

**Board**



**Date:** 24 July 2024

**Item:** Report of the Meeting of the Finance Committee held on 11 July 2024

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**This paper will be considered in public**

## **1 Summary**

1.1 This paper provides a summary of the items considered by the Finance Committee at its meeting on 11 July 2024. The Chair re-ordered the agenda and Items 7 and 12, Greater London Authority (GLA) Treasury Collaboration and TfL General Consumable Contract Extension, were considered immediately after Item 5, Use of Delegated Authority. The report order below reflects the original agenda order.

## **2 Recommendation**

2.1 **The Board is asked to note the report.**

## **3 Committee Agenda and Summary**

3.1 The papers for the meeting of the Committee held on 11 July 2024 were published on 3 July 2024 and are available on the [TfL website](#) with a link to the video recording of the meeting on [TfL's YouTube channel](#).

3.2 The main matters considered by the Committee were:

- (a) Use of Delegated Authority;
- (b) Finance Report – Period 2, 2024/25;
- (c) GLA Treasury Collaboration;
- (d) Annual Update on Third-Party Funding Secured Through Spatial Planning;
- (e) Energy Purchasing Strategy Update;
- (f) Procurement Act 2023 Update;
- (g) Forthcoming Key Procurement Activities;
- (h) TfL General Consumable Contract Extension; and
- (i) Risk and Assurance Report Quarter 4 2023/24.

- 3.3 A summary of the items considered and decisions taken is provided below. The more detailed minutes of the meeting will be published ahead of the meeting of the Committee on 9 October 2024.

## **4 Issues Discussed**

### **Use of Delegated Authority**

- 4.1 The Committee noted the paper on the use of delegated authority. Since the meeting of the Committee on 13 March 2024, there had been no use of specific authority delegated by the Board, nor any Mayoral Directions to TfL.
- 4.2 There had been two uses of Chair's Action in relation to the London Cycle Hire Scheme Sponsorship Commercial Strategy and Track Delivery Partnership Contract Year 6. There had also been one use of Chair's Action, on behalf of the Programmes and Investment Committee, in relation to the Elizabeth line: Service Frequency Increase to Support High Speed 2.
- 4.3 There had been one grant of unbudgeted Financial Authority in relation to bus contracts and 11 grants of Procurement Authority as set out in the paper.
- 4.4 Once the current round of bus contract retendering was completed, a report on the overall position and whether the exercise had resulted in any net financial pressures or opportunities would be brought to a future meeting of the Committee.

### **Finance Report – Period 2, 2024/25**

- 4.5 The Committee noted TfL's financial results to the end of Period 2 of 2024/25, the year-to-date ending 25 May 2024.
- 4.6 A similar Finance Report is elsewhere on the agenda for this meeting of the Board.

### **Greater London Authority Treasury Collaboration**

- 4.7 The Committee noted the update on recent progress in relation to the investment collaboration between TfL Treasury and the GLA investment subsidiary London Treasury Limited.
- 4.8 As many of the key milestones of the collaboration were moving towards imminent completion and sufficient progress had been made, the Committee authorised the managing Chief Finance Officer to approve an increase in the TfL investment counterparty limit in respect of London Treasury Liquidity Fund LP from £10m to £900m, following confirmation from the Group Treasurer of satisfactory delivery of the changes proposed under the GLA investment collaboration, as anticipated in TfL's Treasury Management Strategy 2024/25 and TfL's Treasury Management Policies approved by the Committee in March 2024.

- 4.9 An update on progress with the arrangements would be included in the Treasury Activities paper to the meeting of the Committee in October 2024.

### **Annual Update on Third-Party Funding Secured Through Spatial Planning**

- 4.10 The Committee noted the update for the 2023/24 financial year on income secured by TfL Spatial Planning, including Mayoral Community Infrastructure Levy (CIL), other developer contributions and wider third-party funding sources related to housing, growth and regeneration.
- 4.11 Income from developers in 2023/24 continued to be an important funding stream, supporting the delivery of the Mayor's Transport Strategy and key TfL priorities. Funding generated through Mayoral CIL and Crossrail section 106 agreements had reached £1.5bn, which was a significant milestone and MCIL continued to play a vital role in the financing arrangements for the Elizabeth line.
- 4.12 In addition, planning authorities in London spent £109m in Borough CIL, much of which went towards transport and public realm. TfL continued to leverage third-party funding sources, which played an increasingly critical role in delivering its objectives, such as step-free access, Healthy Streets and enabling new homes and jobs. TfL Spatial Planning continued to seek further opportunities and an action plan would be developed this year to optimise and better coordinate these opportunities and help manage and mitigate risks.

### **Energy Purchasing Strategy Update**

- 4.13 The Committee noted the update on the Energy Purchasing Strategy which had been reviewed in light of market conditions, carbon targets and TfL's experience to date.
- 4.14 Corporate Power Purchase Agreements (PPAs) remained the preferred renewables purchasing option, with the remaining non-PPA volumes procured through the existing mechanism with the Crown Commercial Service framework. To achieve its target to decarbonise operations in line with net zero by 2030, TfL intended to increase the flexibility of the current strategy by allowing an increased volume of electricity procured via PPAs from 50 per cent up to 70 per cent, subject to value for money considerations.
- 4.15 The project team would consider the detailed mechanics and procurement strategy over the coming months. An outline of the procurement strategy, including the PPA parameters, would be brought to the Committee prior to commencing the next procurement.

### **Procurement Act 2023 Update**

- 4.16 The Committee noted the update on the new Procurement Act 2023, which had a planned implementation date of 28 October 2024, including the core objectives and key changes of the reforms.

- 4.17 The objectives of the reforms were to create a simpler and more commercial system, open public procurement to new entrants and embed transparency through the commercial lifecycle. Several contract award procedures from existing regulations were reduced to three procedures under the Act, which would provide some flexibility for contracting authorities in designing procedures.
- 4.18 To manage the successful implementation of the business change, a programme group had been established to develop a roadmap for the work and provide clear guidance for colleagues on using the more flexible procedures and how TfL governance and assurance would apply. Further learning and development would be provided, a dedicated SharePoint webpage had been launched and proactive engagement with stakeholders was planned to raise awareness more widely.

### **Forthcoming Key Procurement Activities**

- 4.19 The Committee noted the 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 noted the significant forthcoming procurements that required approval at officer level during that period.
- 4.20 The two-year look ahead included those projects with an estimated value of £1m or over and covered 271 contracts with an estimated total value of £18bn, and equivalent annual spend of £3.1bn when prorated by the length of the contracts. In future papers to the Committee, the summary information on the two-year look ahead would be broken down further to show the revenue and expenditure activity separately.
- 4.21 In Operations, five contract awards were currently forecast to require Committee approval in the next six months. An update would also be provided to the Committee on the procurement process for each of the DLR, Elizabeth line and London Overground concessions.

### **TfL General Consumable Contract Extension**

- 4.22 The Committee granted Procurement Authority to extend the current TfL General Consumable contract – Hayley Rail Vendor Managed Inventory for a maximum period of three years and six months from 1 October 2024 to 31 March 2028.
- 4.23 The pan-TfL framework agreement for the supply of general consumable goods was awarded to Hayley Rail, which commenced on 1 April 2020. Hayley Rail supplied a variety of maintenance materials including fixtures and fasteners, oils and greases, tools and personal protective equipment (PPE), as well as the majority of the coronavirus PPE, which was critical to preserve the day-to-day safety of TfL's services.

- 4.24 The initial duration of the framework was for four years with an option to extend by a period of up to four years. Procurement Authority was granted at officer level for the sum anticipated to be spent over the initial four years only. It was made clear that, should any option to extend the contract be exercised beyond that Authority, Procurement Authority would need to be sought from the Committee. At the end of that four-year period, the contract was extended for a period of six months by agreement with Hayley Rail. Due to underspend at that time, no additional Procurement Authority was required.
- 4.25 Commercial discussions had taken place with Hayley Rail and the proposed extension provided the greatest opportunity to deliver value for money and mitigate future cost pressures.

#### **Risk and Assurance Report Quarter 4 2023/24**

- 4.26 The Committee noted the overview of the status of and changes to Enterprise Risk 5 – Efficient and high performing supply chains and effective procurement (ER05), Enterprise Risk 7 – Financial resilience (ER07) and Enterprise Risk 9 – Changes in customer demand (ER09) in Quarter 4 of 2023/24 (10 December 2023 to 31 March 2024). It also noted the findings from the assurance activity associated with the risks.
- 4.27 Risk review workshops had been undertaken for ER05, ER07 and ER09. ER05 and ER07 had been discussed by the Executive Committee and were scheduled to be brought to Committee meeting in October 2024. Discussions were taking place internally on what audits should be undertaken on ER09 going forward.
- 4.28 The 85 per cent target had been exceeded for Internal Audit and Quality, Safety and Security Assurance audits. There were two requires improvement audits and an increased trend in requires improvement findings, which was due to the move to more risk-based auditing with a focus on areas of concern and less memos being produced. There was a continued focus on closing overdue audit actions and the trend was improving with five remaining at the end of the quarter.

#### **List of appendices to this report:**

None

#### **List of Background Papers:**

Papers submitted to the meeting of the Finance Committee held on 11 July 2024.

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