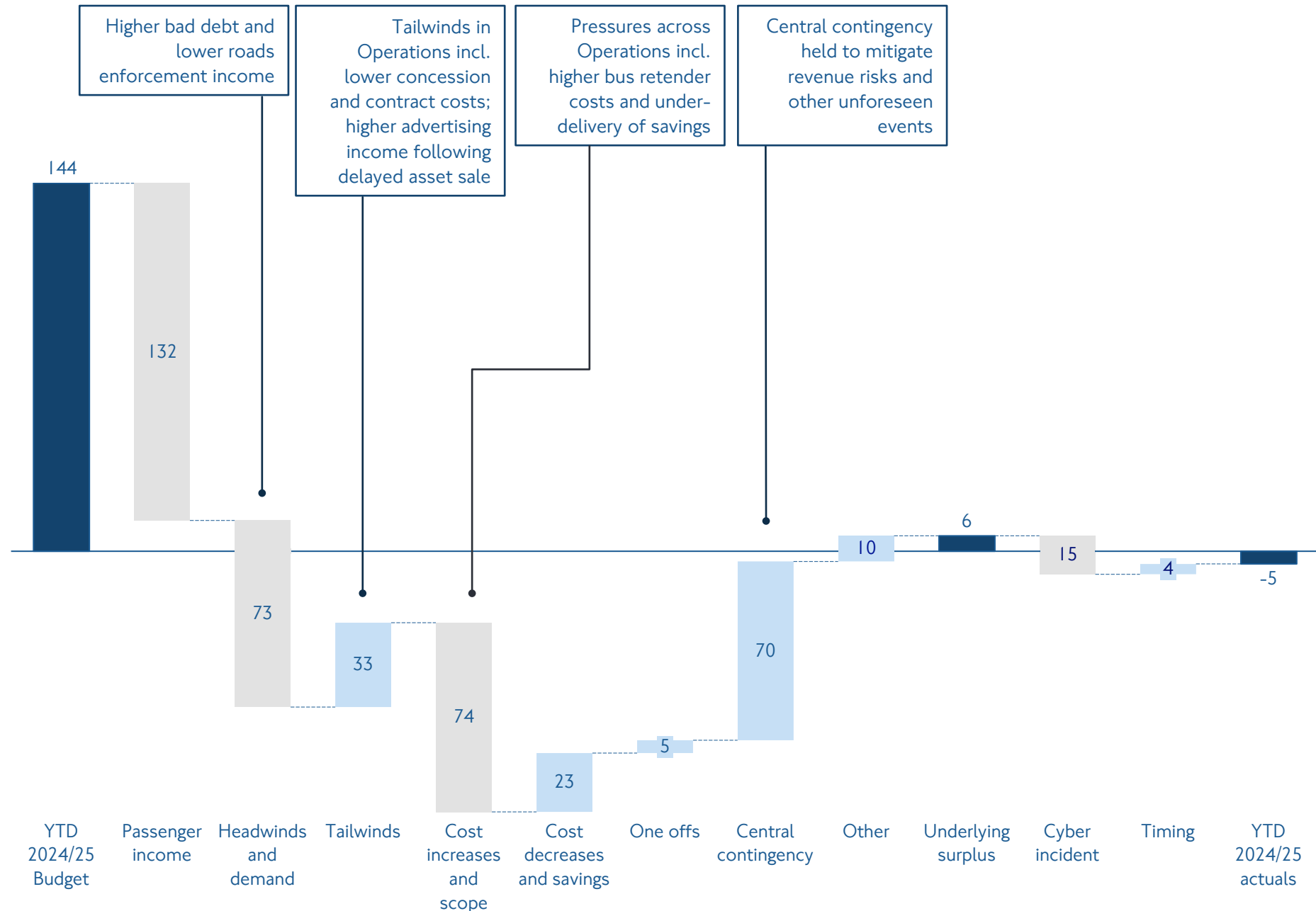
# Operating surplus

We have an operating deficit of £5m in the year to date, which is £149m worse than Budget. After adjusting for cyber security incident and timing differences— we are making a surplus of £6m, £138m behind Budget.

We are seeing a combined £205m pressure on our surplus from demand and volume pressures on passenger income, roads enforcement income and enforcement payment rates. Our operating costs have also seen pressures from higher bus retender prices, which we have partly mitigated through savings.

The revenue pressure has been partly mitigated by central contingency.

Operating surplus/ (deficit) variance to Budget (£m)



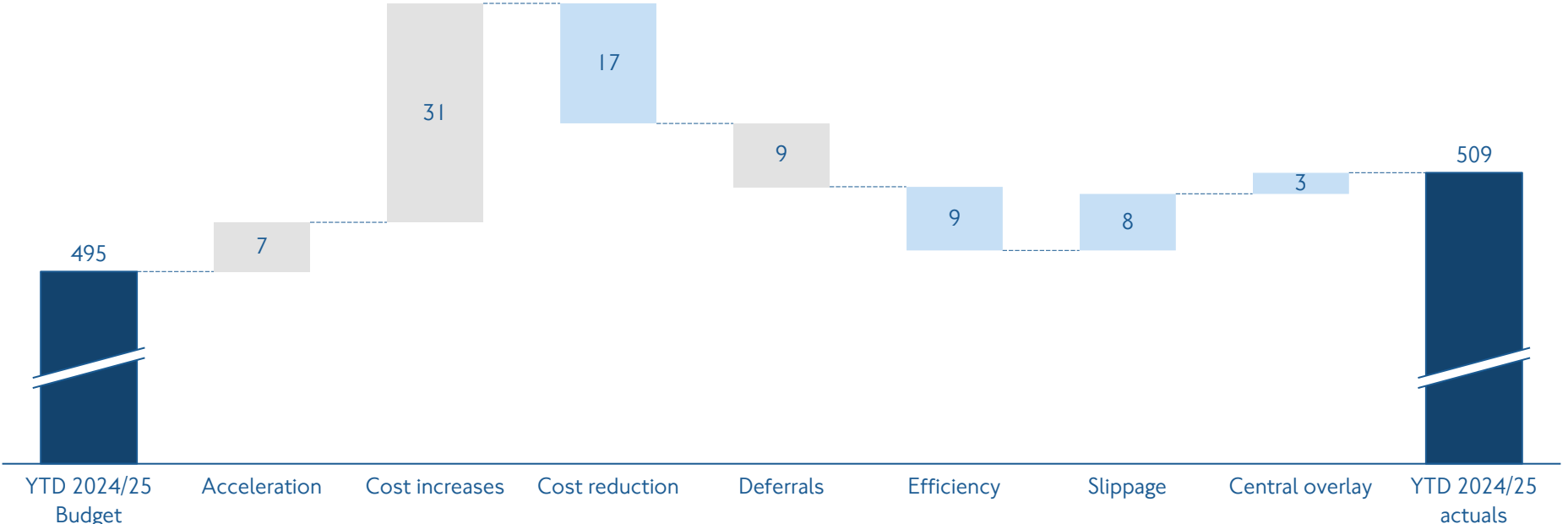
# Capital renewals

Capital renewals are £509m in the year to date, £69m up on last year as we increase renewals investment to address the backlog of asset replacement.

Renewals spend is £14m higher than Budget in the year to date, largely due to acceleration of works delivering ahead of schedule in LU renewals and cost increases in Technology and LU renewals due to asset condition prolongation and project delays. We expect to come back to budget by year-end.

Category	£m	Actuals		Variance to Budget		Variance to last year	
		Value	%	Value	%	Value	%
Four Lines Modernisation	(3)	(3)	22%	1	22%	0	3%
Silvertown Tunnel	(1)	(1)	51%	1	51%	(1)	-870%
Streets, Bus & RSS Renewals	(108)	(108)	5%	6	5%	(12)	-13%
Environment	(18)	(18)	-5%	(1)	-5%	(7)	-62%
Rail & Station Enhancements	(1)	(1)	-215%	(1)	-215%	2	65%
LU Renewals	(270)	(270)	-3%	(9)	-3%	(25)	-10%
Technology	(94)	(94)	-6%	(5)	-6%	(18)	-24%
Licensing & Regulation (TPH)	(5)	(5)	-30%	(1)	-30%	(2)	-54%
Estates Directorate	(10)	(10)	12%	1	12%	(5)	-129%
Overlays	(0)	(0)	100%	(7)	100%	0	96%
<b>Total</b>	<b>(509)</b>	<b>(509)</b>	<b>-3%</b>	<b>(14)</b>	<b>-3%</b>	<b>(69)</b>	<b>-16%</b>

Capital renewals variances compared to Budget, by causal (£m)





# Capital enhancements

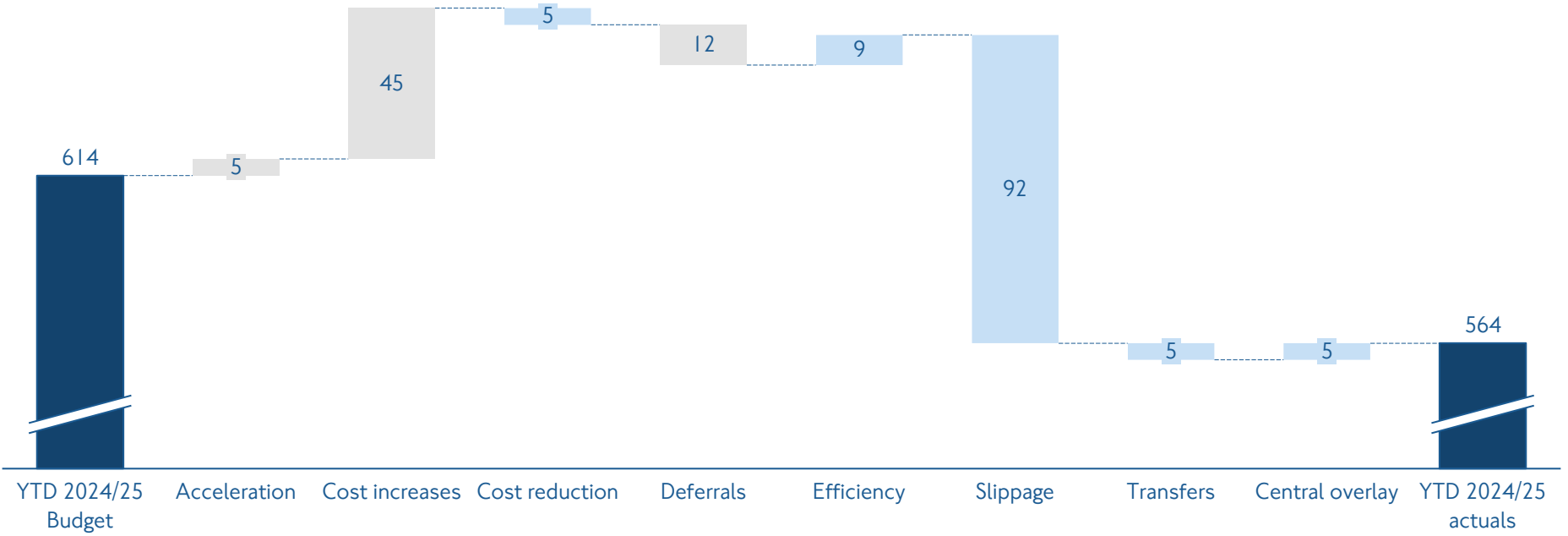
Capital enhancements (excluding Places for London and Crossrail) are £564m in the year to date, £84m lower than last year.

Enhancements spend is £50m lower than Budget in the year to date, largely driven by phasing on Piccadilly Line Upgrade and delays across DLR Rolling Stock programme.

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£m	Actuals	Variance to Budget		Variance to last year	
		£m	%	£m	%
Four Lines Modernisation	(44)	3	6%	17	28%
DLR Rolling Stock Replacement	(124)	13	9%	3	2%
Piccadilly Line Upgrade	(200)	34	14%	56	22%
Bakerloo Line Trains	(3)	1	21%	(2)	-226%
Trams replacement	(2)	1	32%	(0)	-39%
Other Enhancements	(192)	(1)	0%	10	5%
<b>Total TfL excl. Places and Crossrail</b>	<b>(564)</b>	<b>50</b>	<b>8%</b>	<b>84</b>	<b>13%</b>
Places for London	(96)	13	12%	(31)	-49%
Crossrail	(17)	18	52%	17	51%
<b>Total</b>	<b>(677)</b>	<b>81</b>	<b>11%</b>	<b>70</b>	<b>9%</b>

Capital enhancements variances compared to Budget, by cause (£m)



# Cash flow

Cash balances are £1.13bn at the end of Period 8, just over £180m lower than Budget and over £220m lower than at the end of 2023/24.

Our cash balances are lower than Budget mainly as a result of lower revenue, timing of borrowings and favourable working capital movements.

Our Treasury policy is to ensure we have on average 60 days of operating costs as our minimum cash balance, which will allow us to meet our payment obligations. We are temporarily below that in Period 8, but are still forecasting to be above £1.3bn for the year-end.

We maintain other sources of liquidity including an overdraft facility, a short-term financing facility and the £350m GLA financing facility to absorb any shocks and withstand strategic, safety and operational risks.

## Cash balances

	£m	Actuals	Variance to Budget		Variance to last year	
Opening balance		1,353	(56)	-4%	115	9%
Change in cash balance		(224)	(128)	-132%	(105)	-89%
<b>Closing balance</b>		<b>1,129</b>	<b>(183)</b>	<b>-14%</b>	<b>10</b>	<b>1%</b>

## Cash flow statement

	£m	Actuals	Variance to Budget		Variance to last year	
<b>Operating surplus before capital renewals and interest</b>		769	(128)	-14%	(53)	-6%
Less LTIG and LTM		3	4	535%	4	3232%
<i>Cash generated / (used) from operating activities</i>		<b>772</b>	<b>(124)</b>	<b>-14%</b>	<b>(50)</b>	<b>-6%</b>
Capital renewals		(509)	(14)	-3%	(69)	-16%
New capital investment		(564)	50	8%	84	13%
Investment grants and ring-fenced funding		136	(13)	-9%	(449)	-77%
Working capital movements		(80)	96	55%	(43)	-114%
<i>Cash generated / (used) from investing activities</i>		<b>(1,017)</b>	<b>119</b>	<b>10%</b>	<b>(477)</b>	<b>-88%</b>
<b>Free cash flow</b>		<b>(245)</b>	<b>(5)</b>	<b>-2%</b>	<b>(527)</b>	<b>-187%</b>
Net interest costs		(264)	(7)	-3%	(7)	-3%
Net borrowings		285	(116)	-29%	429	297%
<i>Cash generated / (used) from financing activities</i>		<b>20</b>	<b>(123)</b>	<b>-86%</b>	<b>422</b>	<b>105%</b>
<b>Change in cash balance</b>		<b>(224)</b>	<b>(128)</b>	<b>-132%</b>	<b>(105)</b>	<b>-89%</b>

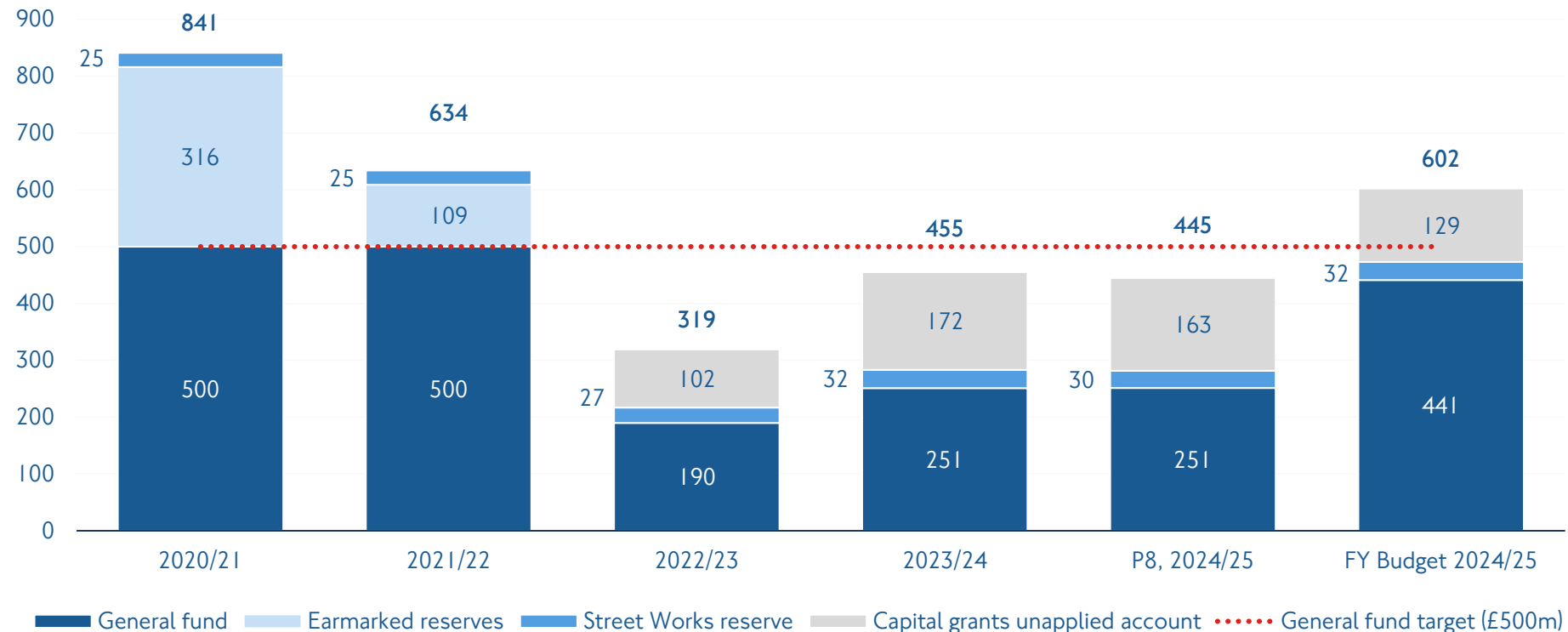
# Reserves

The pandemic has seen a material reduction in TfL’s usable reserves, which primarily consist of its General Fund, Earmarked Reserves and Capital Grants Unapplied.

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. This was largely driven by the purchase of the Class 378 rolling stock. The savings from this purchase over the remaining life of the assets will further support TfL as it rebuilds its usable reserves.

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
- Usable reserves at the end of 2023/24 were higher than Budget due to the December 2023 capital settlement from the DfT

# Debt

We have borrowed from a range of sources to help fund our capital programme.

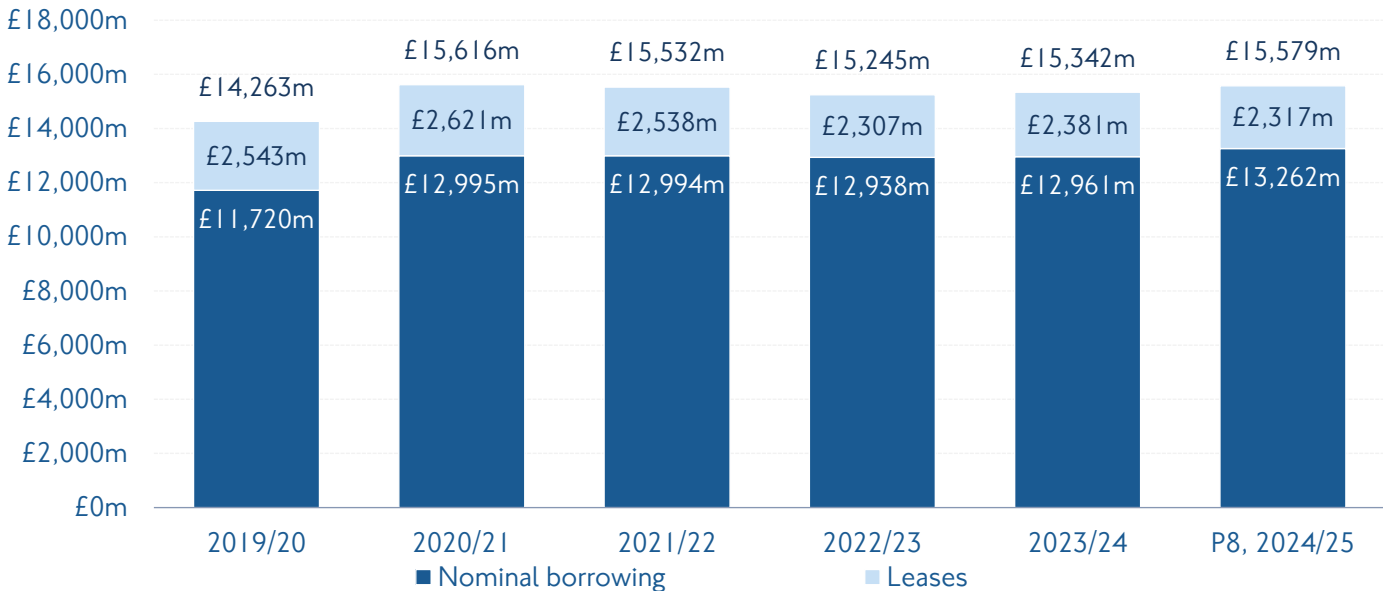
Our level of outstanding borrowing has increased by £300m for the year, bringing our total borrowing balance to £13,262m. This is driven by an increase in our long and short-term borrowing, to fund our capital spend and manage our liquidity.

Our total debt is forecast to increase later this year – in line with our budget – as we continue to borrow to fund our investment programme.

Prudential indicator debt limits *	£m
Operational boundary	13,454
Authorised limit	14,654

\* Excludes PFI and long-term liabilities

## Total debt (£m)



**90%**

90% of our borrowing is at a fixed rate of interest

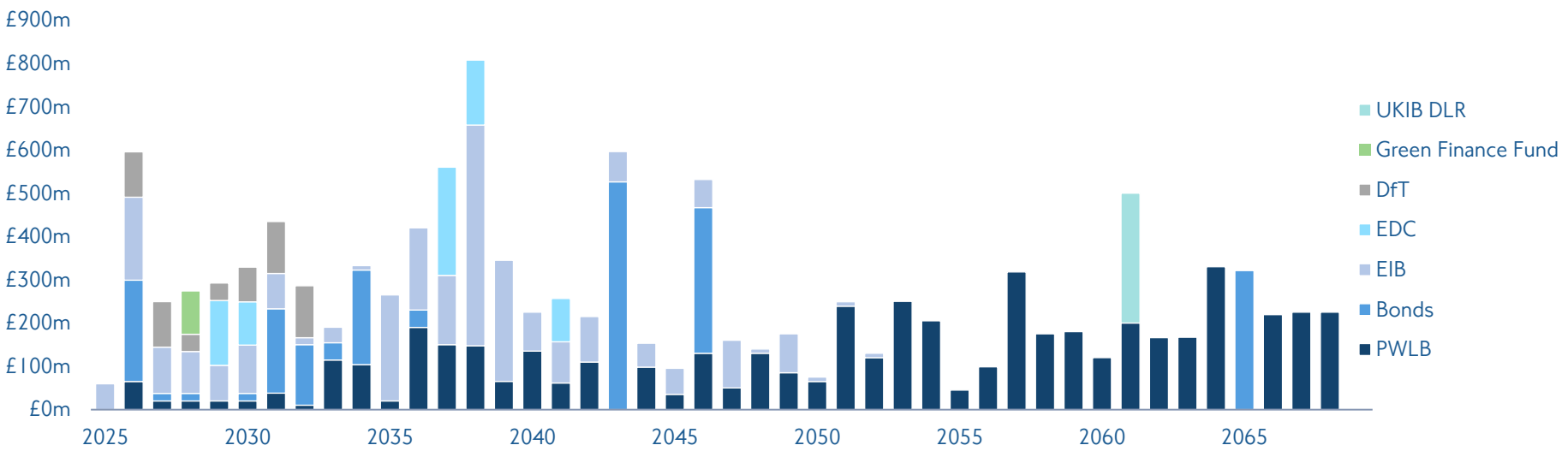
**3.6%**

The weighted average interest rate on our borrowing is just over 3.6%

**18-years**

The weighted average tenor of our borrowing is just over 18 years

## TfL borrowing maturity profile



# 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 have been no changes since our Period 5 update to the Committee.

	S&P	Moody's	Fitch
Long-term rating	AA-	A2	AA-
Outlook	Stable	Stable	Stable
Short-term rating	A-I+	P-I	F I+
Last changed/affirmed	May 2024	July 2024	Apr 2024

## S&P

On 20 May 2024, S&P upgraded TfL's long-term credit rating to AA- from A+ and the short-term credit rating to A-I from A-I. The outlook is stable. The key drivers for S&P include the post-coronavirus pandemic recovery in passenger demand, which S&P expects to remain high, cost-efficiency measures, supporting our ability to cope with external shocks and rebuild flexibility within our operations and the expectation of a gradual increase in capital investments and the quality of services.

## Moody's

On 15 July 2024, Moody's upgraded TfL's long-term credit rating to A2 from A3 and the short-term credit rating to P-I from P-2. The outlook was changed to stable from positive. The rating is based on "significant improvements in TfL's operating performance" which Moody's expect to be sustained with growing operating surpluses over the medium term. Moody's stated the following as key drivers for this - the recovery in passenger revenue post-pandemic, new revenue sources and TfL's robust governance practices, particularly its focus on cost control, which have eliminated the need for any financial support from the central government to fund operations.

## Fitch

Fitch reaffirmed our credit rating in January 2024 and upgraded the outlook from negative to stable on 15 April 2024, reflecting the change in the UK rating (with which our rating is equalised).

# Q2 Forecast

During 2024-25 there have been several economic headwinds – slower economic growth, pressures on real-terms disposable income and a slower fall in inflation than anticipated. This has led to slower than expected growth in passenger demand and higher cost inflation in the supply chain.

More recently, there was the cyber security incident, throughout which TfL managed to prevent significant disruption to customers and Londoners. However, unplanned costs were necessarily incurred to ensure London could keep moving while dealing with the incident.

With a continued focus on cost control and the use of contingency included in the 2024-25 budget, the impact of these headwinds has been reduced. TfL continues to grow its operating surplus on an underlying basis compared to 2023-24 – albeit at a slower rate than previously planned.

## Income Statement

	£m	Full-year forecast, 2024/25	Variance to Budget		Variance to last year	
Underlying passenger income		5,342	(188)	-3%	297	6%
DfT revenue top up		0	0	N/A	(188)	-100%
<b>Passenger income</b>		<b>5,342</b>	<b>(188)</b>	<b>-3%</b>	<b>109</b>	<b>2%</b>
Other operating income		1,540	63	4%	21	1%
Business rates retention		2,170	0	0%	256	13%
Other revenue grants		290	0	0%	(107)	-27%
<b>Revenue</b>		<b>9,342</b>	<b>(125)</b>	<b>-1%</b>	<b>278</b>	<b>3%</b>
Core operating costs		(7,896)	(105)	1%	(463)	6%
Investment programme operating costs		(169)	(16)	10%	144	-46%
Exceptional costs		(23)	114	-83%	19	-45%
<b>Operating surplus before interest and renewals</b>		<b>1,254</b>	<b>(132)</b>	<b>-10%</b>	<b>(22)</b>	<b>-2%</b>
Capital renewals		(798)	(3)	0%	(36)	5%
Net interest costs		(432)	(4)	1%	(19)	5%
<b>Operating surplus / (deficit)</b>		<b>23</b>	<b>(138)</b>	<b>-86%</b>	<b>(76)</b>	<b>-77%</b>
<b>Places for London net contribution</b>		<b>27</b>	<b>1</b>	<b>4%</b>	<b>(12)</b>	<b>-31%</b>
<b>Operating surplus/ (deficit) including Places for London</b>		<b>50</b>	<b>(137)</b>	<b>-73%</b>	<b>(88)</b>	<b>-64%</b>



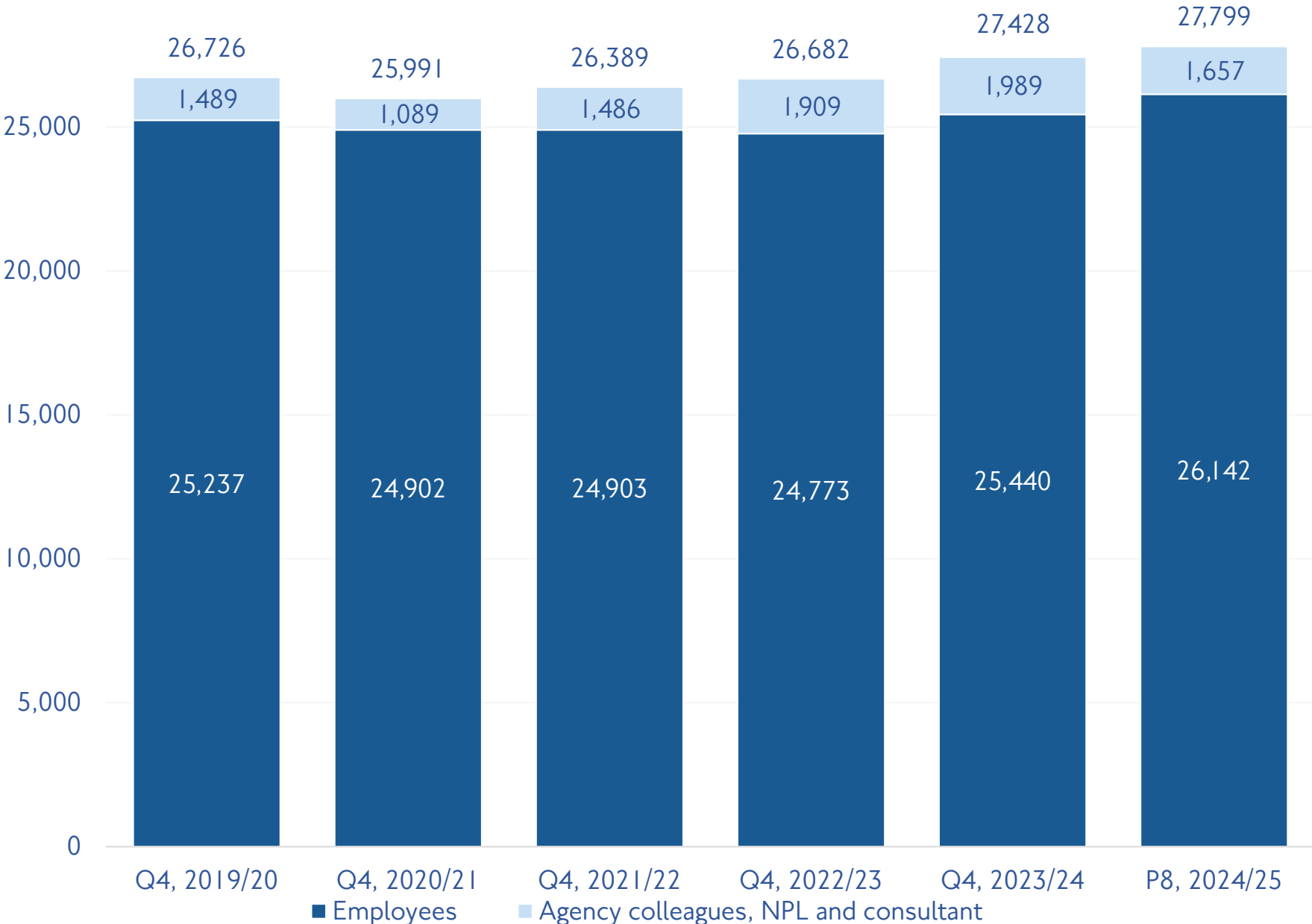
# Colleagues

The increase in headcount reflects the ramp up of 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 above pre-pandemic levels, and up on last year, driven by recent recruitment of graduates and apprenticeship trainees, and ramp up of our capital programmes.

Agency and non-permanent labour (NPL) colleagues have increased by over 150 since the end of 2019/20, but remain significantly lower than 2015/16 levels. Due to the actions we have been taking, NPL levels are 300 lower than last year. NPL offers flexibility, particularly through time of change and temporary peaks in demand.

Headcount trends since 2019/20



# Divisional summaries





# London Underground

Tube journeys are 2.6% up on last year, although lower than Budget. Journeys are almost 19 million higher than last year, but 33 million lower than Budget. Passenger income is £87m down on Budget.

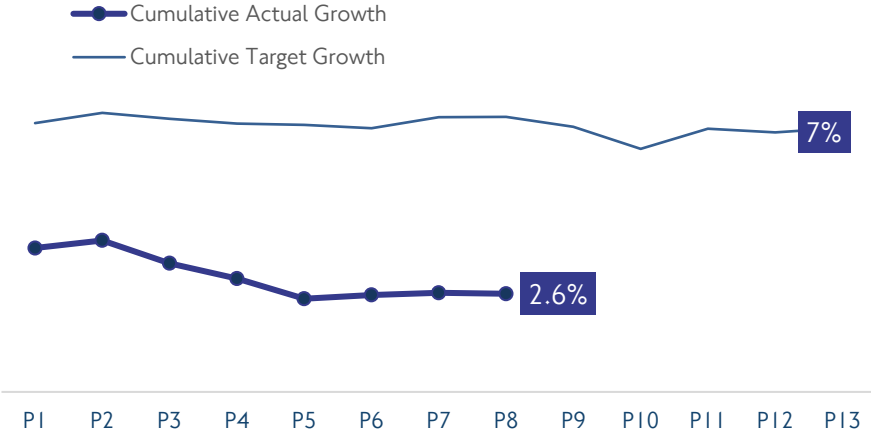
Operating costs are slightly higher than Budget, from Central line improvement costs and other cost increases. This is offset by higher delivery of savings.

Capital renewals are £290m in the year to date, £23m up on last year and broadly in line with Budget. This is a result of higher than expected spend at the start of the year. We expect to hit Budget by year end.

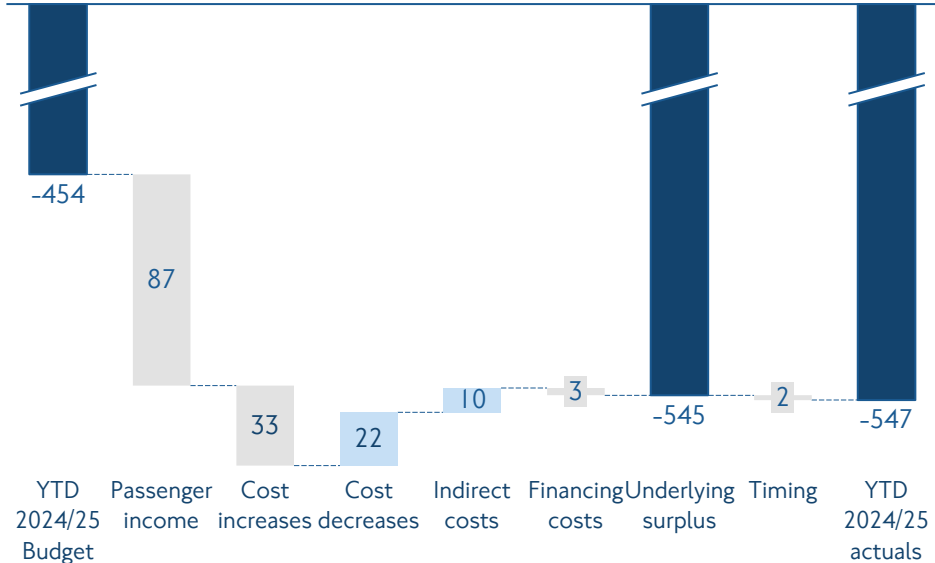
Income statement (£m)	Actuals	Variance to Budget		Variance to last year	
Passenger income	1,599	(87)	-5%	60	4%
Other operating income	15	(1)	-6%	(3)	-17%
<b>Revenue</b>	<b>1,614</b>	<b>(88)</b>	<b>-5%</b>	<b>57</b>	<b>4%</b>
Operating costs	(1,478)	(8)	-1%	(108)	-8%
<b>Net contribution</b>	<b>136</b>	<b>(96)</b>	<b>-41%</b>	<b>(51)</b>	<b>-27%</b>
Indirect costs	(221)	10	4%	59	21%
Net financing costs	(172)	(3)	-2%	(5)	-3%
Capital renewals	(290)	(4)	-1%	(23)	-9%
<b>Operating surplus / (deficit)</b>	<b>(547)</b>	<b>(93)</b>	<b>-20%</b>	<b>(20)</b>	<b>-4%</b>
<b>New capital investment</b>	<b>(284)</b>	<b>37</b>	<b>12%</b>	<b>66</b>	<b>19%</b>

## Tube journeys year-on-year growth

Passenger journeys (m)	Variance to Budget (m)	Variance to 2023/24 (m)	Variance to 2023/24 (%)
737	(33.1)	18.5	2.6%



## Operating surplus/ (deficit) compared to Budget



# Elizabeth line

Elizabeth line journeys continue to show strong growth. Journeys are over 12% higher than last year and are almost 3 million higher than Budget. Passenger income is £37m higher than last year, but slightly down on Budget.

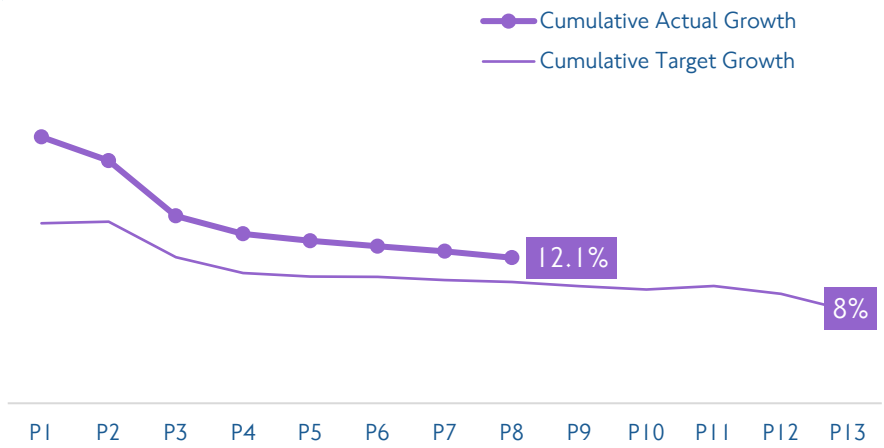
Operating costs are broadly in line with Budget.

We are now investing in new trains for the Elizabeth line, which will improve train frequency and capacity. These trains will be funded by the DfT and help boost our supply chains.

Income statement (£m)	Actuals	Variance to Budget		Variance to last year	
		£m	%	£m	%
Passenger income	404	(10)	-2%	37	10%
Other operating income	12	7	140%	8	200%
<b>Revenue</b>	<b>416</b>	<b>(3)</b>	<b>-1%</b>	<b>45</b>	<b>12%</b>
Operating costs	(343)	3	1%	(33)	-11%
<b>Net contribution</b>	<b>73</b>	<b>-</b>	<b>0%</b>	<b>12</b>	<b>20%</b>
Indirect costs	(10)	5	33%	(2)	-25%
Net financing costs	(53)	(1)	-2%	(2)	-4%
Capital renewals	(6)	-	0%	(2)	-50%
<b>Operating surplus / (deficit)</b>	<b>4</b>	<b>4</b>	<b>N/A</b>	<b>6</b>	<b>300%</b>
New capital investment	(1)	1	50%	(1)	N/A
Crossrail project	(17)	17	50%	17	50%
<b>Total new capital investment</b>	<b>(18)</b>	<b>18</b>	<b>50%</b>	<b>16</b>	<b>47%</b>

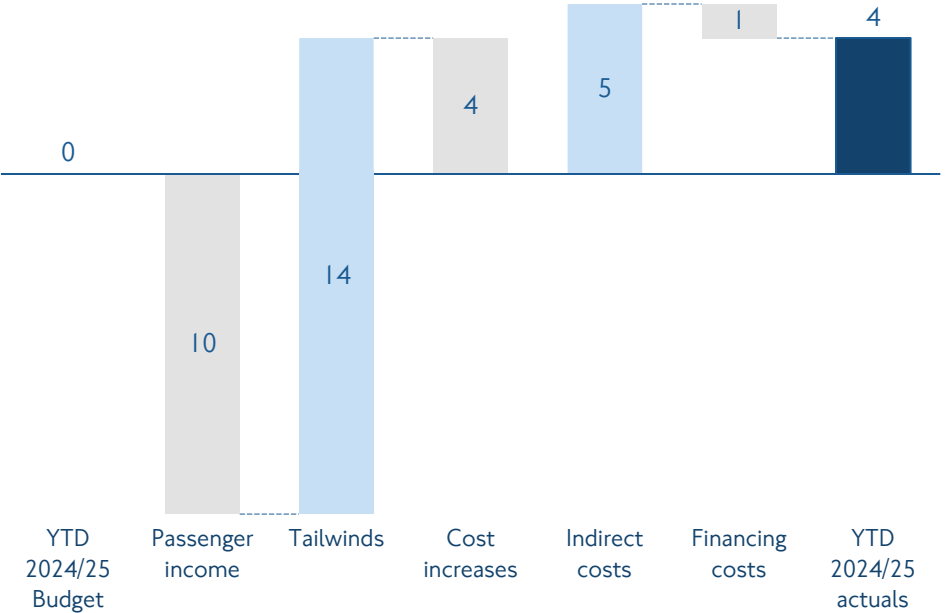
## Elizabeth line journeys year-on-year growth

Passenger journeys (m)	Variance to Budget (m)	Variance to 2023/24 (m)	Variance to 2023/24 (%)
143	2.6	15.4	12.1%



EL journeys are estimates and are subject to revision

## Operating surplus/ (deficit) compared to Budget



# Buses

Bus journeys are slightly higher than last year, but are down on Budget. Journeys are 1,151 million in the year to date, 50 million lower than Budget. Passenger income is £30m lower than expected.

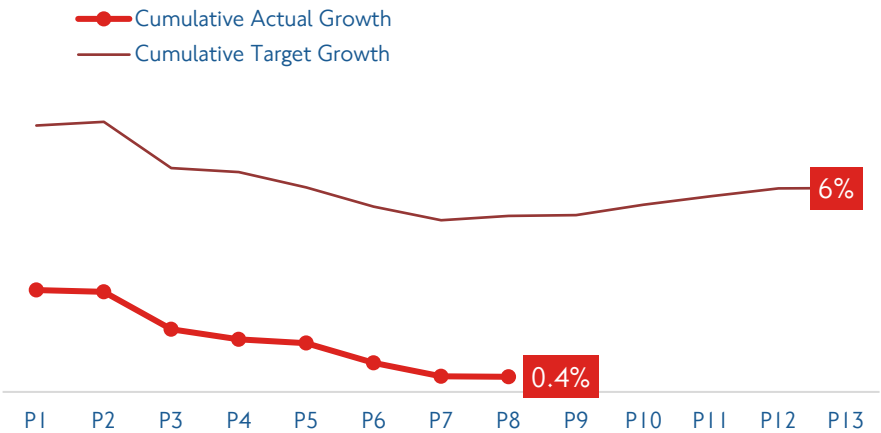
Operating costs are £32m higher than Budget from increases in bus retender costs and some under delivery of savings.

Capital renewals are £3m lower than Budget in the year to date. We expect to hit Budget by year end.

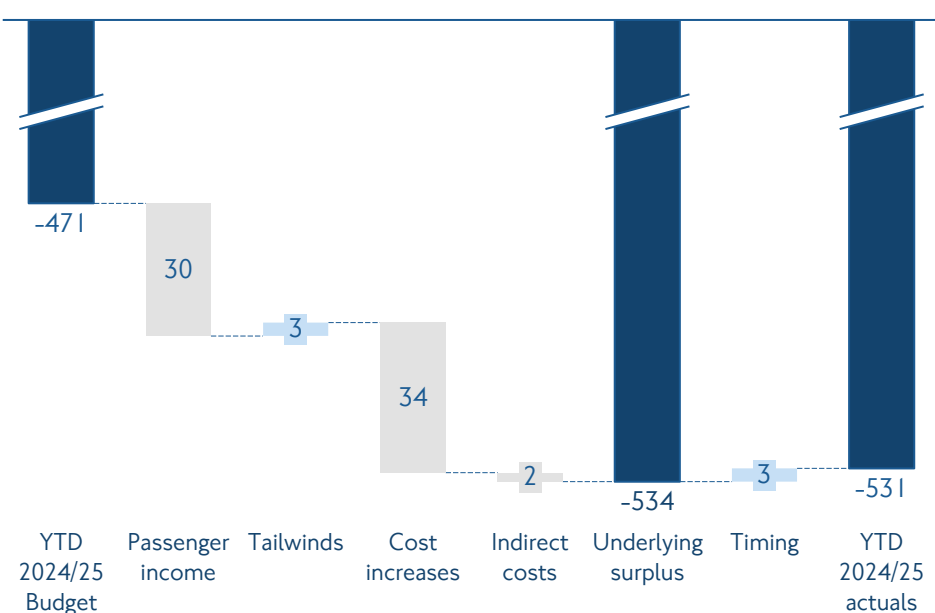
Income statement (£m)	Actuals	Variance to Budget		Variance to last year	
Passenger income	963	(30)	-3%	35	4%
Other operating income	8	1	14%	1	14%
<b>Revenue</b>	<b>971</b>	<b>(29)</b>	<b>-3%</b>	<b>36</b>	<b>4%</b>
Operating costs	(1,485)	(32)	-2%	(115)	-8%
<b>Net contribution</b>	<b>(514)</b>	<b>(61)</b>	<b>-13%</b>	<b>(79)</b>	<b>-18%</b>
Indirect costs	(7)	(2)	-40%	(5)	-250%
Net financing costs	-	-	N/A	-	N/A
Capital renewals	(10)	3	23%	8	44%
<b>Operating surplus / (deficit)</b>	<b>(531)</b>	<b>(60)</b>	<b>-13%</b>	<b>(76)</b>	<b>-17%</b>
<b>New capital investment</b>	<b>(2)</b>	<b>(2)</b>	<b>N/A</b>	<b>(1)</b>	<b>-100%</b>

## Bus journeys year-on-year growth

Passenger journeys (m)	Variance to Budget (m)	Variance to 2023/24 (m)	Variance to 2023/24 (%)
1,151	(49.9)	4.6	0.4%



## Operating surplus/ (deficit) compared to Budget



# Streets & Other operations

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

Other operating income is £9m higher than Budget, mainly from higher ULEZ enforcement income, partly offset by lower roads enforcement income.

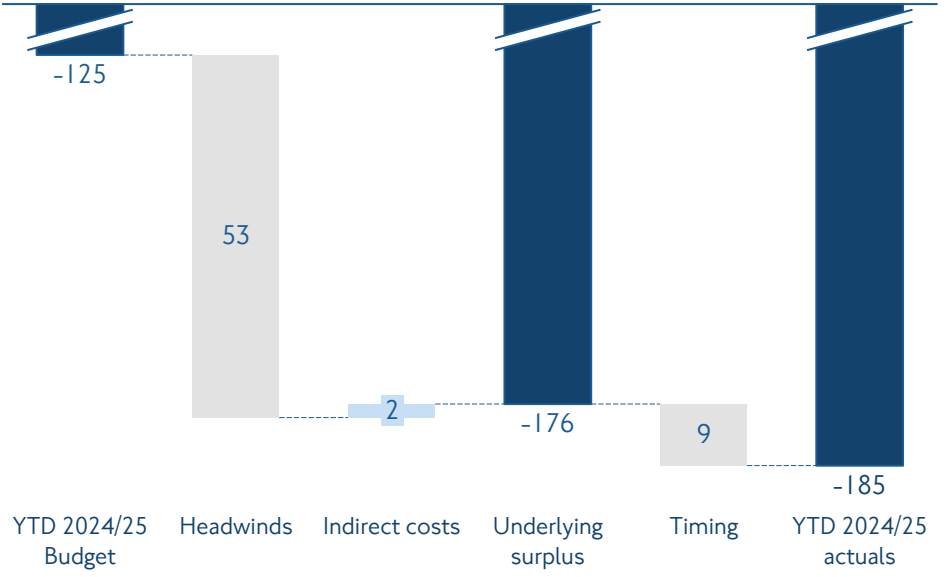
Operating costs are £59m higher than Budget, mainly from higher enforcement income bad debt, a result of lower payment rates. The level of bad debt expense is now closer to budgeted expectations.

Income statement (£m)	Actuals	Variance to Budget		Variance to last year	
Passenger income	7	-	0%	-	0%
Other operating income	749	9	1%	88	13%
<b>Revenue</b>	<b>756</b>	<b>9</b>	<b>1%</b>	<b>88</b>	<b>13%</b>
Operating costs	(769)	(59)	-8%	(26)	-3%
<b>Net contribution</b>	<b>(13)</b>	<b>(50)</b>	<b>-135%</b>	<b>62</b>	<b>83%</b>
Indirect costs	(77)	2	3%	(32)	-71%
Net financing costs	(15)	-	0%	-	0%
Capital renewals	(112)	(6)	-6%	(39)	-53%
<b>Operating surplus / (deficit)</b>	<b>(185)</b>	<b>(60)</b>	<b>-48%</b>	<b>(0)</b>	<b>0%</b>
<b>New capital investment</b>	<b>(115)</b>	<b>2</b>	<b>2%</b>	<b>26</b>	<b>18%</b>

## Volume analysis

	Actuals	Variance to Budget
Congestion Charge volumes (000s)	9,630	(363)
Congestion Charge and enforcement income (£m)	215	3
Congestion Charge bad debt (£m)	(45)	(7)
ULEZ volumes (000s)	9,562	1,487
ULEZ charge and enforcement income (£m)	383	68

## Operating surplus/ (deficit) compared to Budget



# Rail

## Including London Overground, DLR and Trams

Rail journeys are 1.6% lower than last year, with growth on London Overground offset by lower journeys on the DLR and Trams. Overall journeys are 184 million in the year to date, almost 8 million lower than Budget.

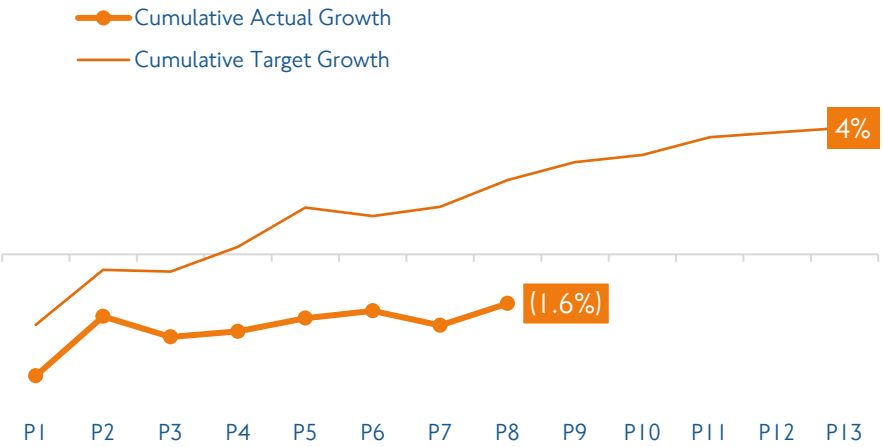
Operating costs are within 1% of Budget.

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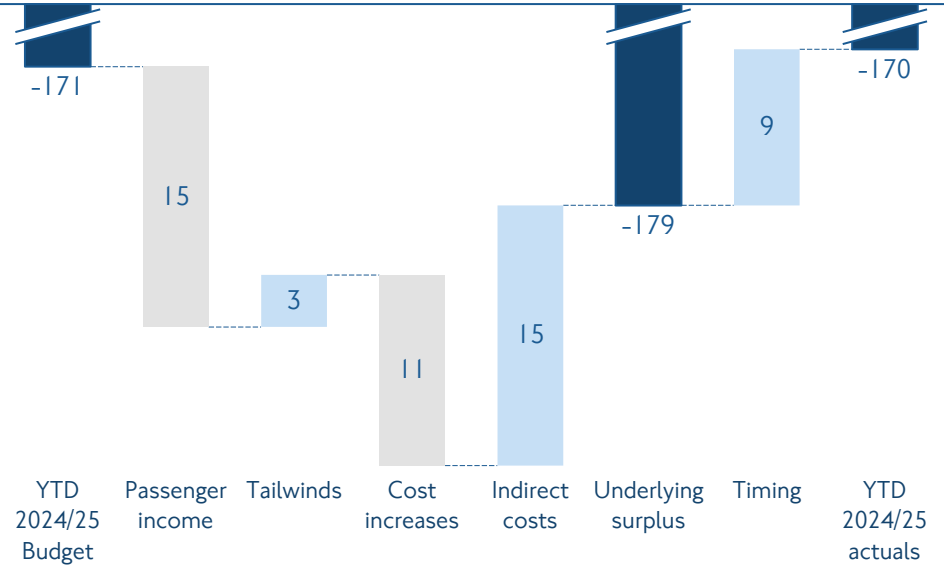
Income statement (£m)	Actuals	Variance to Budget		Variance to last year	
		£m	%	£m	%
Passenger income	259	(15)	-5%	1	0%
Other operating income	7	(1)	-13%	-	0%
<b>Revenue</b>	<b>266</b>	<b>(16)</b>	<b>-6%</b>	<b>1</b>	<b>0%</b>
Operating costs	(364)	(5)	-1%	(27)	-8%
<b>Net contribution</b>	<b>(98)</b>	<b>(21)</b>	<b>-27%</b>	<b>(26)</b>	<b>-36%</b>
Indirect costs	(16)	15	48%	1	6%
Net financing costs	(21)	-	0%	-	0%
Capital renewals	(35)	7	17%	1	3%
<b>Operating surplus / (deficit)</b>	<b>(170)</b>	<b>1</b>	<b>1%</b>	<b>(24)</b>	<b>-16%</b>
<b>New capital investment</b>	<b>(147)</b>	<b>4</b>	<b>3%</b>	<b>(5)</b>	<b>-4%</b>

### Rail journeys year-on-year growth

Passenger journeys (m)	Variance to Budget (m)	Variance to 2023/24 (m)	Variance to 2023/24 (%)
184	(7.8)	(3.1)	-1.6%



### Operating surplus/ (deficit) compared to Budget



# Appendix

Performance against GLA Budget



# Performance against the GLA Budget

The following tables show our performance against the GLA Budget, for the year to date and our latest Quarter 2 forecast.

	P8 2024/25 year to date			Full year 2024/25		
	Actuals	GLA Budget	Variance	Q2 forecast	GLA Budget	Variance
<b>Table 1: GLA Objective analysis</b>						
<b>Income</b>						
Passenger income	(3,242.5)	(3,467.1)	224.6	(5,342.1)	(5,519.1)	177.0
Congestion Charge, LEZ, and ULEZ income	(617.1)	(660.4)	43.3	(980.2)	(988.0)	7.8
Other income	(355.3)	(376.0)	20.7	(594.3)	(602.1)	7.8
Third-party contributions	(53.7)	(22.0)	(31.7)	(66.8)	(35.6)	(31.2)
<b>Sub-total income</b>	<b>(4,268.6)</b>	<b>(4,525.5)</b>	<b>256.9</b>	<b>(6,983.4)</b>	<b>(7,144.8)</b>	<b>161.4</b>
<b>Operating costs</b>						
London Underground	1,201.0	1,065.8	135.2	1,897.4	1,746.4	151.0
Bus, roads, compliance and policing	2,038.3	2,045.0	(6.7)	3,373.9	3,369.4	4.5
Contracted rail and sponsored services	407.2	398.8	8.4	664.1	647.1	17.0
Elizabeth line	343.5	352.4	(8.9)	575.4	586.6	(11.2)
Congestion Charge, LEZ, and ULEZ income	403.5	366.2	37.3	621.5	575.8	45.7
Other	608.0	684.9	(76.9)	1,030.1	1,238.4	(208.3)
<b>Sub-total operating costs</b>	<b>5,001.5</b>	<b>4,913.1</b>	<b>88.4</b>	<b>8,162.4</b>	<b>8,163.7</b>	<b>15.7</b>
<b>Net operating income and expenditure</b>	<b>732.9</b>	<b>387.6</b>	<b>345.3</b>	<b>1,179.0</b>	<b>1,018.9</b>	<b>160.1</b>
<b>Other</b>						
Debt servicing	263.1	262.4	0.7	432.5	432.7	(0.2)
Revenue resources used to support capital investment	753.2	997.5	(244.3)	813.4	1,046.0	(232.6)
<b>Net service income and expenditure</b>	<b>1,749.2</b>	<b>1,647.5</b>	<b>101.7</b>	<b>2,424.9</b>	<b>2,497.6</b>	<b>(72.7)</b>
Transfer to/ (from) reserves	(226.5)	(160.0)	(66.5)	34.8	(57.2)	92.0
<b>Financing requirement</b>	<b>1,522.7</b>	<b>1,487.5</b>	<b>35.2</b>	<b>2,459.7</b>	<b>2,440.4</b>	<b>19.3</b>



# Performance against the GLA Budget

	£m	P8 2024/25 year to date			Full year 2024/25		
		Actuals	GLA Budget	Variance	Q2 forecast	GLA Budget	Variance
<b>Table 1: GLA Objective analysis (continued from previous slide)</b>							
Specific grants		8.8	5.6	3.2	13.6	8.4	5.2
GLA funding from Group reserves		32.1	-	32.1	32.1	18.0	14.1
Retained business rates		1,335.3	1,335.3	-	2,169.9	2,169.9	-
<b>Council tax requirement</b>		<b>146.5</b>	<b>146.6</b>	<b>(0.1)</b>	<b>244.1</b>	<b>244.1</b>	<b>(0.0)</b>

	£m	P8 2024/25 year to date			Full year 2024/25		
		Actuals	GLA Budget	Variance	Q2 forecast	GLA Budget	Variance
<b>Table 2: Capital account</b>							
Crossrail		16.6	32.5	(15.9)	34.7	42.9	(8.2)
TfL new capital investment		563.9	840.0	(276.1)	987.4	1,314.4	(327.0)
Places for London		96.3	109.8	(13.5)	148.1	167.7	(19.6)
Renewals		509.2	491.2	18.0	798.4	761.0	37.4
<b>Total capital expenditure</b>		<b>1,186.0</b>	<b>1,473.5</b>	<b>(287.5)</b>	<b>1,968.6</b>	<b>2,286.0</b>	<b>(317.4)</b>
<b>Financed by</b>							
Capital receipts		72.1	116.4	(44.3)	196.5	148.2	48.3
Capital grants and third-party contributions		136.4	59.4	77.0	177.5	87.7	89.8
Borrowing		285.4	250.5	34.9	685.0	514.8	170.2
Crossrail funding sources		24.0	34.5	(10.5)	42.0	46.0	(4.0)
Revenue contributions		668.1	1,023.9	(355.8)	867.6	1,489.3	(621.7)
<b>Total funding</b>		<b>1,186.0</b>	<b>1,484.7</b>	<b>(298.7)</b>	<b>1,968.6</b>	<b>2,286.0</b>	<b>(317.4)</b>



# Performance against the GLA Budget

	£m	P8 2024/25 year to date			Full year 2024/25		
		Actuals	GLA Budget	Variance	Q2 forecast	GLA Budget	Variance
<b>Table 3: Subjective analysis</b>							
Passenger income		(3,242.5)	(3,467.1)	224.6	(5,342.1)	(5,519.1)	177.0
Congestion Charge, LEZ, and ULEZ income		(617.1)	(660.4)	43.3	(980.2)	(988.0)	7.8
Advertising income		(90.0)	(83.9)	(6.1)	(145.5)	(135.6)	(9.9)
Property income		(57.8)	(55.4)	(2.4)	(89.9)	(90.3)	0.4
Other income		(261.2)	(258.7)	(2.5)	(425.7)	(411.8)	(13.9)
<b>Total income</b>		<b>(4,268.6)</b>	<b>(4,525.5)</b>	<b>256.9</b>	<b>(6,983.4)</b>	<b>(7,144.8)</b>	<b>161.4</b>
Employee expenses		1,555.8	1,528.7	27.1	2,556.9	2,559.0	(2.1)
Property, utilities, cleaning and security		347.5	378.5	(31.0)	566.1	613.5	(47.4)
Bus contract payments		1,416.8	1,413.8	3.0	2,345.5	2,324.9	20.6
Other contracted services		540.5	528.2	12.3	884.9	855.9	29.0
Traction current		179.7	190.5	(10.8)	293.4	320.2	(26.8)
Maintenance		348.6	339.5	9.1	588.4	574.9	13.5
Legal and professional fees		68.5	77.2	(8.7)	126.2	125.2	1.0
Technology costs		131.0	116.2	14.8	206.0	187.5	18.5
Bad-debt provisioning		323.2	321.3	1.9	503.6	469.5	34.1
Investment programme		103.0	76.2	26.8	168.5	148.2	20.3
Staff recharges		(287.3)	(283.8)	(3.5)	(465.9)	(462.3)	(3.6)
Other operating costs		274.2	226.8	47.4	388.8	447.2	(58.4)
<b>Total operating costs</b>		<b>5,001.5</b>	<b>4,913.1</b>	<b>88.4</b>	<b>8,162.4</b>	<b>8,163.7</b>	<b>(1.3)</b>

# Performance against the GLA Budget

	£m	P8 2024/25 year to date			Full year 2024/25		
		Actuals	GLA Budget	Variance	Q2 forecast	GLA Budget	Variance
<b>Table 3: Subjective analysis (continued from previous slide)</b>							
Debt servicing		263.1	262.4	0.7	432.5	432.7	(0.2)
Revenue resources used to support capital investment		753.2	997.5	(244.3)	813.4	1,046.0	(232.6)
<b>Total gross expenditure</b>		<b>6,017.8</b>	<b>6,173.0</b>	<b>(155.2)</b>	<b>9,408.3</b>	<b>9,642.4</b>	<b>(234.1)</b>
<b>Net service income and expenditure</b>		<b>1,749.2</b>	<b>1,647.5</b>	<b>101.7</b>	<b>2,424.9</b>	<b>2,497.6</b>	<b>(72.7)</b>
Transfer to/ (from) reserves		(226.5)	(160.0)	(66.5)	34.8	(57.2)	92.0
<b>Financing requirement</b>		<b>1,522.7</b>	<b>1,487.5</b>	<b>35.2</b>	<b>2,459.7</b>	<b>2,440.4</b>	<b>19.3</b>
Specific grants		8.8	5.6	3.2	13.6	8.4	5.2
GLA contribution		32.1	-	32.1	32.1	18.0	14.1
Retained business rates		1,335.3	1,335.3	-	2,169.9	2,169.9	-
<b>Council tax requirement</b>		<b>146.5</b>	<b>146.6</b>	<b>(0.1)</b>	<b>244.1</b>	<b>244.1</b>	<b>-</b>

## Finance Committee



**Date:** 18 December 2024

**Item:** TfL Scorecard and Implications of the Cyber Security Incident

---

### This paper will be considered in public

## 1 Summary

- 1.1 The recent cyber security incident and recovery has had an impact on our data systems and datasets and has also required reprioritisation of resources within the business. These issues will affect reporting and interpreting the outturn of the 2024/25 scorecards, the achievement of some targets for 2024/25, and the setting of targets for 2025/26.
- 1.2 The paper sets out the approach to managing and governing these issues using the usual mitigations process after the 2024/25 financial year end.
- 1.3 A paper is included on Part 2 of the agenda which contains supplementary information that is exempt from publication by virtue of paragraphs 3 and 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL and information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of a crime. 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 Current challenges for monitoring our scorecards

- 3.1 The related paper on Part 2 of the agenda sets out more detail on the impact of the incident on our systems and data and our approach to management and mitigation.
- 3.2 Our response to the cyber security incident has affected some of our data systems and our ability to access, process and report on various types of business data.
- 3.3 As a result, reporting for the 2024/25 TfL, Operations, Capital, and Places for London Scorecards has been impacted. Prioritising the safeguarding and recovery of technology systems has also impacted our ability to achieve some of our targets on the 2024/25 scorecards.

### **Data and Scorecard Reporting for 2024/25**

- 3.4 Since Period 5 (ending 17 August 2024) it has not been possible to provide full periodic reports of the TfL and divisional scorecards.
- 3.5 The impact on our data is varied. Some datasets are unaffected, some have partial data, and others have data missing for periods of time. There are also limitations on our ability to access and analyse some datasets.
- 3.6 For example, some of our Safety and Customer datasets have been impacted, but processes have been put in place to capture data and support performance management with complementary data.
- 3.7 TfL is working hard to recover systems and minimise the impact on the business and the scorecards.

### **Governance for the 2024/25 Scorecard Outturn**

- 3.8 Following the end of the financial year, the mitigations process will be used (as normal) to address any outstanding issues and to ensure there is a clear audit trail of any residual impact and that appropriate business decisions can be made with clarity. This will include arrangements for any metrics where data is unavailable or incomplete, and/or any deliverables which were impacted by the incident.

### **Approach to Setting Targets for 2025/26 Scorecards**

- 3.9 The availability of data for 2024/25 may have a limited impact on our ability to set targets for the 2025/26 scorecards. There is no proposed change to the governance of target setting which occurs at Executive Committee. Approval for the proposed 2025/26 TfL Scorecard will be sought from the Board in March 2025.

### **List of appendices to this report:**

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

### **List of Background Papers:**

TfL Scorecard 2024/25

Contact Officer: Alex Williams, Chief Customer and Strategy Officer  
Email: [AlexWilliams@tfl.gov.uk](mailto:AlexWilliams@tfl.gov.uk)

## Finance Committee



**Date:** 18 December 2024

**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 for additional Procurement Authority as part of the annual process 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;
- (g) New Cross Depot; and
- (h) Plumstead Depot

1.2 A paper is included on Part 2 of the agenda which contains supplementary information that is exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from 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 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 or its duration. This service is unrelated to the security services paper recently presented for approval by Chair's Action.
- 3.5 While the full Procurement Authority was approved in July 2019 by the Committee for maintenance aspects of the Contract, the upgrades and renewals costs were considered by the Committee but deferred for annual approval because the values estimated at that time were uncertain.

## **4 Financial Implications**

- 4.1 Drawdown of sums for which Procurement Authority has been given for the maintenance services, upgrades or maintenance renewals will be subject to the officer level project and financial controls.
- 4.2 The procurement strategy to secure provision of these services beyond the current contract end date of 31 March 2027 will be started in March 2025.

### **List of appendices to this report:**

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

### **List of Background Papers:**

Technical Facilities Management Services paper, Finance Committee 1 July 2019

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

Communications, CCTV, Access Control and Security Systems Maintenance and Upgrade Services Contract paper, Finance Committee 22 November 2023

Contact Officer: Rachel McLean, Chief Finance Officer  
Email: [rachelmclean@tfl.gov.uk](mailto:rachelmclean@tfl.gov.uk)

## Finance Committee

**Date:** 18 December 2024

**Item:** Track Labour Framework Contract Extension

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### This paper will be considered in public

## 1 Summary

- 1.1 The purpose of this paper is to update the Committee on the Track Labour Framework, since our last update to the Committee in March 2024, and to seek additional Procurement Authority for Track Labour resources including Track protection for the period April 2025 to March 2026.
- 1.2 London Underground's (LU) Operations Track department has a continuing requirement to supplement its direct labour organisation with external, skilled labour which is deployed across the network to support safety critical maintenance, enhancements and renewals of track assets.
- 1.3 A paper is included on Part 2 of the agenda which contains supplementary information that is exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

## 2 Recommendation

- 2.1 **The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda and approve additional Procurement Authority of £100.1m for external Track Labour Resources procured through the London Underground Track Labour Framework for the period from 1 April 2025 to 31 March 2026, giving a total Procurement Authority of £808.5m.**

## 3 Background

- 3.1 The original Track Labour Framework was let following a competitive tender process in 2015 and awarded to five suppliers: Morson Human Resources Limited; Cleshar Contract Services Limited; 1st InRail Limited; Trackwork Limited and McGinley Support Services (Infrastructure) Limited.
- 3.2 At its meeting in March 2024, the Committee approved additional Procurement Authority for the Track Labour Framework, covering the period to March 2025. It was noted that we would return to the Committee for approval of additional Procurement Authority required for the financial year 2025/26 to support continuity of supply of skilled track labour and enable the completion of the new Track Works and Resources tender, which is the subject of this paper.

- 3.3 This provides the remaining time needed to complete the Track Works and Resources tender process, which are planned to be awarded in September 2025, with provision for six months' mobilisation until March 2026.
- 3.4 The Procurement Authority requested includes £11.5m for Track Protection, under Lot 2 of the track labour contracts ensuring continuity of services in case of extended mobilisation of the new contract. The new Track Protection contract is due to be awarded in January 2025 and mobilisation complete in April 2025. Procurement Authority for the new Track Protection contract will be sought in a different timeframe and at officer level in accordance with Standing Orders.
- 3.5 Further detail is provided in the paper on Part 2 of the agenda.

**List of appendices to this report:**

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

**List of Background Papers:**

None

Contact Officer: Jonathan Wharfe, Director of Procurement & Commercial,  
Operations

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



## Finance Committee

**Date:** 18 December 2024

**Item:** Forthcoming Key Procurement Activities

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### **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 two years and those for which approvals are anticipated to be required from the Committee over the next six months. 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 supplementary information that is exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the 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 and those requiring decisions.
- 3.2 The Procurement and Commercial (P&C) function within TfL continues working to improve its forward planning, including the consolidation of multiple data sources related to contract renewals and new procurements. This ongoing effort is enabling P&C to establish a pipeline of activities for the next two years.
- 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 need for out of cycle approvals to be sought by way of 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 over the next six months and highlights significant forthcoming procurements that require approval at officer level during that period.

## 4 Two Years Look Ahead

- 4.1 The two year look ahead is summarised below, including only those projects with an estimated value of £1m or over. The pipeline for strategy approvals and contract awards covers 291 contracts with an estimated total value of £18bn. This is broken down as follows:

<b>Procurement and Commercial Business Units</b>	<b>No</b>	<b>Estimated Value (£m)</b>
<b>Capital and Technology</b>	<b>80</b>	<b>6,539</b>
Capital Infrastructure	22	4,237
Technology	56	2,291
Capital Systems	2	10
<b>Operations and Professional Services</b>	<b>211</b>	<b>11,579</b>
Fleet	65	454
Facilities Management	14	3,101
Indirects (support goods and services)	17	1,155
Operations Infrastructure	63	2,772
Partnerships	9	113
Rail and Sponsored Services	24	2,533
Track	19	1,581
<b>Total</b>	<b>291</b>	<b>18,118</b>

## 5 Planned Procurement Approvals Ahead of the Next Meeting

- 5.1 There are no approvals anticipated to be sought by way of Chair's Actions ahead of the next meeting of the Committee on 26 February 2025.

## 6 Planned Procurement Approvals Within the Next Six Months

- 6.1 There are two business units within the P&C function, and the key forthcoming procurement activities for both are summarised below. Further details of the forthcoming key procurement activities within the next six months are provided within the related paper on Part 2 of the agenda.
- 6.2 In Operations and Professional Services (excluding concessions) we are currently forecasting that three contract awards will require approval from the Committee in the next six months.
- 6.3 In Capital and Technology, most decisions for contracts related to capital expenditure are routed through the Programmes and Investment Committee rather than to this Committee although all Members will receive the paper. We

are currently forecasting that two contract awards will require approval from the Programmes and Investment Committee in the next six months.

**List of appendices to this report:**

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

**List of background papers:**

None

Contact Officer: Rachel McLean, Chief Finance Officer  
Email: [RachelMcLean@tfl.gov.uk](mailto:RachelMcLean@tfl.gov.uk)

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## Finance Committee

**Date:** 18 December 2024

**Item:** Risk and Assurance Report Quarter 2 2024/25

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### **This paper will be considered in public**

#### **1 Summary**

- 1.1 This report provides the Committee with an overview of the status of and changes to Enterprise Risk 3 (ER03) – ‘Environment including climate adaptation’, Enterprise Risk 5 (ER05) – ‘Supply chain disruption and ineffective procurement and contract management’, Enterprise Risk 7 (ER07) – ‘Financial resilience’ and Enterprise Risk 9 (ER09) – ‘Changes in customer demand’.
- 1.2 This report also summarises the findings from the assurance activity associated with these risks, based on third line assurance work by the Internal Audit team. The report covers Quarter 2 of 2024/25 (23 June to 14 September 2024) (Q2).
- 1.3 A paper is included on Part 2 of the agenda, which contains supplementary information that is exempt from publication by virtue of paragraphs 3 and 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of TfL and information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. Any discussion of the 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 TfL Enterprise Risks**

- 3.1 Risk review workshops have been undertaken for ER03, ER05, ER07 and ER09. The updates have been discussed with the relevant Chief Officers. ER03, ER05 and ER09 are scheduled to be reviewed by the TfL Executive Committee on 10 April 2025 and then to the first meeting of this Committee in the 2025/26 financial year.

#### **4 Annual Audit Plans**

- 4.1 The rolling Internal Audit plan contains a series of third line audits that address all TfL Enterprise Risks. The annual Quality, Safety and Security Assurance audit plan contains a series of second line reviews that include ER05. Audits of Enterprise Risks are reported to the applicable Committee or Panel as well as the Audit and Assurance Committee. The Internal Audit plan for the second half of 2024/25 was approved by the Audit and Assurance Committee on 18

September 2024 and will be updated as appropriate to facilitate any additional audits that might be required as a result of the cyber incident.

## **5 Work of Note for Quarter 2**

### **Internal Audit**

- 5.1 Audit reports issued are given a conclusion of 'well controlled', 'adequately controlled', 'requires improvement' or 'poorly controlled'. Individual findings within audit reports are rated as high, medium, or low priority. A memo, rather than an audit report, is usually issued for real-time reviews and provides more flexibility in how information is reported.
- 5.2 Internal Audit issued two reports with a 'requires improvement' rating against ER05. These were the 'Management of lifts and escalators contract' and 'SAP Ariba – source to contract'. Four reports were issued against ER07. Two were rated as 'poorly controlled', 'Use of consultants' and 'Procurement at the London Transport Museum'. Two reports were rated as 'requires improvement', 'Fraud controls in Licensing and Regulation' and 'Management of sectors – arches (Places for London)'.
- 5.3 Two memos were issued in Q2. One against ER05 relating to the real-time audit of the 'Procurement of the TfL advertising concessions contract – phase two', and the other against ER07 relating to 'Arts Council England: museum estate and development fund grant'.
- 5.4 Appendix 1 provides further details of these audits and memos.

### **Counter-Fraud and Corruption**

- 5.5 The Counter-fraud and Corruption team investigates all allegations of fraud and corruption involving TfL employees, non-permanent labour and third parties (including suppliers, customers and organised criminal groups). Any themes identified during procurement related investigations and control environment improvements (implemented or recommended) in Q2, are set out in the paper on Part 2 of the agenda. Individual cases are part of the wider fraud reporting that is submitted to the Audit and Assurance Committee.

## **6 Cancelled and Deferred Work**

- 6.1 All cancellations and deferrals are undertaken in consultation with the relevant business teams. Two internal audits were cancelled in Q2. One related to 'Grant certification work at the London Transport Museum' which was no longer needed. The other related to 'Readiness for the new Procurement Act 2023', the implementation date for which has been pushed back from October 2024 to February 2025. The Head of Internal Audit is providing real time support to the Procurement Act Programme Group through attendance at the programme group meetings instead. Once the changes have been implemented and allowed to embed, Internal Audit will review how effectively they are working.

## **7 Performance and Trends**

7.1 Performance data is provided in Appendix 2 on progress against the audit plan, audit ratings, rating trends by Enterprise Risk and business unit and progress against actions, with comparisons provided across the last two years.

### **Internal Audit**

7.2 There were 26 ER03, ER05, ER07 and ER09 audits completed in the last four quarters, which is five more than were delivered in the previous four quarters. The number of 'requires improvement' conclusions has increased from 10 to 12 and 'poorly controlled' has increased from one to three. This is a trend across all Enterprise Risks as we continue to undertake audits on high-risk areas of the business. The number of memos issued has decreased from six to five over the past four quarters as we issue more audits with ratings. Five reports in the last four quarters were rated as 'adequately controlled' compared to four in the previous four quarters. The audit of Group Treasury was rated as 'well controlled'.

7.3 Work continues on the management of actions, particularly overdue actions with management teams and the Chief Officers to resolve. For ER03, ER05 and ER07 at the end of Q2 there were 77 open audit actions, four of which were overdue by less than 30 days and these have been closed since the end of the quarter. There were no open audit actions for ER09.

### **List of appendices to this report:**

Appendix 1: Internal Audits Completed in Quarter 2 of 2024/25

Appendix 2: Internal Audit Summary Quarter 2 2024/25

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

### **List of background papers:**

None

Contact Officer: Lorraine Humphrey, Director of Risk and Assurance  
Email: [Lorraine.Humphrey@tube.tfl.gov.uk](mailto:Lorraine.Humphrey@tube.tfl.gov.uk)

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## Appendix 1 – Internal Audits Completed in Quarter 2 of 2024/25

### ER05 Supply Chain disruption and ineffective procurement and contract management

Chief Officer	Ref	Engagement Name	Objectives	Conclusion	Summary of Findings
<b>Chief Operating Officer</b>	24 018	Management of Lifts and Escalator Contract	Provide assurance on the effectiveness of Lifts and Escalator contract management.	Requires Improvement	Although the Delivery of Planned Preventative Maintenance services and fault repair under the Lift Asset Management Services contract is closely monitored by the TfL Lifts, Pumps and Vents team, the quality of management information being presented by the supplier and its consistency with individual job tasking, documented services, dates and time recording, needs to be improved.
<b>Chief Customer and Strategy Officer</b>	24 014	Procurement of the TfL Advertising Concessions Contract (Live audit) Phase 2	Provide assurance on the procurement of the new Advertising contract (Real-time audit).	Memo	The procurement of the New Advertising Concessions Contract up to the Contract Award Recommendation stage has been well managed despite some resourcing issues at the start of the procurement. The working group has been very diligent in making sure everything stayed on track and risks were managed and mitigated as far as is possible.
<b>Chief Finance Officer</b>	23 042	SAP Ariba - Source to Contract	Provide assurance on the adequacy and effectiveness of controls governing the Source to Contract element of SAP Ariba.	Requires Improvement	The Source to Contract (S2C) element of SAP Ariba has been implemented but needs further work for the effectiveness to be fully evaluated. The accountability and responsibility for SAP Ariba is spread across several teams. The Global Process Owner for S2C sits in Procurement and Commercial, along with most users, but other key responsibilities sit within the Business Services Function and Information Technology. The approval workflow process is effective but not always fully utilised.

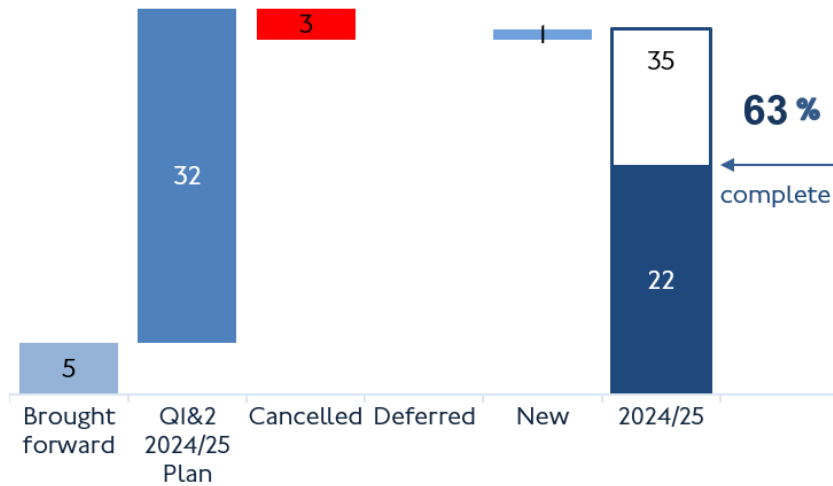
## ER07 Financial Resilience

Chief Officer	Ref	Engagement Name	Objectives	Conclusion	Summary of Findings
<b>Chief Customer and Strategy Officer</b>	24 025	Arts Council England: Museum Estate and Development Fund Round 1	Verify that project income and expenditure on chillers and lifts is in accordance with the conditions and requirements of the grant.	Memo	We confirmed that London Transport Museum (LTM) income and expenditure accounted for reflects the chargeable project work.
<b>Chief Finance Officer</b>	24 022	Use of Consultants	Provide assurance on the adequacy and effectiveness of controls in place over the procurement, management and monitoring of consultants.	Poorly Controlled	The procurement, management and monitoring of consultants across TfL is unclear. This has resulted in a lack of assurance of the effectiveness of existing controls in managing and mitigating associated risks.
<b>Chief Customer and Strategy Officer</b>	24 021	Management of sectors - Arches (Places for London)	Provide assurance that the Arches sector is managed effectively.	Requires Improvement	Significant capital expenditure is needed to modernise and refurbish these units but due to resourcing constraints workloads are unable to be prioritised. This can lead to a significant time lag in returning units back to the market, a loss of revenue and prolongs project completion.
<b>Chief Customer and Strategy Officer</b>	24 019	Procurement at the LTM	Provide assurance on the adequacy and effectiveness of controls for LTM procurements. This will include compliance with TfL policy, management of suppliers and contracts.	Poorly Controlled	LTM management were unable to provide information regarding the number of supplier contracts it has, where the documents are kept or if they were procured in-line with the policy. There was insufficient evidence of who had approved a sample of supplier invoices for payment.

Chief Officer	Ref	Engagement Name	Objectives	Conclusion	Summary of Findings
<b>Chief Operating Officer</b>	23 045	Fraud controls in Licensing and Regulation	Provide assurance on the adequacy and effectiveness of fraud controls in place within Licensing and Regulation.	Requires Improvement	Licensing is generally well managed; staff are knowledgeable and well informed but more real time checks and balances are needed.

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All Audit Progress against Q1 & Q2 2024/25 Plan



Action Management (ER03, ER05, ER07 and ER09) - By Enterprise Risk by Overdue Days

At the end of Quarter 2 there were four overdue actions between 0-30 days, against ER07 which sit in the Chief People Officer area.

**Audit Conclusion Comparison by Chief Officer Team (over 4 quarters)**

	Q3 22/23 - Q2 23/24	Total	Q3 23/24 - Q2 24/25	Total
Chief Customer and Strategy Officer	3 (Requires Improvement), 1 (Not Rated)	4	1 (Poorly Controlled), 3 (Requires Improvement)	7
Chief Finance Officer	1 (Poorly Controlled), 4 (Requires Improvement), 1 (Adequately Controlled), 3 (Not Rated)	9	1 (Poorly Controlled), 2 (Requires Improvement), 3 (Adequately Controlled), 1 (Well Controlled), 1 (Not Rated)	8
Chief Operating Officer	1 (Adequately Controlled), 1 (Well Controlled)	2	1 (Poorly Controlled), 6 (Requires Improvement), 1 (Not Rated)	8
Chief People Officer	1 (Adequately Controlled), 2 (Well Controlled)	3	1 (Requires Improvement), 2 (Adequately Controlled)	3
Chief SHE Officer	1 (Requires Improvement), 2 (Not Rated)	3		

**Audit Conclusion Comparison by Enterprise Risk (over 4 quarters)**

	Q3 22/23 - Q2 23/24	Total	Q3 23/24 - Q2 24/25	Total
ER03 Environment including climate adaptation	2 (Requires Improvement), 2 (Not Rated)	4	4 (Requires Improvement), 1 (Not Rated)	5
ER05 Supply Chain disruption and ineffective procurement and contract management	1 (Requires Improvement), 2 (Not Rated)	3	3 (Requires Improvement), 1 (Adequately Controlled), 2 (Not Rated)	6
ER07 Financial resilience	1 (Poorly Controlled), 7 (Requires Improvement), 4 (Adequately Controlled), 2 (Not Rated)	14	3 (Poorly Controlled), 5 (Requires Improvement), 4 (Adequately Controlled), 1 (Well Controlled), 2 (Not Rated)	15



## Finance Committee



**Date:** 18 December 2024

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

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### **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.

#### **2 Recommendation**

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

#### **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 and the Risk and Assurance Quarterly Report;
  - (c) Matters reserved for annual approval or review: Examples include the Treasury Management Strategy and policies on derivative investments;
  - (d) Programmes, Projects and Land Transactions at a level requiring Committee approval or review prior to Board approval. These are scheduled following advice from the operating business;
  - (e) Annual updates on Enterprise Risks that fall within the remit of the Committee; and
  - (f) Items requested by Members: The Deputy Chair of TfL and the Chair of this Committee will regularly review the forward plan and may suggest items. Other items will arise out of actions from previous meetings (including meetings of the Board or other Committees and Panels) and any issues suggested under this agenda item.

## **4 Current Plan**

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

### **List of appendices to this report:**

Appendix 1: Finance Committee Forward Plan

### **List of Background Papers:**

None

Contact Officer: Andrea Clarke, General Counsel  
Email: [AndreaClarke@tfl.gov.uk](mailto:AndreaClarke@tfl.gov.uk)



## Finance Committee Forward Plan

## Appendix 1

**Membership:** Anne McMeel (Chair), Deborah Harris-Ugbomah (Vice-Chair), Zoë Billingham CBE, Prof Greg Clark CBE, Seb Dance and Anurag Gupta

**Government Observer:** Samantha Collins-Hill

**Abbreviations:** CCO (Chief Capital Officer), CCSO (Chief Customer and Strategy Officer), CFO (Chief Finance Officer), COO (Chief Operating Officer), CTO (Chief Technology Officer), CSHEO (Chief Safety, Health and Environment Officer), DCF (Director of Corporate Finance), DR&A (Director of Risk and Assurance), GC (General Counsel)

<b>Standing Items</b>		
Use of Delegated Authority	GC	To note
Finance Report	CFO	To note
Forthcoming Key Procurement Activities	CFO	To note
Risk and Assurance Quarterly Report	DR&A	To note

<b>26 February 2025</b>		
Treasury Activities, Policies and Strategy	CFO	To approve (delegated by the Board)
Investment Management Strategy 2025/26 – Non-Financial Assets	DCF	To approve
Taxi Fares and Tariffs Update	COO	To approve
Taxi and Private Hire Licence Fees: Annual Review	COO	To approve
Cycle Hire Service Contract	CFO	To approve
Recruitment Services Framework Contract	CFO	To approve
London Overground Infrastructure Maintenance Contract	CFO	To approve
London Overground Concession Procurement Programme	CFO	To note
Bus Contract Retendering Outcomes	CFO	To note

As at 10 December 2024

## Finance Committee Forward Plan

Minimising Bad Debt and Fare Evasion	CFO	To note
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July 2025		
Update on Third-Party Funding Secured Through Spatial Planning	CCSO	To note
Enterprise Risk Update – Environment including Climate Adaptation (ER03) - TBC	CSHEO	To note
Enterprise Risk Update – Changes in Customer Demand (ER09) - TBC	CCSO	To note

October 2025		
Treasury Activities	CFO	To note
Prudential Indicators Outturn	CFO	To note
Enterprise Risk Update – Supply Chain Disruption and Ineffective Procurement and Contract Management (ER05) - TBC	CFO	To note
Enterprise Risk Update – Financial Resilience (ER07) - TBC	CFO	To note
London Overground Concession Contract	CFO	To approve
Facilities Management Cleaning and Associated Services Contract	CFO	To approve

December 2025		
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### Additional items to be scheduled:

- App Based Culture – paper to cover TfL perspective on the strategy, plans and issues for TfL e.g. Taxi and private hire regulation

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of the Local Government Act 1972.

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