

Customer Service and Operational Performance Panel



Date: 5 March 2024

Item: Enterprise Risk Update - Deterioration of Operational Performance (ER6)

This paper will be considered in public

1 Summary

- 1.1 As part of Transport for London's (TfL) risk management process, Enterprise Risk 6 - Deterioration of operational performance (ER6) is allocated to the Panel for its annual review and oversight.
- 1.2 ER6 is a newly created risk, following the post-coronavirus pandemic refresh of the Enterprise Risks. This paper provides an oversight on how TfL manages this risk.
- 1.3 This paper provides an overview of the risk, causes, consequences, and analysis of the risk, evaluating both the current state and the target outcome. It also details controls and actions in place to manage this risk effectively.
- 1.4 There are two key drivers of this risk, asset condition degradation and operational challenges (details are listed in section 4).
- 1.5 An appendix is included on Part 2 of the agenda, which contains exempt supplemental information pertaining to the strategic risk deep dive. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business and financial affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

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

3 Current status

- 3.1 There is a risk that TfL's operational performance may deteriorate due to worsening of asset condition. Reasons for this could include insufficient funding to undertake all maintenance, renewals and enhancements; lack of asset overhaul deliverability; extending asset life due to delays in projects; extreme weather events; non-resilience to recover when significant disruptions occur; supply chain challenges/insufficient contractors to operate the service; and unavailability of internal and external resources.

- 3.2 Materialisation of these risks could lead to operational performance targets not being met, less reliable services to customers, loss of revenue, and negative reputational impacts on TfL.
- 3.3 Current probability of the risk is high due to deteriorating asset conditions across all areas with the exception of likely improvement on the Elizabeth line and DLR. The target is to reduce the likelihood of the risk to medium, however with financial constraints and our inability to provide sustained investment through government capital support, added to deteriorating asset condition, it is not currently possible to further reduce the likelihood.
- 3.4 Safety is our top priority which we will never compromise on. Current safety impact of the risk is low as safety is prioritised over performance. If the risk materialises, financial impacts would be very high in terms of revenue loss as even a one per cent loss of rail revenue would exceed the very high threshold. Reputational impact would be high.
- 3.5 The overall control rating is “requires improvement” as controls are designed correctly and are in place and mostly effective, however, some controls are partially effective. Actions are in place to improve the effectiveness of such controls where required.

4 Key drivers

- 4.1 There are two main themes driving the current risk exposure: asset condition degradation and operational challenges.
- 4.2 The first main theme driving this risk is asset condition degradation, due to the following potential causes:
- (a) insufficient funding to undertake all necessary capital renewal and enhancement works;
 - (b) inability to plan due to uncertainty around funding especially full life cost;
 - (c) increasing failure rates of ageing or obsolete components impacting operational performance;
 - (d) roles, responsibilities and shared accountabilities, including with multiple contractors, third party assets (such as those of Network Rail), may be unclear leading to inconsistencies in performance, gaps in management regimes and lack of clarity where decisions are made;
 - (e) skill availability, competence, capability and resourcing challenges could make it harder to effectively manage assets;
 - (f) long term climate change impacts for extreme levels of heat, rain, wind and snow; and
 - (g) project and programme readiness integration following renewal or enhancement.

4.3 The second main theme driving this risk is due to operational challenges, caused by potential issues including:

- (a) industrial action, including external industrial action where TfL shares assets;
- (b) front line colleague unavailability hindering the ability to recover quickly from service disruptions;
- (c) extreme weather events impact on assets and transport network operations;
- (d) supply chain challenges, including performance of contracted operators;
- (e) vandalism, which leads to assets being taken out of service, and repair costs put increased pressure on budgets; and
- (f) unpredictable events such a global pandemics, war or terror that may have notable effect on our operation.

4.4 The potential consequences of this risk materialising have been identified as:

- (a) deteriorating operational performance caused by increased need for safety interventions in response to asset degradation;
- (b) negative impact on delivery of the Mayor's Transport Strategy (MTS) and Vision and Values themes – directly impacts the MTS theme of 'A Good Public Transport Experience' and TfL's Vision and Values themes of customer, colleagues, finance and safety;
- (c) financial impacts on TfL through the loss of ridership, patronage and revenue if customers resort to working from home or find alternative transport if operational performance deteriorates; leading to reduced revenue, less investment funding, driving short term decision making; and impacting our ability to borrow;
- (d) economic impact London and UK – reducing London's productivity and 'pull' factor for foreign direct investment; damaging the economy and international reputation as a world city;
- (e) declining customer satisfaction and impacts on sustainable travel – customers could stop travelling due to dissatisfaction with the system and could have lower tolerance for high levels of crowding – customers could resort to journeys by cars, negatively impacting the environment and sustainable travel;
- (f) prosecution and increased scrutiny from the regulator – a safety incident could lead to prosecution and increased scrutiny from the regulator and potential sanction for non-compliance; and
- (g) reputational damage – TfL's ability to operate an effective and reliable transport network would be damaged, resulting in poor customer, and stakeholder perceptions.

5 Mitigations

5.1 A large number of actions and controls are in place to mitigate the risk. Overall, the top three key mitigations that will help us move from our current position to its target position are:

(a) **short-term asset degradation control** - This includes ensuring:

- (i) asset inspections, surveys, monitoring and asset maintenance regimes using defined procedures are in place; and
- (ii) maintenance and technical assurance and second-line assurance checks are in place to assess if activities are being undertaken correctly;

(b) **long-term asset degradation control** - This includes ensuring:

- (i) asset renewal is prioritised and delivered to address poor asset condition and risks;
- (ii) maintaining comprehensive and comparable condition information databases across TfL Operations; and
- (iii) understanding of whole-life reliability and costing to mitigate asset degradation;

(c) **delivery planning optimisation (longer term)** including:

- (i) initial workshops to agree common processes to seek pilot areas to implement them;
- (ii) improved coordination of how we integrate interventions onto our assets; and
- (iii) integrated planning for all asset interventions to optimise how we use limited resources to deliver whole asset outcomes.

List of appendices to this report:

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

List of Background Papers:

None

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