

Date: 26 March 2015

**Item 22: Report of the meeting of the Finance and Policy
Committee held on 11 March 2015**

This paper will be considered in public

1 Summary

- 1.1 To report to the Board on the meeting of the Finance and Policy Committee held on 11 March 2015.

2 Recommendation

- 2.1 **That the Board notes the report.**

3 Background

- 3.1 The main matters considered by the Committee are listed below. Items identified by an '*' in the list below appear elsewhere on the agenda for this meeting.
- (a) Operational and Financial Performance and Investment Programme Reports – Third Quarter, 2014/15*;
 - (b) Prudential Indicators 2014/15 to 2017/18*;
 - (c) TfL Budget 2015/16*;
 - (d) Savings and Efficiencies Programme Review;
 - (e) Benchmarking and Financial Planning at TfL;
 - (f) Project Monitoring – Project Approvals;
 - (g) Surface Transport: Asset Capital Programme;
 - (h) Cycling Vision Annual Update*;
 - (i) Elephant & Castle Funding Agreement*;
 - (j) Integrated Stations Programme*;
 - (k) Bakerloo Line Fleet Life Extension;
 - (l) Central and Waterloo & City Lines Rolling Stock*;
 - (m) Bank Station Capacity Upgrade*;
 - (n) Track and Track Drainage Renewals Programme*;
 - (o) Business Improvement Programme Framework*;
 - (p) Provision of IT Management Services and IT Services*;

- (q) Treasury Management and Derivative Investments Policies 2015/16*;
- (r) Group Treasury Activities; and
- (s) Treasury Management Strategy 2015/16*.

4 Issues Discussed

Operational and Financial Performance and Investment Programme Reports – Third Quarter, 2014/15

- 4.1 The Committee noted the Operational and Financial Performance and Investment Programme Reports for the third quarter of 2014/15. These appear elsewhere on the agenda.

Prudential Indicators 2014/15 to 2017/18

- 4.2 The Committee noted the paper and endorsed the recommendation that the Board approve the proposed TfL borrowing limits and other Prudential Indicators under the CIPFA Prudential Code, which were consistent with the proposed Treasury Management Strategy for 2015/16. The limits and indicators were based on figures in the proposed TfL Budget 2015/16.
- 4.3 A paper on Prudential Indicators 2014/15 to 2017/18 appears elsewhere on the agenda.

TfL Budget 2015/16;

- 4.4 The Committee reviewed the Budget and recommended its approval by the Board.
- 4.5 A paper on the TfL Budget 2015/16 appears elsewhere on the agenda.

Savings and Efficiencies Programme Review

- 4.6 The Committee noted the findings of a review by PricewaterhouseCoopers of the Savings and Efficiencies (S&E) Programme, commissioned in December 2014. Members discussed the challenges of monitoring and communicating the impact of the S&E programme for the reasons set out in the review.
- 4.7 The Committee requested further information to show what had been achieved against the original Project Horizon targets and future plans. Members were keen to see annual savings targets reflected in TfL's budget, so that year by year performance could be monitored.

Benchmarking and Financial Planning at TfL

- 4.8 The Committee noted a follow-up overview of how benchmarking was informing financial projections, presented to the Committee on 14 October 2014. The paper responded to two requests by the Committee: an overview of the current S&E initiatives (and the benchmarking activities that contributed to these) to be delivered over the current Business Plan; and consideration of whether there

was scope to support a stretch target to increase the level of savings to be achieved through identifying additional benchmarking efficiencies.

- 4.9 The discussion on this item was linked to the discussion on the S&E Programme Review above.

Project Monitoring – Project Approvals

- 4.10 The Committee noted the forward approval programme for projects with a value in excess of £50m, from March 2015 to July 2016 and the details of the Project Authority granted by the Commissioner and the Managing Director, Finance, in accordance with delegated authority under TfL's Standing Orders, since the last meeting.

Surface Transport: Asset Capital Programme

- 4.11 The Committee approved budgeted Project Authority of £92.8m for the Asset Capital Programme (ACP). The ACP would deliver safe, reliable and maintained assets that were designed to meet the needs of London today and in the future. The deliverables for financial year 2015/16 included 475,000m² of carriageway resurfaced, 55,000m² of footway relayed, 210 traffic signal sites modernised, 370 bus shelters replaced and 60 bridge and tunnel repair and upgrade projects.

Cycling Vision Annual Update

- 4.12 The Committee noted the first annual progress report on the delivery of the Cycling Vision Portfolio, which would ensure an ongoing overview of the entire portfolio. Members requested that the appendix on the Better Junctions programme include information on the progress against milestones.
- 4.13 A paper on the Cycling Vision Annual Update appears elsewhere on the agenda.

Elephant & Castle Funding Agreement

- 4.14 The Committee recommended that the Board approves the proposed funding agreements for the Greater London Authority's and the London Borough of Southwark's £68m contributions towards the £154.1m cost of the Elephant & Castle Northern Roundabout and Northern Line Ticket Hall projects. The funding agreements were required to progress both Elephant & Castle schemes.
- 4.15 A paper on the Elephant & Castle Funding Agreement appears elsewhere on the agenda.

Integrated Stations Programme

- 4.16 The Committee recommended that the Board approves an increase in budgeted Project Authority of £225.2m, increasing total Project Authority to £241.8m for the implementation of the Integrated Stations Programme.

- 4.17 The authority request was for Tranche 1 of the Programme, which would improve asset condition, the built environment and energy efficiency at 26 high priority stations by 31 March 2020.
- 4.18 Members welcomed the initiative and the use of the STAKE procurement model, which utilised a construction management approach that put London Underground closer to the workface. This collaborative approach had delivered improvements in productivity and was expected to deliver a 12 per cent efficiency saving, which the Independent Investment Programme Advisory Group believed could be higher.
- 4.19 Members recommended that the use of the STAKE model be treated as a case study, with a view to rolling it out to further parts of the business.
- 4.20 A paper on the Integrated Stations Programme appears elsewhere on the agenda.

Bakerloo Line Fleet Life Extension

- 4.21 The Committee approved budgeted Project Authority of £11.51m, increasing the current authority of £9.26m to £20.77m for the Bakerloo Line Life Extension project. The project would address the deteriorating condition of the Bakerloo line 1972 Tube Stock carbody. The project would complete repairs on the first seven trains and seek final funding for the full fleet by 30 June 2016.

Central and Waterloo & City Lines Rolling Stock

- 4.22 The Committee recommended that the Board grants an increase in budgeted authority of £117.08m, raising the total authority to £123.16m, to deliver the next cycle of heavy maintenance on the 1992 Tube Stock fleet (all costs were forecast within the Quarter 3 2014/15).
- 4.23 The request was to carry out the prescribed heavy maintenance to the 1992 Tube Stock fleet, comprising 'programme lift' and 'heavy overhaul'. The project was scheduled to be completed by 21 July 2017 and would ensure the continued safety of the fleet and improve reliability and availability.
- 4.24 A paper on Central and Waterloo & City Lines Rolling Stock appears elsewhere on the agenda.

Bank Station Capacity Upgrade

- 4.25 The Committee recommended that the Board approves an increase in Project Authority for Bank Station Capacity Upgrade (BSCU) Stage 1 of £76.8m (thereby increasing the BSCU Stage 1 Project Authority from £177.5m to £254.3m), to be funded by bringing forward of the same amount (i.e. £76.8m) from the budget for Stage 2 BSCU works.

- 4.26 This proposed re-phasing of BSCU spend (and increase in Stage 1 project authority) is to cover an increase in costs of Stage 1 activities, bringing forward into Stage 1 some activities previously assumed for Stage 2 and a corresponding risk adjustment.
- 4.27 Members were assured that there was an extensive programme of continuing dialogue with landowners, businesses and other stakeholders likely to be affected by the work. TfL would follow up the individual case of an organisation that said it was not fully aware of the proposals, and check that there were no others in a similar situation.
- 4.28 The current estimated final cost was considered sufficient to deliver the programme, but this would be kept under review and the Committee given early warning of any cost pressures. It was noted that the remaining Project and Procurement Authority will be sought at the same time as seeking Board approval for the proposed Transport and Works Order application.
- 4.29 A paper on Bank Station Capacity Upgrade appears elsewhere on the agenda.

Track and Track Drainage Renewals Programme

- 4.30 The Committee recommended that the Board approves budgeted Project Authority of £414.282m to undertake Track and Track Drainage renewals in accordance with the current Business Plan.
- 4.31 A paper on the Track and Track Drainage Renewals Programme appears elsewhere on the agenda.

Business Improvement Programme Framework

- 4.32 The Committee recommended that the Board approves the proposed two year extension of the Managed Service call-off of the Transport for London Business Improvement Programme (BIP) Framework with HCL Axon and grants additional Procurement Authority to cover expenditure to date and the forecast expenditure through to 30 June 2017.
- 4.33 Members noted that the Audit and Assurance Committee, at its meeting on 9 March 2015, considered and noted an Internal Audit Report on Procurement Authorities and Associated Controls and agreed an action plan to implement improved awareness and control over Procurement Authorities.

Provision of IT Management Services and IT Services

- 4.34 The Committee recommended that the Board approves extended Procurement Authority up to £204.9m in respect of TfL's agreement with Computer Sciences Corporation (CSC) for the provision of IT Management Services and IT Services (the Agreement). The extended Procurement Authority would cover expenditure committed under the Agreement up to 31 March 2015, and provided contingency for an extension to one of the services, the desk-side support service.

- 4.35 As with the BIP item above, Members noted that the Audit and Assurance Committee, at its meeting on 9 March 2015, considered and noted an Internal Audit Report on Procurement Authorities and Associated Controls and agreed an action plan to implement improved awareness and control over Procurement Authorities.
- 4.36 A paper on the Provision of IT Management Services and IT Services appears elsewhere on the agenda.

Treasury Management and Derivative Investments Policies 2015/16

- 4.37 The Committee recommended that the Board approves the proposed TfL Treasury Management Policy and Treasury Management Practices (together, the TM Policy), and the proposed TfL Group Policy relating to the use of Derivative Investments for 2015/16.
- 4.38 A paper on the Treasury Management and Derivative Investments Policies 2015/16 appears elsewhere on the agenda.

Group Treasury Activities

- 4.39 The Committee noted an update on Group Treasury's activities from 1 April 2014 to date, as required by the Treasury Management Policy Statement and Treasury Management Practices 2014/15, approved by the Board in March 2014.

Treasury Management Strategy 2015/16

- 4.40 The Committee recommended that the Board approves the proposed TfL Treasury Management Strategy (TMS) for 2015/16. The TMS 2015/16 comprised the Investment Strategy 2015/16, the Borrowing Strategy 2015/16, the Risk Management Strategy 2015/16, the Counterparty Credit Limits 2015/16 and TfL Policy on Minimum Revenue Provision. The Committee approved the proposed Approved Investments List 2015/16 and Approved Derivative Counterparty List 2015/16 and other related matters within its remit.
- 4.41 A paper on the Treasury Management Strategy 2015/16 appears elsewhere on the agenda.

List of appendices to this report:

None

List of Background Papers:

Papers submitted to the Finance and Policy Committee on 11 March 2015

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