

Transport for London

Minutes of the Finance and Policy Committee

Committee Rooms 1 and 2, Ground Floor, Palestra,
197 Blackfriars Road, London, SE1 8NJ
11.00am, Tuesday 27 November 2012

Members

Daniel Moylan	Vice Chairman (in the Chair)
Isabel Dedring	Deputy Chair of TfL
Christopher Garnett	Member
Michael Liebreich	Member
Eva Lindholm	Member

In Attendance

Charles Belcher	Board Member
Brian Cooke	Board Member (designate)

Staff

Steve Allen	Managing Director, Finance
Mike Brown	Managing Director, Rail and Underground
Steve Burton	Director, Community Safety, Enforcement and Policing, Surface Transport (for part)
Howard Carter	General Counsel
Michèle Dix	Managing Director, Planning
David Goldstone	Chief Finance Officer
David Hendry	Director of Finance, Surface Transport
Simon Kilonback	Group Treasurer
Terry Morgan	Chairman, Crossrail Limited
Stuart Munro	Director of Finance and Commercial, Tube Lines Limited (for part)
Andrew Pollins	Director of Finance, Rail and Underground
Gareth Powell	Director of Strategy and Service Development, Rail and Underground
Clive Walker	Director, Internal Audit
Julian Ware	Senior Principal, Commercial Finance (for part)
Alex Williams	Director of Borough Partnerships, Planning (for part)

Also in Attendance

David James	Chair, Independent Investment Programme Advisory Group
Nigel Quick	Member of the Independent Investment Programme Advisory Group
Shamus Kenny	Head of Secretariat

52/11/12 Apologies for Absence and Chair's Announcements

Apologies for absence were received from the Committee Chairman, Peter Anderson. In his absence, Daniel Moylan chaired the meeting.

53/11/12 Declarations of Interests

Daniel Moylan declared an interest as a Councillor for the Royal Borough of Kensington and Chelsea and as Chairman of Urban Design London. Christopher Garnett declared an interest as a member of the Olympic Delivery Authority and as a non-executive director of Aggregate Industries Limited. Michael Liebreich declared an interest as Chief Executive Officer, Bloomberg New Energy Finance.

54/11/12 Minutes of the Meeting held on 17 October 2012

Subject to a correction to the Minute 46/10/12 to clarify that the Committee was making a recommendation to the Board on the decisions relating to the London Highways Alliance Contract, the minutes of the meeting held on 17 October 2012 were approved as a correct record and signed by the Chairman.

55/11/12 Matters Arising and Actions List

Issuance of Notes by TfL under its Medium Term Note Programme

As advised to all Members of TfL by email on 15 November, Steve Allen reported to the Committee that in accordance with the authority it delegated at its meeting on 17 October 2012, TfL had successfully issued a five year £300m bond transaction at a fixed rate of 1.25 per cent on 14 November 2012. This was TfL's third successful bond transaction in 2012/13 and completed the borrowing strategy approved by the TfL Board in establishing a benchmark bond curve, with five, 10 and 30 year maturities.

Members congratulated staff on the issuance and the favourable rates achieved.

The Committee noted the Bond Issuance and the Actions List.

56/11/12 Operational and Financial Performance Report – Second Quarter 2012/13

Steve Allen introduced the report, which set out TfL's Operational and Financial Performance during the second quarter of 2012/13. That period covered the good performance of TfL during the London 2012 Games.

The Committee noted the report.

57/11/12 Deep Tube Programme – Feasibility Phase

Mike Brown and Gareth Powell introduced the paper, which summarised the need for additional project authority of £11.27m until March 2014, for the continuation of the Deep Tube Programme Feasibility project to Gateway B.

The Committee recognised the important opportunity to establish a continuous integrated programme for the deep tube. To ensure that TfL made the most of that opportunity, Members requested further regular discussions on the Deep Tube Programme progress, focusing on key trade-offs, choices arising and any initial views on the feasibility of the options.

A paper would be submitted to the Projects and Planning Panel providing a narrative overview of the entire programme that articulated the questions that drove the work plan, the interdependencies between the individual projects and the key trade-offs (including the broad costs). It would also set out the initial views on the feasibility of the options.

[Action: Mike Brown]

Members were assured that lessons from the work on the design, look and feel of the New Bus for London would be applied to the New Generation train that was being developed.

Regular updates on the progress of the feasibility work would be provided to Members before further authority for the programme was requested.

[Action: Mike Brown]

The Committee:

- 1 noted the current status of the Deep Tube Programme in the draft Business Plan and the need to continue feasibility works to develop programme scope and requirements; and**
- 2 recommended that the Board grant additional project authority of £11.27m to a total of £22.91m until March 2014, for the completion of the Deep Tube Programme Feasibility project to Gateway B.**

58/11/12 Tube Lines Cleaning and Security Services Contract

Terry Morgan left the meeting for the discussion of this item.

Mike Brown and Stuart Munro introduced the paper, which outlined proposals to award a new contract to provide station and train cleaning services and security services in respect of the Jubilee, Northern and Piccadilly lines.

Stuart Munro informed the Committee that the contract was focussed on an input rather than output specification to enable Tube Lines Limited (TLL) to assess the bids on a comparable basis. There were provisions in the contract that would enable TLL to drive greater efficiencies with the successful bidder, once the contract was in place.

The Committee recommended to the Board that it:

- 1 note the paper;**
- 2 approve the award of a contract of five years nine months duration, for the supply of cleaning services to the Jubilee, Northern, Piccadilly line stations and trains (together with other office accommodation remote from the stations) and security services to operational areas (including depots and sidings with a facility to provide security services at project sites) as described in this paper, to the supplier stated in the corresponding paper on Part 2 of the agenda;**
- 3 delegate to the TfL Officers and the Subsidiaries (as described in paragraph 6 below) the authority to finalise the terms of the contract referred to in paragraph 2 above;**

- 4 **authorise 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 contract referred to in paragraph 2 above (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**
- 5 **authorise TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the contract referred to in paragraph 2 above.**
- 6 **The following Officers and Subsidiaries shall have delegated authority:**
 - (a) **TfL Officers: the Commissioner, Managing Director Finance, Chief Executive, Tube Lines, General Counsel and the Chief Finance Officer.**
 - (b) **Subsidiaries: Subsidiaries of TfL including Transport Trading Limited and any other subsidiary (whether existing presently or to be forms) 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.**

59/11/12 Police Services Agreement with the British Transport Police Authority

Mike Brown introduced the paper, which updated the Committee on the development of the revised Police Services Agreement (PSA) between TfL and the British Transport Police Authority for the continuing provision of existing policing services from the British Transport Police (BTP) on the Tube, Docklands Light Railway, London Overground and suburban rail services. The Committee was asked to recommend to the Board that it approve the revised terms of the PSA.

The Committee discussed the continuing work of the Managing Director, Rail and Underground and the Police to reduce costs by greater efficiency, without affecting the level of front line service provision. The BTP had done a lot of work to reduce costs in recent years but the move to an annual review of costs and services under the Agreement would assist in the drive for further efficiencies by ensuring greater transparency on the costs. The Committee expected the efficiencies to be at least at a similar level to those being sought from the rest of TfL's services.

The Committee would receive an update, in due course, on progress on greater efficiencies and any progress on removing TfL's indemnity to the BTP Authority in respect of any claims arising out of the policing services. **[Action: Mike Brown]**

The Committee recommended to the Board that it:

- 1 **note the paper;**
- 2 **approve the revised terms of the Police Services Agreement (PSA) between Transport for London and the British Transport Police Authority, as described in the paper;**

- 3 delegate to the TfL Officers and the Subsidiaries (as described in paragraph 6 below) the authority to finalise the terms of the PSA referred to in paragraph 2 above;
- 4 authorise 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 PSA referred to in paragraph 2 above (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and
- 5 authorise TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the PSA referred to in paragraph 2 above.
- 6 The following Officers and Subsidiaries shall have delegated authority:
 - (a) TfL Officers: the Commissioner, Managing Director, Rail and Underground, Managing Director, Surface Transport, Managing Director, Finance and General Counsel.
 - (b) Subsidiaries: Subsidiaries of TfL including Transport Trading Limited and any other subsidiary (whether existing presently or to be forms) 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.

60/11/12 Update on Planning Obligations

Michèle Dix introduced the paper, which provided an annual update on TfL's effectiveness in securing Section 106 (s106) funding and delivery for developments that would contribute to the funding of Crossrail and other transport projects and the Mayor's and boroughs' Community Infrastructure Levies (CIL). The paper also updated the Committee on government proposals in the Growth and Infrastructure Bill to reform the planning system and its implications for planning obligations.

Members discussed the impact that the current state of the development market was having on the income being raised by s106 agreements and the CILs. Officers were exploring mechanisms to ensure that TfL met its obligation to raise £300m via s106 agreements from developments subject to the Crossrail Supplementary Planning Guidance, in line with the Crossrail funding agreement.

Michèle Dix would discuss with Isabel Dedring if there were other opportunities to secure more s106 income from borough schemes. **[Action: Michèle Dix]**

The Committee noted the paper.

61/11/12 Any Other Business the Chair Considers Urgent

There were no additional items of business raised.

62/11/12 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 the Deep Tube Programme – Feasibility Phase and the Tube Lines Cleaning and Security Services Contract, which contained information relating to the financial or business affairs of a person or authority.

The Committee also agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the Put Options Litigation Update, which contained information relating to the financial or business affairs of a person or authority and contained issues where a claim to legal professional privilege could be made.

63/11/12 Put Options Litigation Update

Howard Carter introduced the paper, which updated the Committee on the progress of the claims against advisers in relation to recovery of part of the Put Option Price paid to the former lenders to Metronet Rail BCV Limited and Metronet Rail SSL Limited in relation to the Bonds' early redemption premium.

The Committee noted the paper.

The meeting closed at 11.40am.

The next meeting would be held on 23 January 2013 at 9.30am.

Chair: _____

Date: _____

Transport for London

Notes of a Meeting of the Members of the Finance and Policy Committee

**Committee Rooms 1 and 2, Ground Floor, Palestra,
197 Blackfriars Road, London, SE1 8NJ
9.30am, Wednesday 23 January 2013**

Members

Peter Anderson Chairman
Daniel Moylan Vice Chairman

Staff

Steve Allen Managing Director, Finance
Howard Carter General Counsel
Leon Daniels Managing Director, Surface Transport (for part)
Carl Devlin Programme Director, Sub-Surface Railway Upgrades, London Underground (for part)
Garrett Emmerson Chief Operating Officer Streets, Surface Transport (for part)
Nick Fairholme Director of Congestion Charging and Traffic Enforcement, Surface Transport (for part)
David Goldstone Chief Finance Officer
David Hendry Director of Finance, Surface Transport
Simon Kilonback Group Treasurer
John Mason Director, Taxi and Private Hire, Surface Transport (for part)
Glen Pearson Projects Finance Manager, Congestion Charging and Traffic Enforcement, Surface Transport
Guy Phillips Integration and Controls Manager Sub-Surface Railway Upgrades, London Underground (for part)
Andrew Pollins Director of Finance, Rail and Underground
Howard Smith Chief Operating Officer, London Rail (for part)
David Waboso Capital Programmes Director, London Underground (for part)
Clive Walker Director, Internal Audit

Shamus Kenny Head of Secretariat

01/01/13 Apologies for Absence and Chairman's Announcements

Apologies for absence were received from Isabel Dedring, Michael Liebreich and Eva Lindholm.

The quorum for a meeting of the Committee was three members. As the meeting was not quorate, the Chairman agreed that items for decision would be referred to the Board with the views of the Members present at the meeting. The next meeting of the Committee would be asked to adopt the notes of this meeting.

02/01/13 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 and as Chairman of Urban Design London.

03/01/13 Minutes of the Meeting held on 27 November 2012

The minutes of the meeting held on 27 November 2012 were noted. The Committee would be asked to approve them as a correct record at its next meeting.

04/01/13 Matters Arising and Actions List

Members noted the Actions List.

05/01/13 The Autumn Statement 2012

Steve Allen introduced the paper, which provided a briefing on the affect of the Chancellor's Autumn Statement 2012 on TfL, in particular government support for the Northern line extension to Battersea and the risks of reductions in TfL funding from the levels agreed in the last comprehensive spending review.

Discussions with government were continuing and would be reflected in the TfL Budget that would be submitted to the Board for approval on 27 March 2013. Further information would be provided to the Committee on the impact on the current Business Plan, including scenarios and risks reflecting different rates of reduction and the case being made to government to secure a longer term funding settlement. **[Action: Steve Allen]**

Members noted the paper.

06/01/13 Actuarial Valuation of the TfL Pension Fund

Steve Allen introduced the paper, which provided an update on the progress of the valuation of the TfL Pension Fund (the "Fund") as at 31 March 2012, together with details of the movement in funding for the Public Sector and Tube Lines Sections, which had improved since the previous valuation in March 2009.

Members were informed of the nature of the ongoing discussions with the Fund's Trustee on agreeing the Technical Provisions and the schedule of payments required for the Recovery Plan. The deadline for completing the valuation process was 30 June 2013.

Members were advised that the Fund had an Investment Committee and an Alternatives and Liability Hedging Committee. A copy of the Fund's Investment Strategy would be provided to members of the Committee for information. **[Action: Steve Allen]**

Members noted the paper.

07/01/13 London Overground Capacity Improvement Programme

Andrew Pollins and Howard Smith introduced the paper, which set out progress achieved by the London Overground Capacity Improvement Programme. It sought a recommendation that the Board grant Project and Procurement Authority for the programme, authority to enter into lease agreements for rolling stock and authority to place rolling stock contracts. The amounts requested were within the funding available in the Business Plan for this programme. Members also considered the related paper on Part 2 of the agenda, which contained exempt supplemental information.

Members recommended that the Board:

- 1 note the paper;**
- 2 grant Project and Procurement Authority for the infrastructure capital expenditure and operating expenditure (including rolling stock leasing costs) as detailed in the supplemental paper included on Part 2 of the agenda;**
- 3 grant authority to enter into lease agreements ending in 2027 for additional rolling stock;**
- 4 grant approval to place rolling stock contracts and enter into associated agreements;**
- 5 delegate to the Subsidiaries and TfL Officers (as described in paragraph 7 below) authority to approve and finalise the terms of the lease agreements, rolling stock contracts and associated agreements and authorise 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 such agreements (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**
- 6 authorise the TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate such agreements.**
- 7 The following Officers and Subsidiaries shall have delegated authority:**
 - (a) TfL Officers: the Commissioner, Managing Director Rail and Underground, Managing Director Finance and General Counsel.**
 - (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.**

08/01/13 Sub-Surface Railway Upgrade Revised Programme Authority

Andrew Pollins and David Waboso introduced the paper, which sought a recommendation that the Board approve an increase in the overall Sub-Surface Railway Upgrade Programme (SUP) Project Authority to allow three budgeted projects to be included within the scope of the SUP to enable more efficient delivery.

Members were provided with additional information on the scope of each of the projects and the source of their current funding and assured that project teams always sought to deliver projects within or below budget. This information would be included in the paper to the Board.

A paper would be submitted to a future meeting of the Committee providing more information on the arrangements through which project sponsors reviewed and prioritised requests for additional work and ensured value for money, under the revised project sponsorship arrangements. The paper would include evidence of the cultural commitment within project teams to deliver within or below budget. **[Action: Mike Brown]**

Members recommended that the Board:

- 1 note the paper; and**
- 2 increase the Project Authorities for the Sub-Surface Railway Upgrade Programme (SUP) sub-programmes and increase the total SUP Project Authority to £4243.9m.**

09/01/13 Total Purchased Services Contracts

Andrew Pollins introduced the paper, which sought a recommendation that the Board approve increased procurement authority for the Total Purchased Services (TPS) group of contracts (which primarily supported maintenance activities in London Underground) in order to maintain their utility over the five year contract lifespan to 2015. The paper also sought a recommendation that authority be delegated to Officers, to agree further increases in authority for individual contracts forming part of the TPS programme in accordance with the financial limits set out in TfL's Standing Orders. Members also considered the related paper on Part 2 of the agenda, which contained exempt supplemental information.

Members requested that the paper to the Board include information showing that the savings target for the TPS group of contracts would increase by a value at least proportionate to the level of increased authority being sought.

The Committee would consider a request to delegate future authority to Officers, once a framework was in place that showed how drawing more projects into the TPS group of contracts would improve efficient delivery and increase savings and how this would be reported back to the Committee.

Members recommended that the Board:

- 1 note the paper;**
- 2 approve an increase from the current procurement authority of £583m by £16m for the Total Purchased Services (TPS) contracts to £599m; and**
- 3 authorise TfL Officers to agree further increases in procurement authority for individual contracts forming part of the TPS programme in accordance with the financial limits set out in TfL's Standing Orders applicable to each individual contract.**

10/01/13 Taxi and Private Hire Licence Fees

Leon Daniels and John Mason introduced the paper, which provided details of the proposed changes to taxi and private hire licence fees with effect from 2 April 2013. The Board would also be asked to note the changes, at its meeting on 6 February 2013.

Members noted the changes to taxi and private hire licence fees effective from 2 April 2013. The changes were:

- 1 a 33.8 per cent reduction of £52 to the total fee for taxi vehicles;**

- 2 a 12.3 per cent reduction of £14 to the total fee for private hire vehicles;**
- 3 a 4.6 per cent reduction of £12 to the total fee for private hire drivers;**
- 4 a 18.8 per cent increase of £235 to the total fee for small private hire operators (those with one or two vehicles);**
- 5 a 17.3 per cent increase of £416 to the total fee for standard private hire operators (those with three vehicles or more);**
- 6 a 20 per cent increase of £50 to the Knowledge of London appearance fee; and**
- 7 a 50 per cent increase of £50 to the Knowledge of London written examination fee.**

11/01/13 Taxi Fares and Tariffs – Annual Revision

Leon Daniels and John Mason introduced the paper, which provided an update on the outcome of the annual taxi fares and tariffs consultation. It also sought a recommendation that the Board approve the proposed changes to the taxi fares and tariffs, with the changes coming into effect on 6 April 2013.

Members recommended that the Board:

- 1 note the paper;**
- 2 approve an increase to taxi fares by 1.7 per cent and the making of a London Cab Order to implement the new fares, with effect from Saturday 6 April 2013 to be signed by the Commissioner (or in his absence the Managing Director of Surface Transport);**
- 3 approve a 40 pence additional charge to be implemented only if London retail diesel prices (as measured by the Arval index) reach the threshold level set by TfL of 180.3 pence per litre between Saturday 6 April 2013 and Friday 4 April 2014 and which, if implemented, would not extend beyond Friday 4 April 2014;**
- 4 approve an 80 pence increase to the Heathrow extra, which is payable for journeys starting at Heathrow Airport, and which would increase the extra from £2.40 to £3.20;**
- 5 approve automatically adding the extra £4 charge payable by passengers for taxi journeys made between 20:00 on 24 December and 06:00 on 27 December or between 20:00 on 31 December and 06:00 on 2 January to the taxi meter; and**
- 6 approve no change to the current requirements on drivers accepting card payments or the surcharges for card payments.**

12/01/13 Congestion Charging and Traffic Enforcement Contract Re-let Project

Nick Fairholme introduced the paper, which provided information on the Congestion Charging and Traffic Enforcement Re-let Project. It also sought a recommendation that the Board approve Project and Procurement Authority for the project. Members also considered the related paper on Part 2 of the agenda, which contained exempt supplemental information.

Subject to the Board agreeing the recommendations, a progress report, including a request for any further authority required, would be submitted to the Committee in early 2014.

Members recommended that the Board:

- 1 note the paper and the proposed arrangements for the Congestion Charging and Traffic Enforcement Contract Re-let Project, including the recommended Option, as set out in the paper on Part 2 of the agenda;**
- 2 note the Project has the Financial Authority amount to 2021/22 currently set aside in the TfL Business Plan;**
- 3 grant Project Authority to the value as set out in the paper on Part 2 of the agenda and procurement authority as described in the paper on Part 2 of the agenda; and**
- 4 note the project would return to the Committee in early 2014 with an update on progress and requesting any additional authority that may be required.**

13/01/13 Better Junctions Programme

Garrett Emmerson introduced the paper, which provided information on the Better Junctions Programme. The objective of the programme was to create road junctions that were safer, attractive and more functional for cyclists, vulnerable road users and other transport modes.

Project Authority was being sought to cover costs incurred by the Programme to December 2013 and so enable the completion of 100 junction reviews, 50 improvement schemes, and a programme of off-street trials. The junctions had been prioritised following an evaluation of Killed and Seriously Injured figures from the previous three years and the effectiveness of each junction change would be monitored so that lessons were learnt for work on improving other junctions.

Members recommended that the Board:

- 1 note the paper; and**
- 2 approve Project Authority of £16.5m, provided for within the current Business Plan, to cover costs incurred by the Programme to December 2013 and so enable the completion of 100 junction reviews, 50 improvement schemes, and a programme of off-street trials.**

14/01/13 Any Other Business the Chair Considers Urgent

There were no additional items of business raised.

15/01/13 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 the Actuarial Valuation of the TfL Pension Fund, the London Overground Capacity Improvement Programme, the Total Purchased Services Contracts and the Congestion Charge and Traffic Enforcement Contract Re-let Project. Each of these papers contained information relating to the financial or business affairs of a person or authority.

The meeting closed at 11.10am.

The next meeting would be held on 13 March 2013 at 9.30am.

Chair: _____

Date: _____