

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, Friday 8 July 2016

Members Present

Val Shawcross CBE (Chair)
Angela Knight CBE
Michael Liebreich
Eva Lindholm

In Attendance

Michael Bridgeland	Head of Programme Management Office Assurance
Howard Carter	General Counsel
Emanuela Cernoia-Russo	Assistant Treasurer
Tanya Coff	Head of Finance, London Underground
Paul Cowperthwaite	General Manager Road User Charging
Michèle Dix	Managing Director, Crossrail 2
Patrick Doig	Director of Finance, Surface Transport
Martin Faulkner	Head of Commercial, Tube Lines Limited
Steve Griffiths	Chief Operating Officer, London Underground
Stuart Harvey	Sub-Surface Programme Director
David Hughes	Director of Strategy, London Underground
Adrian McCrow	Head of Asset Investment Sponsorship
George McInulty	Capital Programme Director, London Underground
Ian Nunn	Chief Finance Officer
Shashi Verma	Chief Technology Officer & Director of Customer Experience
Clive Walker	Director of Internal Audit
Mark Wild	Managing Director, London Underground
Shamus Kenny	Head of Secretariat
James Stanton	Secretariat
Derek Fryer	Member, Independent Investment Programme Advisory Group
Chris Shoukry	Member, Independent Investment Programme Advisory Group

55/07/16 Apologies for Absence

Apologies for absence were received from Sir John Armit CBE.

56/07/16 Appointment of Val Shawcross CBE as a Member and Chair of the Finance and Policy Committee

Acting under the authority delegated by the Board, the Committee appointed Val Shawcross CBE as a member and Chair of the Finance and Policy Committee.

57/07/16 Chair's Announcements

The Chair updated the Committee on the process for the appointment of the TfL Board membership. Members were thanked for continuing in their roles during the transition to a new Board. A robust recruitment process was underway to ensure that TfL had the right skill sets at Board level. On 19 July 2016, the Board would consider changes to the Board's decision making structure from September to ensure its continued effectiveness and that it was fit for the challenges ahead.

The Chair noted that Sir Terry Morgan CBE had received a knighthood in the Queen's Birthday Honours. The Committee agreed that its congratulations should be communicated to him on receiving the honour. **[Action: Howard Carter]**

The Chair also welcomed Mark Wild to his first meeting, following his appointment as Managing Director of London Underground.

58/07/16 Declarations of Interests

Michael Liebreich declared an interest as Chairman of the Advisory Board of Bloomberg New Energy Finance. He also informed Members that his published declaration of interest included a shareholding (less than 0.2 per cent) in ChargePoint Inc, a US company that operated the largest Electric Vehicle charging network in the world, though it was not currently operating in the UK.

59/07/16 Minutes of the Meetings of the Finance and Policy Committee held on 2 March and 21 April 2016

The minutes of the meetings held on 2 March 2016 and 21 April 2016 were approved as correct records and signed by the Chair.

60/07/16 Matters Arising and Actions List

Members noted the actions on the Cycling Vision Portfolio Annual Update (Minute 33/03/16) and requested an update in October 2016 to evaluate the implementation of the Cycle Superhighways and Quietways programmes to date and their usage.

[Action: Leon Daniels]

Members noted that the Taxi Fares and Tariffs - Annual Revision (Minute 7/01/16) review had started and the outcome of the review would be considered by Members prior to agreement of any changes to the formula. The terms of reference of the review would be shared with Members.

[Action: Leon Daniels]

The Committee noted the updated actions list.

61/07/16 TfL Budget 2016/17, Business Plan Adjustment and European Union Referendum

Ian Nunn introduced the paper with contributions from Emanuela Cernoia-Russo. Members considered 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.

The Committee discussed the following issues:

- (a) Demand on TfL's services was not expected to see a significant impact in the short and medium term;
- (b) A reduction in commercial and residential property value would have a negative impact on TfL's Commercial Development Programme;
- (c) 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;
- (d) Existing funding through the European Investment Bank were considered secure but future borrowing would be impacted;
- (e) The Committee welcomed the reassurance provided by the Mayor and Commissioner to TfL staff who are non-UK nationals. TfL was rightly proud of its diverse and multinational workforce;
- (f) 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
- (g) 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.

It was agreed that an update on the treasury position, including any revised assumptions, would be provided to Members to reflect potential impacts one month on from the result of the EU Referendum. **[Action: Ian Nunn]**

The Committee noted the paper and recommended that the Board approve the adjustments to the TfL Budget 2016/17.

62/07/16 Operational and Financial Performance and Investment Programme Reports - Fourth Quarter 2015/16

Ian Nunn introduced the reports. Members commended the recording of the lowest level of KSIs (those killed or seriously injured) on the TfL Road Network and requested that bus related KSI figures be reported separately in future. 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. **[Action: Ian Nunn/Leon Daniels]**

Members noted the Mayor's commitment to a review of 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.

The Committee noted the TfL Operational and Financial Performance and Investment Programme Reports – Fourth Quarter 2015/16.

63/07/16 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 July 2016 to December 2017. It was noted that, since the meeting of the Committee on 2 March 2016, the Commissioner and Chief Finance Officer had approved Project Authority for five and eleven projects respectively under delegated authority.

Members discussed the reporting of the project for Temple station. Delegated approval for the project had been given in March 2016. 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 paused and officers would be meeting with the Garden Bridge Trust to ensure that payment for works took place in advance in order to ensure the Mayor's commitment was carried out.

Members also noted the work which had taken place to ensure the continued safety of the canopy at Victoria Coach Station and the success of the step free access partnership programme at Colindale station.

The Committee noted the paper.

64/07/16 TfL Group Banking Arrangements

Ian Nunn introduced the paper seeking authority to agree amended and restated TfL Group banking agreements with HSBC. Banking regulation changes had imposed new requirements on the way banks reported notional pooling to the central banks. This had necessitated changes to HSBC's standard terms and conditions relating to the pooling arrangements and therefore the contractual documentation for TfL's Group banking arrangements. The new terms and conditions were not significantly different to the existing provisions and did not change TfL's net credit/debit interest position.

Members noted that this decision was being taken by the Committee under authority delegated by the Board in order to enable TfL's subsidiary companies to agree the amended and restated TfL Group banking agreements with HSBC at their annual general meetings at the end of June and the beginning of July 2016.

- 1 The Committee noted the paper and, under the authority delegated by the Board on 17 March 2016:**
- (a) confirmed that the TfL Group bank accounts pooling arrangements will be of benefit to TfL;**
 - (b) approved entering into the GLS Terms and Conditions and Supplementary Terms and Conditions for Single Currency Pooling Service and all other documentation relating to the TfL Group bank accounts pooling arrangements;**
 - (c) authorised the TfL Officers and the Subsidiaries (as set out in 2. below) to:**
 - (i) finalise the terms of the GLS Terms and Conditions and Supplementary Terms and Conditions for Single Currency Pooling Service and all other documentation relating to the TfL Group bank accounts pooling arrangements; and**
 - (ii) agree and enter into any additional services or change any services under the GLS Terms and Conditions or agree any amendment to the GLS Terms and Conditions or the Supplementary Terms and Conditions for Single Currency Pooling Service;**
 - (d) authorised the agreement and execution (whether by deed or otherwise on behalf of TfL or any Subsidiary (as appropriate)) of any documentation to be entered into in connection with the GLS Terms and Conditions and Supplementary Terms and Conditions for Single Currency Pooling Service and all other documentation relating to the TfL Group bank accounts pooling arrangements; and**
 - (e) authorised TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the GLS Terms and Conditions and Supplementary Terms and Conditions for Single Currency Pooling Service and all other documentation relating to the TfL Group bank accounts pooling arrangements.**
- 2 The following Officers and Subsidiaries shall have delegated authority:**
- (a) TfL Officers: the Commissioner, Chief Finance Officer, General Counsel and Director of Group Treasury; 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.**

65/07/16 Railways Pension Scheme: TfL Assurance To Trustees

Ian Nunn introduced the paper. Crossrail Limited (CRL) participated in the Railways Pension Scheme (RPS) and the Trustees of that scheme were required to monitor the strength of the employer's continuing financial support (covenant). The RPS Trustees had sought assurance of TfL's continuing support in respect of CRL's pension liabilities through provision of a letter approved by the Board.

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 to provide assurance of TfL's continuing support in respect of Crossrail Limited's pension liabilities.

66/07/16 Update on Planning Obligations

Alex Williams presented the paper. The Committee noted the end of year update on the Mayor's Community Infrastructure Levy (MCIL), borough CILs and section 106 funding that would contribute either to the funding of Crossrail or other transport infrastructure.

Members noted that the receipt of funding as a result of planning obligations had gone well in 2015/16. Any change in conditions arising from uncertainty following the result of the European Union Referendum would be monitored.

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.

67/07/16 Crossrail 2

Michèle Dix introduced the paper. The Government had agreed in its formal response to the National Infrastructure Commission that Crossrail 2 should be taken forward as a priority. £80m had been committed in the Budget 2016 towards the continued development of the project and the preparation of a Hybrid Bill submission in 2019. The Government's funding commitment was based on its estimated cost of £160m and the provision of matched funding from TfL. The Mayor, Chancellor and Secretary of State for Transport had subsequently announced the appointment of Lord Adonis as the Chair of the Crossrail 2 Board to oversee the development of the project. Governance arrangements were noted to be progressing.

Government funding had been frontloaded with £35m provided in the current financial year. Members noted that Crossrail 2 had been asked to find up to £4bn in savings. The scheme would be looked at with a view to stepping up to the detailed design phase and informing the strategic business case in March 2017. More detailed work would also be carried out to ensure that no opportunity was missed in terms of the project's attractiveness from a commercial perspective. Access to expert advice from the private and property development perspectives, picking up from lessons learnt from previous infrastructure schemes, had been incorporated into the process. This focus on unlocking the maximum return from the private sector would address the Government's expectation of an increased local funding contribution.

The Committee noted the paper and recommended that the Board:

- 1 note the plan to update the Crossrail 2 business case by March 2017 and submit a hybrid Bill in 2019;**
- 2 note the Government commitment to provide £80m for the development of Crossrail 2, of which £35m is to be provided during 2016/17;**
- 3 note the revised TfL budget will recognise the Government funding and match funding from TfL; and**
- 4 agree an increase in total Project Authority to £55.07m.**

68/07/16 Four Lines Modernisation Update

Mark Wild and Stuart Harvey introduced an update on the Automatic Train Control work of the Four Lines Modernisation programme. Members welcomed the news that the programme was forecast to complete £62m below the existing Project Authority and ahead of the target dates.

The lessons learnt from this project, including the need to ensure that contractors had an organised supply chain, would be incorporated into the programme for New Tube for London.

The Committee noted the paper.

69/07/16 Bakerloo Line Fleet Weld Repairs

David Hughes introduced the paper and advised the Committee on the need to address the deteriorating condition of the Bakerloo line train car body. Structural weld repairs and minor modifications would be carried out to 36 trains as part of this project by March 2019. This would ensure that the fleet could continue to operate safely until its eventual replacement in 2028. Members noted the essential nature of the work and that the need for such repairs was a standard part of the lifespan of rolling stock.

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.

70/07/16 Central Line Improvement Programme

David Hughes and Adrian McCrow presented the paper. The Central line fleet was noted to be the cause of more lost hours and dissatisfaction than any other line. This project would improve reliability, address obsolescence, reduce maintenance costs and improve customer satisfaction. The definition stage of the programme before the Committee would provide for the detailed programme scheduling and the design, manufacture and supply of an onboard computer system. Further approvals would be sought later in this year as the programme progressed.

Members noted that the improvement programme presented an opportunity to enhance the capacity of the line, leading to passenger satisfaction and revenue benefits. The Central line fleet had been uniquely problematic and the importance of using detailed feedback from the procurement to guide the manufacturing side of the process was noted.

The Committee agreed to recommend that the Board:

- 1 note the paper; and**
- 2 approve Project Authority of £29.17m (outturn including risk) for the definition stage of the Central Line Improvement Programme and the design, manufacture and supply of a replacement DTS for the Central line fleet.**

71/07/16 London Underground Operations Delivery Secondment Arrangements

Mark Wild and Steve Griffiths introduced the paper. The Committee considered the commercial and contractual position regarding the secondment agreement between Amey and Tube Lines Limited entered into on 31 December 2002 (the Secondment Agreement).

The Committee agreed that the recommendations in the Part 2 paper be endorsed and the Board recommended to agree them.

72/07/16 Commercial Exploitation of Contactless Systems

Shashi Verma presented the paper. 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. The terms proposed would grant a non-exclusive, perpetual worldwide licence to Cubic Transportation Systems, while retaining scope for future licences to be granted to other interested parties.

Under the authority delegated by the Board on 17 March 2016, the Committee approved the proposed transaction with Cubic Transportation Systems, as described in the Part 2 paper, with a maximum value of £15m.

73/07/16 Cycle Hire Re-let

Shashi Verma presented the paper. The Cycle Hire Re-Let (CHR) Programme would deliver the continuation of Cycle Hire scheme services, which included back and front office systems, contact centre services, on street fixed assets, scheme integration and bike management and supply, while moving away from the current single provider.

Members noted that the re-let service would enable customers to be provided with a single portal for Cycle Hire in addition to their Oyster and Contactless Payment Card journeys. The different patterns of usage for Cycle Hire meant that full Oyster card integration, which would require the installation of expensive Oyster reading machines at each cycle location, would be extremely costly. The cost that this would place on the service, and therefore customer, could not be justified at this stage.

The introduction of the new system would lead to a simpler interface for customers and would enable the potential future benefits of integrated transport options to be explored. Members discussed what these potential future benefits might include. For example, it was suggested that the integrated system could be used to cap fares for the use of cycles once the daily network limit had been reached, effectively making Cycle Hire a no cost additional option for those who had used an account to purchase a Travelcard. Deliberation of this potential option would have to be considered alongside other potential benefits of an integrated system, such as the reduction in redistribution costs that could be achieved with the introduction of a flexible pricing regime and the need to ensure that the Mayor's commitment on TfL fares was kept.

- 1 The Committee noted the paper and the related paper on Part 2 of the agenda, and recommended that the Board:**
- (a) approve the award of the bike management and supply contract to the bidder described in the paper on Part 2 of the agenda;**
 - (b) approve Transport for London or any Subsidiary (as described in 2. below) entering into the following contracts in relation to services for the London Cycle Hire Scheme (LCHS) (as more particularly described in this paper), and approves Procurement Authority up to the maximum value in each case stated in the paper on Part 2 of the agenda:**
 - (i) a variation to the revenue collection contract between Transport Trading Limited (TTL) and Cubic Transportation Systems Limited for the provision of back office, front office and app related services;**
 - (ii) a variation to the bus shelters contract between London Bus Services Limited (LBSL) and Mitie Transport Limited to provide cleaning services;**
 - (iii) a contract with its preferred bidder for the implementation and provision of bike management and supply services; and**
 - (iv) a licence agreement with 8D Technologies Inc. (8D) for the purchase of a perpetual licence to use 8D's intellectual property rights in the LCHS and to upgrade the LCHS software system;**
 - (c) notes that TTL proposes to enter into a call-off contract pursuant to the Contact Centre Services Framework between TTL and the preferred bidder for the implementation and provision of contact centre services for the LCHS as described in this paper, up to the maximum value stated in the paper on Part 2 of the agenda and that Procurement Authority will be sought separately for this in accordance with Standing Orders;**
 - (d) approve Project Authority and Procurement Authority, of up to the maximum value stated in the paper on Part 2 of the agenda, for TfL or its relevant Subsidiary to enter in future into variations or extensions of the contracts referred to in paragraphs 2.1(b) and (c) of this paper (Contracts), provided that Financial Authority is in place;**
 - (e) note that Financial Authority of the amount stated in the paper on Part 2 of the agenda exists up to April 2024 but some extensions to the Contracts may continue beyond 2024 and provision for them will need to be made in future Business Plans;**
 - (f) authorise TfL Officers to agree the final terms and execution (whether by deed or otherwise on behalf of TfL or any Subsidiary (as appropriate)) of any documentation to be entered into in connection with the completion and implementation of the Contracts (and any variations or extensions to those Contracts pursuant to paragraph 2(d) above) and any of the matters referred to in them (including, without limitation, all instructions, agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**
 - (g) authorise TfL Officers and Subsidiaries to do all such things as they consider necessary or desirable to facilitate the execution and implementation of the Contracts (and any variations or extensions to those Contracts pursuant to paragraph 2(d) above) and the matters referred to in it.**

- 2 The following Officers and Subsidiaries shall have delegated authority:**
- (a) TfL Officers: the Commissioner, Managing Director Surface Transport, Chief Finance Officer and General Counsel; and**
 - (b) Subsidiaries: Subsidiaries of TfL including (without limitation) LBSL and TTL and any other subsidiary (whether existing presently or to be formed) of TTL and any of the directors of the relevant company shall be authorised to act for and on behalf of that company.**

74/07/16 Any Other Business the Chair Considers Urgent

There was no urgent business.

75/07/16 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: Central Line Improvement Programme; London Underground Operations Delivery Secondment Arrangements; Commercial Exploitation of Contactless Systems; and Cycle Hire Re-let.

The meeting closed at 12.10pm.

Chair: _____

Date: _____