

Transport for London

Minutes of the Finance Committee

**Conference Rooms 1 and 2, Ground Floor, Palestra,
197 Blackfriars Road, London, SE1 8NJ
11.30am, Friday 22 December 2023**

Committee Members

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

Board Members

Dr Nelson Ogunshakin OBE (via Teams)
Mark Phillips (via Teams)
Marie Pye

Government Observer

David Coles (via Teams)

Executive Committee

Andy Lord	Commissioner
Andrea Clarke	Interim General Counsel
Stuart Harvey	Chief Capital Officer
Lilli Matson	Chief Safety, Health and Environment Officer
Rachel McLean	Chief Finance Officer
Alex Williams	Chief Customer and Strategy Officer

Staff

Justine Curry	Interim Director of Legal
Patrick Doig	Group Finance Director and statutory Chief Finance Officer
Jackie Gavigan	Secretariat Manager
Shamus Kenny	Head of Secretariat
Pritesh Patel	Head of Financial Planning and Analysis

66/12/23 Apologies for Absence and Chair's Announcements

There were no apologies for absence from Committee Members. Seb Dance and Dr Nina Skorupska CBE attended the meeting via Teams and were able to participate in discussions but did not count towards the quorum. The meeting was quorate.

An apology for absence had been received from John Hall, Government Special Representative. David Coles, Government Observer, was attending in his place.

All Members of the Board were invited to attend the meeting. Given the short notice, Heidi Alexander, Bronwen Handyside, Dr Mee Ling Ng OBE and Dr Lynn Sloman OBE had informed us that they were not able to attend.

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 had agreed to the meeting being called with fewer than five clear days' public notice and to the acceptance of late papers, in accordance with Standing Orders 31 and 33 and Section 100B(4)(b) of the Local Government Act 1972. The meeting was called as a matter of urgency on 18 December 2023, following confirmation of TfL's capital funding settlement from the Government earlier that day. The meeting would consider the 2024 revised draft TfL Business Plan, which had to be amended from the version considered by the Board on 13 December 2023, to reflect the funding agreement. As the approval of the Business Plan was delegated by the Board to the Committee to determine, all Board Members were invited to attend. Despite the short notice, the Chair was grateful for those who were able to join the meeting.

As indicated in the original notice issued on 18 December 2023, the Chair subsequently agreed that the Piccadilly Line Upgrade - Stage 1 Progress Update item should also be considered at this meeting. The discussions with Siemens Mobility Limited were ongoing when the original notice was published. With the agreement of the Chair of the Programmes and Investment Committee, the item had been included on the agenda for this Committee as it related to the Business Plan and allowed the decision to be made in public, rather than by Chair's Action. The Chair reordered the agenda to take agenda item 4 (Piccadilly Line Upgrade – Stage 1 Progress Update) immediately before agenda item 3 (2024 TfL Business Plan). The minutes reflect the amended meeting order.

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

67/12/23 Declarations of Interests

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

68/12/23 Piccadilly Line Upgrade – Stage 1 Progress Update

Stuart Harvey introduced the item, which provided a follow up to the annual updates provided to the Programmes and Investment Committee on 19 October 2022 and 5 October 2023 that set out the challenges across the rolling stock, depot and infrastructure projects which made up the Piccadilly Line Upgrade (PLU) Programme. It sought endorsement of matters that were key to the overall delivery of the PLU Programme but for which additional Authorities were not required currently.

TfL had experienced severe financial pressure following the impact of the coronavirus pandemic. The lockdown restrictions and supply chain disruption had impacted on the planned delivery works of the PLU – Stage 1 supporting the introduction of the new trains. This in turn had put pressure on the train delivery dates from Siemens Mobility Limited.

Despite these challenges, the first train arriving in London for testing remained on schedule for mid-2024, with introduction into service in 2025. Siemens Mobility Limited had requested settlement of a Compensation Event under the terms of the contract. The proposed extended rolling stock manufacturing and testing programme would provide value for money compared to alternative options, such as the significant storage of trains.

The Committee noted that there was an error in paragraph 4.1 of the public paper, which should read that this would also preserve the intended introduction of the service frequency increase to 27 trains per hour by May 2027, not May 2028.

This approach would also benefit TfL's revised 2024 draft Business Plan and the overarching Capital Programme by significantly rephrasing the PLU cash profile, as the Government capital funding settlement announced on 18 December 2023 was £250m less than assumed in the draft Plan.

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

- (a) endorsed proceeding with finalising a Compensation Event; and**
- (b) endorsed the proposal to reprofile payments,**
both under the Manufacture and Supply Agreement for the Deep Tube Upgrade Programme with Siemens Mobility Limited as detailed in the related paper on Part 2 of the agenda.

69/12/23 2024 TfL Business Plan

Andy Lord, Rachel McLean and Patrick Doig introduced the item.

The Board had considered the draft 2024 TfL Business Plan on 13 December 2023, which assumed £500m of Government capital funding in 2024/25. As discussions with the Government on a capital funding settlement were ongoing, the Board had delegated authority to approve the Business Plan to the Committee. A capital funding settlement of £250m was confirmed on 18 December 2023.

TfL was grateful for the £250m funding from Government for 2024/25 year but intense work had been undertaken to mitigate the £250m shortfall and present a Business Plan that enabled TfL to deliver its full investment programme and to prepare a balanced budget for consideration by the Board in March 2024. The revised Business Plan retained the assumptions for Government funding to continue for 2025/26 and 2026/27 at previously planned levels, based on the recognition of the need for future capital funding in the funding agreement and that the mitigation was only deferring elements of expenditure.

The compensation event and cash profiling with Siemens Mobility Limited for the Piccadilly Line Upgrade – Stage 1 was a key mitigation to the impact of the capital funding agreement. TfL had increased confidence in its operating surplus this financial year as several risks that were one-off in nature had been mitigated, although the latest inflation forecasts anticipated that it would stay higher for longer, which would create a recurring cost pressure.

There were some minor changes to the rest of the capital programme, the cash-flow benefit of the funding allowed renewals to be maintained but some reductions in capital expenditure would be needed in 2026/27. The remainder of the impact was offset by less borrowing in the short-term but more borrowing in 2026/27, which TfL would work hard to minimise by continuing to make the case for Government funding, working on its operating surplus and maximising the efficiency of its capital programme.

The Government recognised the need to provide ongoing investment for major capital projects for TfL, which was no different to other transport operators. Most of the £250m grant would be received this year and committed TfL to deliver its current programme of planned capital works and enabled it to apply for other eligible funding streams in the future. TfL would need to demonstrate that it had achieved financial sustainability at the operating level at the end of the financial year, and to present a plan for how it would maintain and improve on that going forward.

TfL was appreciative of the contribution and helpful engagement with Government. Capital funding was still required in the longer-term and those discussions would continue with Government as part of the Spending Review, and TfL would continue to make the positive case that investment in London's transport unlocked growth, not only in London but across the UK.

The Committee also noted the need to change the TfL Scorecard target for capital expenditure, due to the Department for Transport's inflation funding outcome for 2023/24, to align to the 2024 TfL Business Plan.

The Committee noted the paper and:

- (a) approved the revised draft 2024 TfL Business Plan attached at Appendix 1 to the paper;**
- (b) authorised the Chief Finance Officer to make any minor presentational amendments to the 2024 TfL Business Plan, before it was published as the final version on the TfL website; and**
- (c) approved the change to the TfL Scorecard target for capital expenditure, required as a result of the Department for Transport inflation funding outcome for 2023/24, to align to the 2024 TfL Business Plan.**

70/12/23 Any Other Business the Chair Considers Urgent

There was no other urgent business to discuss.

71/12/23 Date of Next Meeting

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

72/12/23 Exclusion of the Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972 (as amended), when it considered the exempt information in relation to the item on the Piccadilly Line Upgrade – Stage 1 Progress Update.

The meeting closed at 12.36pm.

Chair: _____

Date: _____