

# 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 13 March 2024

### Members

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

### Government Special Representative

Samantha Collins-Hill

### Executive Committee

|               |                                     |
|---------------|-------------------------------------|
| Andy Lord     | Commissioner                        |
| Andrea Clarke | Interim General Counsel             |
| Rachel McLean | Chief Finance Officer               |
| Alex Williams | Chief Customer and Strategy Officer |

### Staff

|                   |   |
|-------------------|---|
| Helen Chapman     | Director of Licensing and Regulation (for Minute 11/03/24)    |
| James Collins     | Corporate Finance Senior Manager (D&R)                        |
| Darren Crowson    | Policy Manager, Taxi and Private Hire (for Minute 11/03/24)   |
| Justine Curry     | Interim Director of Legal                                     |
| Patrick Doig      | Group Finance Director and statutory Chief Finance Officer    |
| Jackie Gavigan    | Secretariat Manager   |
| Oliver Gearing    | Finance Director – Operations                                 |
| Joanna Hawkes     | Director of Corporate Finance                                 |
| Lorraine Humphrey | Director of Risk and Assurance                                |
| Shamus Kenny      | Head of Secretariat   |
| Elizabeth McKay   | Director and Chief Executive Officer, London Transport Museum |
| Heather McStay    | Head of Procurement, Facilities Management                    |
| Pritesh Patel     | Head of Financial Planning and Analysis                       |
| Trevor Sandford   | Head of Finance – Professional Services                       |
| Christopher Tann  | Head of Group Financial Reporting & Tax                       |
| Jonathan Wharfe   | Director of Procurement and Commercial Operation              |
| Henry Yeomans     | Head of Procurement – Track & Fleet                           |

### Also in attendance

|              |  |
|--------------|--|
| Luke Webster | Assistant Director, Group Treasury and Chief Information Officer, Greater London Authority |
|--------------|--|

## 01/03/24 Apologies for Absence and Chair's Announcements

An apology for absence had been received from Professor Greg Clark CBE. The meeting was quorate. Government Special Representative John Hall was unable to attend the meeting and was represented by Samantha Collins-Hill.

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 confirmed that under section 100B(4)(b) of the Local Government Act 1972, she had agreed that the late items marked "to follow" on the agenda would be considered as a matter of urgency. The items were TfL Budget 2024/25 and TfL Prudential Indicators 2024/25 to 2026/27 (and the related Part 2 paper) and were published on 8 March 2024. They were accepted as urgent as the papers needed to reflect any impact on TfL of the Government's Budget 2024 that was announced on 6 March 2024 and to allow for the latest information to be provided.

The Chair reordered the agenda so that Luke Webster could be present for the discussions on Treasury Activities, Policies and Strategies, which was considered immediately before the discussions on TfL Prudential Indicators 2024/25 to 2025/26. The minutes reflect the meeting agenda 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.

Andy Lord thanked the Chair and the Committee for their support and challenge over the last year and going forward, and for helping TfL to deliver financial sustainability.

## **02/03/24 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.

Since the last meeting, there had been one update to Members declarations: Anurag Gupta had been appointed to the Steering Committee of the UK India Infrastructure Financing Bridge (UKIIB), a joint initiative of the City of London Corporation and the Government of India's NITI Aayog.

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

## **03/03/24 Minutes of the Meetings of the Committee held on 22 November and 22 December 2023**

**The minutes of the meetings of the Committee held on 22 November and 22 December 2023 were approved as correct records, and the Chair was authorised to sign them.**

## **04/03/24 Matters Arising and Actions List**

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

Rachel McLean provided a further update in relation to an action on Roadside Advertising Assets Disposal from the meeting on 11 October 2023. She confirmed that discussions were progressing on the strategy previously presented to the Committee. Should approval by Chair's Action not subsequently be required, the paper seeking approval would be circulated to the Committee for information.

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

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

## **05/03/24 Use of Delegated Authority**

Andrea Clarke introduced the item. Since the meeting of the Committee on 22 November 2023, there had been one use of specific authority delegated by the Board on 13 December 2023 in relation to approval of the 2024 TfL Business Plan by the Committee on 22 December 2023.

There had been one use of Chair's Action in relation to the capital funding settlement with the Department for Transport.

There have been five grants of Procurement Authority in relation to: FM Mechanical and Electrical Maintenance (Rail) contracts; Through the Line Strategic Thinking contract; Collaborative Print Management contract; London Cable Car Operations and Maintenance Contract Re-procurement; and Vehicle licensing, inspection services and an end-to-end information technology system contract.

There had been one grant of unbudgeted Financial Authority in relation to urgent maintenance resources for Central line recovery and unbudgeted Financial Authority granted in relation to bus operating contracts.

The paper referenced one Mayoral Direction to TfL relating to the implementation of the March 2024 Fare Change. The changes included freezing TfL-regulated fares set by the Mayor, which would be funded by increasing TfL's retained business rates income.

Since the paper was finalised, there had been two further Mayoral Directions to TfL. On 29 February 2024, TfL was directed to introduce a trial of all-day off-peak fares on Fridays on all TfL rail services and pay-as-you-go fares on National Rail services in London, from Friday 8 March 2024 to Friday 31 May 2024 inclusive. Funding of £24m had been allocated to support the trial. On 4 March 2024, TfL was directed to amend the existing London Vehicle Scrappage Scheme Delegation and Direction to confirm that TfL was able to use the Scheme to fund the donation and removal of non-compliant vehicles from use in Greater London to Ukraine.

The Chair commented that the delegations were all fully funded with no net impact on the TfL 2024/25 Budget.

**The Committee noted the paper.**

## **06/03/24 TfL Budget 2024/25**

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

Rachel McLean and Patrick Doig introduced the item, which sought approval of TfL's Budget for 2024/25. On 6 March 2024, given the proposed 2024/25 Budget was not available for that meeting, the Board delegated approval of the Budget to the Committee. The Budget updated the assumptions for 2024/25 compared with those in the 2024 Business Plan and in the Greater London Authority (GLA) budget submission in December 2023 and included the latest information on journey trends, inflation, savings and delivery schedules for the investment programme.

The forecast for 2023/24 showed that TfL was on track to reach operational financial sustainability and no longer rely on Government support for day-to-day operations, which was a significant milestone for TfL's recovery from the coronavirus pandemic. The operating surplus was already allocated to fund investment in the Business Plan. Government recognised that it was not possible for TfL to fund all its capital investment, so capital funding support was still needed. TfL was increasing its level of investment in capital renewals so the surplus was lower than in the Business Plan.

The Budget also reflected the outcomes of the Mayor's budget process, which included additional recurring funding to freeze the fares directly controlled by the Mayor. This enabled TfL to provide services that remained as affordable as possible; enhance the number of publicly available toilets on the TfL estate; innovate fares by trialling off-peak Fridays; support the Superloop bus services; and help further improve air quality through extending the Ultra Low Emission Zone scrappage scheme.

The rate of inflation had not fallen as quickly as previous forecasts predicted and had been assumed in the Business Plan. The Budget assumed that inflation would remain higher for longer, although the latest projections indicated there may be a small opportunity during 2024/25 from slightly lower inflation than expected. The Budget was based on a balanced view informed by the latest trends and market expectations, which reduced the cost pressure from £180m down to £120m. Lower than expected inflation would see a reduction of between £10m and £12m in cost pressure in 2024/25 compared to the proposed Budget.

To offset the larger inflationary pressure, the cost savings target in 2024/25 had been extended to £343m, through a mixture of recurring, one-off savings and cost avoidance, compared with £301m set out in the Business Plan. Savings delivery was one of the key financial metrics in the TfL Scorecard and TfL was further reviewing its use of non-permanent labour and consultants; working with suppliers to identify savings; reducing its office footprint and sub-letting head office space; reducing energy consumption; and ensuring energy-effective procurement.

TfL had also reviewed and prevented some cost growth through a mixture of reducing or stopping activity or mitigating cost pressures. An additional unidentified savings target of around £90m remained across both recurring and one-off savings, which was similar to the level of challenge in previous years, some of which would be delivered by avoiding cost increases. Like-for-like costs remained at almost the same level between 2022/23 and 2024/25, which reflected the savings programme implemented and action taken to mitigate inflation.

Passenger journey numbers continued to increase and TfL expected ridership to grow by six per cent by the end of 2023/24 and by a further six per cent during 2024/25.

Passenger income was lower than forecast in the Business Plan, due to the Mayoral fares freeze, but this was offset by other funding provided by the Mayor.

Overall, TfL was growing total income to £9,467m while maintaining the same proportion of fare income year-on-year. This was achieved through higher business rates retention and an increase in the council tax precept, as well as other sources of income such as commercial media and partnerships, telecoms, taxi and private hire licence fees and other administration fees.

Excluding Places for London, the 2024/25 operating surplus in the Budget was £161m, which was £60m lower than in the Business Plan, but still represented an increase compared with £102m forecast in 2023/24. TfL had achieved this while increasing the level of investment in critical asset renewals.

The Budget supported TfL's commitment to get everyone home safe and healthy every day and to invest in vital improvements, such as launching phase 2 of the Direct Vision Standard to improve safety for road users; delivering the safer junction programme; starting trials to further reduce Tube dust; and implementing the Colleague safety plan. TfL continued to deliver on its ambition to be a great place to work for everyone to thrive by embedding its Action on Inclusion and Colleague wellbeing plan.

TfL continued to provide more reason to choose sustainable travel by increasing its renewals budget to maintain existing service levels and improve reliability. It was focussed on improving bus customer journey times and ensuring the full roll out of outer London services, alongside the roll out of 4G and 5G. TfL was delivering on its green goals in the Budget and would continue the roll out of zero emission buses, with a further 500 joining the fleet in 2024/25, and building its decarbonisation pipeline and adaptation projects.

The Budget delivered £1.8bn of capital investment, which was three per cent lower than this financial year due to some programmes coming to an end and others ramping up. TfL continued to increase funding for critical asset renewals to begin to address the backlog created by the pandemic and Government funding uncertainty.

TfL was maintaining an affordable level of debt and managing borrowing in an affordable, sustainable and prudent manner. TfL had reduced its total debt since 2020/21 as part of the return to financial sustainability, although this was forecast to increase in 2024/25 due to borrowing to fund the investment programme and when the Silvertown Tunnel opened and came onto the balance sheet.

In 2024/25, TfL planned to hold cash reserves equivalent to 60 days of operating costs. It maintained 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. It was rebuilding its accounting reserves and the Budget confirmed the trajectory set out in the Business Plan to return to a General Fund of £500m by 2025/26.

Significant key risks in 2024/25 included the passenger income risk returning to TfL as the August 2022 Government funding settlement ended; uncertainty around other income streams; delivering challenging savings targets; and investment which was lower than required to maintain asset condition. The Budget included £120m of contingency to manage these risks and TfL had further levers which could be applied in year to respond to further shocks.

Rachel McLean, Andy Lord and Committee Members thanked colleagues in Finance and across TfL in assisting the financial recovery by delivering services every day on the network. It was testament to everyone that TfL had achieved operational financial sustainability in 2023/24 and TfL was budgeting to continue to strengthen its financial position in 2024/25.

Progress on delivering against the Budget would be reported to the Committee and Board throughout 2024/25. As required under the 2024/25 Government capital funding settlement, TfL would continue to provide quarterly financial reporting to the Department for Transport (DfT) and its advisers, to update on how it was maintaining operational financial sustainability and making progress on the requirements of the funding settlement.

TfL was grateful for the capital funding it had received from Government and was fortunate that it had a significant commercial renegotiation opportunity which had offset the £250m shortfall, but the same opportunity would not be available for this financial year. Government investment in the capital programme provided good value in the direct economic return it represented and in the supply chain and jobs across the country. A longer-term funding arrangement would enable TfL to make more efficient and beneficial decisions on capital, revenue and operations.

Samantha Collins-Hill, Government Special Representative, advised that DfT colleagues had worked closely with Patrick Doig and the Finance team to understand TfL's financial set up and the value of future investment. Government recognised that investment in London's transport network supported the rest of the UK and that TfL was not expected to fund major capital programmes solely from its income. The Government was in the last year of the Spending Review and DfT colleagues would continue to work closely with TfL on the next opportunity to make a good case for investment.

**The Committee noted the paper and approved the TfL Budget for 2024/25.**

## **07/03/24 TfL Prudential Indicators 2024/25 to 2026/27**

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

Christopher Tann introduced the item, which sought approval of TfL's Prudential Indicators and Treasury Management Indicators for 2024/25 and the following two years, and of the annual Policy Statement on Minimum Revenue Provision. The paper set out the proposed TfL borrowing limits and other Prudential Indicators. These were consistent with the proposed Treasury Management Strategy for 2024/25, which was also on the agenda for consideration at this meeting, and the principles underpinning the proposed long-term TfL Capital Strategy.

The overall purpose of the Indicators was to ensure that the levels of external debt were prudent, affordable and sustainable. The operational boundary reflected the overall external debt including borrowings and leases assumed in the TfL Budget and Business Plan. The most significant change was the inclusion of the Silvertown Tunnel Private Finance Initiative contract of around £1.4bn that was forecast to come onto the balance sheet at the end of 2024/25. The boundary also included the assumed levels of

additional borrowing of approximately £47m for 2023/24 and £470m for 2024/25 to part finance investment in rolling stock and signalling programmes.

The authorised limit provided headroom above the operational boundary to address any short-term refinancing or unforeseen circumstances and could be serviced using options such as the Greater London Authority financing facility. It was not considered the most likely or budgeted scenario but, should the circumstances arise, the affordability of increasing external debt would be assessed at that time. A further change was the removal of an element of the headroom allowed for the misclassification of leases. This risk had fallen away now that International Financial Reporting Standard 16 had been implemented and embedded in the organisation for several years.

The Minimum Revenue Provision Policy was a statutory requirement for local authorities to set aside reserves for the repayment of debt. Audit findings confirmed that the 2022/23 calculation was compliant but recommended several areas of improvement. No changes had been made to how the provision was calculated but the policy had been expanded to address the recommendations to clearly outline how the policy was applied to each category of assets, borrowing or leases.

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. **[Action: Rachel McLean]**

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

- (a) approved the TfL Prudential Indicators, as set out in Appendix 1 of the paper, for 2024/25 and the following two years;**
- (b) approved the Treasury Management Indicators, as set out in Appendix 2 of the paper, for 2024/25 and the following two years; and**
- (c) approved the annual TfL Policy Statement on Minimum Revenue Provision, as set out in section 6 of the paper.**

## **08/03/24 Finance Report – Period 11, 2023/24**

Pritesh Patel introduced the item, which set out TfL's financial results to the end of Period 11 of 2023/24, the year-to-date ending 3 February 2024.

Performance to date continued to show strong results and TfL was successfully implementing its finance strategy and remained on track to achieve operational financial sustainability this financial year. At 10 months into 2023/24, TfL was within 0.4 per cent of its revenue budget, one per cent of core costs, one per cent of capital renewals and one per cent of financing costs.

On passenger income, TfL was targeting journey growth of six per cent on top of the 31 per cent increase in 2022/23. Cumulative growth was almost seven per cent in the year to date. Passenger journeys were at 90 per cent of pre-coronavirus pandemic levels, up from 85 per cent at the end of last financial year.

Like-for-like operating costs were six per cent higher than last year, despite year-on-year inflation of eight per cent, so a fall in real terms. Operating costs were currently two per cent lower than budget, mainly from contingencies which were held to mitigate risks on operating income which TfL had now retired.

The headline operating surplus was £145m, which was £78m better than budget. Excluding Places for London, this was £112m so was on track to deliver the £102m operating surplus forecast in the budget, with some costs being backend phased and renewals spend expected to ramp up. Some small risks remained on operating income and savings delivery but TfL expected to manage these and had retired the majority of its central contingency.

Capital renewals were within one per cent of budget, with the full-year outturn expected to be around £750-£760m with some acceleration of the spend into this year. Capital enhancements were expected to end the year between £80-90m lower than budget but in a controlled way to offset the lack of inflation support provided by Government.

Cash balances were in line with budget at around £1.2bn, as required in the August 2022 funding settlement. The forecast at the end of the year was around £1.3bn usable cash which was the maximum TfL was allowed to exit 2023/24 under the funding settlement.

TfL had met all the funding conditions within its control under the August 2022 funding settlement and this information would be included in the next Commissioner's Report to the meeting of the Board in June 2024. **[Action: Andy Lord]**

An informal briefing on the future savings and investment programme, with a focus on high level savings generation and retention, would be provided to all Board Members later in 2024. **[Action: Rachel McLean / Secretariat]**

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

## **09/03/24 Treasury Activities, Policies and Strategies**

Joanna Hawkes introduced the item, which provided an update on TfL's key treasury activities for the period from 23 September 2023 to 23 February 2024, including a summary of the changes to the Treasury Management Policies and Strategies.

Luke Webster, Assistant Director, Group Treasury and Chief Information Officer, Greater London Authority (GLA), attended the meeting for this item.

The paper sought approval of the proposed TfL Treasury Management Strategy (TMS) for 2024/25, the proposed TfL Treasury Management Policies (TMP) and the proposed TfL Group Policy Relating to the Use of Derivative Investments (Derivatives Policy), along with the proposed Places for London Limited (Places, TfL's property development company) Treasury Management Strategy (Places TMS) and the Places for London Treasury Management Policies (Places TMP). Approval of these strategies and policies was within the authority of the Committee.

During the reporting period, TfL had complied at all times with the TfL TMS, the TfL TMP, the Derivatives Policy, the Places TMS and the Places TMP, as approved by the



Committee on 8 March 2023, along with the GLA Responsible Investment Policy, approved by the Mayor on 25 April 2023.

In November 2023, Moody's upgraded TfL's long-term credit rating to A3 from Baa1 and the outlook had moved from Stable to Positive. TfL's ratings with Standard & Poor's and Fitch had been affirmed and remained unchanged at A+ (Positive) and AA- (Negative).

TfL's ongoing investment collaboration with the GLA was progressing and approval had been received from the GLA Group Collaboration Board in December 2023 for the design and to proceed with the implementation. The collaboration was expected to conclude in June 2024, at which point TfL expected to invest further in the London Treasury Liquidity Fund LP.

A paper would be brought to the next meeting of the Committee with the final results of the collaboration including the completed guarantee and an explanation of the governance process. Joanna Hawkes would engage with Committee Member Anurag Gupta on how the governance would work in certain scenarios.

**[Action: Joanna Hawkes]**

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

- 1 approved the proposed TfL Treasury Management Strategy (TMS) 2024/25, attached as Appendix 1 to the paper, including the Investment Strategy, the Borrowing Strategy, the Liquidity Strategy, the Risk Management Strategy;**
- 2 approved the proposed TfL Treasury Management Policies, attached as Appendix 2 to the paper;**
- 3 approved the proposed TfL Group Policy Relating to the Use of Derivative Investments, attached as Appendix 3 to the paper;**
- 4 approved the proposed Places for London Limited Treasury Management Strategy, attached as Appendix 4 to the paper, including the Borrowing Strategy, the Investment Strategy, the Liquidity Strategy and Banking and Cash Management explanation;**
- 5 approved the proposed Treasury Management Policies for Places for London Limited, attached as Appendix 5 to the paper; and**
- 6 following approval of the TMS 2024/25 (1 above) and approval of the TfL Group Policy Relating to the Use of Derivative Investments (Derivatives Policy) (3 above), approved, pursuant to Section 49 of the Transport for London Act 2008 (as amended by the Transport for London Act 2016, together the Act), and in accordance with the Derivatives Policy for 2024/25, Transport for London Finance Limited (as a qualifying TfL subsidiary for the purposes of the Act) entering into derivative investment(s) in relation to:**
  - (a) mitigating exchange rate risk related to specific currency exposures arising from the procurement of goods or services by any member of the TfL Group or grants or revenues payable in currencies other than Sterling to any member of the TfL Group in the ordinary course of**

business as soon as practicable once the quantum of exchange rate risk to any member of the TfL Group is established;

- (b) mitigating exchange rate risk arising from any TfL Group investments in foreign currencies and/or any TfL Commercial Paper (Euros or US Dollars) borrowing in accordance with the TMS 2024/25;
- (c) mitigating commodity rate and/or price risk related to specific commodity (including fuel and electricity) exposures arising from the procurement of goods or services by any member of the TfL Group in the ordinary course of business as soon as practicable once the quantum of commodity risk to any member of the TfL Group is established;
- (d) mitigating interest rate risk and if applicable currency risk related to any existing, imminent and future TfL Group borrowing (including any leases), once the borrowing has become certain and authorised in accordance with the TMS 2024/25;
- (e) mitigating inflation risk related to specific exposures arising from the procurement of goods or services by any member of the TfL Group once the quantum of inflation risk to any member of the TfL Group is established; and
- (f) mitigating risk related to any index reflecting any of the above matters referred to in resolutions 6 (a) to (e) above.

## **10/03/24 Investment Management Strategy 2024/25 – Non-Financial Assets**

Joanna Hawkes introduced the item, which sought approval of the proposed Investment Management Strategy 2024/25 – Non-Financial Assets. The strategy set out how TfL planned to manage and grow its various commercial assets. Approval of the strategy was within the authority of the Committee and would be noted at a meeting of the Land and Property Committee.

Statutory guidance required the strategy to include reference to other non-financial assets held primarily for or partially to generate profit. The strategy sat alongside TfL's Treasury Management Strategy, which addressed financial investments and was approved at this meeting of the Committee (see Minute 09/03/24).

The strategy had been updated to clarify which items of non-financial investment were managed through TfL's subsidiary, Places for London Limited (Places) and which were managed directly by TfL. The strategic objectives had been updated to align with the shareholder objectives agreed between TfL and Places, and the strategy relating to Media and Telecommunications had been updated to reflect the latest developments.

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.

**[Action: Joanna Hawkes]**

**The Committee noted the paper and approved the Investment Management Strategy 2024/25 – Non-Financial Assets, attached at Appendix 1 to the paper.**

## **11/03/24 Taxi Fares and Tariffs Update**

Helen Chapman and Darren Crowson introduced the item, which provided an update on the outcome of the 2023/24 taxi (black cab) fares and tariffs review and sought approval of changes to fares and tariffs.

TfL was responsible for the licensing and regulation of London's taxi and private hire services. It regulated taxi fares and set the maximum taxi fares that could be charged. When considering changes to taxi fares and tariffs, TfL tried to strike an appropriate balance between taxi drivers being fairly paid and taxi users getting fair, reasonable and affordable fares.

The review found that taxi drivers' operating costs included large increases in vehicle costs, electricity/charging and insurance. A cost index was used to track changes to their costs and average national earnings, resulting in a total cost index figure of 8.92 per cent in 2023/24.

TfL consulted on different options for fares and tariffs for consideration by respondents. After reviewing all the responses to the consultation and considering the issues raised, and the positive and negative impacts identified, TfL recommended increasing Tariffs 1, 2 and 3 by the total cost index figure to reflect the change in taxi drivers' operating costs and average national earnings. It also recommended making the Tariff 4 rates the same as the Tariff 2 rates to simplify the tariff structure and to continue to incentivise taxi drivers to accept longer journeys.

TfL sought views on reducing the Heathrow extra fee that drivers charged passengers to cover part of the cost of the taxi feeder park fee. After reviewing all the responses and considering the issues and impacts, TfL recommended reducing the Heathrow extra to £2.00 to maintain the longstanding arrangement of the Heathrow extra being around half of the taxi feeder park fee and to recognise that taxi drivers did not pay the taxi feeder park fee every time they entered a taxi rank at Heathrow Airport. It also recognised that, after a significant fall in taxi use during the coronavirus pandemic, demand for taxis at the airport had recovered.

TfL also sought views on increasing the fixed-fare between Wimbledon station and the All England Lawn Tennis Club (AELTC) and Southfields station and the AELTC during the Wimbledon Tennis Championships. After reviewing all of the responses and considering the issues and impacts, TfL recommended increasing the fixed-fare to £3.50 per passenger to encourage taxi drivers to use the taxi ranks during the Championships and to increase the supply of taxis available.

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. **[Action: Helen Chapman]**

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. **[Action: Helen Chapman]**

As part of the regular discussions that Andy Lord and Alex Williams had with the Chief Executive and his team at Heathrow Airport, the need to install more electric vehicle charging points for use by taxi drivers at the airport would be raised.

**[Action: Andy Lord / Alex Williams]**

**The Committee noted the paper and approved:**

- 1 increasing Tariffs 1, 2 and 3 by the total Cost Index figure (+8.92 per cent) to reflect the change in both taxi drivers' operating costs and average national earnings;**
- 2 making the Tariff 4 rates the same as the Tariff 2 rates;**
- 3 reducing the Heathrow extra from £3.60 to £2.00; and**
- 4 increasing the fixed-fares for shared-taxis that operate between Wimbledon Station and the All England Lawn Tennis Club (AELTC) and Southfields Station and the AELTC during the Wimbledon Tennis Championships.**

## **12/03/24 Track Labour Framework Extension**

Jonathan Wharfe and Henry Yeomans introduced the item, which provided an update on the Track Labour Framework and sought additional Procurement Authority for the external track labour resources required to supplement London Underground's direct labour for the financial year 2024/25.

The external, skilled labour was deployed across the network to support safety critical maintenance, enhancements and renewals of track assets. The framework was let following a competitive tender process and awarded to five suppliers. Commercial negotiations had taken place with each supplier to agree fixed 12-month rates giving the greatest opportunity to deliver value for money and mitigate future cost pressures.

In June 2023, the Committee approved the extension of the framework until March 2025 and granted Procurement Authority to March 2024, as part of the transition to a new approach to the market for the service. It was noted at the time that additional Procurement Authority would be sought to March 2025 after funding discussions with Government had concluded. It was likely that a further extension in time and value would be sought from the Committee later in 2024/25 as the transition arrangements progressed, depending on the outcome of the re-procurement and required mobilisation timescales. Members would be provided with an update prior to any request being submitted to the Committee for approval. **[Action: Rachel McLean / Jonathan Wharfe]**

Due to the complexity of the work involved, an informal briefing on the Track contracts strategy and delivery would be provided to Committee Members in April 2024.

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

Non-permanent labour (NPL) was a collective term used for a variety of different resources that TfL used. TfL was focused on reviewing the use of some very specialist individuals where a more permanent solution was needed but there was a valid case for contracts with suppliers to provide resource to deal with peak demand in workshops and

call centres. Consideration would be given to demonstrating the different categories of NPL in future papers. **[Action: Rachel McLean]**

**The Committee noted the paper and the exempt supplementary information on Part 2 of the agenda and approved Procurement Authority for £112.4m for external track labour resources procured through the London Underground Track Labour Framework for the period to March 2025, giving a total Procurement Authority of £701.15m.**

### **13/03/24 London Transport Museum: Covent Garden Site**

Trevor Sandford introduced the item, which provided an update on potential future proposals for development of London Transport Museum's (LTM) site in Covent Garden.

Elizabeth McKay, Director and Chief Executive Officer, LTM, attended the meeting for this item.

LTM had occupied the flower market building in Covent Garden since 1980. LTM was London's third fastest recovering attraction in the post-coronavirus pandemic market and footfall and income was now capped by space and capacity constraints at peak times. The paper set out the options to alleviate the constraints.

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

### **14/03/24 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 those projects with an estimated value of £1m or over and covered 224 contracts with an estimated total value of £27bn, and equivalent annual spend of £2.9bn when prorated by the length of the contracts.

In Operations and Professional Services, two contract awards were forecast to require Committee approval by Chair's Action in the next six months. Since the publication of the paper, a further decision by Chair's Action was anticipated shortly.

An informal briefing on the strategy for future wider concessions procurement would be provided to Committee Members, to take place in line with the strategy harmonisation.

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

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

## **15/03/24 Risk and Assurance Report Quarter 3 2023/24**

Lorraine Humphrey introduced the item, which provided an overview of the status of, and changes to, Enterprise Risk 5 – Efficient and high performing supply chains and effective procurement (ER5), Enterprise Risk 7 – Financial resilience (ER7) and Enterprise Risk 9 – Changes in customer demand (ER9). It also summarised the findings from the assurance activity associated with the risks.

A paper on ER9 was on the agenda for this meeting (see Minute 16/03/24). The 12-month rolling schedule was being developed which would confirm when the other risks would be reported to the Committee.

At the end of Quarter 3, in December 2023, 50 per cent of the internal audit plan had been delivered and the 85 per cent target was expected to be met as the work rate picked up. There had been a poorly controlled audit around cycle hire and bad debt. There had been several referrals of alleged counter-fraud and corruption through the website. The target to disseminate the referrals within 10 days was being met and new cases had been created. The most-risky parts of the business were being targeted, resulting in some poorly controlled and requires improvement audits.

On overdue audit actions, there were 66 open actions on the three risks that the Committee was responsible for, 18 of which were overdue and six were more than 100 days overdue but were now all closed. TfL had a clear focus on dealing with and closing the audit actions as soon as possible. Additional measures had been put in place to prevent actions becoming overdue and the trend was improving.

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.

**[Action: Rachel McLean]**

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

## **16/03/24 Enterprise Risk Update – Changes in Customer Demand (ER9)**

Alex Williams introduced the item, which provided an update on the current understanding and control measures on Enterprise Risk 9 – Changes in customer demand, which was a broad risk with significant potential implications for TfL's financial sustainability and delivery of its transport strategy.

Passenger demand had now stabilised and was around 90 per cent of pre-coronavirus pandemic levels. Protection against revenue volatility would cease on 31 March 2024 when the August 2022 Government funding settlement ended, which would increase the level of TfL's exposure to change in customer demand and increase the potential impact of the risk to financial sustainability. As passenger demand had increased by six per cent this financial year, the overall risk score had been reduced from Very High to High, following the risk assessment.

The level of risk of customer demand being too low to meet income targets and deliver against TfL's strategic priorities had reduced since the pandemic, based on the strong demand growth over the current financial year and the current demand stability. TfL would continue to improve passenger demand to achieve the six per cent passenger growth target set in the 2024/25 Budget, which would mitigate the risk of further reduction in demand.

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.

**[Action: Alex Williams]**

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

### **17/03/24 Members' Suggestions for Future Discussion Items**

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

**The Committee noted the forward plan.**

### **18/03/24 Any Other Business the Chair Considers Urgent**

There was no other urgent business to discuss.

### **19/03/24 Date of Next Meeting**

The next scheduled meeting of the Committee would be held on Thursday 11 July 2024 at 10.00am.

### **20/03/24 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: TfL Prudential Indicators 2024/25 to 2026/27; Finance Report – Period 11, 2023/24; Treasury Activities, Policies and Strategies; Track Labour Framework Extension; London Transport Museum: Covent Garden Site; Forthcoming Key Procurement Activities; Risk and Assurance Report Quarter 3 2023/24; and Enterprise Risk Update – Changes in Customer Demand (ER9).**

The meeting closed at 1.16pm.

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

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