

## Board



**Date:** 19 July 2016

**Item:** Report of the meetings of the Finance and Policy Committee held on 21 April and 8 July 2016

---

**This paper will be considered in public**

### **1 Summary**

- 1.1 To report to the Board on the meetings of the Finance and Policy Committee held on 21 April and 8 July 2016.

### **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 marked with an asterisk appear elsewhere on the agenda for this meeting. Items marked with a double-asterisk are matters where the Committee exercised authority delegated to it by the Board and further information is provided elsewhere on the agenda under the item Matters Arising, Actions List and Use of Delegated Authority.

#### **21 April 2016**

- (a) Commercial Exploitation of Contactless Systems (and update to 8 July 2016) \*\*; and
- (b) Northern Line Extension \*\*;

#### **8 July 2016**

- (c) TfL Budget 2016/17, Business Plan Adjustment and European Union Referendum \*;
- (d) Operational and Financial Performance and Investment Programme Reports - Fourth Quarter 2015/16 \*;
- (e) Project Monitoring - Project Approvals;
- (f) TfL Group Banking Arrangements \*\*;
- (g) Railways Pension Scheme: TfL Assurance To Trustees \*\*;
- (h) Update on Planning Obligations;

- (i) Crossrail 2 \*;
- (j) Four Lines Modernisation Update;
- (k) Bakerloo Line Fleet Weld Repairs;
- (l) Central Line Improvement Programme \*;
- (m) London Underground Operations Delivery Secondment Arrangements \*;  
and
- (n) Cycle Hire Re-let \*.

## **4 Issues Discussed**

### **Commercial Exploitation of Contactless Systems**

- 4.1 Under the authority delegated by the Board on 17 March 2016, the Committee considered proposals relating to the commercial exploitation of TfL's intellectual property and knowledge in its back office software for contactless payment systems. It approved a proposal to license the software with a third party. The terms proposed will grant a non-exclusive, perpetual worldwide licence to one party, while retaining scope for future licences to be granted to other interested parties.

### **Northern Line Extension**

- 4.2 Under the authority delegated by the Board on 4 November 2015, Committee approved entry into such supplemental agreements (or deeds of variation or equivalent arrangements) with the developer of the Battersea Power Station as may be necessary or desirable to give effect to the agreed revised design of the over station development at the site. Authority was also granted for any associated supplemental agreements or arrangements to reflect the related impacts on access, worksites and leases demises.

### **TfL Budget 2016/17, Business Plan Adjustment and European Union Referendum**

- 4.3 The Committee noted the report and recommended that the Board approve the adjustment.
- 4.4 Members received an update on the potential short and medium term impacts of the outcome of the European Union Referendum and the challenges that longer term economic conditions might have on TfL's financial position. While it was too soon to accurately predict the economic impact, a fuller assessment would be undertaken as part of the preparation for a five year Business Plan, including looking at the impact of TfL's role in the supply chain.
- 4.5 The Committee discussed the following issues:

- Demand on TfL's services was not expected to see a significant impact in the short and medium term;
  - A reduction in commercial and residential property value would have a negative impact on TfL's Commercial Development Programme;
  - While sovereign debt had been downgraded by credit rating agencies, TfL was thought to be well protected against current borrowing requirements with sources of diversified funding;
  - Existing funding through the European Investment Bank were considered secure but future borrowing would be impacted;
  - The Committee welcomed the reassurance provided by the Mayor and Commissioner to the 10-13 per cent of non-UK national TfL staff. TfL was rightly proud of its diverse and multinational workforce;
  - Changes to EU grants would have a relatively modest impact on TfL. Income changes from Community Infrastructure Levy (CIL) and Section 106 Planning Agreement contributions could potentially be more significant depending on developments in the property markets; and
  - There may be an impact on the financial services and manufacturing industries. As a large procurer of services, TfL would review its suppliers with a view to awareness of its suppliers' UK content. This would be included in the work taking place on TfL's first 30 year financial model.
- 4.6 A paper on the treasury position, including any revised assumptions, would be considered by the Committee on 27 July 2016.
- 4.7 A paper on the TfL Budget 2016/17 and Business Plan Adjustment appears elsewhere on the agenda.

#### **Operational and Financial Performance and Investment Programme Reports - Fourth Quarter, 2015/2016**

- 4.8 The Committee noted the reports. Members commended the recording of the lowest level of KSIs (those killed or seriously injured on the network) and requested that bus related KSI figures be reported separately. More generally, there was significant support for work taking place to review central London bus corridors in order to produce a smarter network for customers.
- 4.9 Members noted the Mayor's commitment to a review the impact of the Fit for the Future stations programme on staff and foreign visitors. Consideration would be given to how best to review its impact on the safety and security of station staff. Members were advised that the Mayor had asked Lord Harris to undertake a wider security review for London, which would include transport.
- 4.10 A paper on the fourth quarter monitoring reports appears elsewhere on the agenda.

## **Project Monitoring – Project Approvals**

- 4.11 The Committee noted the forward approval programme for projects with a value in excess of £50m and details of the Project Authority granted by the Commissioner and the Managing Director Finance in accordance with delegated authority under TfL's Standing Orders.
- 4.12 Members discussed the reporting of the project for Temple Station. It was noted that Standing Orders required Project Authority to be granted even when funding was received entirely from a third party. The project at Temple Station related to the preparation of a work site for the Thames Garden Bridge. Officers confirmed that this measure was fully funded by the Garden Bridge Trust. It was not part of the agreed TfL contribution to the Bridge and in accordance with the Mayor's commitment, it did not represent any further contribution to the Bridge. Works at Temple were currently paused and officers would be meeting with the Garden Bridge Trust to ensure that the Mayor's commitment was ensured.

## **TfL Group Banking Arrangements**

- 4.13 Under the authority delegated by the Board on 17 March 2016, the Committee approved amended standard terms of business from HSBC bank in relation to the pooling arrangements for the TfL Group accounts.

## **Railways Pension Scheme: TfL Assurance To Trustees**

- 4.14 Under the authority delegated by the Board on 17 March 2016, the Committee approved the provision of a letter to the Trustees of the Railways Pension Scheme in order to provide the requested assurance of TfL's continuing support in respect of Crossrail's pension liabilities.

## **Update on Planning Obligations**

- 4.15 The Committee noted the paper and the end of year update on the Mayor's Community Infrastructure Levy, borough CILs and section 106 funding that will contribute either to the funding of Crossrail or other transport infrastructure.

## **Crossrail 2**

- 4.16 The Committee noted the paper and recommended that the Board agree an increase in total Project Authority to £55.07m. Members also noted the work which was going into the preparation of the design phase of Crossrail 2, including learning the lesson from previous large scale projects, to ensure that all potential opportunities would be maximised.
- 4.17 A paper on the approval for Crossrail 2 appears elsewhere on the agenda.

### **Four Lines Modernisation Update**

- 4.18 The Committee noted the update on the Automatic Train Control work of the Four Lines Modernisation programme. Good progress was being made with both the London Underground enabling works and the Thales signalling works.
- 4.19 Members noted and welcomed the news that the programme was forecast to complete both £62m below the existing Project Authority and ahead of the target dates.

### **Bakerloo Line Fleet Weld Repairs**

- 4.20 The Committee approved an increase in Project Authority of £39.24m (including £3.60m of risk), increasing the total Project Authority to £60.01m, to complete the remaining 29 trains of the Bakerloo line fleet weld repairs project. Members noted the essential nature of this work.

### **Other papers to be considered by the Board**

- 4.21 The Committee considered papers on the following items, all of which appear elsewhere on the agenda, and endorsed the recommendations to the Board.
- Central Line Improvement Programme;
  - London Underground Operations Delivery Secondment Arrangements; and
  - Cycle Hire Re-let.

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

None

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

Papers submitted to the Finance and Policy Committee on 21 April and 8 July 2016

Contact Officer: Ian Nunn, Chief Financial Officer  
Number: 020 3054 8941  
Email: [IanNunn@tfl.gov.uk](mailto:IanNunn@tfl.gov.uk)