

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 18 December 2024**

Members

Anne McMeel (Chair)
Deborah Harris-Ugbomah (Vice Chair)
Zoë Billingham CBE (from Minute 75/12/24 inclusive)
Professor Greg Clark CBE (via Teams)
Seb Dance
Anurag Gupta

Government Observer

Samantha Collins-Hill Deputy Director, London Partnerships and Delivery,
Department for Transport

Executive Committee

Andrea Clarke General Counsel
Rachel McLean Chief Finance Officer

Staff

Christina Calderato Director of Strategy
Elaine Clark Senior Category Manager Hard FM
Christopher Cubitt Corporate Finance Senior Manager
Justine Curry Director of Legal
Patrick Doig Group Finance Director and statutory Chief Finance Officer
Jackie Gavigan Secretariat Manager
Joanna Hawkes Director of Corporate Finance
Lorraine Humphrey Director of Risk and Assurance
Shamus Kenny Head of Secretariat
Collan Murray Head of Procurement and Commercial Improvement
Pritesh Patel Head of Financial Planning and Analysis
Henry Yeomans Head of Procurement – Track and Fleet

71/12/24 Apologies for Absence and Chair's Announcements

There were no apologies for absence from Members. Professor Greg Clark CBE attended the meeting via Teams and was able to participate in the discussion but did not count towards the quorum. Zoë Billingham CBE had given an apology for lateness. The meeting was quorate.

Andy Lord, Commissioner, and Alex Williams, Chief Customer and Strategy Officer, were 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.

72/12/24 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.

73/12/24 Minutes of the Meetings of the Committee held on 9 October and 19 November 2024

The minutes of the meetings of the Committee held on 9 October and 19 November 2024 were approved as correct records, and the Chair was authorised to sign them.

74/12/24 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.

75/12/24 Use of Delegated Authority

Andrea Clarke introduced the item. Since the publication of the agenda papers, there was one further Chair's Action and one further Mayoral Direction to TfL to report.

Since the meeting of the Committee on 9 October 2024, there had been no use of specific authority delegated by the Board. There had been two uses of Chair's Action. One use of Chair's Action was for Procurement Authority, to enable an extension to TfL's current contract for the supply of physical security services across the pan-TfL estate, as set out in the paper.

On 13 December 2024, the Committee received an update on the triennial actuarial valuation of the TfL Pension Fund as at 31 March 2024. The Chair, in consultation with Members of the Committee, approved authorities in relation to the TfL Pension Fund. The use of Chair's Action was considered appropriate as authority was required that day to sign the relevant documentation.

Several bus operating contracts had required unbudgeted Financial Authority approval by the Chief Finance Officer. TfL's response to the various matters relating to the cyber security incident had required unbudgeted Financial Authority and Procurement Authority approval by the Commissioner.

There had been five uses of Procurement Authority in relation to: Collaborative Planning and Media Buying Variation; Concessions Scheme Management contract uplift; Existing Oyster Card Framework Agreement extension; Jubilee Line Heavy Overhaul Programme – 96 Train Stock parts; and various agreements with Network Rail and train operating companies.

There had been two Mayoral Directions issued to TfL. On 16 October 2024, the Mayor directed TfL to provide further financial support for Seven Sisters Market traders. This had been reported to the Board, the Audit and Assurance Committee and the Land and Property Committee. On 13 December 2024, the Mayor directed TfL to implement the March 2025 fare changes, from 2 March 2025, for TfL fares under the Mayor's control. The changes froze fares again on TfL buses and trams and, in line with national rail fares policy, increased fares on the Tube and all other rail services in London where Tube fares applied, by 4.6 per cent. TfL fare concessions would all be protected and remained the same.

The Committee noted the paper.

76/12/24 Finance Report – Period 8, 2024/25

Rachel McLean, Patrick Doig and Pritesh Patel introduced the item, which set out TfL's financial results to the end of Period 8 of 2024/25, the year-to-date ending 9 November 2024.

As a result of the cyber security incident and the steps TfL took to protect its systems, it was not able to complete the Quarter 2 end (Period 6) financial close. However, TfL had recovered well from the incident and presented the Period 7 financial performance results at the meeting of the Board on 4 December 2024.

A further briefing session would be arranged for all Board Members to provide an update on the impact of the cyber security incident, including the work that was still to be done to reinstate some systems and how the work was being prioritised. **[Action: Alex Williams]**

TfL had secured £485m in Government funding for its capital programme in 2025/26, inclusive of the £24m funding for the procurement of additional Elizabeth line trains committed by the previous Government. TfL was pleased and grateful for the funding settlement, which was almost twice the level received for 2024/25, amid the difficult national fiscal position.

On 22 November 2024, TfL made a draft budget submission into the Greater London Authority (GLA) Group consolidated budget process, which was open to consultation until 3 January and would be finalised in March 2025, alongside the TfL Budget. The submission covered an updated forecast for 2024/25 and a forward look from 2025/26 to 2027/28 and incorporated the £485m of capital funding. On 17 December 2024, the Deputy Mayor for Transport, Andy Lord, Rachel McLean and Patrick Doig answered the London Assembly Budget and Performance Committee's questions on the budget submission as part of the scrutiny process.

Last week, TfL submitted its long-term technical funding business case to the Department for Transport and the Treasury. It set out a requirement for core asset replacements to remain consistent with the submissions for 2024/25 and 2025/26, with

an average of £500-£600m a year for rolling stock and signalling, which was higher than previously due to the profiles of additional projects covered over a longer timeframe and future impact of inflation, and £150m a year for major road assets. TfL continued to work collaboratively with the Mayor and Government to make the case for a long-term capital funding settlement, which would allow it to continue to deliver for London and for the country, to support new jobs, homes and economic growth.

TfL had been working with the TfL Pension Trustees on the outcome of the triannual valuation. On 31 March 2024, the TfL Pension Fund had a surplus of £3.6bn, which showed a significant improvement in the funding position of the Fund, reflecting macroeconomic factors and good management by the Trustees. Agreement was reached with the Trustees to reduce the employer contributions from the current 27.3 per cent to 10.5 per cent for the next three years. This positive outcome helped TfL to balance its budget moving forward and meant no change to employee pension arrangements. The next valuation date is 31 March 2027.

Passenger demand across the network continued to remain the primary focus of TfL's work to analyse performance and improve its forecast results this year. In 2024/25, TfL budgeted six per cent year-on-year growth in demand. Journeys to date were just over 1.6 per cent up on last year, so ridership was continuing to grow and built on the nine per cent year-on-year growth from last year. However, this was 88 million fewer journeys than Budget, which in turn was driving the financial pressure.

TfL was currently reviewing a draft report produced by the GLA Economics team, which analysed data, trends and relationships across housing pressures, spend activities and employment patterns and would bring the analysis back to the Committee once finalised.

[Action: Rachel McLean / Patrick Doig]

To mitigate some of the revenue pressure, TfL had frozen new recruitment for non-operational areas and was implementing plans to reduce non-permanent labour (NPL) and use of consultants by 25 per cent. It had also begun moving some colleagues from more expensive NPL to permanent contracts and NPL levels were over 300 employees lower than at the end of last year.

Passenger income was £131m, which was four per cent lower than Budget. Passenger income in the Quarter 2 forecast was expected to be £188m, based on the current year-to-date trend, which was three per cent lower than Budget. Despite the various uncertainties and challenges, Period 8 year-to-date total income was only two per cent below Budget, as the adverse variance on passenger income was offset by £10m favourable variance on other operating income, mainly from higher Ultra Low Emission Zone enforcement income.

Core operating costs were £67m, which was one per cent higher than Budget, mainly from higher bad debt charges from enforcement income and pressures from higher bus retender costs. This was offset by exceptional costs which were £63m lower than Budget, mainly from central contingency release.

Capital renewals were £509m, which was £69m more than last year as TfL increased renewals investment to address the backlog of asset replacement. Renewals were £14m higher than Budget, largely due to a combination of cost increases across London Underground renewals and technology projects to address asset condition and acceleration of works, which were partially offset by some cost reductions and deferrals of works elsewhere.

TfL expected to achieve its Budget over the full financial year and was not planning any reductions to the capital renewals programme to mitigate the shortfall in passenger income. Capital enhancements were £564m, £84m lower than last year and £50m lower than Budget, driven largely by phasing on the Piccadilly line upgrade and delays across the DLR Rolling Stock programme.

The Committee would be updated on the proactive messaging to customers around the recent shortage of Piccadilly line trains due to leaf fall causing extensive damage to train wheels and the timetable to restore services. **[Action: Alex Williams / Claire Mann]**

Cash balances were £1.13bn at the end of Period 8, which was almost £180m lower than Budget and £224m lower than at the end of 2023/24, mainly because of lower revenue and the timing of borrowings and other items. Cash balances were still forecast to be above £1.3bn for the year end, in line with the Treasury policy, to ensure TfL had on average 60 days of operating costs as its minimum cash balance to allow it to meet its payment obligations. The GLA financing facility of £350m also offered additional protection against shocks and risks, should it be required. There were no changes to TfL's credit rating with the three major rating agencies since the last meetings of the Committee and the Board.

On the Quarter 2 forecast, TfL had faced several economic headwinds in 2024/25, which led to slower than expected growth in passenger demand and higher cost inflation in the supply chain, leading to a deficit of £32m at Period 7. It had recovered the position to a small deficit of £5m at Period 8 and was forecasting an operating surplus of around £23m for 2024/25, £138m lower than Budget. With a continued focus on cost control and the use of contingency included in the 2024/25 Budget, the impact of the headwinds had been reduced. TfL aimed to offset the impact of lower growth in demand through its ability to invest and continue to grow its operating surplus on an underlying basis compared to 2023/24, albeit at a slower rate than previously planned.

An update on the range of initiatives to boost and diversify revenues would be discussed with Board Members at the forthcoming Budget and Business Planning briefing session. **[Action: Rachel McLean]**

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

77/12/24 TfL Scorecard and Implications of the Cyber Security Incident

Christina Calderato introduced the item, which provided an update on the TfL Scorecard and implications of the cyber security incident.

TfL's recent cyber security incident and recovery had an impact on its data systems and datasets and required reprioritisation of resources within the business. The issues would affect reporting and interpreting the outturn of the 2024/25 scorecards, the achievement of some targets for 2024/25 and the setting of targets for 2025/26.

The impact on data was varied but TfL was working hard to recover the systems and minimise the impact on the business and the scorecards. Following the end of the financial year, the usual mitigations process would be used if needed to address any outstanding issues and ensure there was a clear audit trail of any residual impact and

that appropriate business decisions could be made with clarity. This would include arrangements for any metrics where data was unavailable or incomplete, and any deliverables which were impacted by the incident.

The availability of data for 2024/25 may have a limited impact on TfL's ability to set targets for the 2025/26 scorecards. There was no proposed change to the governance of target setting and approval for the proposed 2025/26 TfL Scorecard would be sought from the Board in March 2025.

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

78/12/24 Communications, CCTV, Access Control and Security Systems Maintenance and Upgrade Services Contract

Rachel McLean introduced the item, which sought additional Procurement Authority for the provision of maintenance and upgrade services for Communications, CCTV, Access Control and Security Systems across the TfL estate.

An uplift in Procurement Authority was required for the upgrades and renewals element of the contract. When the contract was awarded in July 2019, Procurement Authority for the core maintenance aspects of the contract was authorised and the Committee asked that the upgrades and renewals component be brought back on an annual basis for approval. This ensured that the upgrades and renewals costs could be included in TfL's annual prioritisation process.

The contract commenced on 1 January 2020 for a duration of seven years and three months until 31 March 2027, with an option to extend for up to five years and with an estimated contract value of between £217m to £287m. No changes were proposed to the terms of the contract or its duration.

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

79/12/24 Track Labour Framework Contract Extension

Henry Yeomans introduced the item, which sought additional Procurement Authority for external Track Labour Resources, including Track Protection procured through the London Underground Track Labour Framework, for the period from April 2025 to March 2026.

The existing Track Labour Framework had Procurement Authority until March 2025, approved by the Committee in March 2024. Approval of additional Procurement Authority was required for the financial year 2025/26 to support continuity of supply of skilled track labour and enable the completion of the new Track Works and Resources tender. This would provide the time needed to complete the tender process, which was due to be awarded in September 2025, with provision for six months' mobilisation until March 2026.

The Procurement Authority requested included £11.5m for Track Protection, ensuring continuity of services in case of extended mobilisation of the new contract. The new Track Protection contract was due to be awarded in January 2025 and mobilisation completed in April 2025.

The Committee received a paper in July 2024 on the core objectives and key changes of the new Procurement Act 2023. The planned implementation date was now February 2025 and an update would be provided to the Committee on how TfL was implementing the Act.
[Action: Rachel McLean]

The Committee noted the paper and the exempt supplementary information on Part 2 of the agenda and approved additional Procurement Authority of £100.1m for external Track Labour Resources procured through the London Underground Track Labour Framework for the period from 1 April 2025 to 31 March 2026, giving a total Procurement Authority of £808.5m.

80/12/24 Forthcoming Key Procurement Activities

Collan Murray 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 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 only those projects with an estimated value of £1m or over and covered 291 contracts with an estimated total value of £18bn. In future papers to the Committee, the summary information on the two-year look ahead would include a category-based analysis and consideration would be given to the feasibility of including the contracts with an estimated value of below £1m as well.

[Action: Rachel McLean / Heather McStay]

There were no approvals anticipated to be sought by way of Chair's Action ahead of the next scheduled meeting of the Committee on 26 February 2025. In Operations and Professional Services (excluding concessions), three contract awards were currently forecast to require approval from the Committee in the next six months.

In Capital and Technology, most decisions for contracts related to capital expenditure were routed through the Programmes and Investment Committee, although all Members would receive the paper. Two contract awards were currently forecast to require approval from the Programmes and Investment Committee in the next six months.

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

81/12/24 Risk and Assurance Report Quarter 2 2024/25

Lorraine Humphrey introduced the item, which provided an overview of the status of, and changes to: Enterprise Risk 3 – Environment including climate adaptation (ER03); Enterprise Risk 5 – Supply chain disruption and ineffective procurement and contract management (ER05); Enterprise Risk 7 – Financial resilience (ER07); and Enterprise

Risk 9 – Changes in customer demand (ER09). It also summarised the findings from the assurance activity associated with the risks completed by the Risk and Assurance Directorate during Quarter 2 of 2024/25 (23 June to 14 September 2024).

ER03, ER05 and ER09 were scheduled to be reviewed by the Executive Committee on 10 April 2025 and brought to the meeting of the Committee in July 2025.

The teams had been delivering the audit plan and would continue to add cyber security related audits as needed. A memo had been issued on the interim financial payment process to confirm that there were no issues with the work being undertaken. Two audit reports were issued with a 'requires improvement' rating against ER05. Four audit reports were issued against ER07, two of which were rated as 'poorly controlled' and two were rated as 'requires improvement'. Two memos were issued, one against ER05 and the other against ER07. Some trend analysis had been undertaken and 'requires improvement' ratings had increased and would likely continue, which was expected given the focus on the riskiest parts of the business.

The four overdue audit actions had now been closed and details of upcoming overdue actions before they became overdue would be provided to the Executive Committee in future to help reduce the number of overdue actions even further.

TfL was undertaking a significant piece of work to pull together all its sources of information around augmented resources of non-permanent labour into a single taxonomy, to help unlock understanding of the different ways it was procuring resources and to ensure cost effectiveness and efficiency in this area. An update on the outcome of the work would be brought to the Committee at the appropriate time.

[Action: Rachel McLean / Fiona Brunskill]

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

82/12/24 Members' Suggestions for Future Discussion Items

Andrea Clarke introduced the item. Clarification would be sought on when the additional item on TfL's strategy, plans and issues on the use of apps and app-based culture would be scheduled.

[Action: Secretariat]

Rachel McLean advised that a paper on Changes to Fees and Charges would likely be brought to a future meeting of the Committee.

[Action: Rachel McLean]

On the Taxi Fares and Tariffs Update, scheduled for the next meeting of the Committee, the paper would summarise the key issues but Committee Members would be briefed ahead of the meeting if beneficial, depending on the proposals in the paper.

[Action: Claire Mann / Helen Chapman]

No other additional suggestions were raised for future discussion items on the forward plan, other than those already noted during the meeting.

The Committee noted the forward plan.

83/12/24 Any Other Business the Chair Considers Urgent

There was no other urgent business to discuss.

84/12/24 Date of Next Meeting

The next scheduled meeting of the Committee would be held on Wednesday 26 February 2025 at 10.00am.

85/12/24 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: Finance Report – Period 8, 2024/25; TfL Scorecard and Implications of the Cyber Security Incident; Communications, CCTV, Access Control and Security Systems Maintenance and Upgrade Services Contract; Track Labour Framework Contract Extension; Forthcoming Key Procurement Activities; and Risk and Assurance Report Quarter 2 2024/25.

The meeting closed at 12.03pm.

Chair: _____

Date: _____