

Transport for London

Minutes of the Finance and Policy Committee

Conference Rooms 1 and 2, Ground Floor, Palestra, 197 Blackfriars Road,
London, SE1 8NJ
10.00am, Wednesday 27 July 2016

Members

Val Shawcross CBE (Chair)
Sir John Armitt CBE
Angela Knight CBE
Michael Liebreich

In Attendance

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| Mike Brown | Commissioner |
| Michael Bridgeland | Head of Project Assurance |
| Howard Carter | General Counsel |
| Leon Daniels | Managing Director, Surface Transport |
| Patrick Doig | Director of Finance, Surface Transport |
| Jonathan Fox | Director of London Rail, Surface Transport (for minute 81/07/16) |
| David Hughes | Director of Strategy, London Underground |
| George McNulty | Capital Programmes Director, London Underground |
| Sarah Johnson | Head of Crossrail Joint Sponsor Team (for minute 82/07/16) |
| Roy Millard | Senior Audit Manager (for Director of Internal Audit) |
| Rob Niven | Head of London Rail Investment Programme (for minute 86/07/16) |
| Ian Nunn | Chief Finance Officer |
| Sir Terry Morgan CBE | Chairman, Crossrail Limited |
| Shamus Kenny | Head of Secretariat |
| Derek Fryer | Chair, Independent Investment Programme Advisory Group |
| Ian Fugeman | Member, Independent Investment Programme Advisory Group |

76/07/16 Apologies for Absence and Chair's Announcements

Apologies for absence were received from Eva Lindholm.

Val Shawcross CBE informed the Committee that she had accepted the papers circulated to Members on 22 July 2016 as late items to be considered at this meeting. The papers related to the Group Treasury Update and an urgent item on the Stratford – Angel Road project, which would be taken immediately after the item on the London Overground Capacity Improvement Programme.

77/07/16 Declarations of Interests

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

78/07/16 Minutes of the Meeting of the Finance and Policy Committee held on 8 July 2016

The minutes of the meeting held on 8 July 2016 were approved as a correct record and signed by the Chair

79/07/16 Matters Arising and Actions List

As requested at the previous meeting, the terms of reference of the Taxi Fares and Tariffs Review had been circulated. Michael Liebreich suggested that the review should first identify what the public saw as the differences between the taxi and private hire trades and the premium people were prepared to pay for a taxi service. The formula applied to fares should have a clearly stated target salary for a driver working reasonable hours, including income received from advertising. The review could then determine if the fares proposed made the business viable against the differential the public was prepared to pay. Val Shawcross CBE informed members that a working group on the future of Taxi and Private Hire had been established.

The Committee noted the updated actions list.

80/07/16 Group Treasury Update

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chair had accepted late papers for this item so Members had the most current information available in a changing environment.

Ian Nunn presented the paper and the supplemental information on Part 2 of the agenda, which had been prepared in response to questions raised at the Committee's meeting on 8 July 2016. The papers covered the impact of the UK's vote to leave the European Union on TfL's borrowing programme and the management of credit risk in relation to investment counterparties. A further update would be provided in October 2016, with any material changes before then notified to Members by email.

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

81/07/16 London Overground Capacity Improvement Programme

Leon Daniels and Jonathan Fox presented the paper and the supplemental information on Part 2 of the agenda. The paper sought changes to Financial, Project and Procurement Authorities for the project to enable it to meet its contractual obligations as a result of two arbitration decisions relating to the administration of infrastructure contracts.

The Committee impressed upon the project team the importance of keeping the settlement costs to an absolute minimum and the importance of preparatory work when setting the scope and agreeing the price of contracts.

On 19 July 2016, the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 20 July 2016 to 21 September 2016, subject to the consent of the TfL Chair. Approval from the Committee and the Chair of TfL was now sought because when the sums arising from the arbitration decisions were agreed, or otherwise determined through a further dispute resolution process, they would have to be paid within fixed timescales.

Acting under authority delegated by the Board on 19 July 2016 and subject to the consent of the Chair of TfL, the Committee:

- 1 noted the paper and the supplemental paper included on Part 2 of the agenda;**
- 2 approved the recommendations as set out in the paper on Part 2 of the agenda for the London Overground Capacity Improvement Programme;**
- 3 authorised the TfL Officer and Subsidiaries (as described in paragraph 6 below) to agree and finalise the commercial agreements with the suppliers substantially as described in the paper on Part 2 of the agenda (the Agreements);**
- 4 authorised the agreement and execution (whether by deed or otherwise on behalf of TfL or any Subsidiary (as appropriate)) any documentation to be entered into in connection with the completion and implementation of the Agreements and any of the matters referred to in them (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**
- 5 authorised the TfL Officer and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the Agreements and the matters referred to in any of them.**
- 6 The following Officer and Subsidiaries shall have delegated authority:**
 - (a) TfL Officer: the Chief Finance Officer; and**
 - (b) Subsidiaries: Subsidiaries of TfL including Transport Trading Limited and any other subsidiary (whether existing presently or to be formed) of Transport Trading Limited and any of the directors of the relevant company shall be authorised to act for and on behalf of that company.**

82/07/16 Crossrail Sponsor Board Update

Ian Nunn, Sir Terry Morgan CBE and Sarah Johnson presented the paper and the supplemental information on Part 2 of the agenda, which summarised the outcomes of the 9 March and 8 June 2016 meetings of the Crossrail Sponsor Board.

The Committee noted the current position in relation to the regulation of the Heathrow Spur. The update on the Semi Annual Construction Report 15 covered the risk of breaching intervention Point 0 and the effort being made by Crossrail Limited to mitigate that risk.

The Committee noted the paper and the supplemental paper included on Part 2 of the agenda.

83/07/16 Project Monitoring - Project Approvals

Ian Nunn presented the paper. The Committee considered the forward approval programme for projects with a value in excess of £50m between September 2016 and March 2018. Since the meeting of the Committee on 8 July 2016 the Commissioner and Chief Finance Officer had approved Project Authority for 3 and 9 projects respectively under delegated authority.

The Committee noted the paper.

84/07/16 Independent Investment Programme Advisory Group 2015/16 Annual Report

Derek Fryer, Chair of the Independent Investment Programme Advisory Group (IIPAG) presented the IIPAG Annual Report for 2015/16, which assessed TfL's delivery of its investment programme for the period April 2015 to March 2016. For this meeting, the TfL Management Response had been included within the annual report but would be separated when the report was published on tfl.gov.uk. The IIPAG appreciated the Management Response, which demonstrated increasing collaboration with delivery teams over the previous six years.

In 2015/16 the IIPAG had spent more time on larger projects and thought that in general controls were improving and there had been some progress on systems issues. There was still work to do on procurement and commercial and on opportunities around TfL's carbon footprint and standards and specifications. Members acknowledged the value of the IIPAG's work.

The key issues arising from the discussion were:

- (a) Greater focus was required on value engineering and clear scope specification early in project lifecycles, with the aim of delivering projects in the most effective way. Having a start gate may help ensure that things did not move forward until key issues were locked down. Increased work by sponsors was having a positive impact in this area but engaging the IIPAG at that stage and as issues developed would offer greater value than reviews after problems had arisen.
- (b) A technology and data group was looking hard at savings and commercial opportunities to generate income and included an IIPAG representative. An update would be provided to Members in due course.
- (c) TfL's Executive Committee was reviewing quarterly reports on all projects, which included the overall accuracy of P50 forecasts; the last year had been the best profile to date. Mike Brown MVO wanted TfL to learn about commercial procurement from other sectors and was engaged in the Royal Institute of Chartered Surveyors' discussions on this topic.
- (d) The difference of opinion between the IIPAG and the project team on the procurement strategy for the New Tube for London would be clarified when a paper

was submitted to the Programmes and Investment Committee in autumn 2016, before the Invitation to Tender was issued.

- (e) The Mayor was currently reviewing the proposed Silvertown Crossing project. The review would consider the differences of opinion between the IIPAG and project team on the financing proposals, cost constraints and risk transfer.
- (f) The IIPAG would continue to be engaged in work to review progress in delivering the Cycling Vision. The IIPAG thought project plans should reflect the experience that borough led schemes took more time to develop and deliver than had previously been forecast.
- (g) The Major was very keen to promote green energy. Michael Liebreich was raising with Government contacts his desire that TfL and local authorities use figures from the Carbon Change Committee (rather than the Department for Climate Change) when measuring their carbon footprints.

The Committee noted the Independent Investment Programme Advisory Group's Annual Report for 2015/16 and endorsed TfL's Management Response, for approval by the Mayor.

85/07/16 Independent Investment Programme Advisory Group 2016/17 Budget and Work Plan

Ian Nunn introduced the paper, which set out the proposed Independent Investment Programme Advisory Group (IIPAG) 2016/17 budget and work plan. The budget had been reduced from that proposed by the IIPAG as part of the drive to reduce all budgets across TfL. Ian Nunn considered that there was scope to achieve efficiencies in the way the IIPAG worked and the scope of the work plan by taking a risk based approach to reviews. He also thought the budget should reflect the greater assurance being provided by the recent substantial increase in resourcing of the second line of defence in Project Assurance.

The IIPAG considered that its budget proposal was risk based and should not be set by officers or with reference to the enhanced Project Assurance resource as it did not consider Project Assurance to be mature enough yet to provide comprehensive assurance, given the significant ongoing changes at TfL. The IIPAG had reduced its original proposed budget but considered the budget proposed in the paper insufficient to ensure that it could adequately deliver its work plan to the quality required.

Mike Brown MVO welcomed the evolving relationship with the IIPAG over the previous six years and the work to make TfL more open and welcoming of the IIPAG's reviews, support and scrutiny. The IIPAG had made a significant contribution to improvements in TfL's projects, as had new staff, leadership and an effective Executive Committee.

Val Shawcross CBE reiterated the pressure on TfL's budget, the drive for efficiency in every budget head and the substantial increase in the overall expenditure on project assurance, which had increased by over £1m since 2013/14. Members agreed to accept the budget proposed in the paper, but requested a further discussion after which the budget could be reviewed.

A paper would be submitted to a future meeting of the Programmes and Investment Committee on the remit of the IIPAG, with a more detailed work plan and proposed changes to the IIPAG's mode of operation. The paper would include how the quality and timing of information provided to the IIPAG to support its reviews could be improved. The Committee could then consider how the IIPAG could make the best contribution to the delivery of cost effective projects, for the greatest value for money. **[Action: Ian Nunn]**

The Committee noted the paper and endorsed the Independent Investment Programme Advisory Group Work Plan for 2016/17, together with a revised budget of £395k, prior to its submission to the Mayor for approval.

86/07/16 Any Other Business the Chair Considers Urgent

Stratford - Angel Road (STAR) Project

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chair had accepted the STAR project as an urgent item of business to enable the transfer of sponsorship arrangements for the Project to apply from September 2016.

Leon Daniels and Rob Niven presented the paper and the related information on Part 2 of the agenda. The paper sought approvals in relation to the STAR project, which would extend the third tracking of the West Anglia Main Line from Stratford – Tottenham Hale through to Angel Road. The project would increase services on the line from two to four trains per hour, which was a key enabler for the delivery of up to 8,500 new homes and up to 3,500 new jobs.

STAR was a Network Rail project, with the Greater London Authority (GLA) as the client. Following the agreement of a funding package to meet the full cost of the scheme, the GLA had requested that TfL facilitate the delivery of the project. TfL would be responsible for managing the release of funds to Network Rail and providing assurance to the GLA that works were being carried out.

On 19 July 2016, the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 20 July 2016 to 21 September 2016, subject to the consent of the TfL Chair. Approval from the Committee and the Chair of TfL was now sought to enable the transfer of sponsorship arrangements for the project to apply from September 2016. The project had previously been delayed as a result of the Network Rail Hendy Review and negotiations between Network Rail and TfL on the associated agreements and Memorandum of Understanding.

Acting under authority delegated by the Board on 19 July 2016 and subject to the consent of the Chair of TfL, the Committee noted the paper and the supplemental information on Part 2 of the agenda and:

1 Approved:

- (a) Financial Authority for an additional unbudgeted sum of £42.4m to provide a fixed cost contribution to the Stratford Angel Road (STAR) project (£31.26m of which is to be provided to TfL by the Greater London Authority (GLA) by statutory capital transfer) which together with existing Financial Authority of £10m brings the total Financial Authority up to £52.4m;**

- (b) **Project Authority of £52.4m required to meet TfL's project costs; and**
- (c) **Procurement Authority of £40.96m in respect of TfL's contribution under a Contribution Agreement with Network Rail towards Network Rail's costs of delivering the STAR project;**

2 Authorised:

- (a) **TfL's entry into a Contribution Agreement with Network Rail for the provision of a £40.96m contribution towards Network Rail's costs of delivering the STAR project; and**
- (b) **TfL's entry into a memorandum of understanding (MOU) to record the working arrangements for the transfer of the £31.26m capital funding to TfL from the GLA; and**
- (c) **TfL Officers and Subsidiaries (as described in paragraph 2.2 below) to finalise, agree and execute (whether by deed or otherwise) the terms of the Contribution Agreement, MOU and such other agreements as may be required in connection with the STAR project.**

3 The following Officers and Subsidiaries shall be taken to be authorised for the purposes of any decision made by the Committee pursuant to paragraph 2(c) above:

- (a) **TfL Officers: the Commissioner; Chief Finance Officer; Managing Director Surface Transport; Managing Director Planning; and General Counsel; and**
- (b) **Subsidiaries of TfL including without limitation Transport Trading Limited and any other subsidiary (whether existing presently or to be formed) of Transport Trading Limited and any of the directors of these subsidiaries shall be authorised to act for and on behalf of any such subsidiary.**

There was no other urgent business.

87/07/16 Date of Next Meeting

On 19 July 2016, the Board had agreed a revised decision making structure, to be implemented following the meeting of the Board on 22 September 2016. The remit of the Finance and Policy Committee would be split between a Finance Committee and a Programmes and Investment Committee with meeting dates to be confirmed in due course.

88/07/16 Exclusion of 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), in order to consider the exempt information in relation to the items on: Group Treasury Update, Crossrail Sponsor Board, London Overground Capacity Improvement Programme and Stratford – Angel Road Project.

The meeting closed at 12.45pm

Chair: _____

Date: _____