

# 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 22 November 2023**

### Members

Anne McMeel (Chair)  
Anurag Gupta (Vice-Chair)  
Professor Greg Clark CBE  
Seb Dance  
Dr Nina Skorupska CBE

### Government Special Representative

John Hall

### Executive Committee

Andrea Clarke	Interim General Counsel
Lilli Matson	Chief Safety, Health and Environment Officer
Rachel McLean	Chief Finance Officer

### Staff

Justine Curry	Interim Director of Legal
Patrick Doig	Group Finance Director and statutory Chief Finance Officer
Oliver Gearing	Finance Director - Operations
Joanna 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
Pritesh Patel	Head of Financial Planning and Analysis

## **53/11/23 Apologies for Absence and Chair's Announcements**

There were no apologies for absence from Members. The meeting was quorate. Andy Lord, Commissioner, was unable to attend the meeting.

The Chair welcomed everyone to the meeting. 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.

## **54/11/23 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.

## **55/11/23 Minutes of the Meeting of the Committee held on 11 October 2023**

**The minutes of the meeting of the Committee held on 11 October 2023 were approved as a correct record, and the Chair was authorised to sign them.**

## **56/11/23 Matters Arising and Actions List**

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

**The Committee noted the updated Actions List.**

## **57/11/23 Use of Delegated Authority**

Andrea Clarke introduced the item. Since the last meeting of the Committee on 11 October 2023, there had been no use of Chair's Action.

There had been one use of Procurement Authority by the Commissioner in relation to the Bus Stops and Shelters Maintenance Services Contract award.

There had been one Mayoral Direction to TfL relating to the 18-25 Care Leavers' Discounted Travel Concession Scheme.

At the last meeting, it was reported that the Mayor had directed TfL to give six-months' notice to terminate the relevant provisions of the Travelcard Agreement. As provided for within the Mayoral Decision, the Direction was no longer applicable following agreement having been reached with the Department for Transport and Train Operating Companies which was financially acceptable to TfL. Members welcomed the settlement of the Travelcard issue.

**The Committee noted the paper.**

## **58/11/23 Finance Report – Period 7, 2023/24**

Rachel McLean, Patrick Doig and Pritesh Patel introduced the item, which set out TfL's financial results to the end of Period 7 of 2023/24, the year-to-date ending 14 October 2023. Performance to date continued to show strong results and TfL was successfully rebuilding its finances, delivering an operating surplus in 2023/24 and remained on track to achieve operational financial sustainability.

Progress continued towards financial sustainability for TfL to cover its day-to-day costs. On capital funding, previous Government funding settlements acknowledged that, like other public transport authorities, TfL would continue to need funding for major capital investment. TfL submitted its capital funding business case for 2024/25 to Government in September 2023, but disappointingly had received no decision to date. The current funding agreement would end in March 2024 and the longer-term settlement was needed, as the lack of certainty impacted TfL's ability to plan and that of its suppliers. Constructive discussions continued with Government but there was an urgency to conclude a further funding settlement.

Moody's upgraded TfL's long-term credit rating from BAA1 to A3 and changed the outlook from stable to positive. This brought TfL's rating up, but it was still not as positive as other peer organisations due to the ongoing uncertainty of funding of the capital programme.

TfL was actively growing passenger demand, while creating new sources of revenue to reduce reliance on fares income. In Period 7, cumulative year-on-year journey growth was almost eight per cent in the year to date. Passenger journeys had reached 90 per cent of pre-coronavirus pandemic levels, up from 85 per cent at the end of the last financial year. Pressure on other income sources continued which TfL expected to manage. Overall, total revenue was just above budget.

TfL continued to make recurring cost savings with like-for-like operating costs falling in real terms at six per cent higher than the last financial year, despite year-on-year inflation of around 10 per cent. Core operating costs were on budget and total operating costs were currently one per cent lower than budget, mainly from contingencies not yet used. There were also some timing differences in delivering savings, but TfL remained committed to delivering its savings programme this financial year.

In the year-to-date, the operating surplus was £142m, which was £58m better than budget but was driven by the contingency variance. Other income and costs were broadly in line with budget. Over the remainder of the financial year, TfL expected its favourable surplus position to trend back towards the budget target due to the timing of the contingency variance. Its renewals spend was expected to ramp up to reach the available funding and some costs would occur later in the financial year, such as rolling stock lease costs and bus contract renewals.

TfL was focussed on fully funding its capital programme with a long-term Government settlement and affordable level of debt. As TfL would not receive inflationary support this financial year and capital funding for 2024/25 was uncertain, capital enhancements had been allowed to slip and were almost £90m lower than budget. Capital renewals were slightly lower than budget by £11m but were expected to be in line with the available funding of £736m over the full financial year.

Cash balances were slightly lower than budget and below £1.2bn, as set out in the funding settlement. The Greater London Authority (GLA) financing facility of £500m was maintained for additional protection against shocks and risks, but this would expire on 31 March 2024 in line with the funding settlement.

On investing for higher return, the Treasury Management Strategy and Policy would soon be revised due to investment in the London Treasury Limited fund and will be brought to the March 2024 meeting of the Committee for approval, depending on confirmation of the liquidity and security guarantee arrangements anticipated from the

GLA. Further information on the background to the current approach would be circulated to the Committee. **[Action: Joanna Hawkes]**

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

### **59/11/23 TfL Energy Purchasing: Crown Commercial Service**

Lilli Matson and Glyn Lenton introduced the item, which sought Procurement Authority to extend the current energy purchasing arrangements, which would allow the continuation of the energy purchasing and risk management strategy through the Crown Commercial Service (CCS) Energy Framework.

On 25 November 2020, the Committee noted a paper on TfL Energy Purchasing: Crown Commercial Service and Power Purchase Agreements, which set out TfL's Energy Purchasing Strategy (EPS). The EPS outlined a refined approach to procuring renewable energy through Power Purchase Agreements (PPAs) to meet TfL's ambition to operate a zero-carbon railway by 2030. The existing energy purchasing arrangements with the CCS were an essential part of managing the energy price risk and fundamental to the delivery of renewable energy PPAs.

The proposed approach ensured the ongoing supply of cost competitive electricity and gas supplies for TfL's operations in the near term, while also enabling the transition to renewable energy. The existing EPS allowed TfL to secure 50 per cent of its energy through renewable PPA tranches over the coming years.

A revised EPS for the future that went beyond the current procurement would be brought to a future meeting of the Committee. **[Action: Lilli Matson]**

**The Committee noted the paper and:**

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

### **60/11/23 Communications, CCTV, Access Control and Security Systems Maintenance and Upgrade Services Contract**

Heather McStay introduced the item, which sought additional Procurement Authority for the provision of maintenance and upgrade services for Communications, CCTV, Access Control and Security Systems provided by Telent Technology Services Limited across the TfL estate.

In July 2019, the Committee approved Procurement Authority for the Technical Facilities Management Services contract award to supply maintenance and upgrade services to

the Communications, CCTV, Access Control and Security Systems, until 31 March 2027 with an option to extend for up to five years. The matters for which the additional Procurement Authority was sought remained within the scope and scale of the original contract notice published in the Official Journal of the European Union, which stated an estimated contract value of between £217m to £287m, with the upper end of the value range stated in the notice as representing the potential additional requirements that may be included before expiry of the contract.

**The Committee noted the paper and the exempt supplementary information on Part 2 of the agenda and, subject to approval of the revised Business Plan to be considered by the Board in December 2023, granted 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 the paper and the related paper on Part 2 of the agenda.**

## **61/11/23 Forthcoming Key Procurement Activities**

Luke Jarvis introduced the item, which provided a summary of the major new procurements or contract extensions planned over the next 24 months and decisions that were anticipated to be required from the Committee by way of Chair's Action between the meeting and the next planned meeting in March 2024. It also highlighted significant forthcoming procurements that required approval at officer level during that period.

The two-year look ahead covered around 250 contracts with an estimated total value of £14.7bn, and equivalent annual spend of £2.7bn. In Operations and Professional Services, Procurement Authority for one contract was forecast to require Committee approval by Chair's Action between now and the next meeting. In Capital and Technology, most authority decisions were within the remit of the Programmes and Investment Committee, so no contracts were forecast to need approval by the Finance Committee before the next planned meeting.

Work on improving the visibility of the procurement pipeline enabled TfL to be prepared to meet a requirement in the new Procurement Act 2023 for all contracting authorities to publish a pipeline notice within 56 days of the start of each financial year, setting out details of all procurements over £2m in value due to take place within that year. The Act was expected to come into force from October 2024. An update paper on the implementation of the Act would be brought to a future meeting of the Committee.

**[Action: Rachel McLean]**

On the extent to which the pipeline covered all procurement activities, the paper covered those valued at £100m or more and the activity below that value was dependent on the category spend. Statistics on the breakdown of the entirety of the spend would be provided to the Committee.

**[Action: Luke Jarvis]**

A similar paper and consolidated list of the totality of forthcoming key procurement activities was also being brought to future meetings of the Programmes and Investment Committee.

An informal briefing on the Procurement and Commercial Improvement Programme would be provided to Committee Members, subject to the timing of the work already

underway on the emerging vision for the Procurement and Commercial function.

**[Action: Rachel McLean / Secretariat]**

An informal briefing would be held in future on Green Initiatives – Budget and Income Generation.

**[Action: Rachel McLean / Lilli Matson / Secretariat]**

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

## **62/11/23 Members' Suggestions for Future Discussion Items**

Andrea Clarke 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.

On the additional item on Victoria Coach Station that was listed on the forward plan as to be scheduled, clarification would be sought on whether it was initially an item for the Land and Property Committee and when it would be scheduled. **[Action: Secretariat]**

**The Committee noted the forward plan.**

## **63/11/23 Any Other Business the Chair Considers Urgent**

There was no other urgent business to discuss.

## **64/11/23 Date of Next Meeting**

The next scheduled meeting of the Committee was due to be held on Wednesday 6 March 2024 at 10.00am.

## **65/11/23 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 7, 2023/24; Communications, CCTV, Access Control and Security Systems Maintenance and Upgrade Services Contract; and Forthcoming Key Procurement Activities.**

The meeting closed at 11.40am.

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

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