

Agenda

Meeting: Finance Committee

Date: Wednesday 24 June 2020

Time: 10.00am

Place: Teams Virtual Meeting

Members

Ron Kalifa OBE (Chair)
Ben Story (Vice-Chair)
Heidi Alexander

Prof Greg Clark CBE
Anne McMeel
Dr Nina Skorupska CBE

How decisions will be taken during the Covid-19 emergency measures

TfL does not benefit from the changes in the Coronavirus Act 2020 in relation to public meetings. As Covid-19 emergency travel restrictions are in place, Members will attend a videoconference or teleconference briefing in lieu of a meeting of the Committee.

Any decisions that need to be taken within the remit of the Committee will be discussed at the briefing and, with the consent of available Members, will be taken by the Chair using Chair's Action. A note of the decisions taken, including the key issues discussed, will be published on tfl.gov.uk.

As far as possible, TfL will run the briefing as if it were a meeting but without physical attendance at a specified venue by Members, staff, the public or press.

- Papers will be published in advance (or reasons given for any late papers) on tfl.gov.uk [How We Are Governed](#)
- The briefing will be recorded and the public and press will be able to review the Part 1 discussion.
- A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other 2 means is available on www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Jackie Gavigan, Secretariat Manager; Telephone: 020 7084 2954; email: v_JackieGavigan@tfl.gov.uk.

For media enquiries please contact the TfL Press Office; telephone: 0845 604 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Tuesday 16 June 2020

**Agenda
Finance Committee
Wednesday 24 June 2020**

1 Apologies for Absence and Chair's Announcements

2 Declarations of Interests

General Counsel

Members are reminded that any interests in a matter under discussion must be declared at the start of the meeting, or at the commencement of the item of business.

Members must not take part in any discussion or decision on such a matter and, depending on the nature of the interest, may be asked to leave the room during the discussion.

3 Minutes of the Meetings of the Committee held on 11 March and 12 May 2020 (Pages 1 - 18)

General Counsel

The Chair, following consultation with the Committee, is asked to approve the minutes of the meetings of the Committee held on 11 March and 12 May 2020 and to sign them.

4 Decision Making During Covid-19 Emergency Measures, Use of Delegated Authority and Actions List (Pages 19 - 28)

General Counsel

The Committee is asked to note the meeting arrangements during the Covid-10 emergency measures, the use of Delegated Authority and the updated actions list.

5 Finance Update - To Follow

Chief Finance Officer

The Committee is asked to note the paper and the exempt supplemental information on Part 2 of the agenda.

6 TfL Scorecard - To Follow

Chief Finance Officer

The Chair, following consultation with the Committee, is asked to approve the TfL Scorecard.

7 Update on Income from Developers Through Planning Obligations
(Pages 29 - 42)

Director City Planning

The Committee is asked to note the paper.

8 Commercial Development Property Programme Update (Pages 43 - 52)

Director Commercial Development

The Committee is asked to note the paper.

9 Members' Suggestions for Future Discussion Items (Pages 53 - 58)

General Counsel

The Committee is asked to note the forward programme and is invited to raise any suggestions for future discussion items for the forward programme and for informal briefings.

10 Any Other Business the Chair Considers Urgent

The Chair will state the reason for urgency of any item taken.

11 Date of Next Meeting

Wednesday 30 September 2020 at 10.00am.

12 Exclusion of the Press and Public

The Chair, following consultation with the Committee, is recommended to agree to exclude the press and public from the meeting, in accordance with paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following item of business.

13 Finance Update - To Follow

Exempt supplemental information relating to the item on Part 1 of the agenda.

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 11 March 2020**

Members

Ron Kalifa OBE (Chair)
Ben Story (Vice-Chair)
Heidi Alexander
Prof Greg Clark CBE
Anne McMeel
Dr Nina Skorupska CBE

Executive Committee

Mike Brown MVO	Commissioner
Howard Carter	General Counsel
Graeme Craig	Director of Commercial Development (for Minute 10/03/20)
Simon Kilonback	Chief Finance Officer
Lilli Matson	Chief Safety, Health and Environment Officer (for Minute 15/03/20)
Shashi Verma	Director of Strategy and Chief Technology Officer (for Minutes 13/03/20 and 14/03/20)

Staff

Tanya Coff	Finance Director, London Underground
Patrick Doig	Finance Director, Surface Transport
Laura Ferguson	Senior Business Strategy Manager (for Minute 11/03/20)
Jackie Gavigan	Secretariat Manager
Matthew Griffin	Head of Commercial Telecoms (for Minute 13/03/20)
James Ingram	Principal City Planner (for Minute 15/03/20)
Shamus Kenny	Head of Secretariat
Tony King	Interim Group Finance Director and Statutory Chief Finance Officer
Paul Mason	Assistant Treasurer (for Minutes 07/03/20, 08/03/20 and 09/03/20)
Pritesh Patel	Finance Manager (for Minute 06/03/20)
Rajiv Sachdeva	Head of Financial Planning and Analysis (for Minute 06/03/20)
Rachel Shaw	Head of External Reporting (for Minute 12/03/20)
Alex Sorkina	Head of Capital Markets (interim) (for Minutes 07/03/20, 08/03/20 and 09/03/20)
Clive Walker	Director of Risk and Assurance
Ken Youngman	Divisional Finance Director, Commercial Development (for Minute 10/03/20)

01/03/20 Apologies for Absence and Chair's Announcements

No apologies for absence had been received.

To reflect TfL's focus on safety, the Chair invited Members to raise any safety issues in relation to items on the agenda or within the remit of the Committee at the start of the item or under Matters Arising. Any other safety issues could be discussed with General Counsel or an appropriate member of the Executive Committee after the meeting.

02/03/20 Declarations of Interests

Members confirmed that their declarations of interests, as published on tfl.gov.uk, were up to date.

03/03/20 Minutes of the Meeting of the Committee held on 18 December 2019

The minutes of the meeting held on 18 December 2019 were approved as a correct record and signed by the Chair.

04/03/20 Matters Arising and Actions List

Howard Carter introduced the paper which set out progress against actions agreed at previous meetings of the Committee.

The Committee noted the Actions List.

05/03/20 Use of Delegated Authority

Howard Carter introduced the paper. The Committee noted that, since the meeting of the Committee on 18 December 2019, there had been no use of authority delegated by the Board nor Procurement or Land Authority granted by the Commissioner or the Chief Finance Officer. There had also been no decisions taken under Chair's Action.

There had been one Mayoral Direction to TfL since the meeting of the Committee on 18 December 2019, relating to implementing a bus driver retention scheme.

The Committee noted the paper.

06/03/20 Finance Report – Period 11, 2019/20

Simon Kilonback and Tony King introduced the report and related supplemental information on Part 2 of the agenda, which set out TfL's financial results to the end of Period 11, 2019/20 – the year-to-date period ending 1 February 2020. Year-to-date performance was shown against the revised Budget, and against last year's actuals. The report also incorporated trends on passenger journeys.

Net operating surplus was £560m, which was £66m better than the revised Budget and £133m up on last year. Headline income was lower than target, as underlying passenger income was now £28m behind the revised Budget.

Journey demand growth had stalled, with the latest trends on the London Underground showing a year-on-year decline. Demand for bus journeys remained in decline but at a lower rate than seen earlier in the year.

Operating costs were £66m lower than Budget, which was driven mainly by contingency that had not been required. Underlying costs were slightly better than revised targets at £6m due to savings on staff costs and contracts.

The net cost of operations, which was the operating deficit and expected to turn into a surplus by 2022/23, was £74m better than target and £79m better than last year, which showed solid year-on-year progress towards this strategic goal.

The capital spend, including renewals and new capital investment, remained behind revised expectations with some additional slippage of £40m in savings, delays from commercial negotiation and other external factors.

In response to the information provided on the total capital expenditure by programme including capital renewals, it was agreed that consideration be given to the process for how to organise as a Board to engage agilely with the major projects.

[Action: Simon Kilonback/Howard Carter]

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

07/03/20 Treasury Activities

Simon Kilonback, Paul Mason and Alex Sorkina introduced the paper and related supplemental information on Part 2 of the agenda, which provided a brief update on key treasury activities for the reporting period from 20 September 2019 to 21 February 2020.

Cash under management was broadly unchanged over the reporting period, with a balance of £2.1bn held, which provided sufficient liquidity to discharge TfL's obligations. The investment yield was 0.75 per cent and the weighted average maturity of the portfolio was 42 days, with investments well diversified by sector, instrument and geography.

Outstanding borrowing was £11.5m, with a weighted average maturity of 19 years and an average interest rate of 3.5 per cent. £100m was received from Export Development Canada and the outstanding commercial paper balance increased by £160m.

The Public Works Loan Board lending margin had increased for borrowing from 0.8 per cent to 1.8 per cent above the government gilt yield. The remaining borrowing requirement for 2019/20 was £200-300m, which would be raised through public bond issuance, depending on the markets coming up. TfL's credit rating had been removed from negative watch.

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

08/03/20 Treasury Management Strategy 2020/21

Simon Kilonback, Paul Mason and Alex Sorkina introduced the paper and related supplemental information on Part 2 of the agenda. The paper set out the proposed Treasury Management Strategy (TMS) for 2020/21, which supported the objective of prudence and financial sustainability.

The TMS included TfL's proposed strategies for investment, borrowing, liquidity and risk management for the financial year 2020/21, as well as proposed counterparty exposure limits. It also set out TfL's borrowing requirement. There were no major changes to the TMS compared to the 2019/20 version. All investments referred to were held for treasury management purposes only.

Approval of the TMS and the related Treasury Management and Derivative Investments Policies (elsewhere on the agenda) were matters reserved to the Board. Given the ability of the Committee to review the TMS and related policies in detail, it was suggested that the Board delegate approval of the TMS and related policies to the Committee going forward at its next meeting. For approval of the TMS and related policies this year, subject to any views of the Committee and a delegation by the Board, these would be approved by the Chair under Chair's Action.

It was agreed that the Commissioner would write to the Permanent Secretary of the Treasury expressing discomfort at the lack of clarity around the funding of the Crossrail budget. A copy of the letter would be sent to the Finance Committee members.

[Action: Mike Brown]

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

- 1 recommended that the Board delegate approval of the Treasury Management Strategy (TMS) for 2020/21 and future years, and any changes to the TMS during the course of any year, to the Finance Committee;**
- 2 subject to a delegation of authority from the Board, that the Chair approves the TMS 2020/21, as set out at Appendix 1, including the Investment Strategy, the Borrowing Strategy, the Liquidity Strategy, the Risk Management Strategy and the Counterparty Exposure Limits;**
- 3 noted that the proposals to the Committee for derivative investments, set out in 4 below, had been approved by the Chief Finance Officer, as required under the TfL Group Policy Relating to the Use of Derivative Investments (the 'Derivatives Policy'); and**
- 4 subject to the approval of TMS 2020/21 and the Derivatives Policy, approve, 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 2019/20 (or 2020/21 as may be applicable at such time), 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 in accordance with the TMS 2019/20 (or 2020/21 as may be applicable at such time);
- (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 2019/20 (or 2020/21 as may be applicable at such time);
- (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 paragraphs 4(a) to (e).

09/03/20 Treasury Management and Derivative Investments Policies

Simon Kilonback, Paul Mason and Alex Sorkina introduced the paper, which set out the proposed Treasury Management Policies and TfL Group Policy Relating to the Use of Derivative Investments, which supported the commitment to financial prudence through risk management.

In addition to the Chief Finance Officer and the Director of Corporate Finance, the responsibilities for the implementation, operation and administration of the Treasury Management Policies had been delegated to the Group Treasurer. There were no other significant changes from the 2018/19 Treasury Management Policies.

The TfL Group Policy Relating to the Use of Derivative Investments was reviewed annually. There were no material changes to the proposed policy.

Approval of the Treasury Management Policies and the TfL Group Policy Relating to the Use of Derivative Investments (and the related Treasury Management Strategy (TMS) elsewhere on the agenda) were matters reserved to the Board. Given the ability of the Committee to review the TMS and related policies in detail, it was suggested that the Board delegate approval of the TMS and related policies to the Committee going forward at its next meeting. For approval of the TMS and related policies this year, subject to any views of the Committee and a delegation by the Board, these would be approved by the Chair under Chair's Action.

The Committee noted the paper and recommended that the Board delegate to the Finance Committee, for 2020/21 and future years, approval of:

- 1 the proposed Treasury Management Policies, as set out at Appendix 1 to the paper; and
- 2 the proposed TfL Group Policy Relating to the Use of Derivative Investments, as set out at Appendix 2 to the paper.

10/03/20 Investment Strategy 2020/21 – Non-Financial Assets

Graeme Craig and Ken Youngman introduced the paper, which sought approval for the proposed Commercial Development Investment Strategy 2020/21 – Non-Financial Assets. The strategy set out how TfL planned to manage and grow its various commercial assets. Updated statutory guidance required the strategy to include reference to other non-financial assets held primarily for or partially to generate profit.

Key changes from the 2019/20 strategy were the capital neutral plan for property development that was funded without recourse to TfL capital. Alongside the delivery of 10,000 homes under the Mayor’s Transport Strategy, the plan included the Build to Rent programme, significant investment in commercial estate and quick returns on empty properties and commercial assets.

Specific key performance indicators would be used to assess and monitor investments over a ten-year period, with decisions driven by yields and returns on capital investment. TfL would seek to minimise risk to assets and loss of capital value, and long-term project commitments would not be entered into until funding arrangements were clear.

It was confirmed that a paper on governance and other elements of the investment programme would be submitted to the meeting of the Committee in June 2020. It was requested that the commercial and property development aspects of the paper be shared with the Acting Director of Housing and Land at the Greater London Authority, so that collaborative working was aligned with the high-profile developments. It was also requested that the paper include information on assurance of the financial independence from the core operating business and information on the capability within TfL to deliver the schemes.

[Action: Graeme Craig]

It was agreed that information on the programme including environmental considerations, would be circulated to Members.

[Action: Graeme Craig]

The Committee noted the paper and approved the Commercial Development Investment Strategy 2020/21 – Non-Financial Assets, as set out at Appendix 1 to the paper.

11/03/20 2020/21 TfL Scorecard

Simon Kilonback introduced the paper, which set out the proposed TfL Scorecard 2020/21, including targets, floor targets and weightings, which provided information to track business performance against the in-year objectives.

As the Board was due to consider the 2020/21 TfL Scorecard at its next meeting, the Committee was asked to recommend approval of the scorecard to the Board.

The scorecard was an evolution of the 2019/20 one to reflect ongoing priorities and to provide continuity. Changes took account of the work undertaken to further develop and improve the scorecard, which included the use of metrics that were not available last year. TfL had set challenging targets again, recognising that they may not all be achieved given the current financial climate, external factors and the challenge of delivering the capital programme while mitigating the effects on day to day performance.

The 2019/20 forecast performance was approximately 79 per cent achievement against the scorecard. This was a significant improvement on previous years, largely based on achieving all the People measures.

Key updates on the proposed 2020/21 Scorecard included the carbon measure, which replaced the air quality measure. It did not include supply chain or project delivery emissions but would include these as data quality improved. The target had been set at a three per cent reduction on 2019/20 outturn, based on the forecast of changes to the bus network and decarbonisation of grid electricity.

To reflect the progression made on TfL's housing development projects in the past year, with many now ready to start on site, the previous measure had been replaced with a target of 10,000 start on sites of new homes. The target aligned with the commitment of providing 50 per cent affordable housing, as set out in the Mayor's Transport Strategy.

For the Net Operating Surplus (NOS) target to be achieved, certain conditions on passenger income and operating costs being within Budget had to be met. The NOS floor allowed some leeway if income was lower than Budget and the impact could not be fully mitigated through cost reductions.

If the new Elizabeth line target to start trial running by autumn 2020 was achieved, 100 per cent of the weighting would be awarded. If the target date was missed but delivered by December 2020, 50 per cent of the weighting would be awarded. Any date beyond that would receive no award.

The measure for reduction in customers and workforce killed and seriously injured had been moved to 'Healthy Streets and Healthy People', alongside the other safety measure. The measure for reduction in people killed and seriously injured on roads (incidents involving buses) had been removed as it had been a subset of another measure. TfL would continue to monitor and report incidents involving buses.

Moving the measures had required the weightings of other measures to be adjusted to rebalance the four scorecard quadrants. Significant changes included greater weighting for homes, Elizabeth line and carbon measures, and slightly reduced NOS and investment programme weightings.

Some of the floor target mechanisms had been adjusted to better reflect the nature of each measure and ensure consistency. Most floors now started at 'no worse than last year's performance', where this was reasonable. TfL Cares, Inclusion Index, and Healthy Streets Check for Designers were discrete measures that only moved by one per cent per annum so had floor targets set to award 50 per cent of the weighting, as in some cases there were no other points in between the floor and the target number. This approach was applied to the Total Engagement measure last year and again this year.

The Committee noted the paper and recommended that the Board approve the 2020/21 TfL Scorecard at its next meeting.

12/03/20 General Fund Balance

Tony King introduced the paper, which set out the purpose of the General Fund reserve. The paper sought approval for the increase in the General Fund target balance to £500m, in light of the current and future risks, both operational and financial, faced by the TfL Group.

A benchmarking exercise was carried out as part of the business planning process which looked at the split of reserves across the balance sheet. For many local authorities, the General Fund reserve balances sat within a range of 4.5 to five per cent.

Considering the unique size and long-term nature of TfL's capital investment programme, and its risk profile, it was recommended that the target level for the General Fund be set at a figure of £500m. This represented approximately five per cent of TfL's total gross expenditure, comprising operating expenditure, debt servicing costs and capital expenditure, for each year of the term of the Business Plan.

The Committee noted the paper and approved the increase in the target General Fund balance to £500m.

13/03/20 Telecoms Commercialisation Project

Shashi Verma and Matthew Griffin introduced the paper and related supplemental information on Part 2 of the agenda. The paper set out the approach and process undertaken to identify a new commercial partner (the Concessionaire) to fund, build, operate and monetise telecommunications infrastructure using TfL assets and generate a long-term revenue stream for TfL, to be achieved off-balance sheet.

The Concessionaire would deliver a range of telecommunications services that directly supported the Mayor's Transport Strategy to improve digital connectivity in London, specifically by tackling London Underground connectivity and ensuring better access to public sector property for digital infrastructure.

TfL had undertaken an evaluation exercise across the market to shape the proposed concession agreement. The procurement process involved sharing information with the contractors and bidders to ensure commercial understanding, putting out the tender and evaluating against the published criteria to select the preferred tenderer.

Due to the timing of future Committee meetings and the need to deliver the Home Office's Emergency Services Network to a tight plan, the Committee was considering the paper before the conclusion of the procurement exercise, although the details of the concession agreement were already fixed. The concession agreement was structured in such a way that key financial, commercial and delivery risks resided with the Concessionaire.

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

- 1 approved Land Authority at the sum set out in the paper on Part 2 of the agenda for the award of the telecommunications concession agreement to the successful tenderer following evaluation of the Invitation to Submit Final Tender responses as described in the paper (the Concessionaire);**
- 2 approved unbudgeted Financial Authority of the sum set out in the paper on Part 2 of the agenda for the receipt of income from the Concessionaire from year 6 to year 20 of the concession agreement;**
- 3 approved unbudgeted Financial Authority of the sums set out in the paper on Part 2 of the agenda to receive income from the Concessionaire for the disposal of telecommunication infrastructure, previously funded by TfL and the Home Office, and to pay to the Home Office for the infrastructure they funded and agreed in earlier grant agreements, leaving a net income of the sum set out in the paper on Part 2 of the agenda;**
- 4 approved unbudgeted Financial Authority of the sum set out in the paper on Part 2 of the agenda, in relation to the delivery of infrastructure to support the Home Office's Emergency Services Network, subject to full grant funding from the Home Office being agreed;**
- 5 approved unbudgeted Financial Authority of the sum set out in the paper on Part 2 of the agenda in relation to the delivery of telecommunication infrastructure to support the rollout of fibre services to selected public locations across various London Boroughs, subject to full grant funding being agreed by the Department for Digital, Culture, Media & Sport; London Boroughs and the Greater London Authority;**
- 6 noted that the option to call off the procurement of service management services to support the Emergency Services Network will not be exercised without further authority from the Committee; and**
- 7 noted that the proposed agreement with the Concessionaire will extend beyond the life of the current Business Plan and provision will need to be made for it in future Business Plans.**

14/03/20 Strategic Risk Update – Inability to Meet Changing Demand (SR9)

Shashi Verma introduced the paper and related supplemental information on Part 2 of the agenda, which provided an update on Strategic Risk 9 (SR9), the inability to meet changing demand. It explained the current understanding of the status of the risk and the control measures that were kept under continuous review and formed a core part of the business planning process.

In the short term, increases in Underground and rail services were near impossible, whereas bus services were relatively more flexible to manage with the ability to increase or decrease services quickly. The high fixed costs of rail services made service reductions unlikely to be financially beneficial. Demand for buses had been falling in London and across the country, influenced by speeds and other factors.

Mitigation to date and for the future involved modelling different scenarios, undertaking stress tests of revenue growth and using the annual business planning and budget process to flex plans based on demand.

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

15/03/20 TfL Energy Purchasing

Lilli Matson and James Ingram introduced the paper, which provided an update on progress of activities to procure renewable, grid-supplied energy to the TfL network, in support of the ambition for TfL's rail services to be zero carbon by 2030.

Crown Commercial Services were developing several options covering the source and procurement routes for a pilot renewable energy Power Purchasing Agreement. In parallel, TfL had commissioned independent advice on its wider purchasing strategy. It was also exploring financial models for the direct supply of renewable energy to the TfL network via private wire connection.

A full procurement strategy would be brought to the meeting of the Committee in June 2020; an authority request for renewable energy purchasing would be brought in due course. It was agreed that an informal briefing for Members on the procurement strategy would also be held before the next meeting. **[Action: Lilli Matson / Secretariat]**

The Committee noted the paper.

16/03/20 Members' Suggestions for Future Discussion Items

Howard Carter introduced the item. There were several suggestions raised by Members for future discussion items.

Transport Innovation: an update on ideas and concepts, opportunity cost and revenue. **[Action: Michael Hurwitz]**

Energy as a service: a discussion on the link between transport and electric charging and TfL becoming involved in the next round of the Electric Vehicle Energy Taskforce discussions. **[Action: Alex Williams]**

Rapid Charging Points: a strategic discussion on rapid charging points, covering market confidence, supply and communications issues, and potential quick wins in changing infrastructure in the right places to improve access. **[Action: Alex Williams]**

The Committee noted the forward plan.

17/03/20 Any Other Business the Chair Considers Urgent

There was no other urgent business.

18/03/20 Date of Next Meeting

The next scheduled meeting of the Committee would be held on Wednesday 24 June 2020 at 10.00am.

19/03/20 Exclusion of the Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972 (as amended), when it considered the exempt information in relation to the items on: Finance Report – Period 11, 2019/20; Treasury Activities; Treasury Management Strategy 2020/21; Telecoms Commercialisation Project; and Strategic Risk Update – Inability to Meet Changing Demand (SR9).

20/03/20 Close of Meeting

The meeting closed at 12.26pm.

Chair: _____

Date: _____

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Transport for London

Minutes of the Finance Committee

**Teams Virtual Meeting
1.00pm, Tuesday 12 May 2020**

Members of the Committee

Ron Kalifa OBE (Chair)
Ben Story (Vice-Chair)
Heidi Alexander
Prof Greg Clark CBE
Anne McMeel
Dr Nina Skorupska CBE

Board Members in attendance

Cllr Julian Bell
Kay Carberry CBE
Bronwen Handyside
Dr Alice Maynard CBE
Dr Mee Ling Ng OBE
Dr Nelson Ogunshakin OBE

Executive Committee

Mike Brown MVO	Commissioner
Howard Carter	General Counsel
Simon Kilonback	Chief Finance Officer

Staff

Andrea Clarke	Director of Legal, General Counsel
Sarah Gasson	Chief of Staff to Commissioner
Jackie Gavigan	Secretariat Manager
Joanna Hawkes	Corporate Finance Director
Shamus Kenny	Head of Secretariat
Tony King	Interim Group Finance Director and Statutory Chief Finance Officer
Thomas Lewis	Media Evaluation & Analysis Officer
Emma Lucas	Chief of Staff, Chief Finance Officer
Tim Steer	Assistant Director for Transport, Infrastructure and Connectivity, Greater London Authority
Clive Walker	Director of Risk and Assurance, General Counsel
Ken Youngman	Divisional Finance Director, Commercial Development

21/05/20 Apologies for Absence and Chair's Announcements

All Members of the Committee and most Members of the Board were present. Apologies for absence were received from Board Members Mark Phillips and Dr Lynn Sloman. Members sent their condolences to Dr Lynn Sloman, as her mother had recently passed away.

The Chair welcomed everyone to the meeting and explained that all Members of the Board had been invited given the significance of the issues to be discussed.

As TfL did not benefit from the temporary changes to local authority meetings included in the Coronavirus Act 2020 (the Act), this was not a formal meeting of the Committee as that would require Members to meet in person and therefore break the Government's advice on restricting unnecessary travel and social distancing. It had been decided, however, to run the session as if the Act did apply as far as possible. The papers were published in advance and the public discussion was recorded so that it would be made available to the public and press. Should any decisions be required, these would be taken by the Chair, following consultation with Members, with a note of the discussion and decisions published on tfl.gov.uk.

The Chair had agreed to the meeting being called with fewer than five clear days' public notice and to the acceptance of late papers, in accordance with Standing Order 33 and Section 100B(4)(b) of the Local Government Act 1972. The Covid-19 emergency had had a significant impact on TfL's finances and it needed to consider an update on the financial position and progress on the discussions with Government on providing enough funding to ensure TfL maintained a balanced budget, as it was required to do as a local authority. As these discussions had been ongoing, the papers could not be finalised earlier.

The Chair explained that there was some information on Part 2 of the agenda, which was exempt from publication and consideration in public. While Members would discuss as much of the item in public as possible, when the exempt information needed to be considered the recording would be paused for the press and public; the meeting would be reopened following the consideration of the exempt information to provide a summary of any decisions to be taken and next steps.

To reflect TfL's focus on safety, the Chair invited Members to raise any safety issues within the remit of the Committee with him. Any other safety issues could be discussed with General Counsel or an appropriate member of the Executive Committee after the meeting.

22/05/20 Declarations of Interests

Howard Carter introduced the item. Declarations of interests were published on tfl.gov.uk and were up to date.

There were potential conflicts of interest for some Members present, who would need to leave the meeting if the following issues were discussed in any detail:

- Borough funding and support: Cllr Julian Bell.
- Crossrail funding: Anne McMeel and Dr Nelson Ogunshakin OBE.
- Financing and banking: Greg Clark CBE. Due to his role at HSBC, he did not receive the Part 2 papers for the meeting and would not participate in the Part 2 discussion.

23/05/20 Finance Update – Covid-19 Financial Planning

The Chair began by explaining that TfL had been actively supporting the Government's lockdown guidance to suppress the spread of Covid-19, which had an immediate and substantial impact on its finances and would have medium and long-term consequences. TfL had contributed significantly to supporting the NHS and other key workers, directly and through maintaining transport connectivity. It had also supported its staff and contractors, looked after its tenants and supply chain and encouraged the public not to use its services unless essential.

The Board had been kept informed of TfL's efforts and the impact on its staff, services and finances. The meeting was being held as there was an urgent need to discuss the financial position further and agree next steps. Members were grateful to Mike Brown and Simon Kilonback for their work with Government to secure an appropriate funding package. TfL played an essential role for London and indeed the United Kingdom economy and it was essential that it could continue to do so effectively.

Mike Brown introduced the item by paying tribute to the 42 colleagues who had died due to coronavirus, which included six people who worked directly for TfL, 32 people who worked for its bus operators and four who worked for partner organisations. He thanked staff and operational partners working at the front line of the national effort to deal with the response to Covid-19.

As a result of supporting the Government's message that journeys should only be essential, Tube ridership was down by around 95 per cent and bus ridership was down by around 85 per cent. This had a significant impact on TfL's finances, with £600m a month needed to run the network but income reduced by 90 per cent. TfL had significantly reduced costs by placing over 7,000 staff on furlough and implementing the safe stop of major project activities over 300 construction projects. These savings could not cover the loss from the steep decline in revenue, which for the full year was anticipated to be over £4bn.

TfL was working to support the Government's roadmap to gradually ease coronavirus restrictions and help Londoners who needed to travel to do so safely, and its plans would require significant changes to the way people travelled. It had been able to operate up to 60 per cent of Tube services and more than 80 per cent of bus services during the crisis to support essential journeys, while managing the impact of the virus on its transport workforce with staff ill, shielding or self-isolating.

In keeping with plans on the national rail network, TfL was working to safely and gradually build up service levels as close to 100 per cent as soon as possible. There would not be a return to the pre-pandemic ridership figures as the national requirement to maintain two metre social distancing meant capacity on the Tube and buses would be restricted to between 13-20 per cent. This would therefore continue to have a significant impact on TfL's financial situation.

TfL had been in regular and constructive discussions with the Government since the measures to reduce the spread of coronavirus were put in place mid-March 2020. The Government accepted that TfL was likely to need access to additional resources to continue to deliver London's essential transport services, maintain essential contracts needed to run these services and continue to support the supply chain behind major investment projects. TfL had produced an Emergency Budget to support these efforts up until 30 September 2020.

Simon Kilonback took the Committee through the detailed financial information in the paper and related supplemental information on Part 2 of the agenda, which included commercially sensitive information. He set out the impact of Covid-19 on TfL's finances and the need for additional funding, as set out in the proposed Emergency Budget. The paper also described the progress with the constructive discussions with Government to secure essential funding support. The proposed Emergency Budget was predicated on a funding package being provided by Government.

The cost of managing the pandemic to date and the projected substantial deficit, which was forecast as £3.2bn for 2020/21, meant TfL was unable to present a balanced budget without revenue support from Government. All debts and contracts were held on the basis of a balanced budget. Discussions with Government had been ongoing for some time and now needed to conclude urgently as TfL was likely to breach its minimum cash balance of £1.2bn imminently.

A top down approach had been taken to the Budget, previously agreed in March 2020, to calculate the impacts and savings that could be made, offset against increases in other costs such as extra cleaning services. A funding gap of £1.9bn meant that £3.2bn funding from Government would be required. TfL had taken an open-book approach with the Government, sharing details of how the Emergency Budget had been developed. It was recognised that it was an interim measure, until TfL could propose a revised budget later in the year, which prioritised only what was essential for maintenance of basic services to support Covid-19 Government planning requirements and safety-related activities, ensuring employees and contractors remained safe.

Although discussions with Government were nearing a conclusion, the Committee noted that if agreement was not reached within the next 48 hours, the Chief Finance Officer would have to consider issuing a report under section 114 of the Local Government Finance Act 1988. TfL was treated as a local authority for financial purposes and had a legal duty to maintain a balanced budget over the year. If this was unlikely to be met, the statutory process required the Chief Finance Officer to issue a report setting out the reasons why and the steps already taken. A formal meeting of the Board would be required within 21 days of issuance of the report and any new expenditure that could worsen the situation would be suspended.

Heidi Alexander agreed that agreement on a funding package would have to be reached within the next 48 hours or else the Chief Finance Officer would have no option but to consider issuing the section 114 notice, the impact of which would be unthinkable and had some serious implications for Tube and bus services. She concluded that the back and forth discussions with Government risked becoming a distraction to TfL's focus of increasing service levels and ensuring safe journeys. She had spoken personally to the Transport Secretary and the Mayor had asked to speak to the Chancellor but had not received a response yet. Government engagement was needed to resolve the matter and move forward.

On behalf of all Board Members, the Chair expressed thanks to the management team and everyone across the network for their hard work in the extraordinary circumstances.

The Committee noted the paper and the related paper on Part 2 of the agenda and recommended that the Board:

1 note the impact Covid-19 has had on TfL’s approved Budget for 2020/21 and the urgent requirement for Government funding to be agreed as set out in the proposed Emergency Budget; and

2 note that a formal update to the approved 2020/21 Budget will be presented to the Board in July 2020 based on funding arrangements agreed with Government.

24/05/20 Any Other Business the Chair Considers Urgent

There was no other urgent business.

25/05/20 Exclusion of the Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972 (as amended), when it considered the exempt information in relation to the item on Finance Update – Covid-19 Financial Planning.

The meeting closed at 2.43pm.

Chair: _____

Date: _____

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Finance Committee



Date: 24 June 2020

Item: **Decision Making During Covid-19 Emergency Measures, Use of Delegated Authority and Actions List**

This paper will be considered in public

1 Summary

- 1.1 This paper informs Members of the position of TfL meetings during the current restricted travel period, as the country controls the spread and impact of Covid-19. It also provides an update on actions from previous meetings (Appendix 1) and the use of delegated authority.
- 1.2 As TfL does not benefit from the changes in the Coronavirus Act 2020, that allow some local authorities to meet by videoconference, ordinary meetings are not being held during the period of restricted travel. Members will receive briefings on the scheduled dates of Board, Committee and Panel meetings. Any decisions required will be taken, following briefings, using the Chair's Action provision in Standing Orders.
- 1.3 The use of delegated authority is a standing item on the agenda to inform the Committee of any use of delegated authority by the Committee, through Chair's Action or of Procurement or Land Authority (in respect of matters within the Committee's remit) granted by the Commissioner and the Chief Finance Officer in accordance with delegated authorities under TfL's Standing Orders since the last meeting of the Committee. The paper also provides information on Mayoral Directions to TfL within the Committee's remit.
- 1.4 Since the meeting of the Committee on 11 March 2020, there have been:
 - (a) one use of authority delegated by the Board, taken under Chair's Action, to approve the Treasury Management Strategy (TMS), Treasury Management Policies and the TfL Group Policy Relating to the Use of Derivative Investments 2020/21;
 - (b) no use of authority delegated by the Board nor Procurement or Land Authority granted by the Commissioner or the Chief Finance Officer; and
 - (c) two Mayoral Directions, in relation to temporary changes to (i) free travel arrangements for older Londoners and (ii) the Congestion Charge to support the Streetspace for London plan and TfL's response to the Covid-19 pandemic.

- 1.5 A similar paper is submitted to the Programmes and Investment Committee in respect of any use of Chair's Action or Procurement Authority and Programme and Project Authority granted by the Commissioner and the Chief Finance Officer in respect of matters within that Committee's remit, together with relevant Mayoral Directions.

2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

3 Decision Making During the Covid-19 Emergency Measures

- 3.1 TfL does not benefit from the changes in the Coronavirus Act 2020 that allow some local authorities to meet by videoconference. While travel and social distancing restrictions remain in place, members will receive briefings on the scheduled dates of Board, Committee and Panel meetings.
- 3.2 These briefings will be run, as far as reasonably practicable, as if TfL did benefit from the meeting provisions in the Coronavirus Act 2020. Papers will be published in advance, with all discussions that would be held in public recorded, so that they can be viewed by the public and press. Where decisions are required, that cannot wait until ordinary meetings resume, these will be taken by Chair's Action with a note of the issues raised and decisions taken subsequently published on tfl.gov.uk.

4 Use of authority delegated by the Board since 11 March 2020

- 4.1 There has been no use of authority delegated by the Board since the meeting on 11 March 2020.

5 Use of Chair's Action

- 5.1 Under Standing Order 114, in situations of urgency, the Board delegates to each of the Chair and the Chairs of any Committee or Panel the exercise of any functions of TfL on its behalf, including the appointment of Members to Committees and Panels. Any use of Chair's Action is reported to the next ordinary meeting.
- 5.2 At its meeting on 11 March 2020, the Committee considered the Treasury Management Strategy (TMS), Treasury Management Policies and the TfL Group Policy Relating to the Use of Derivative Investments. Given the Committee's expertise and knowledge, it recommended that the Board delegate to the Committee the approval of the TMS and related policies for 2020/21 and future years.
- 5.3 The Covid-19 travel restrictions and social distancing rules introduced by the Government on 16 March 2020 meant the Board was not able to meet as planned on 18 March 2020. Instead, Members discussed the items requiring decision and recommended that the Chair of TfL, Sadiq Khan, make decisions under Chair's Action. On this item, Members recommended that the delegation be granted for the approval of the TMS and related policies for

2020/21 only, with consideration for an ongoing delegation deferred until normal meetings of the Board resumed.

- 5.4 On 29 March 2020, the Chair of the Board exercised Chair's Action, including the delegation requested above. On 30 March 2020, the Chair of the Finance Committee, following consultation with members of the Committee on 11 March and members of the Board on 18 March 2020, approved:
- (a) the TMS 2020/21, including the Investment Strategy, the Borrowing Strategy, the Liquidity Strategy, the Risk Management Strategy and the Counterparty Exposure Limits;
 - (b) any changes to the TMS during the year;
 - (c) the Treasury Management Policies 2020/21; and
 - (d) the TfL Group Policy Relating to the Use of Derivative Investments 2020/21.

6 Procurement and Land Authority Approvals

- 6.1 Procurement Authority is the authority to make a binding or contractual commitment with a supplier for the purchase of goods, services, land or works or to receive income arising from TfL Group activities in the areas of goods, services land or works.
- 6.2 Land Authority is the authority to engage in a Land Transaction or to dispose of any assets.
- 6.3 The Board had delegated to the Committee approval of unlimited Procurement Authority and Land Authority in relation to Transactions and Commercial Development opportunities. The approvals delegated to the Commissioner are up to £100m and the Chief Finance Officer up to £25m.
- 6.4 Since the meeting of Committee on 11 March 2020, there has been no use of delegated authority to approve Procurement or Land Authority.

7 Mayoral Directions to TfL

- 7.1 The Greater London Authority Act 1999 (as amended), permits the Mayor to issue to TfL general directions as to the manner in which TfL is to exercise its functions or specific directions as to the exercise of its functions (or not to exercise a power specified in the direction). Directions are also often made in relation to the implementation of matters in respect of which the Mayor delegates statutory powers to TfL.
- 7.2 The Mayor makes Mayoral Directions through Mayoral Decisions. Papers for Mayoral Directions set out the financial and other implications. If those implications change over time, that will be reported to the GLA.

- 7.3 All Mayoral Decisions are issued in writing, with the information that is not exempt from publication included on the GLA's Decisions Database on its website: <https://www.london.gov.uk/about-us/governance-and-spending/good-governance/decisions?order=DESC>.
- 7.4 Mayoral Directions fall into three broad categories: those addressing technical issues relating to statutory powers; those related to commercial development activities; and those related to projects and programmes. Mayoral Directions relating to TfL are reported to the Board's Committees for discussion as soon as possible after they are received by TfL or published. Regular reports will list the relevant Directions for as long as they are applicable.
- 7.5 Annually the Audit and Assurance Committee considers the list as part of its consideration of the annual audit plan to ensure that appropriate audit resource is applied to assurance on TfL's work in implementing Mayoral Directions. This will also be kept under review at each quarterly meeting of that Committee.
- 7.6 A summary of current Mayoral Directions to TfL is now maintained on the "How we are governed" page on our website, with links to the relevant Mayoral Decisions: <https://tfl.gov.uk/corporate/about-tfl/how-we-work/how-we-are-governed>. That page will be updated as and when further Directions are made.
- 7.7 Mayoral Directions to TfL addressing technical issues with our statutory powers or related to our commercial development activities are reported to this Committee.
- 7.8 On 14 May 2020, a funding package was agreed with the Department for Transport to address the financial stresses created for TfL by the Covid-19 pandemic. Under the package, at the Government's request, TfL is (a) required to bring forward proposals to make temporary changes to free travel arrangements for older people and (b) to reinstate road user charging schemes and urgently bring forward proposals to widen the scope and levels of road user charging schemes. Since the last meeting of the Committee on 11 March 2020, the Mayor has made the following two Directions to TfL regarding these matters.
- (a) **Temporary changes to free travel arrangements - older Londoners** (MD2642 – signed 3 June 2020). The Mayor directed TfL to implement changes, from 15 June 2020, to temporarily restrict the existing arrangements that provide free travel at peak hours for the Older Person's Freedom Pass and the 60+ Pass holders.
- (b) **Temporary changes to the Congestion Charge to support the Streetspace for London plan and TfL's response to the Covid-19 pandemic** (MD2648 – signed 15 June 2020). The Mayor approved changes to widen the scope and levels of road user charging schemes, from 22 June 2020. The Mayor directed TfL to further engage with local authorities and charities with a view to establishing rules for a new

Congestion Charge reimbursement arrangement for workers, including volunteers, who are providing services on behalf of a local authority or charity in direct response to the pandemic.

List of appendices to this report:

Appendix 1: Actions List

List of Background Papers:

Minutes from previous meetings of the Committee.

Exercise of Chair's Action by the Chair of TfL 29 March 2020:

<http://content.tfl.gov.uk/board-20200329-chairs-action-confirmation.pdf>

Mayoral Directions: <https://www.london.gov.uk/about-us/governance-and-spending/good-governance/decisions?order=DESC>

Contact Officer: Howard Carter, General Counsel

Number: 020 3054 7832

Email: HowardCarter@tfl.gov.uk

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Finance Committee Action List (to be reported to the meeting on 24 June 2020)

Actions from the meeting of the Finance Committee held on 11 March 2020

Minute No.	Description	Action By	Target Date	Status note
06/03/20	<p>Finance Report – Board Engagement with Major Projects</p> <p>In response to the information provided on the total capital expenditure by programme including capital renewals, it was agreed that consideration be given to the process for how to organise as a Board to engage agilely with the major projects.</p>	Simon Kilonback/Howard Carter	September 2020	This will be taken forward following the approval of a revised Budget for 2020/21 by the Board in July 2020.
08/03/20	<p>Treasury Management Strategy 2020/21 - Crossrail Budget Letter</p> <p>It was agreed that the Commissioner would write to the Permanent Secretary of the Treasury expressing discomfort at the lack of clarity around the funding of the Crossrail budget. A copy of the letter would be sent to the Finance Committee members.</p>	Mike Brown	Ongoing	Funding of the Crossrail budget is part of the ongoing discussion with Government on TfL funding.

10/03/20	<p>Investment Strategy 2020/21 – Non-Financial Assets – DevCo Report</p> <p>It was confirmed that a paper on governance and other elements of the investment programme would be submitted to the meeting of the Committee in June 2020. It was requested that the commercial and property development aspects of the paper be shared with the Acting Director of Housing and Land at the Greater London Authority, so that collaborative working was aligned with the high-profile developments. It was also requested that the paper include information on assurance of the financial independence from the core operating business and information on the capability within TfL to deliver the schemes.</p>	Graeme Craig	June 2020	<p>Commercial Development Property Programme Update paper included on the agenda for this meeting.</p> <p>Governance and Capitalisation papers on Forward Plan for September 2020 meeting.</p>
10/03/20	<p>Investment Strategy 2020/21 – Non-Financial Assets – DevCo Information to Members</p> <p>It was agreed that information on the programme including environmental considerations, would be circulated to Members</p>	Graeme Craig	June 2020	<p>An overview of the Commercial Development Property Programme, including the environmental considerations, is on the agenda for this meeting.</p>
15/03/20	<p>TfL Energy Purchasing – Member Briefing on Procurement Strategy</p> <p>It was agreed that an informal briefing for Members on the procurement strategy would also be held before the next meeting.</p>	Lilli Matson/ Secretariat	June 2020	<p>In progress. An informal briefing on energy purchasing is currently being organised and is expected to take place in June or early July 2020.</p>
16/03/20	<p>Members’ Suggestions for Future Discussion Items – Transport Innovation Update</p> <p>A Transport Innovation item was suggested: an update on ideas and concepts, opportunity cost and revenue.</p>	Michael Hurwitz	September 2020	<p>Added to Forward Plan. General update on transport innovation opportunities is scheduled for the September 2020 meeting.</p>

16/03/20	Members' Suggestions for Future Discussion Items – Electric Vehicle Energy Taskforce An Energy as a Service item was suggested: a discussion on the link between transport and electric charging and TfL becoming involved in the next round of the Electric Vehicle Energy Taskforce discussions.	Alex Williams	Date to be confirmed	Added to Forward Plan for a future discussion item.
16/03/20	Members' Suggestions for Future Discussion Items – Rapid Charging Points A Rapid Charging Points item was suggested: a strategic discussion on rapid charging points, covering market confidence, supply and communications issues, and potential quick wins in changing infrastructure in the right places to improve access.	Alex Williams	Date to be confirmed	Added to Forward Plan for a future discussion item.

Actions from previous meetings of the Finance Committee

Minute No.	Description	Action By	Target Date	Status note
41/12/19	TfL Business Plan 2019 – Expenditure Requirements for Projects In response to Members questions, it was agreed that it would be helpful going forward to show more granular explanation of expenditure requirements for projects, and how the right amount of quality was ensured.	Simon Kilonback	March 2020	Update: For 2021/22 Scorecard, we are proposing to report the measures for Investment Programme budget and milestones side by side, to improve the linkage and visibility between cost and schedule. Work is also in process by TfL Assurance to review the robustness of our Estimated Final Cost estimates.

44/12/19	<p>Strategic Risk Update – Inability to Deliver Predicted Revenue Growth (SR8)</p> <p>In response to a suggestion that individual Members be encouraged to adopt a project to enable deep understanding of its challenges, risks and solutions, it was agreed that a list of projects that were suitable for Board Member involvement would be circulated to Members in order to assess interest.</p>	Graeme Craig	March 2020	<p>Completed: Information on all the development sites was sent out to Committee members on 10 March 2020 inviting expressions of interest in specific schemes. Member briefings are subsequently being organised.</p>
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Finance Committee



Date: 24 June 2020

Item: Update on Income from Developers Through Planning Obligations

This paper will be considered in public

1 Summary

- 1.1 This paper provides the Finance Committee with an end of year (2019/20) update on the Mayor's Community Infrastructure Levy (MCIL), that supports the funding of Crossrail, as well as a brief overview of a range of other developer contributions /funding mechanisms such as Section 106 (s106) and Borough CILs that contribute towards other (TfL) transport priorities.

2 Recommendation

- 2.1 **The Committee is asked to note the report.**

3 Background

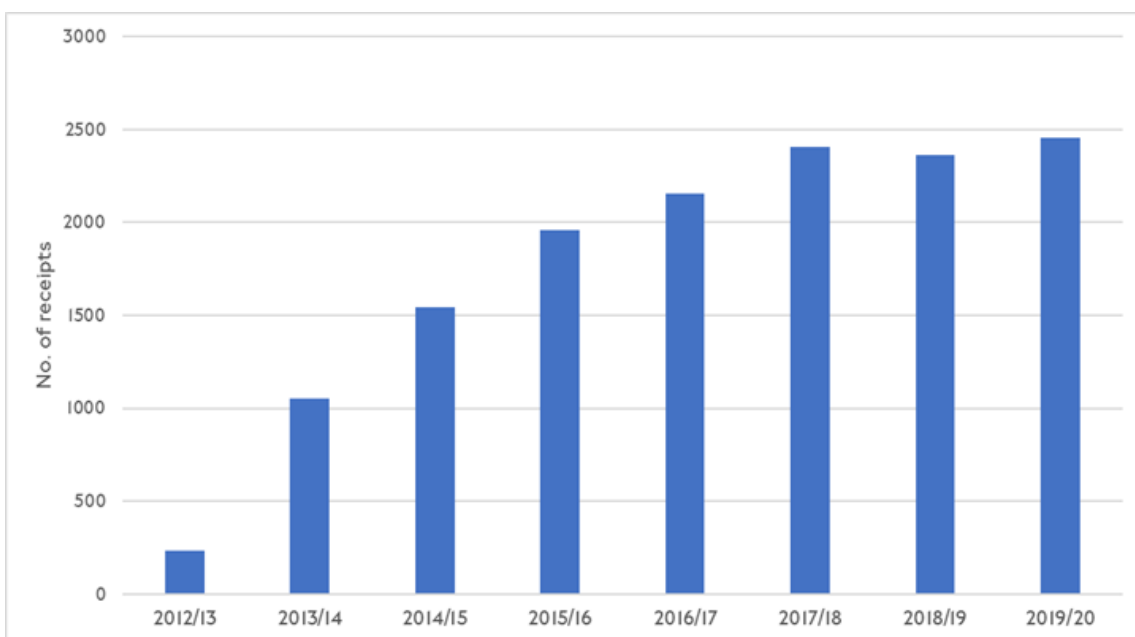
- 3.1 TfL is responsible for advising the Mayor on the transport issues associated with planning applications referred to him under the Greater London Authority (GLA) Act 1999. TfL City Planning is responsible for appraising the transport impacts of proposed developments and negotiating appropriate transport mitigations with developers and boroughs to enable developments to function effectively and ensure good growth. City Planning attends the weekly Mayoral and Deputy Mayoral Planning meetings to ensure that TfL's requirements and priorities are understood.
- 3.2 There were approximately 208 referable planning applications involving significant TfL input last year, as well as hundreds of non-referable applications with transport implications and input.
- 3.3 Securing planning obligations is inherently related to the level of development activity and the implementation of relevant planning permissions. Development activity tends to be cyclical and is strongly influenced by local, national and global factors. Development figures for 2019/20 will be available in the forthcoming London Plan Annual Monitoring Report published by the GLA later in the summer.
- 3.4 This annual report provides information for the 2019/20 financial year on:
- (a) contributions for Crossrail through the Mayoral CIL and the Crossrail Supplementary Planning Guidance (SPG);
 - (b) borough CILs;

- (c) s106 and other developer contributions for transport projects; and
- (d) a number of other funding mechanisms contributing to transport.

4 Developer contributions towards Crossrail

- 4.1 Under the original Crossrail funding agreement with Government, TfL had to raise £600m by 31 March 2019 from developer contributions towards Crossrail via a combination of Crossrail s106 planning obligations and MCIL payments. By that time, the figure had been exceeded by a substantial £126m.
- 4.2 MCIL becomes payable on commencement of development and the number of individual payments therefore acts as a good indicator of the level of current development activity across the Capital. Figure 1 details the annual MCIL receipts since MCIL was introduced in 2012 and it shows a levelling off in receipts since 2017/18. Commentators are currently divided on the potential impacts on the property market from Covid-19 (and continuing Brexit uncertainties) but it seems inevitable that there will be some significant challenges ahead.

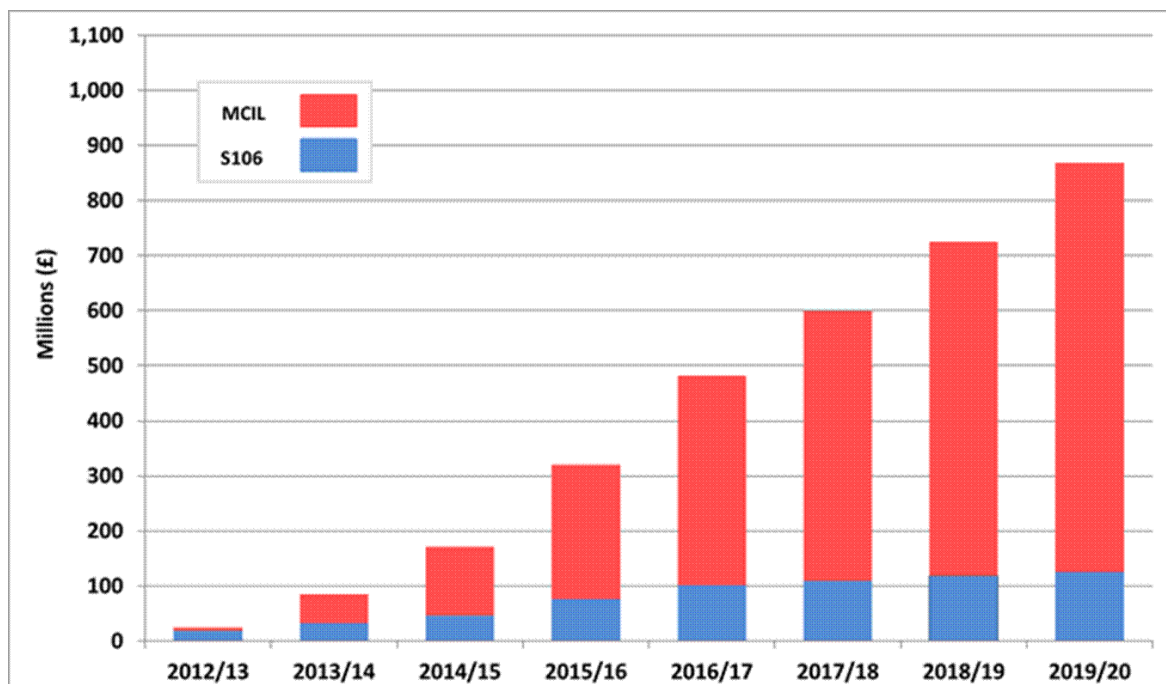
Figure 1: Mayoral CIL receipts



- 4.3 The Mayoral CIL Charging Schedule (2012) and the Mayoral Crossrail Funding Planning Obligations SPG (2016) have now been superseded from April 2019 by new charges in the revised MCIL Charging Schedule – MCIL2. There are also new arrangements between central Government, the GLA and TfL following the challenges around the project and the additional funding requirements that emerged in 2018. As part of the package agreed with Government, the GLA has borrowed £1.3bn from the Department for Transport (DfT), with the loan being repaid from the existing Business Rate Supplement (BRS) and MCIL. A contingency arrangement has also been agreed in the form of a loan facility to TfL from the DfT of up to £750m. The Crossrail funding package, as of July 2019, stood at £17.8 billion.

- 4.4 The income from MCIL2 was originally intended to help fund Crossrail 2. However, the delay and increased costs of the Crossrail 1 project have meant that the income from MCIL still needs to be used to complete Crossrail 1 and support the financing arrangements.
- 4.5 It is important to note, that receipts will continue to be collected for MCIL1 from chargeable developments first permitted prior to the 1 April 2019 (the date at which MCIL 2 superseded MCIL 1). Crossrail s106 planning obligation SPG payments will also continue to be made for permissions granted before this date.
- 4.6 Figure 2 shows the developer contributions (both MCIL and s106) made towards Crossrail with actual receipts to the end of 2019/20. At the end of the financial year 2019/20, a combined total of £868m had been collected. (Whilst normally, we would provide a forecast for the next two financial years, given current market uncertainty and continuing lockdown, we are not able to provide this at this point. Rather, we will closely monitor activity over the coming months following the lockdown to inform any future forecasts.)

Figure 2: Cumulative total of Crossrail funding



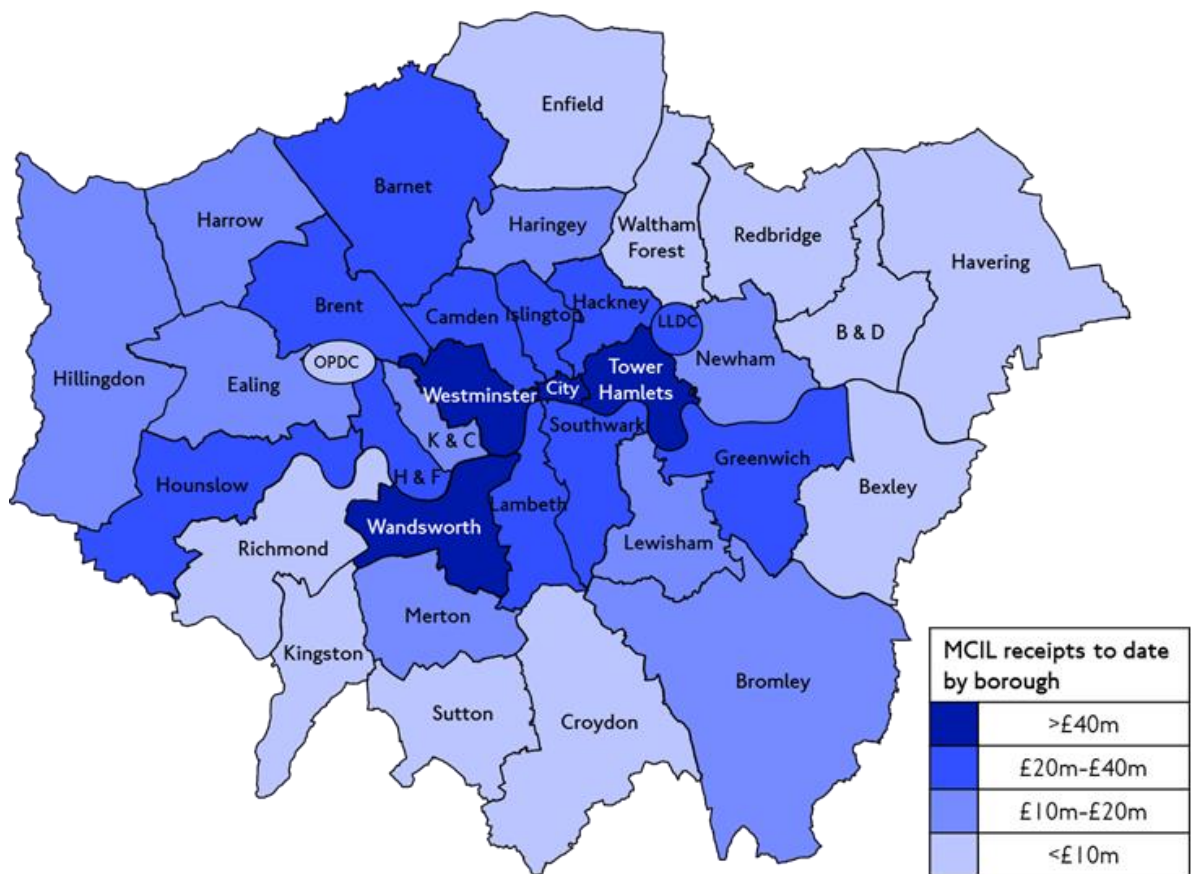
Summary of MCIL Receipts for 2019/20

- 4.7 Boroughs and Mayoral Development Corporations (MDCs) act as ‘collecting authorities’ and are responsible for collecting MCIL payments and transferring them to TfL, which administers MCIL on the Mayor’s behalf. This is managed via a system of quarterly reporting and transfer of funds to the GLA. This structure is firmly established and works well.
- 4.8 By the end of 2019/20, MCIL receipts had reached £743m on a cash basis. The 2019/20 receipt totals £136m and is higher than the previous two years, although it is still lower than the 2016/17 total which remains the highest to date. Total MCIL receipts are dependent on several factors, but primarily on construction

activity so future returns will be dependent on a stable property market and wider economic activity and confidence.

- 4.9 During the past year the number of single, large payments of more than £1m has increased substantially from 10 to 18; most of these were received from inner London collecting authorities, and four were from the City of London.
- 4.10 Figure 3 shows the value of MCIL receipts secured across London, since it was introduced in 2012. Generally, and unsurprisingly, there is a correlation between the overall value of receipts generated and the applicable CIL rate. Collecting authorities with the highest value receipts (more than £20m) are generally concentrated in central and inner London either side of the Thames. Outer London boroughs (LBs) to the northwest and west, namely Barnet, Brent and Hounslow, have also generated receipts of more than £20m. Eleven authorities have generated less than £10m in Mayoral CIL since 2012, with five of these in the lowest charging band.

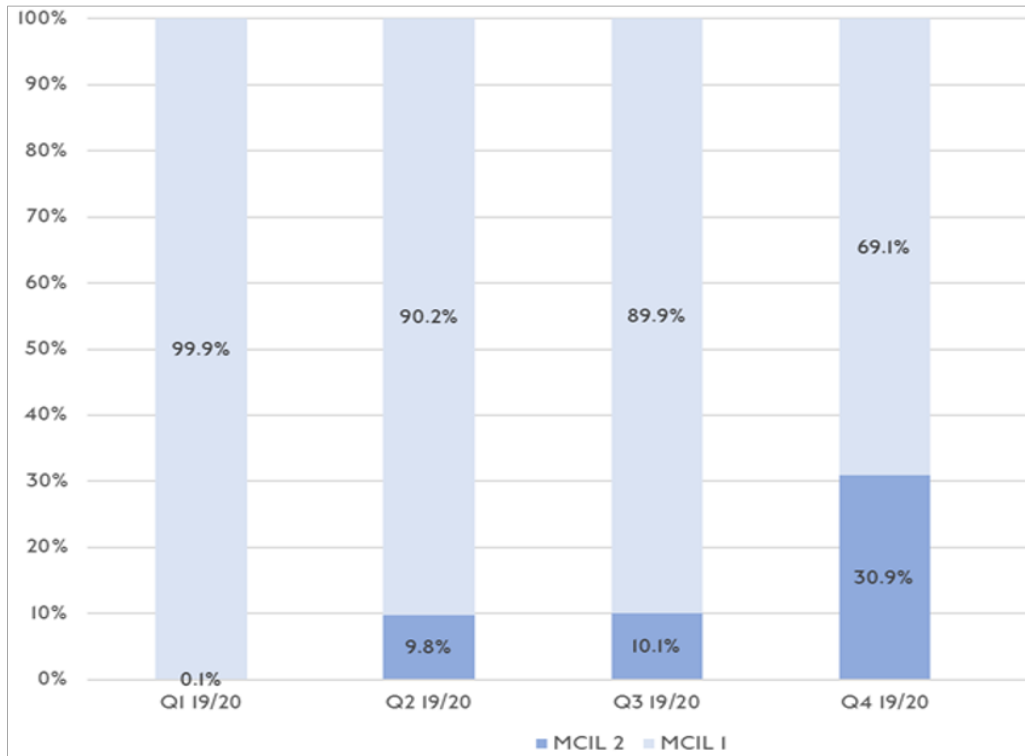
Figure 3: Comparison of Total MCIL Received by Collecting Authorities to Date



- 4.11 More than half of the £743m of MCIL raised by the end of 2019/20 was collected by 10 authorities, with total receipts of £77m and £65m in Westminster and Tower Hamlets respectively. Last year, the five authorities with the highest receipts were Westminster (£15.5m), City of London (£10m), Tower Hamlets (£9.8m), LLDC (£8.7m) and Haringey (£7.2m).

4.12 As highlighted above, new Mayoral CIL rates have applied since 1 April 2019. The new rates vary by geographic location and land use. Figure 4 shows MCIL2 receipts as a proportion of the 2019/20 quarterly returns.

Figure 4: MCIL2 as a proportion of the 2019/20 quarterly returns



4.13 MCIL2 receipts now account for around 13 per cent (£17.6m) of the 2019/20 total. As illustrated above, MCIL2 receipts increased significantly during 2019/20 and comprised approximately 31 per cent (£11.01m) in quarter 4, compared to 10 per cent of the total return for the previous two quarters (£3.30m and £3.28m respectively). MCIL2 will continue to increase as a proportion over time until payments under MCIL1 eventually cease.

Crossrail Supplementary Planning Guidance (SPG)

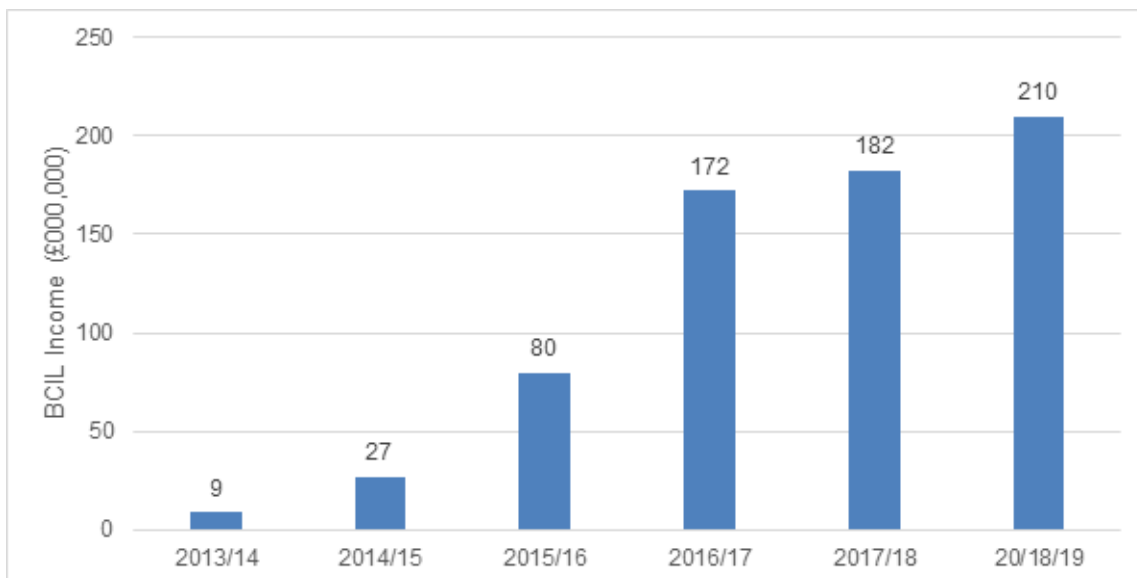
4.14 The interaction between the MCIL and Crossrail s106 contributions is such that a significant part of what would have been s106 in the past is now collected via MCIL. Crossrail s106 receipts have continued to decline further in 2019/20 following the introduction of MCIL2, and (in line with expectations) no new s106 contributions have been secured towards Crossrail since 1 April 2019.

4.15 Section 106 funds collected in accordance with the Crossrail SPG during 2019/20 totalled £6.8m from 19 developments across only three local authorities (City of London, Islington and Tower Hamlets) bringing the total collected since its inception to £125m.

5 Borough and Mayoral Development Corporation CILs (BCIL)

- 5.1 By the end of 2019/20, there were 32 borough and MDC CILs adopted in London; only three local authorities are now without an adopted charging schedule in place (Bromley, Ealing and Old Oak & Park Royal Development Corporation). CIL reporting is retrospective, with figures published annually in December for the previous financial year (as specified by the CIL Regulations). As such, the BCIL figures in this report only cover 2018/19.
- 5.2 Figure 5 shows BCIL receipts collected across London from the 31 charging authorities¹ currently levying a charge. This shows that BCIL receipts have increased significantly year on year up to 2016/17 as borough CILs took effect and CIL liable developments commenced. As expected, they have grown at a more modest rate in 2018/19, as the ‘ramping up’ effect after introduction (i.e. as the proportion of permissions subject to the levy grew) has waned, and then levelled off to reflect the general level of development activity.
- 5.3 There is substantial variation across London in the level of annual BCIL receipts generated. For example, Brent (£42.1m), Westminster (£24.3m), Wandsworth (£21.7m) and Lambeth (£12.5m) are producing significant annual BCIL receipts while in other boroughs such as Lewisham (£713k), LLDC (£798k) and Barking and Dagenham (£875k) the amounts are much lower – reflecting different viabilities, rates and development activity. BCIL receipts can vary substantially year on year. For example, in 2017/18 LLDC received almost £3m in BCIL receipts which is around three times the amount received in 2018/19.

Figure 5: Annual Borough and Mayoral Development Corporation CIL receipts



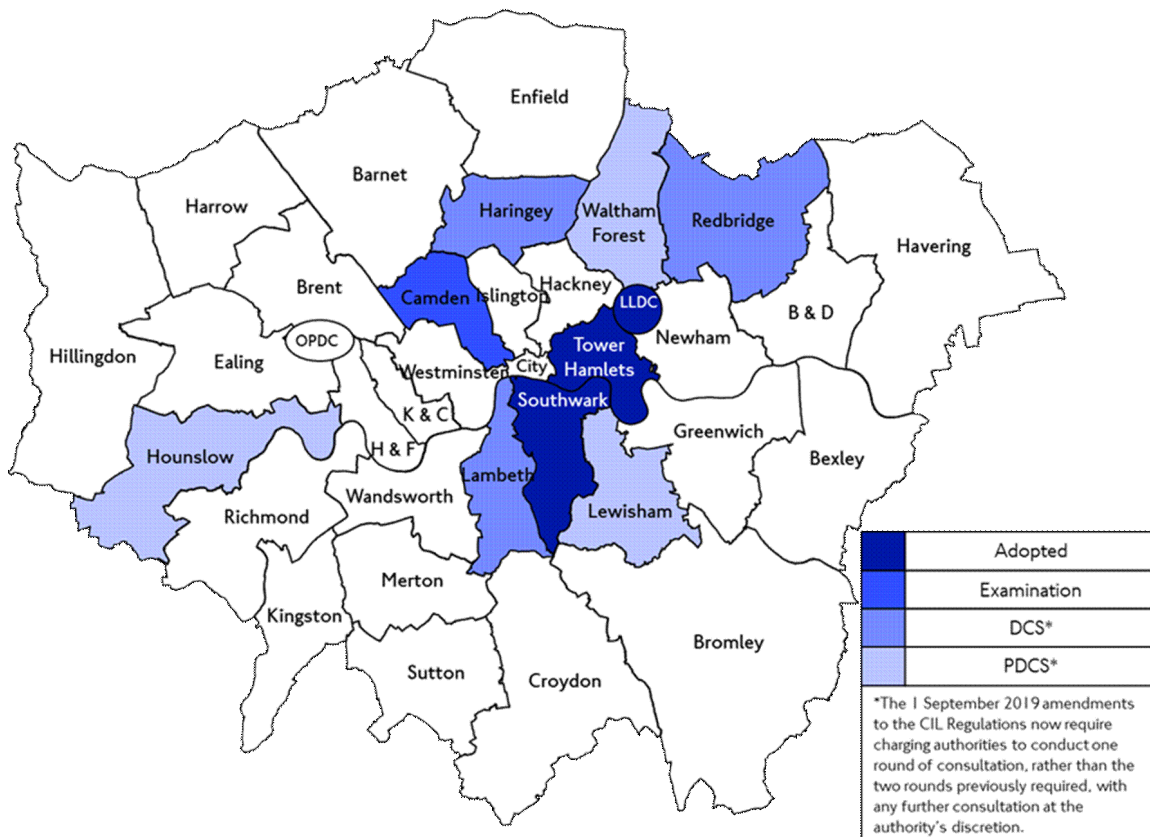
- 5.4 Whilst previously, it was anticipated that overall receipts from BCIL would continue to increase over time as authorities review and adopt updated charging schedules with higher rates, due to the current pandemic and ongoing uncertainty

¹ The London Borough of Havering has recently become the thirty-second collecting authority in London but did not have an adopted charge in 2018/19.

over Brexit we will need to closely monitor development activity in the interim to inform any future BCIL forecasts.

- 5.5 Southwark was the first London authority to adopt a revised charging schedule in 2017/18 and since then Tower Hamlets and LLDC have both revised and adopted new CIL charging schedules, and Camden has very recently taken their draft charging schedule through examination. Figure 6 shows the seven authorities that are currently reviewing their charging schedules, with three at preliminary draft, three at draft and one at the Examination in Public stage.

Figure 6: Borough CIL Review Progress



- 5.6 Unlike the Mayor, boroughs and MDCs are not confined to spending CIL receipts on transport and there are many competing and increasing demands for the funding. The main purpose of BCIL is to secure funding for infrastructure (including health, education, transport, community) which is necessary to deliver the local plan. Infrastructure requirements are usually set out within infrastructure delivery plans as part of the local plan evidence base and have in the past been accompanied by Regulation 123 lists which set out infrastructure priorities. Regulation 123 was removed from the CIL Regulations on 1 September 2019; despite this, many collecting authorities have yet to rescind their 'Regulation 123 List'. Forthcoming updates to borough priorities will be monitored and influenced as appropriate.
- 5.7 In 2018/19, BCIL spend dropped from £87.7m in the previous financial year to £79.4m. This represented around thirty-six per cent of all monies received in 2018/19. It is anticipated that BCIL spend will generally increase in future years

as infrastructure priorities are identified and agreed, significant sums accumulate to deliver specific items of infrastructure, BCIL governance arrangements are ratified and borough CILs reviewed, although the balance between transport and other priorities cannot be pre-supposed.

- 5.8 In 2018/19, significant sums were spent on community and leisure facilities (£28.8m), parks and open spaces (£5.5m) and education (£3.9m). However, BCIL funds have also been secured and spent on a range of transport projects across London, for example, £4.6m for pedestrian improvements to Olympic Way (Brent), £5.1m for road and rail improvements at Meridian Water (Enfield), £2.4m for the Woolwich Crossrail station (bringing the total collected to date to £6m, with a further £9m from Greenwich expected by end 2022/23). LB Southwark have also agreed to commit a further £7.5m at Elephant & Castle to integrate Bakerloo Line Extension requirements into the station box, new entrance and ticket hall as part of the shopping centre redevelopment at Elephant & Castle (alongside £7.5m from TfL) which would deliver savings of £500m+.
- 5.9 TfL works with the boroughs and MDCs to identify opportunities to deliver shared transport priorities and we are in discussion with a range of boroughs in relation to the potential allocation of BCIL funds. Specific efforts are in train to increase transport's share of the BCIL collected across London. London Plan policy is explicit that transport has equal top priority with affordable housing in relation to planning obligations, and this reflects the fundamental importance of transport provision in enabling sustainable growth and unlocking sites for development.

6 Ensuring Appropriate Transport Mitigations

- 6.1 Planning applications that are referred to the Mayor are often approved subject to a package of mitigation measures, including transport, which reflect negotiations by TfL City Planning and the GLA with developers and boroughs. Our aim is to ensure that developments promote active travel; contribute appropriately to public transport; minimise traffic impacts and, overall, deliver good growth. We seek to ensure that transport requirements are prioritised as far as possible.
- 6.2 The measures that are negotiated vary enormously in type and scale but must all be within the established legal tests (directly related to the development, necessary to make the development acceptable in planning terms and fairly and reasonably related in scale and kind).
- 6.3 They can include major multi-million pound projects such as the new Bakerloo line ticket hall delivered by the Sellar's scheme at Paddington (currently onsite) and the development at Canada Water, where approximately £30m of transport funding has recently been secured, through to small schemes involving minor works (for example bus stop improvements or way finding) which may cost as little as £5k. As well as obligations defined in the s106 agreement, TfL often secures benefits from investment which is delivered directly by developers and does not involve funds being transferred to TfL, such as the new and well used Southbank entrance at Waterloo which opened in May 2019, and street improvements at Ruby Triangle including bus stands for TfL and Healthy Streets/public realm improvements.

- 6.4 In 2019/20, TfL negotiated a total of £69.9m in non-Crossrail s106 contributions. The majority of this was in respect of bus service enhancements (£34.9m), London Rail (£12.5m) and Surface improvements around Healthy Streets etc (£9.4m). Some individual obligations of note include: £12m in bus capacity and connectivity improvements and £10m towards a new entrance and accessibility improvements at Surrey Quays Station, as part of the development at Canada Water; and a package of improvements relating to Kensington Olympia including station capacity improvements (£2.5m), bus service improvements (£1.8m) and a new cycle hire station (£200k). A further £500k was secured towards the Bulls Bridge scheme in Hillingdon, meaning we have secured £2m towards this £3.2m project.
- 6.5 Currently, there are around 700 s106 agreements (Crossrail and non-Crossrail) being actively monitored by TfL on a quarterly basis as they (potentially) come forward for implementation. It is important to note however that s106 delivery is complicated by a number of issues. For example, TfL is a signatory to only a relatively small proportion of these agreements. Beyond these, the final detailed provisions are usually agreed bilaterally between the local planning authority and developers. Furthermore, monitoring the agreements is complicated by any subsequent revisions to a planning application (and associated agreement), the (often significant) time lags between the date the s106 is signed, and the trigger for the mitigation measures. Receipt and delivery are ultimately, of course, subject to the development proceeding.
- 6.6 In 2019/20, £13.8m was received by TfL in non-Crossrail s106 planning obligations, the majority of which (£10.7m) was to mitigate the impact of development on London Underground stations.
- 6.7 There are also some other bespoke arrangements which have secured significant contributions towards strategic transport infrastructure. For example, £6.8m was secured towards bus services at Meridian Water to support the delivery of 2,300 homes, £3.1m for bus services at Ruby Triangle, and another £300k has been secured towards bus services as part of the development at Barking Riverside.
- 6.8 We also have a record of negotiating tariffs in areas with significant levels of growth. This year we agreed a bus tariff for developments along the Old Kent Road, which collects £2700 per home delivered in the area covered by the Area Action Plan for bus service enhancements. Funds continue to come in from the previously negotiated bus and station tariffs at Wembley and North Acton respectively.
- 6.9 TfL City Planning also negotiates s278 agreements for highway improvements on the TLRN, ranging from small scale improvements such as footway renewal to larger scale works. The total value of these works amounts to millions of pounds each year, often delivering critical infrastructure that contributes to the delivery of both Healthy Streets and Vision Zero, and they are funded by developers at no expense to TfL. An example of large scale works in 2019/20 includes £4.5m of highways works including new traffic signals in relation to the development at Battersea Power Station.
- 6.10 Finally, TfL has recently set out expansion plans for the Santander Cycles scheme to keep up with the unprecedented demand during the current Covid-19

pandemic. Of the six additional docking stations to be built by the end of the year, two will be funded by third parties – one through s106 funding (London Bridge station) and one by Westminster Council (Westbourne Park) – again demonstrating the critical role of third party funding in delivering essential transport infrastructure.

7 Securing wider funding packages to deliver MTS objectives

- 7.1 In the context of challenging financial constraints, it is ever more important for TfL to be proactive in seeking additional sources of funding to deliver the Mayor's Transport Strategy and contribute to infrastructure priorities. During 2019/20, City Planning has increased its efforts to identify funding for transport, working with the GLA, boroughs and other partners to secure several further notable funding streams in 2019/20 for transport priorities. These funds may be used solely or in combination with other funding sources to deliver projects over several years. We have just included just a few examples below.

Royal Docks

- 7.2 The Royal Docks Enterprise Zone Delivery Plan (EZ) was approved by the Mayor of London and is a five-year regeneration programme that seeks to transform the Royal Docks and accelerate the delivery of commercial space within the area. The GLA are to forward fund the EZ delivery plan through prudential borrowing, to be repaid from business rates generated over the life of the EZ. Developer contributions will also contribute to infrastructure required in the area.
- 7.3 Investment by the EZ will contribute £35.7m to the DLR upgrade over the five-year period with further monies earmarked post plan. For the next two years we are using £3.75m to support feasibility and design work on several stations, including: Beckton Park, Pontoon Dock, Royal Albert, Royal Victoria, Gallions Reach and Canning Town. Subject to this work and prioritisation, the EZ monies would then be used by TfL to deliver the improvements.

Housing Infrastructure Fund (HIF)

- 7.4 The HIF is a government capital grant programme of up to £5.5bn which the Ministry of Housing, Communities and Local Government (MHCLG) expects to deliver hundreds of thousands of new homes across England. Grant funding is awarded to local authorities on a competitive basis for new infrastructure that will unlock homes in the areas of greatest demand. TfL have been working closely with the GLA to develop bids to secure funding for London, to upgrade transport infrastructure and unlock new homes.
- 7.5 The bid to upgrade the Docklands Light Railway (DLR) was announced as successful by the Chancellor at the Autumn Statement 2018. The bid is for £291m of funding for a package of infrastructure to increase the capacity of the DLR and support around 17,000 new housing units. This includes funding to purchase fourteen additional DLR trains, the expansion of Beckton depot to accommodate them, a contribution to a new station at Thameside West and a contribution to a TfL Commercial Development-led housing scheme at Poplar. The TfL Growth Fund contribution of £10m to Thameside West station was also important in securing this HIF bid.

- 7.6 Over the past year, TfL have been working with Government to agree the terms and conditions attached to the funding. However, the huge challenges to TfL's financial situation in the context of Covid-19, now means we will need to review all our investment programmes while we continue to discuss TfL's long-term funding with Government. TfL is working with the Government to find a way forward to enable us to draw down the HIF funding.
- 7.7 In August 2019, Government announced that TfL and the GLA's bid to upgrade the East London Line (ELL) had been successful. This bid consists of £80.84m of funding to increase the capacity of the core section of the line from 16 trains per hour, as well as an expansion of Surrey Quays station and a new station at Surrey Canal Road to support major housing development sites. In total the bid will unlock around 14,000 homes. We are currently working with Government to agree the terms and conditions associated with this bid and hope to be able to enter in the Grant Development Agreement by July 2020.

Using the TfL Growth Fund to secure third party contributions to schemes

- 7.8 The TfL Growth Fund is focused on leveraging significant amounts of third-party funding (from developers, from boroughs and also from Government) to maximise the benefits of TfL's contribution. Importantly, the Growth Fund does not just enable new homes / regeneration but also contributes to delivering wider TfL Business Plan and MTS priorities, including step free access, Healthy Streets and station upgrade programmes. A full update on the Growth Fund is provided in a paper to the Programmes and Investment Committee, which was presented in July 2019.
- 7.9 While we await to understand more fully the medium impacts on demand for public transport and potential growth in London, the kinds of schemes supported by the Growth Fund (which are about targeted investment in transport linked to town centres and unlocking development rather than 'background' growth or capacity) are likely to be critical to London's economic recovery and confidence over the next few years.

The GLA's Strategic Infrastructure Fund

- 7.10 TfL has been working with the GLA to identify projects which meet the criteria for the Strategic Infrastructure Fund. In 2018, two projects that TfL will deliver were granted allocations from this fund, at Stratford and Elephant & Castle stations, with progress made this year to draw down the funding.
- 7.11 For Stratford, the supporting funding agreement was completed in early 2020 and £1.5m was successfully transferred to TfL. The remaining £2.5m will follow with the completion of Detailed Design. The project will support LLDC and Newham's plans for housing and regeneration. Funds were also secured for the relevant boroughs to progress the West London Orbital (£3.5m), a scheme which TfL continues to promote.

Homes England

- 7.12 Homes England has allocated £309m from its £4.5bn Housing Delivery Fund to accelerate the delivery of three major London developments, including the Brent

Cross South development (6,700 homes) and Silvertown Quays (which includes DLR station improvements in subsequent phases).

- 7.13 At the Brent Cross development, TfL has recently been working with developer Argent to develop a scheme at Brent Cross that is in line with the Mayor's Transport Strategy, following the decision by Hammerson to put on hold the redevelopment of Brent Cross shopping centre. This decision had threatened to stall wider plans for growth and had jeopardised funding for a new Thameslink station, which was critical to support up to 7,500 new housing units. Government have now announced that they will provide the funding to LB Barnet so that the station works and housing developments can progress, and will also fund the creation of a new town centre and employment space south of the North Circular Road. This funding takes the form of a 'soft-loan' and will be repaid by business rates collected by the GLA.
- 7.14 A key transport improvement is also funded at Barking Riverside. Upfront infrastructure, including £14.6m for the A13/Renwick Road junction, is funded through a package worth £56m.

8 Next steps

- 8.1 As noted above, leveraging third party funding is vital to delivering transport infrastructure and improvements for a growing capital city – and is likely to need to play an (increasingly) important role as TfL faces major financial pressures. We must continue to focus on building and maintaining relationships and engaging effectively in the planning system to ensure that we do not miss out on opportunities to shape good growth and deliver vital transport improvements.
- 8.2 This will remain essential to mitigating the impacts of development on the transport network as housing delivery continues to address the backlog of need, even if London's growth slows. More widely, with development and regeneration often dependent on associated transport investment (eg improved or new stations; transformed roads; enhanced connectivity) – and the role this is likely to play in developer and investor confidence and London's economic recovery in the context of Covid-19 - we must continue to bring together funding packages which represent good value for money.
- 8.3 It is noted that some risks are inevitable when entering funding and other agreements, however these funding sources are important to deliver TfL priorities around Step-Free Access, station pinch points, Healthy Streets and mode shift as well as underpinning sustainable development and supporting wider objectives around housing and regeneration. The value for money derived from projects that secure significant third party funding enables limited TfL funding to deliver more on the ground. We will continue to work with Government, the GLA, local authorities, developers and others in London to creatively fund transport schemes and improvements.

List of Appendices:

None

List of Background Papers:

MCIL2 Charging Schedule: Mayor of London Community Infrastructure Levy 2 Charging Schedule (January 2019)

Supplementary Planning Guidance: Use of planning obligations in the funding of Crossrail and the Mayoral Community Infrastructure Levy (March 2016).

Community Infrastructure Levy Charging Schedule – Mayor of London (February 2012)

CIL Regulations 2010, as amended 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019

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Finance Committee



Date: 24 June 2020

Item: Commercial Development Property Programme Update

This paper will be considered in public

1 Summary

- 1.1 This paper provides an update to the Committee on TfL's Commercial Development activity, summarising progress to date and outlining how the team has reacted to the outbreak of the coronavirus pandemic.

2 Recommendation

- 2.1 **That the Committee is asked to note the paper.**

3 Background

- 3.1 As one of London's largest landowners we are uniquely placed to generate long-term income from our commercial property assets, alongside building thousands of homes with high levels of affordable housing across the capital.
- 3.2 Our property portfolio is diverse with hundreds of acres of operational land such as stations, tracks and roads, as well as development opportunities, and a tenanted commercial property estate home to more than 2,000 businesses, of which 86 per cent are small and medium-sized enterprises (SMEs).
- 3.3 A key focus has been our approach to our property assets. Recently this has included consolidating the assets into a single subsidiary, enabling better oversight and allowing the strategic management of the estate by asset class. This approach is standard in the wider property industry, and provides direct balance sheet accountability, where movements in asset value are measurable and accurately reflect management decisions.
- 3.4 Alongside this, there have been three strategic property initiatives as part of the growth agenda outlined in the TfL business plan: a) using our land to deliver thousands of affordable homes; b) growing revenue from commercial property assets; and c) reviewing the head office and wider operational estate to secure cost and efficiency savings and unlock new commercial opportunities.
- 3.5 The outbreak of coronavirus has had a well-documented impact on the international property market. Short term, the lockdown has materially reduced both supply and demand, including on our estate. Longer term, it appears that the pandemic is speeding up existing trends, including increasing home-working and flexible working environments. This is potentially leading towards a so-called 'Polycentric London' with increasing growth in London's town centres, and more active travel and greater dependency on digital infrastructure.

4 Development Programme

- 4.1 Our ambitious housing programme will provide more than 10,000 homes across the capital, with a clear commitment to deliver an average of 50 per cent affordable housing across all sites brought to the market since May 2016.
- 4.2 The programme has been building momentum. We have also carried out work to identify and progress additional sites, meaning our housing programme is now capable of delivering more than 13,000 homes, well above the original 10,000-home target.
- 4.3 People have started to move into the first 280 homes on our land, construction is underway on another 1,100 and we have been granted planning permission for another 3,000 homes. Following months of extensive engagement with local communities, in March 2020 we submitted planning applications for 4,500 homes, and we have applications for a further 4,500 homes due to be submitted in the coming months.
- 4.4 Good design is fundamental to our development programme. It ensures we can maximise long-term value for money, and it also creates sustainable places for the future. We have adopted design principles to be at the core of our development programme, and actively adopted a strategy to create sustainable places which encourage shifts towards walking and cycling. For example, at Bollo Lane, Acton, our proposals include 850 homes to rent and buy (with 50 per cent affordable) and a new green corridor with improved walking and cycling facilities. We are also including 1,750m² of new 'maker space' as part of our proposals to encourage local businesses, and to reinforce the rich industrial identity of the area. Image below: our proposals for Bollo Lane.



- 4.5 We asked Finance Committee members if they would be interested in sponsoring development projects. The following Committee members have responded:

- Ron Kalifa – South Kensington station

- Professor Greg Clark CBE – sites in Enfield and Westminster
- Anne McMeel – sites in Barnet
- Dr Mee Ling Ng OBE – sites in Lambeth

Briefings will be arranged over the coming weeks to provide these Committee members with an introduction to the sites, the development proposals, and the project teams. Other members are, of course, always welcome to receive a briefing at any time.

- 4.6 We are in the process of assessing the impact of the coronavirus pandemic on our housing programme, and are discussing the implications with the GLA, industry partners and boroughs.
- 4.7 As a result of the pandemic and subsequent lockdown, we implemented a ‘Safe Stop’ on our construction sites on 24 March. This measure was necessary to ensure the safety of construction teams and to further reduce the number of people travelling on the public transport network. Implementing the Safe Stop had an immediate impact on the construction of more than 1,000 homes at four of our sites: Fenwick (Lambeth), Blackhorse Road (Waltham Forest), Kidbrooke (Greenwich) and Bond Street (Westminster). It is likely that the Safe Stop will have a knock-on impact on site handover dates on a number of other sites in the programme.
- 4.8 The lockdown has also had impacts on the planning system as boroughs have adapted to emergency legislation and new ways of working. We have been working with boroughs to supplement the statutory consultation obligations, and where necessary agreed to amend planning timetables to ensure local people have sufficient opportunity to scrutinise plans and make representations. Delays of three months have been agreed for three schemes in Harrow, and an extended statutory consultation period is expected on two schemes in Ealing. Together, these impact some 1,800 homes in our programme. Elsewhere, the backlog of planning applications and new ways of working, including virtual committee meetings, means delays are being experienced on both current schemes and imminent submissions.
- 4.9 These factors mean that our target to start work on the sites that will deliver 10,000 new homes by March 2021 can no longer be met. Nonetheless, we remain passionately committed to delivering our housing programme in full as soon as possible. A revised timetable will be published in due course.

5 Commercial Property Estate

- 5.1 Our commercial estate consists of more than 2,000 units, including around 800 railway arches, offering space for retail, industrial and office uses. Prior to lockdown, these units benefitted from an annual footfall of 1.3 billion, providing fantastic opportunities to the businesses occupying them, which range from small businesses, charities and pop-ups to global brands.
- 5.2 The team continues its programme to open up disused arches and invest in key gateway locations, such as the retail arcades at Liverpool Street and Victoria, in order to create modern, fit-for-purpose retail units which will attract greater long-term revenue.

- 5.3 With the restrictions in movement introduced as part of lockdown, it was clear that the pandemic would have profound impacts on our commercial tenants, most of whom are small businesses.
- 5.4 In March, we acted quickly to announce a package of support for tenants which covered Q1 (March-June). These measures included:
- (a) 100 per cent rent relief for SMEs starting from 25 March for three months;
 - (b) 100 per cent rent relief for all tenants who operate in a London Underground station that is closed;
 - (c) suspension of any ongoing negotiations on rent reviews and lease renewals, and giving all existing tenants with rent outstanding more time to pay; and
 - (d) commitment to work closely with larger businesses to agree any necessary bespoke packages of support.
- 5.5 Our approach to Q1 was subsequently adopted by a range of public and private sector landlords. It was also supported by the Deputy Mayor for Business, Rajesh Agrawal, the Federation of Small Business, and the Guardians of the Arches.
- 5.6 We have just announced a new package of support for Q2 (June to September) that includes a mixture of financial and practical measures. We believe this approach will enable us to make the sustainable move to get customers paying rent again, and is directly linked to maintaining a thriving estate, reducing potential voids, and maximising long-term revenue.
- 5.7 The proposed package of support includes encouraging SME tenants to move from quarterly payments in advance to monthly payments in arrears, providing substantial cash flow benefits for those businesses (and ultimately reducing our arrears and bad debt provisions). We are also allowing SMEs who are able to safely open to only pay half the normal rent for the next quarter - and this rent will be payable in September rather than due in June. This means all qualifying tenants will therefore have a six-month cash-flow holiday (March to September) from rent payments, helping them to focus on paying their employees and ensuring that reopening is carried out safely.
- 5.8 Alongside this, our Property Management team will complete a 'Business Health Check' for all SMEs – this will ensure that reopening is being undertaken safely and will allow us to understand what long-term support each business may need, based on their individual circumstances.
- 5.9 The move from quarterly payment in advance to monthly payment in arrears is entirely in line with industry best practice. The approach was specifically recommended by the Commercial Development Advisory Group (CDAG).
- 5.10 Offering a comprehensive package of support makes commercial sense as it is designed to enhance the long-term revenue generated from our estate. It will also help these businesses to survive and thrive, contributing to their local communities. The additional practical measures contained in the Business Health Checks help tenants focus on how best to re-open during these uncertain times.

6 Office Estate

- 6.1 We have previously updated the Committee on the work undertaken to rationalise the head office estate in line with the introduction of smart working and the consequential reduced demand for desk space.
- 6.2 This programme generated significant savings from exiting and sub-letting leasehold interests, letting surplus assets and re-gearing existing leases. It also secured high value disposals which included the 2019 disposal of the Broadway office complex that we fully vacated in March 2020.
- 6.3 We have now initiated a further review of our entire office estate to identify further opportunities to add value. As well as the head office portfolio, this includes our commercially let offices, offices in operational locations and sites in our office development pipeline.
- 6.4 When restrictions in movement were introduced, we immediately went from having some 12,500 people working in our major office hubs to having the vast majority working from home with only 500 people in business critical roles still working in offices.
- 6.5 Our Facilities Operations team continued to keep key office buildings open and safe, including allowing critical staff access to both London Underground and Surface Transport control centres.
- 6.6 Aligned to Government and our own advice on using the transport network, we expect all colleagues that can work from home to continue to do so, for at least a number of months. In the interim, the only staff working in an office will be those that cannot work from home, due either to the nature of their work or their personal circumstances. When working in an office, people will be required to follow new protocols such as adhering to social distancing to ensure their own safety and that of their colleagues.
- 6.7 Even as lockdown restrictions are lifted, we expect that the organisation will work very differently. Whilst it is clear that most of our staff want to work from home for a significant portion of the week on an ongoing basis, we recognise that this will not be attractive (or even possible) for everyone. We will need to provide the right spaces for people when they are in the office, supporting activities such as collaboration and project work.
- 6.8 Clearly this will have a profound impact on our future office requirements in terms of size, location and design. Working closely with colleagues, including those in Technology & Data and HR, we have established a programme to develop a new workspace strategy.
- 6.9 This strategy will help ensure we deliver an outcome that meets the needs of a modern transport organisation. This is also a unique opportunity to move to a model of working that delivers substantial cost savings and efficiency gains. More than that, we must be ambitious and ensure an outcome that improves health & wellbeing and Diversity & Inclusion across the whole organisation.

7 Financial Performance

2019/20 Financial Outturn

- 7.1 We produced a net operating surplus of £68m in 2019/20 (a 10 per cent increase on 2018/19) with growth in income driven by rent reviews and renewals as well as investment in new and existing assets. The surplus was impacted by measures put in place following the initial impact of coronavirus, notably 100 per cent rent relief to small and medium businesses on our estate from 25 March.
- 7.2 Capital Income for the year was £174m, primarily driven by the sale of 55 Broadway for £122m, with other receipts coming from Crossrail sites and the land value of sites disposed of into Joint Venture entities.
- 7.3 Capital Expenditure for 2019/20 was £92m, resulting in a net capital income of £82m. The capital investment programme funded key housing priorities including our major strategic Build to Rent partnership with Grainger plc and construction starts at Blackhorse Road and Kidbrooke.

2020/21 Current Forecast / Emergency Budget

- 7.4 Our original budget for 2020/21 demonstrated a continued increase in Operating Surplus, driven by strong revenue growth. However, in response to Covid-19, we proposed an interim Emergency Budget, with continued rent relief to our SME tenants, whilst prioritising essential services and safety-related activities.
- 7.5 Our Operating Surplus is currently forecast at £4m, largely driven by a 60 per cent reduction in rental income compared with 2019/20, reflecting continuing periods of rent relief and support to our SME tenants. We do however see this as a necessary measure to ensure the property estate bounces back. These measures, as outlined in 5.6-5.10, ultimately reduce our arrears and bad debt provisions.
- 7.6 Net Capital Income for 2020/21 is currently forecast at £42m, reflecting significant reductions to both receipts and expenditure when compared with the original budget. Capital projects continue to be impacted by the current economic environment, reducing our ability to conclude disposal transactions in a timely manner.
- 7.7 The Capital Income forecast has reduced to £114m. The sum includes three committed Crossrail site disposals at Tottenham Court Road, Davies Street and Bloomfield Street, as well as other sites which were under contract pre-Covid-19. These disposals are still expected to be concluded this financial year.
- 7.8 The Capital Expenditure forecast has reduced also, to £72m, reflecting a re-phasing of some capital projects. This includes the impact of Safe Stop and the phased return to site including new social distancing measures. Expenditure is largely on committed development schemes such as Kidbrooke, Earls Court and our Build to Rent partnership, as well as some necessary safety work across the existing estate.

7.9 As well as a continued focus on delivering homes, the Capital programme includes plans to invest in retail and other assets inside and outside stations. Historically, we have under-invested in our existing estate and this programme will allow us to create new space and generate additional revenue.

8 Legal Consolidation of Property Assets

8.1 As agreed by the Finance Committee in March 2019, we have been consolidating our property assets into a single subsidiary, TTL Properties Limited.

8.2 During 2019/20 we identified and transferred 1,900 commercial property assets with a market value of approximately £1.3bn from across TfL's various subsidiaries into TTL Properties Limited. This resulted in approximately £0.8bn revaluation gain being reported in TfL's 2019/20 Statutory Accounts.

8.3 This was an important step in professionalising the management of the commercial property assets, enabling improved decision making and control, including strategic management by asset class across the estate. This approach has promoted more direct balance sheet accountability, where movements in asset value will be measurable and accurately reflect management decisions and responsibilities, as would be expected in leading commercial organisations.

8.4 The remaining long tail of 1,500 commercial property assets with a market value of approximately £0.2bn will be transferred into TTL Properties Limited during 2020/21. Transferring these assets will require us to address a number of matters relating to these sites, including gaining consents from relevant third-party landlords.

9 Other Activity

Sustainability Development Framework (SDF)

9.1 In 2019, we established the SDF as a new approach to sustainable urban development, building on industry best practice to reflect Mayoral aspirations and our wider objectives.

9.2 The SDF is a framework to deliver 'triple-bottom-line' outcomes (i.e. economic prosperity, environmental stewardship and social impact). A full update on the SDF was presented at the Safety, Sustainability and Human Resources Panel on 12 February 2020.

9.3 We have started monitoring the performance of schemes with the SDF's Key Performance Indicators and are consistently seeing very promising results, such as:

- (a) lifecycle carbon emissions reduced by more than 75 per cent across the portfolio versus the base requirements (Part L) of Building Regulations;
- (b) benchmark levels of Urban Greening Factor (0.7) and Biodiversity Net Gain (100 per cent) are being achieved on multiple schemes;
- (c) excellent scores (75+) are being set for the delivery of Healthy Streets Check for Designers (HSCD) within our new developments;

- (d) across much of the portfolio, record-high scores (4.5 Stars) are being achieved under the Home Quality Mark system; and
 - (e) BREEAM Outstanding and WELL Platinum are being attained simultaneously on a major commercial project for the first time in the UK.
- 9.4 At its core, the SDF is a methodology for optimising, specifying and monitoring the sustainability performance of property assets. While it has so far been applied only to our development portfolio, there is an imperative to similarly improve the performance of our existing estate, and this work will be driven forward over the next 12 months.
- 9.5 The SDF is integral to our plans to respond to the climate crisis, including our signing up to the Better Buildings Partnership (BBP) Climate Change Commitment, which requires us to fully decarbonise our portfolio by 2050 and publish a comprehensive roadmap to zero carbon by the end of this year.

Construction Skills

- 9.6 For a number of years, the construction industry has experienced significant skills shortages, particularly in the housing sector. At peak, we will require 7,000 construction workers across all our sites, and there is an acute need to ensure there are sufficient numbers of trained people available to support our development programme.
- 9.7 Working with construction partners and boroughs, we created a training programme that supports the industry in attracting the talent required and ensuring the training is fit for purpose. Working closely with construction employers and education providers, we are able to ensure the skills offered are meeting industry demand.
- 9.8 We are delighted to be accredited as a Mayor's Construction Academy and we have successfully bid for substantial funding from the Department for Education (DfE). Our programme actively targets people with protected characteristics who are under-represented in the construction industry.
- 9.9 We concluded our first Construction Skills programme in March 2020, with 1,557 people trained – including 63 per cent from a BAME background and 18 per cent women, both well above industry norms. Prior to the pandemic, 20 per cent of our learners were in jobs, including a number on our own projects such as Blackhorse Road and Barking Riverside Extension.
- 9.10 We have just learned that we were again successful in securing DfE funding. We have a new £1m funding agreement to train 800 people and support 50 per cent of those into jobs.
- 9.11 We have set a requirement that at least 45 per cent of those that complete the skills training will be from under-represented groups. Training will be complete by 31 March 2021 and candidates must be in work by 30 September 2021.
- 9.12 Our programmes are offering skills to thousands of Londoners, supporting local employment and ensuring we have a strong pipeline of qualified candidates to approach for our construction projects.

10 Conclusion

- 10.1 There is a huge amount of activity underway in Commercial Development. By investing in our assets to create thousands of homes and jobs, the Commercial Development programme is materially helping the London economy and supporting the response to the impact of the coronavirus pandemic.
- 10.2 The pandemic is currently reducing our rent income from tenants and has impacted our ability to deliver 10,000 homes by March 2021. It has also, however, reinforced the critical need to both grow net revenues to reinvest in the transport network and build new homes. Our homes will meet the highest design standards and will be affordable to Londoners, including NHS workers and others who have done so much for the city in recent months. We remain passionately committed to delivering our housing programme in full as soon as possible.
- 10.3 In supporting our SME tenants, promoting sustainable development and targeting construction skills training to under-represented groups, we are taking advantage of the scale of our programme to deliver a green recovery, whilst helping positively reshape both London and the wider industry.
- 10.4 Finally, across TfL, our people have adapted brilliantly to new ways of working. The pandemic is causing organisations around the world to rethink their accommodation plans. Within Commercial Development, we are looking afresh at available assets across our existing office, commercial and development estates. We will seek to deliver cost savings through an optimum office footprint that reflects a massive increase in home-working. Working with others across TfL and the GLA, we are also keen to emerge from the pandemic with an accommodation offer for our people that supports our wider people and sustainability agenda.

List of Appendices:

None

List of Background Papers:

None

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Finance Committee



Date: 24 June 2020

Item: **Members' Suggestions for Future Discussion Items**

This paper will be considered in public

1 Summary

- 1.1 This paper presents the current forward plan for the Committee and explains how this is put together. Members are invited to suggest additional future discussion items for the forward plan. Members are also invited to suggest items for future informal briefings.

2 Recommendation

- 2.1 **The Committee is asked to note the forward plan and is invited to raise any suggestions for future discussion items for the forward plan and for informal briefings.**

3 Forward Plan Development

- 3.1 The Board and its Committees and Panels have forward plans. The content of the plans arises from a number of sources:
- (a) Standing items for each meeting: Minutes; Matters Arising and Actions List; and any regular quarterly or periodic reports. For this Committee, these are the Finance Report and Group Treasury Activities.
 - (b) Regular items (annual, half year or quarterly) which are for review and approval or noting: Examples for this Committee include the Prudential Indicators Outturn.
 - (c) Matters reserved for annual approval or review: Examples include the Treasury Management Strategy and policies on derivative investments.
 - (d) Programmes, Projects and Land Transactions at a level requiring Committee approval or review prior to Board approval. These are scheduled following advice from the operating business.
 - (e) Items requested by Members: The Deputy Chair of TfL and the Chair of this Committee will regularly review the forward plan and may suggest items. Other items will arise out of actions from previous meetings (including meetings of the Board or other Committees and Panels) and any issues suggested under this agenda item.

4 Current Plan

- 4.1 The current plan is attached as Appendix 1. Like all plans, it is a snapshot in time and items may be added, removed or deferred to a later date.

List of appendices to this report:

Appendix 1: Finance Committee Forward Plan

List of Background Papers:

None

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Finance Committee Forward Plan 2020/21

Membership: Ron Kalifa OBE (Chair), Ben Story (Vice-Chair), Heidi Alexander, Prof Greg Clark CBE, Anne McMeel and Dr Nina Skorupska CBE

Abbreviations: CFO (Chief Finance Officer), CTO (Chief Technology Officer), D (Director), MD (Managing Director), Comm Dev (Commercial Development), CPOS (Compliance, Policing and On-Street Services), CSHEO (Chief Safety, Health and Environment Officer)

30 September 2020		
Use of Delegated Authority	General Counsel	To note.
Finance Report	CFO	To note.
TfL Prudential Indicators Outturn	CFO	To note.
Treasury Activities	CFO	To note.
Strategic Risk Update – Financial Sustainability (SR7)	MD - CFO	To note.
Energy Purchasing Procurement Strategy	CSHEO	To approve.
DevCo Capitalisation	D Comm Dev	To approve.
DevCo Governance Structure	D Comm Dev	To approve.
Transport Innovation Update	MD - Surface	To note.

25 November 2020		
Use of Delegated Authority	General Counsel	To note.
Finance Report	CFO	To note.
TfL Business Plan 2020/21	CFO	To recommend Board approval.
TfL Capital Strategy 2020/21	CFO	To recommend Board approval.
Connect Radio Base Station (MTS) Upgrade	D Strategy & CTO	To approve authority.

As at 16 June 2020

Finance Committee Forward Plan 2020/21

Strategic Risk Update – Inability to Deliver Predicted Revenue Growth (SR8)	D Comm Dev	To note.
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10 March 2021

Use of Delegated Authority	General Counsel	To note.
Finance Report	CFO	To note.
Treasury Activities	CFO	To note.
Treasury Management Strategy 2021/22	CFO	To note and recommend Board approval.
Treasury Management and Derivative Investments Policies 2021/22	CFO	To note and recommend Board approval.
TfL Investment Strategy 2021/22 – Non-Financial Assets	CFO	To note and recommend Board approval.
TfL Scorecard 2021/22	CFO	To note and recommend Board approval.
General Fund Balance	CFO	To approve.
Strategic Risk Update – Inability to Meet Changing Demand (SR9)	D Strategy & CTO	To note.
TfL Budget 2021/22– informal	CFO	To note and recommend Board approval.
TfL Prudential Indicators 2022/23 to 2023/24 – informal	CFO	To note and recommend Board approval.

Regular items:

- Use of Delegated Authority (General Counsel) covers Chair’s Action, Procurement Authority etc.
- Finance Report (progress against budget including revenue generation targets like fares and Commercial Development activities) (CFO)
- Business Plan (annual – November) (CFO)
- Capital Strategy (annual – November) (CFO)

Finance Committee Forward Plan 2020/21

- Budget (annual informal – March) (CFO)
- Prudential Indicators Outturn (outcome from previous year - September) (CFO)
- Prudential Indicators (setting for current year - annual informal - March) (CFO)
- Treasury Activities (semi-annual – September and March) (CFO)
 - Additional updates to be provided where necessary.
- Treasury Management Strategy (annual – March) (CFO)
- Treasury Management and Derivative Investments Policies (annual – March) (CFO)
- Developer Income (MCIL/CIL/s.106) (annual – June) (D City Planning)
- Strategic Risk Update – Financial Sustainability (SR7) (annual – September) (MD – CFO)
- Strategic Risk Update – Inability to Deliver Predicted Revenue Growth (SR8) (annual – November) (D Comm Dev)
- Strategic Risk Update – Inability to Meet Changing Demand (SR9) (annual – March) (D Strategy & CTO)

Additional items to be scheduled:

- Spending Review Issues (e.g. Business Rates Devolution) (CFO)
- Income Generation Proposals (CFO & CCT)
- Securing new income streams (CFO & CCT)
- TfL Strategy on Working Capital
- Commercial Development: Royal Oak
- Southwark Station Development (update)
- Broadway Sale
- Victoria Coach Station
- App Based Culture – paper to cover TfL perspective on the strategy, plans and issues for TfL e.g. TPH regulation
- Applied Solutions – pending the outcome of review on Consulting (D Comm Dev)
- Cubic and NY RUC Bid (D Strategy & CTO)
- Future Affordable Homes Sites Plan (CFO) - action from Board meeting on 22 January 2020
- Energy as a Service (D – City Planning) – Member suggestion for future discussion item from 11 March 2020 meeting.
- Rapid Charging Points (D – City Planning) - Member suggestion for future discussion item from 11 March 2020 meeting.

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