

Transport for London

Minutes of the Finance Committee

Committee Rooms 1&2, Ground Floor, Palestra,
197 Blackfriars Road, London, SE1 8NJ 10.15am
Tuesday 5 December 2017

Members

Ron Kalifa (Chair)
Ben Story (Vice-Chair)
Michael Liebreich
Anne McMeel
Val Shawcross CBE
Dr Nina Skorupska CBE

Members also in attendance

Dr Lynn Sloman
Dr Alice Maynard CBE

Executive Committee

Mike Brown MVO	Commissioner
Howard Carter	General Counsel
Vernon Everitt	Managing Director, Customers, Communication & Technology
Simon Kilonback	Interim Chief Finance Officer
Mark Wild	Managing Director, London Underground

Staff

Sarah Bradley	Group Financial Controller
Mark Bulle	Head of Network Transformation (for minute reference 62/12/17)
Graeme Craig	Director, Commercial Development (for minute reference 61/12/17))
Tanya Coff	Finance Director, London Underground
Patrick Doig	Finance Director, Surface Transport
Glyn Lenton	Lead Commercial Manager, Finance (for minute reference 64/12/17)
Shashi Verma	Chief Technology Officer (for minute reference 62/12/17)
Matthew Webb	Senior Strategy Manager, London Underground (for minute reference 61/12/17)
David Wylie	Chief Procurement Officer (for minute reference 64/12/17)
Sue Riley	Secretariat

Also in attendance

Sir Terry Morgan, CBE,	Chairman of Crossrail
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57/12/17 Apologies for Absence and Chair's Announcements

There were no apologies for absence.

58/12/17 Declarations of Interests

Members confirmed that their declarations of interests, as provided to the Secretariat and published on tfl.gov.uk, were up to date and there were no other interests to declare that related specifically to items on the agenda.

59/12/17 Minutes of the Meeting of the Finance Committee held on 18 October 2017

The minutes of the meeting held on 18 October 2017 were approved as a correct record and signed by the Chair.

60/12/17 Matters Arising and Actions List

The Committee noted the Actions List.

61/12/17 Telecommunications Commercialisation Project Update

Graeme Craig presented the approach being taken to deliver a range of telecommunications improvements in line with the draft Mayor's Transport Strategy. Matthew Webb was also in attendance for this item.

A commercial partner was being sought, via a competitive procurement process, to help deliver the telecommunications services, including mobile coverage on the London Underground and fibre network at street level, both 4 and 5G. There was considerable market appetite for what was on offer.

The procurement approach being taken would ensure safety and capacity were paramount. TfL would gain from a share of revenue generated and payment for use of its assets.

Initial market testing had provided an understanding of what the level of interest and provision was. TfL would clearly set out what its requirements were, including access for all mobile phone operators to the network. Both internal and external expertise was being utilised.

A number of other international cities, such as Hong Kong and New York, provided similar telecommunications services to customers, and against which TfL was benchmarking. The provision of a cellular phone network was predominantly an improved customer service offer, whereas the development of the fibre network offered a commercial business opportunity to TfL. Market testing would help develop a greater understanding of the market interest and developmental opportunities. While this was an area with considerable innovation, 5G capacity was yet to be available on a commercial scale.

The roll out approach of telecommunications had yet to be agreed but a number of options were available, including a zonal incremental phasing or a focus on the Night Tube and other specific services.

The provision of cellular phone access on the Elizabeth line meant that customer expectations across all transport networks had been raised.

While the procurement timetable was challenging, officers were confident that incremental coverage would begin from January 2019, with complete network coverage by May 2020.

The Committee congratulated officers on the progress made.

The Committee noted the approach to commercialising the telecommunications assets and the supplementary information on Part 2 of the agenda.

62/12/17 Access and Wide Area Network Contract Award

Shashi Verma and Mark Bulle presented the paper setting out the approach and process being undertaken to identify a new supplier for the provision and on-going management of TfL's outsourced commodity data network services (WAN).

The paper highlighted the need to invest in TfL's commodity networks, which would also create savings for the organisation in reduced operating costs. The proposals set out a rationalisation plan for the next five years and beyond and also allowed for flexibility in the contract so that additional requirements could be added.

The Committee stressed the importance of good governance and controls over the project. While the current arrangement to have both sponsor and delivery teams within the same department was not unusual in other operational areas, such as London Underground and Surface Transport, it was important that adequate checks and balances were in place.

Project Assurance would be provided from Internal Audit, TfL Assurance teams and the Independent Investment Programme Advisory Group. External reviews had also been utilised.

Project risk would be clearly set out in future reports.

Assurance and risk aspects of this project would also be considered through the relevant processes.

The Commissioner advised that a more consistent approach to sponsorship across the organisation was being addressed.

There were no concerns regarding the performance of the preferred contractor and further assurances had been sought in terms of quality of staff and service.

The Committee thanked staff for the considerable progress made.

The Committee noted the paper and the supplementary information on Part 2 of the agenda and granted Procurement Authority in respect of the award of the

contract to the preferred bidder for Access and Wide Area Network services, in the sum set out in the paper on Part 2 of the agenda.

63/12/17 Connect: A Managed Transition from the PFI - Update

Shashi Verma introduced the update on the Connect strategy.

The Committee welcomed the progress to date.

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

64/12/17 TfL Energy Purchasing 2020 to 2023

David Wylie and Glyn Lenton presented the purchasing strategy for the supply of electricity and gas to all applicable TfL supply points through the Crown Commercial Service (CCS) frameworks.

Discussions were on going with the GLA as to how TfL would work towards becoming zero carbon by 2030 and the possible options of local energy providers. TfL would continue to influence CCS in improving its environmental energy provision.

Val Shawcross CBE outlined the Mayor's position that while the GLA was committed to working towards a zero carbon solution in the long term, the safety and security of TfL's energy supply was paramount. The provision of alternative energy options on the scale of consumption required by TfL was not currently available in the market, which was still underdeveloped.

Members were assured that approving the procurement authority as set out in the paper would not shut down pursuing other future options.

It was agreed that TfL's energy purchasing be an explicit item in TfL's annual budget.

[Action: Simon Kilonback]

The Committee discussed the importance of aligning TfL's energy purchasing strategy with the GLA energy strategy.

The Committee noted the paper and the supplemental information on Part 2 of the agenda, and agreed that a gating process be implemented for energy purchases for the period of supply starting April 2020, with an Initial draw down of 12 months only for the period of supply from April 2020 to March 2021 and up to a maximum of £200m. Further requests for draw down beyond March 2021 would be submitted to the Finance Committee. In the event that any particularly advantageous commercial arrangements were available in the meantime, staff would request that further approvals be considered by Chair's Action.

65/12/17 Finance Report – Period 7, 2017/18

Simon Kilonback introduced the Finance Report for period 7 ending 14 October 2017. Slides had also been circulated with the agenda.

TfL's assessment by the ratings agency was based on a number of financial metrics and demonstrable flexibilities.

The Committee encouraged TfL to optimise its working capital more. Staff were working closely to reduce costs through the funded supply chain and suppliers.

It was agreed that a report on TfL's strategy on working capital would be submitted to a future meeting. **[Action: Simon Kilonback]**

While there continued to be considerable challenges ahead, staff were confident that they could meet the budget forecast for year end.

It was agreed that a risk and opportunity schedule be incorporated into future finance reports. **[Action: Simon Kilonback]**

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

66/12/17 TfL Business Plan 2017

Mike Brown MVO introduced the TfL Business Plan 2017 for the five years from 2018/19 to 2022/23.

The Business Plan had been drafted in parallel with the draft Mayor's Transport Strategy, with costs and delivery linked to an annual scorecard process. The Mayor's affordable fares policy had helped mitigate the overall trend for decline in passenger numbers, while protecting the concessions available and the investment programme.

Val Shawcross CBE thanked all those involved in working on both the Business Plan and the Mayor's Transport Strategy during the summer period, which ensured that TfL's Plan was able to deliver the clear priorities in the Mayor's Transport Strategy, protect the London boroughs from any budget reductions and implement the Mayor's Healthy Streets agenda. The Mayor's Transport Strategy consultation responses were currently being collated.

It was agreed that an informal discussion by the Board to consider issues relating to the implementation of the Business Plan be arranged. **[Action: Secretariat]**

A briefing on Transformation would be held after the next meeting of the Finance Committee meeting. **[Action: Secretariat]**

Following authority delegated by the Board on 9 November 2017, the Committee approved the TfL Business Plan 2017, subject to any non-material changes prior to the publication of the final document to be delegated to the Interim Chief Finance Officer.

67/12/17 Date of Next Meeting

Thursday 8 March 2017 at 10.00am.

68/12/17 Exclusion of the Press and Public

The Committee agreed 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), when it considered the exempt information in relation to the items on:
Telecommunications Commercialisation Project Update; Access and Wide Area Network Contract Award; Connect: A Managed Transition from the PFI; TfL Energy Purchasing 2020 to 2023; and Finance Report – Period 7, 2017/18.

The meeting closed at 1.30pm.

Chair: _____

Date: _____