

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, Thursday 5 June 2014

Members

Peter Anderson	Chairman
Daniel Moylan	Vice Chairman
Sir John Armitt CBE	Member
Brian Cooke	Member
Isabel Dedring	Deputy Chair of TfL
Angela Knight	Member (from 50/06/14)
Michael Liebreich	Member

Staff

Steve Allen	Managing Director, Finance
Howard Carter	General Counsel
Tanya Coff	Head of Capital Projects, Finance, Rail and Underground
Garrett Emmerson	Chief Operating Officer, Surface Transport (for part)
Jonathan Fox	Acting Director, London Rail, Rail and Underground (for part)
David Goldstone	Chief Finance Officer
Roy Millard	Senior Audit Manager, Internal Audit
Terry Morgan	Chairman, Crossrail Limited
Gareth Powell	Commercial Director, Rail and Underground
David Stacey	Business Controller, Finance, Surface Transport
David Waboso	Capital Programmes Director, Rail & Underground (for part)

Also in Attendance

David James	Chairman, Independent Investment Programme Advisory Group (IIPAG) (for part)
Ian Fugeman	Member, IIPAG (for part)
Shamus Kenny	Head of Secretariat

44/06/14 Apologies for Absence and Chair's Announcements

Apologies for absence were received from Baroness Grey-Thompson DBE and Eva Lindholm. Apologies for lateness were received from Angela Knight.

45/06/14 Declarations of Interests

Peter Anderson declared an interest as a director of the Canary Wharf Group plc in relation to Crossrail and the Jubilee line upgrade. Daniel Moylan declared an interest as a Councillor for the Royal Borough of Kensington and Chelsea, as a Non Executive Director of Crossrail Limited (appointed by TfL) and as Chairman of Urban Design London. Sir John Armitt declared an interest as Chairman of the Olympic Delivery Authority, Chairman of the National Express Group plc, Deputy Chairman of the Berkeley Group plc and a Member of the Airports Commission. Angela Knight declared an interest as Chief

Executive of Energy UK and as a Non Executive Director of William Cook Holdings Limited. Michael Liebreich declared an interest as Chairman of the Advisory Board of Bloomberg New Energy Finance.

46/06/14 Minutes of the Meeting held on 12 March and the Extraordinary Meeting held on 13 May 2014

The minutes of the meeting held on 12 March and the extraordinary meeting held on 13 May 2014 were approved as a correct record and signed by the Chairman.

47/06/14 Matters Arising and Actions List

The Committee noted the Actions List.

48/06/14 Operational and Financial Performance Report and Investment Programme Report – Fourth Quarter, 2013/14

Steve Allen introduced the Operational and Financial Performance Report (OFR) and Investment Programme Report (IPR) for the fourth quarter of 2013/14 (8 December 2013 – 31 March 2014).

Further improvements had been made to the presentation of information in both reports. The OFR included an appendix which provided a reconciliation to the IPR. The IPR included a section on 'Actual v Budget', which included information on the proportion of underspends that were savings and those that were caused by rephrasing of a programme.

Reliability and customer satisfaction targets for the year had all been met or exceeded, with the exception of the TfL Road Network where increased economic activity had resulted in more congestion. Budgets were all close to target, except for a significant underspend on the capital expenditure budget, which meant that cash balances were higher than anticipated. The Actual v Budget information demonstrated that a third of the overall underspend represented actual savings. Members requested that the executive summary in future IPRs highlight the proportion of underspend that were savings.

[Action: David Goldstone]

The Committee discussed the impact of ceremonial events on the TLRN and borough roads and what work could be done with the boroughs, police and security services to minimise the disruption. It was agreed that this would be discussed at the next meeting of the Surface Transport Panel.

[Action: Leon Daniels]

The main heavy maintenance facility works at Neasden Depot were largely complete. Authority for a second phase of work would be sought later in the year. Daniel Moylan would be invited to visit the Depot.

[Action: David Waboso]

Members discussed the programme of works around cycling. A mandatory cycle lane had been installed on the A202 on part of the route that would become Cycle Superhighway (CSH) 5, once further improvements had been implemented to bring it up to the new CSH standard. A paper seeking authority for further works as part of the cycling vision would be submitted to the Committee in January 2015 and the Board in February 2015. The Committee would be provided with a template which, if agreed, would be used for all future

approval submissions. The template would include a summary of the cost benefit analysis and an overview of the predicted model effects of any scheme. **[Action: Leon Daniels]**

The IIPAG would provide a note on its work with the Cycling Commissioner to review the overall Cycling Vision, in particular the CSHs and the central network of quietways.

[Action: Steve Allen]

The Committee discussed the variation to the Better Junctions programme. While 100 junctions would be reviewed over the life of the Business Plan, the programme had been substantially reviewed, following input from the Cycling Commissioner to initially prioritise 33 key locations. A note would be sent to Members on the overall programme, setting out the rationale for the variation, the timetable for seeking authority for major parts of that programme, including the role of IIPAG in reviewing the programme and what traffic survey data and mitigation information would be provided. **[Action: Leon Daniels]**

The Committee emphasised the requirement in Standing Orders for substantive variations in programmes to be resubmitted to the Committee to demonstrate that the level of funding approved was still required and that the revisions still represented value for money. The Committee also required senior operational representatives to be available at every meeting when the OFR and IPR were being discussed.

The Committee noted the report.

49/06/14 Project Monitoring – Project Approvals

Steve Allen introduced the paper, which set out the forward approval programme for projects with a value in excess of £50m, from June 2014 to December 2015 and detailed the Project Authority granted by the Commissioner and the Managing Director, Finance in accordance with delegated authority under TfL's Standing Orders.

A paper on the Stations Stabilisation programme had been deferred to a future meeting and will be reconsidered as part of the Business Plan prioritisations.

Members were advised that the Railway Timetabling System replaced systems from the 1960s and contributed to capacity improvements. The timetabling system supported the signalling system by programming individual train movements and the location of staff for maximum efficiency. It also significantly increased the speed at which line works could be programmed and implemented.

The Committee noted the report.

50/06/14 Independent Investment Programme Advisory Group 2014/15 Budget and Work Plan

Steve Allen introduced the Independent Investment Programme Advisory Group's (IIPAG's) 2014/15 Budget and Work Plan.

David James confirmed that the IIPAG's role had evolved from providing assurance and oversight, following TfL bringing the former PPP services back in-house. It now provided support for projects across TfL, in particular following the substantial increase in the budget for projects managed by Surface Transport and it had a greater emphasis on

looking at TfL's commercial activity. The membership of the IIPAG was being refreshed and candidates with commercial and software expertise were being sought.

The Committee noted the paper and endorsed the Independent Investment Programme Advisory Group's Work Plan and Budget for 2014/15, prior to its submission to the Mayor for approval.

51/06/14 Audit Exemption for Subsidiary Companies

David Goldstone introduced the paper, which sought approval for the issuing of the required guarantee to enable certain of TfL's trading subsidiaries, under the holding company for TfL's trading activities, Transport Trading Limited (TTL), to claim exemption from audit.

The ability to claim exemption from audit arose from recent changes under section 479A of the Companies Act 2006. For the year ending 31 March 2014, it was proposed that TTL should offer the guarantee to a majority of its subsidiaries. The Group's proposed approach has been discussed with the external auditors, KPMG, and its audit plan, presented to the Audit and Assurance Committee in December 2013, was prepared on this basis.

As Chief Finance Officer, David Goldstone confirmed that he would still review and sign off the accounts for every subsidiary company and that the accounts of TTL would still be audited. While issues of materiality were different at the level of TTL and individual subsidiary companies, most of the work of the companies was carried out by TfL. Where there were any concerns about materiality, the Internal Audit function would be asked to increase its focus on those companies. The Internal Audit work programme was risk based and agreed by the Audit and Assurance Committee, which regularly reviewed the performance of TfL in addressing Internal Audit recommendations.

Garrett Emmerson confirmed that Victoria Coach Station was affiliated to the Association of British Travel Agents (ABTA). While it was believed that ABTA membership added value, it was agreed that this would be reviewed.

Under Standing Orders (paragraph 105(b)), approval of the TfL Board was required in order for TTL to issue a guarantee. On 26 March 2014, the Board delegated to the Committee authority to approve any matter reserved to the Board from 27 March to 2 July 2014. The decision on this matter was requested at this meeting as the subsidiary companies affected were due to meet before the meeting of the Board on 3 July 2014.

The Committee noted the paper and, in accordance with the authority delegated from the Board:

- 1 approved the issuing of the required guarantee, as set out in draft form in Appendix 1 of the paper (the Guarantee) to the Subsidiaries of TTL for which the guarantee is sought, as identified in Appendix 2 of the paper;**
- 2 authorised the TfL Officers and the Subsidiaries (as described in paragraph 5 below) to finalise the terms of the Guarantee;**
- 3 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 Guarantee; and

4 authorised TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and performance of the Guarantee.

5 The following Officers and Subsidiaries shall have authority:

(a) TfL Officers: the Commissioner, Managing Director Finance, General Counsel and 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.

52/06/14 Bank Station Capacity Transport and Works Act Order

Michael Liebreich declared his interest in this item as a Chairman of the Advisory Board of Bloomberg New Energy Finance. He had not received the paper on Part 2 of the agenda and left the meeting, taking no further part in the discussion or decision.

Gareth Powell introduced the paper, and the related paper on Part 2 of the agenda, which sought a recommendation that the Board approves the submission of an application for an Order under the Transport and Works Act 1992 (TWAO) and for related consents to provide all the necessary rights in respect of the construction, operation and maintenance of the proposed upgrade of Bank station including any compulsory acquisition of land.

Members were advised that there was a single sponsor and single accountable project manager for the programme. When decisions to acquire, dispose or retain land were considered, London Underground consulted with colleagues in the Planning and Commercial Development teams. Externally London Underground was working with a large number of stakeholders in relation to the wider station upgrade.

The Committee noted the paper and the related paper on Part 2 of the agenda and recommended that the Board:

1 approves the submission by London Underground Limited of an application for an Order under the Transport and Works Act 1992 (TWAO) and for related consents to provide all the necessary rights in respect of the construction, operation and maintenance of the proposed upgrade of Bank station including any compulsory acquisition of land; and

2 delegates authority to TfL Officers and Subsidiaries (as defined in paragraph 4 below) to:

(a) agree the final terms of the application (including the land and interests, environmental scoping and deemed permission to be the subject of the order) for the TWAO and related consents;

(b) obtain the Mayor's written consent to apply for the TWAO (as required by the Greater London Authority Act 1999); and

- (c) do everything else necessary or desirable to facilitate the making of the TWAO including:
- (i) negotiating, signing and/or sealing any documents, agreements or notices required in connection with the submission of the application and related consents;
 - (ii) promoting the TWAO including responding to any objections and dealing with any public inquiry that may be held in relation to the proposals;
 - (iii) negotiating and agreeing mitigation to resolve environmental impacts; and
 - (iv) agreeing and executing any related land agreements including without limitation approving Land Authority (as defined in Standing Orders) for any advance acquisition of land and any arrangements for accommodation works for affected owners (such delegated authority being in addition to the levels of authority set out in Standing Orders for Land Transactions); and
- 3 notes that the above expenditure is included within the current project and financial authority previously approved by the Board.
- 4 The following TfL Officers and Subsidiaries shall have delegated authority:
- (a) TfL Officers: Managing Director Rail and Underground, General Counsel and Director of Strategy and Service Development Rail and Underground; and
 - (b) Subsidiaries: all subsidiary companies of TfL including Transport Trading Limited and any other subsidiary of Transport Trading Limited (whether existing presently or to be formed): any of the directors shall be authorised to act for or on behalf of any such subsidiary.

53/06/14 Docklands Light Railway Franchise Procurement

Gareth Powell and Jonathan Fox introduced the paper, including the exempt supplemental information on Part 2 of the agenda. The paper updated the Committee on the procurement process being undertaken by Docklands Light Railway Limited (DLRL) for the new franchise for the provision of passenger operations and maintenance of the Docklands Light Railway (DLR). Additional exempt information was provided at the meeting showing the initial tender evaluation results.

Members requested that the Board be provided with further information on the evaluation criteria when it was asked to award the contract. Time permitting, the information would be provided to the Committee in advance with an opportunity to comment. The additional information would set out the differences between the leading bidders in the price, technical and commercial components of the bid evaluation and make the case for the preferred bidder if the results were close. **[Action: Mike Brown]**

The Committee noted the paper, the supplementary information on Part 2 of the agenda and the information provided at the meeting.

54/06/14 Any Other Business the Chair Considers Urgent

There were no other additional items of business raised.

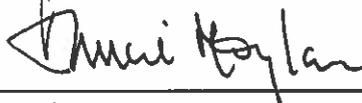
55/06/14 Exclusion of Press and Public

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 appendices to the papers on: Bank Station Capacity Transport and Works Act Order and Docklands Light Railway Franchise Procurement.

The meeting closed at 12.05pm.

The next meeting would be held on Thursday 17 July 2014 at 10.00am.

Chair:



Date:

