

Transport for London

Minutes of the Finance Committee

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

Members

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

Government Special Representative

John Hall

Executive Committee

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

Staff

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

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

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

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

The Chair welcomed everyone to the meeting, particularly John Hall who was attending his first meeting of the Committee as the Government Special Representative. The meeting was also being broadcast live to TfL's YouTube channel, except for the discussion of the information on Part 2 of the agenda, which was exempt from publication, to ensure the public and press could observe the proceedings and decision making.

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

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

19/06/23 Declarations of Interests

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

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

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

21/06/23 Matters Arising and Actions List

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

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

An update was provided in relation to action 44/10/22(2) on progress with the Crossrail Asset Restructuring tax treatments outcome. Patrick Doig confirmed that Department for Transport sponsor approval had been received to transfer the Crossrail assets. Although

no additional tax liabilities would be created by the transfer, the approach needed to be revised for TfL to set its own internal charge between asset owner and operator, until the Office of Rail and Road introduced its formal Infrastructure Recovery Charge. As a decision would be required before the next scheduled meeting of the Committee, an amended reauthorisation of the approval given by the Committee in October 2022 would be sought by Chair's Action during the summer 2023.

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

The Committee noted the updated actions list.

22/06/23 Use of Delegated Authority

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

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

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

The Committee noted the paper.

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

Patrick Doig and Pritesh Patel introduced the report and related supplementary information on Part 2 of the agenda, which set out TfL's financial results to the end of Period 1, 2023/24, the year-to-date ending 29 April 2023. Performance to date showed strong results and TfL was on track to achieve financial sustainability this financial year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Committee noted the paper.

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

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

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

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

[Action: Rachel McLean / Jadon Silva]

The Committee noted the paper.

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

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

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

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

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

The Committee noted the paper.

27/06/23 Forthcoming Key Procurement Activities

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

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

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

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

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

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

28/06/23 Docklands Light Railway Franchise Procurement

Trish Ashton introduced the paper and related supplementary information on Part 2 of the agenda. This provided an update on the forthcoming procurement process planned to be undertaken by Docklands Light Railway Limited (DLRL) for the new franchise for the provision of passenger operations and maintenance of the DLR.

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

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

29/06/23 Elizabeth Line Concession Procurement

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

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

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

30/06/23 Track Labour Framework Extension

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

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

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

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

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

- 1 approved the extension of the framework to March 2025;**
- 2 approved Procurement Authority for £588.75m for the period to March 2024; and**
- 3 noted a further request would follow for the financial year 2024/25.**

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

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

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

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

The Chair, following consultation with the Committee, noted the paper and the exempt supplementary information on Part 2 of the agenda and granted Procurement Authority at the sum set out in the related paper on Part 2 of the agenda for the three-year extension of the Capita Access and Wide Area Network Contract, as described in the paper and the related paper on Part 2 of the agenda.

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

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

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

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

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

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

33/06/23 Members' Suggestions for Future Discussion Items

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

The Committee noted the forward plan.

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

There was no other urgent business to discuss.

35/06/23 Date of Next Meeting

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

36/06/23 Exclusion of the Press and Public

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

The meeting closed at 12.22pm.

Chair: _____

Date: _____