

**Board**



**Date: 26 March 2025**

**Item: Report of the Meeting of the Finance Committee held on 26 February 2025**

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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 26 February 2025.

## **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 26 February 2025 were published on 18 February 2025 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 9, 2024/25;
- (c) Treasury Activities, Policies and Strategies;
- (d) Investment Management Strategy 2025/26 – Non-Financial Assets;
- (e) Taxi Fares and Tariffs Update;
- (f) Bicycle Management and Supply Contract Extension;
- (g) Forthcoming Key Procurement Activities; and
- (h) Risk and Assurance Report Quarter 3 2024/25.

- 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 14 July 2025.

## **4 Issues Discussed**

- 4.1 The Committee noted changes to senior roles in the Chief Finance Officer's team. Joanna Hawkes had retired from TfL. Following a competitive recruitment process, Manish Gupta had been appointed as her successor as Corporate Finance Director. Patrick Doig had been appointed as the interim Group Procurement and Commercial Director, but remained the statutory Chief Finance Officer. Pritesh Patel had been appointed as the interim Group Finance Director.

### **Use of Delegated Authority**

- 4.2 Since the meeting of the Committee on 18 December 2024, there had been no uses of specific authority delegated by the Board, Chair's Action nor any Mayoral Directions to TfL within the Committee's remit.
- 4.3 Several bus operating contracts had required unbudgeted Financial Authority approval by the Chief Finance Officer.
- 4.4 There had been two uses of Procurement Authority in relation to: the extension of the Pan TfL Agreement for the supply of Electrical Consumable Goods; and the Capital Partner Contract.

### **Finance Report – Period 9, 2024/25**

- 4.5 The Committee noted TfL's financial results to the end of Period 9 of 2024/25, the year-to-date ending 7 December 2024. The meeting of the Board on 5 February 2025 had considered a similar paper.
- 4.6 TfL continued to work constructively in dialogue with Government and with the support of the Mayor on its Spending Review 2025 bid. It was working through a list of detailed questions and analysing certain scenarios to support colleagues in the Department for Transport in analysing the bid and making their recommendations. Members discussed the work that was being done to demonstrate how investment in London did not just benefit the city but generated economic growth across the country.
- 4.7 TfL had started discussions with Government on the opportunity for a different model to enable higher volumes of buses to be ordered at a discounted price that would give certainty to the supply chain and surety of delivery across the country. This would also enable TfL to accelerate its zero-emission fleet rollout and potentially cascade low-emission buses to other parts of the country, providing a wider environmental benefit.
- 4.8 Understanding and driving passenger demand across the network continued to be the primary focus. In 2024/25, TfL budgeted six per cent year-on-year growth in demand, based on nine per cent growth last financial year. Journeys had grown overall but not as much as expected in the Budget. In the year-to-date, demand was just over 1.6 per cent higher than last year, which was 101 million fewer journeys than Budget. Passenger income was £154m, which was four per cent lower than Budget and the key financial variance against the Budget this year.

- 4.9 The outcome of the triennial TfL Pension Fund valuation as of 31 March 2024 and the subsequent agreement with the TfL Pension Trustees allowed TfL to reduce the employer contributions from the current 27.3 per cent to 10.5 per cent for the next three years. This was a very significant reduction with no impact on member benefits or pensions. This was previously assumed to take effect from 2025/26 but had accelerated delivery into 2024/25. This positive outcome helped TfL to balance its Budget this year and in future years, with no impact on member benefits or pensions. A briefing would be provided to the Committee on the work of the Pensions team and the TfL Pension Fund performance, to gain a better understanding of the investment strategy and asset allocation.
- 4.10 Despite all the economic headwinds, TfL's remarkable turnaround in its finances meant it was expecting to deliver an operating surplus for the second year running. It had continued progress to maintain and grow the operating surplus over time and to fund increased levels of investment. Underlying revenue had increased by almost £3.5bn since 2020/21 and was just over £300m higher than last year. Real term like-for-like operating costs were almost £400m lower than in 2020/21. TfL had made an operating surplus of £50m in the-year to-date, resulting in a surplus of £42m after adjusting for timing differences, with cyber incident impacts of £23m.

#### **Treasury Activities, Policies and Strategies**

- 4.11 The Committee noted TfL's key treasury activities for the period from 21 September 2024 to 6 February 2025. It approved the TfL Treasury Management Strategy for 2025/26, the TfL Treasury Management Policies and the TfL Group Policy Relating to the Use of Derivative Investments (Derivatives Policy), along with the proposed Places for London Limited (Places for London), TfL's property development company Treasury Management Strategy and the Places for London Treasury Management Policies.
- 4.12 During the reporting period, TfL's level of borrowing exceeded the operational boundary, which was set based on the 2024/25 Budget in March 2024, as it accelerated previously planned borrowing from future years into 2024/25 to help mitigate the lower than budgeted operating surplus. There were no direct consequences of exceeding the operational boundary, which was intended as a prompt to review plans where necessary. TfL had remained within the authorised limit at all times.
- 4.13 It was suggested that a briefing on the work of Places for London would be helpful for all Board Members who did not sit on the Land and Property Committee. The briefing could cover the strategic plan for utilising the assets in TfL's operational estate, including the use of retail and commercial space in stations as a source of additional income and collaboration opportunities with Network Rail.

## **Investment Management Strategy 2025/26 – Non-Financial Assets**

- 4.14 The Committee approved the Investment Management Strategy 2025/26 – Non-Financial Assets, which 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.
- 4.15 Statutory guidance required that the strategy be approved at least once each financial year. Going forward, TfL would work with Places for London to ensure alignment between the content and approval processes for this strategy and the Places for London Investment Strategy, as previously requested by Members. The strategy relating to Digital Media and Telecommunications had also been updated to reflect the latest developments.

## **Taxi Fares and Tariffs Update**

- 4.16 The Committee noted the update on the outcome of the 2024/25 taxi (black cab) fares and tariffs review and approved increasing the minimum fare by 40 pence to £4.20; increasing Tariffs 1, 2 and 3 by 5.05 per cent; keeping the Tariff 4 rates the same as the Tariff 2 rates; reducing the Heathrow extra, which taxi drivers could add to the fare when picking up a passenger from one of the taxi ranks at Heathrow Airport, from £2.00 to £1.60; increasing the Heathrow drop off charge from £5.20 to £6.00; increasing the fixed-fares for shared-taxis from the All England Lawn Tennis Club to central London by £1.50; amending some of the authorised places where the fixed-fare, shared-taxi scheme operated from during the Wimbledon Tennis Championships; and extending one of the areas covered by the fixed-fare, shared-taxi scheme that operated during the Wimbledon Tennis Championships.
- 4.17 The review found a relatively large increase in taxi drivers' operating costs, including an increase in vehicle costs and a particularly large increase in insurance costs. A cost index was used to track changes to their costs and average national earnings, resulting in a total cost index figure of 7.48 per cent in 2024/25. Using the full 7.48 per cent cost index figure but spreading the increase across the minimum fare and Tariffs 1, 2 and 3 meant that the increase to the tariffs was lower at 5.05 per cent than if the tariffs had been increased by the total cost index figure. The new rate per mile and rate per hour were also lower than if the tariffs had been increased by the total cost index figure, so had a slightly lower impact on passengers.
- 4.18 TfL consulted on different options for fares and tariffs for consideration by respondents. It reviewed all the responses to the consultation and considered the issues raised, the positive and negative impacts identified, the equality issues and impacts, concerns about how respondents may have identified themselves and that some respondents may have commercial interests that influenced their responses. It also considered wider factors, such as the decline in the number of taxi drivers and vehicles.

- 4.19 The requirement by Heathrow Airport for taxi drivers to pay the full terminal drop off charge would be raised as part of the engagement work on Heathrow's terminal expansion plans, as taxis were a key element of surface transport access.

### **Bicycle Management and Supply Contract Extension**

- 4.20 The Committee approved Procurement Authority for the extension of up to eight months from 1 November 2025 of the Bicycle Management and Supply contract, currently held with Serco Limited.
- 4.21 The contract delivered the operational management and supply of bicycle assets for the London Cycle Hire Scheme. The current expiry date for the contract was 31 October 2025 and could be extended up to 31 October 2027, with the option exercisable by TfL until 1 May 2025.
- 4.22 The replacement contract was currently being procured and would amalgamate the activities with revenue collection and on-street asset responsibilities. Due to the complexities and dependencies of bringing these activities into one contract, a robust transition period was needed by the future operator. Following bidder engagement, TfL was proposing to exercise the available contract option to extend the commencement date to 31 March 2026, with a further period of extension to 30 June 2026 should that be necessary.

### **Forthcoming Key Procurement Activities**

- 4.23 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 over the next six months from 1 March to 31 August 2025 above £100m. It also highlighted significant forthcoming procurements that required approval at officer level during that period.
- 4.24 The two-year look ahead included those contracts with an estimated value of £1m or over and covered 330 contracts with an estimated total value of £22bn. It also covered the breakdown of the 330 contracts by value band, which included 469 contracts with a value below £1m, to provide a complete view of the pipeline of 799 contracts over the next two years.
- 4.25 There were two approvals anticipated to be sought by way of Chair's Action ahead of the next scheduled meeting of the Committee on 14 July 2025. Four operational contract awards were currently forecast to require approval from the Committee at meetings in the next six months.
- 4.26 TfL was preparing for the introduction of the Procurement Act 2023, which was delayed from 26 October 2024 to 24 February 2025. Consideration was being given to whether the internal training briefing undertaken by colleagues on the Act could be recorded or materials shared with Committee Members to do in their own time.

- 4.27 As part of the enhanced transparency obligations under the Act, TfL was required to publish an annual pipeline notice of projects over £2m to the market by 26 May 2025. Further information was expected from the Cabinet Office in April 2025 and the Committee would be kept updated.
- 4.28 The Committee would also be updated on progress with TfL's objective to have a minimum percentage of small and medium-sized enterprises by value in its supply chain and procurement, in line with the Mayor's ambition for each member of the Greater London Authority Group.

### **Risk and Assurance Report Quarter 3 2024/25**

- 4.29 The Committee noted the overview of the status of, and changes to: Enterprise Risk 03 – 'Environment including climate adaptation' (ER03); Enterprise Risk 05 – 'Supply chain disruption and ineffective procurement and contract management' (ER05); Enterprise Risk 07 – 'Financial resilience' (ER07); and Enterprise Risk 09 – 'Changes in customer demand' (ER09). The item also summarised the findings from the assurance activity associated with the risks completed by the Risk and Assurance Directorate during Quarter 3 of 2024/25 (15 September to 7 December 2024).
- 4.30 Risk review workshops had been undertaken for ER03, ER05, ER07 and ER09. ER03 and ER09 were scheduled to be reviewed by the Executive Committee on 10 April 2025 and brought to the meeting of the Committee on 14 July 2025.
- 4.31 Internal Audit had issued four reports, two with a 'requires improvement' rating against ER03, for which actions had been agreed and plans were being delivered. The other two reports were issued against ER07, one with a 'requires improvement' and the other an 'adequately controlled' rating. Two memos were issued against ER07. No audits were issued against ER09. No audits were deferred. Some trend analysis had been undertaken and 'requires improvement' ratings had increased and would likely continue, which was expected given the focus on the higher risk issues..
- 4.32 Work continued on the management of actions and there was a focus on ensuring more actions were closed on time. For ER03, ER05 and ER07, there were 104 open audit actions, 12 of which were overdue. There were no open audit actions for ER09.

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

None

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

Papers submitted to the meeting of the Finance Committee on 26 February 2025

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