

Transport for London

Minutes of the Finance Committee

**Conference Rooms 1 and 2, Ground Floor, Palestra, 197 Blackfriars
Road, London, SE1 8NJ
11.00am, Wednesday 4 July 2018**

Members

Ron Kalifa OBE (Chair)
Ben Story (Vice-Chair)
Prof Greg Clark CBE
Michael Liebreich
Anne McMeel
Dr Nina Skorupska CBE

Executive Committee

Howard Carter	General Counsel
Graeme Craig	Director, Commercial Development
Simon Kilonback	Chief Finance Officer
Andrew Pollins	Transformation Director (for minute reference 31/07/18)

Staff

Sarah Bradley	Group Financial Controller
Emanuela Cernoia-Russo	Interim Corporate Finance Director
Tanya Coff	Finance Director, London Underground
Nicola Cox	Principal, Commercial Finance (for minute reference 32/07/18)
Patrick Doig	Finance Director, Surface Transport
Andrew Freeman	Head of Professional Services, Finance
Matt Griffin	Head of Digital (for minute reference 29/07/18)
Stephen Hatch	Financial Transaction Manager, Crossrail (for minute reference 26/07/18)
Tony King	Finance Director, Major Projects Directorate
Rhona McGregor	Head of Corporate Insurance (for minute reference 24/07/18s)
Helen Murphy	Director, Commercial Development (for minute reference 28/07/18)
Howard Smith	Director of Crossrail Operations (for minute reference 26/07/18)
Lucinda Turner	Director of Spatial Planning (for minute reference 25/07/18)
Shashi Verma	Director of Strategy and Chief Technology Officer (for minute reference 30/07/18)
Clive Walker	Director of Risk and Assurance
David Wylie	Chief Procurement Officer (for minute reference 27/07/18)
Ken Youngman	Divisional Finance Director, Commercial Development
Sue Riley	Secretariat

Also in attendance

Sir Terry Morgan, CBE,	Chair of Crossrail
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16/07/18 Apologies for Absence and Chair's Announcements

Apologies for absence had been received from Val Shawcross CBE.

The Chair thanked Michael Liebreich for his valuable contribution as a Board Member, as his term of office was due to expire in September 2018, and this was, therefore, his last meeting. Michael Liebreich thanked staff for their support during his tenure, particularly the Secretariat.

17/07/18 Declarations of Interests

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

18/07/18 Minutes of the Meeting of the Committee held on 5 March 2018

The minutes of the meeting held on 5 March 2018 were approved as a correct record and signed by the Chair.

19/07/18 Matters Arising and Actions List

The Committee noted the Actions List.

20/07/18 Use of Delegated Authority

Howard Carter introduced the paper, which set out the use of Chair's Action and Procurement or Land Authority in respect of matters within the Committee's remit granted by the Commissioner and the Chief Finance Officer in accordance with delegated authorities under TfL's Standing Orders since the last meeting of the Committee on 5 March 2018.

The Committee noted the paper.

21/07/18 Finance Report - Period 2, 2018/19

Simon Kilonback introduced the Finance Report for the period ending 26 May 2018.

Financial reporting was being reviewed with the aim of producing consistent financial information to both the Finance Committee and the Board.

Staff had used elasticity to model bus demand. Passenger change and demand responses had been more significant in period 2 than anticipated, with a higher level of modal switch from bus to tube, which had created a positive yield.

Members suggested that modal shift analysis could also include non-TfL transport modes such as Uber and Lyft, technology such as scooters, and walking and cycling data.

It was agreed that the Travel in London survey would be submitted to a future meeting of the Committee. **[Action: Vernon Everitt/Alex Williams]**

External data indicated that London's population growth was slowing and the impact of various economic and social trends on TfL's future forecasting would be discussed as part of the Business Planning process.

Passenger route data was also being integrated to help inform future planning. Bus routes were being examined in relation to the opening of the Elizabeth Line and potential new passenger traffic as well as increased outer London journeys. More granular data would be included in future reports. **[Action: Simon Kilonback]**

The Commissioner noted that the Mayor's TfL fare freeze had helped cushion the decline in passenger numbers overall.

Members were advised that the aim was to correlate the quarterly investment programme report with the quarterly finance reporting. Cash flow forecasts would continue to be included in future reporting.

The Chair welcomed the improved financial reporting and requested overall budget reporting within a 24 month forecast, as a future aim.

It was agreed that an update report on the progress of the delivery of financial reporting be submitted to future meetings. **[Action: Simon Kilonback]**

The Committee noted the report.

22/0718 Treasury Activities

Emanuela Cernoia-Russo introduced the paper and related supplemental information on Part 2 of the agenda, which set out an update on Treasury activities for the period from 1 April to 13 June 2018.

The objectives of the Treasury Management Strategy remained unchanged: enabling sufficient cash and liquidity facilities; enhancing TfL's credit rating; having regard to good prudential measures and implementation of adequate risk mitigation measures.

There had been no change to TfL's credit rating since the last meeting.

The Committee sought clarification on the amount of borrowing to be raised for 2018/19. The total amount, net of the debt tranches already drawn or fixed, was £922m. TfL Treasury currently expected to raise approximately £700m of this through long-term debt by the end of the financial year. The remaining balance of approximately £225m would be kept in rolling unhedged commercial paper (short-term floating rate debt). The total amount of commercial paper outstanding at year end 2019 was therefore expected to be approximately £600m, including £375m of commercial paper hedged with interest rate swaps and £225m of unhedged commercial paper. The mix of short and long term debt

would be re-assessed over the financial year to take into consideration market conditions and liquidity management requirements.

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

23/07/18 Insurance Programme Renewal - Update

Emanuela Cernoia-Russo and Rhona McGregor introduced the paper and related supplemental information on Part 2 of the agenda, which set out an update on the process of tendering for TfL's insurance broker and outlined the insurance programme renewal, completed in June 2018.

There had been significant market interest in TfL's insurance structure options. A detailed report on insurance renewal, including cyber security, would be submitted to the next meeting. **[Action: Emanuel Cernoia-Russo]**

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

24/07/18 Update on Income from Developers through Planning Obligations

Lucinda Turner introduced the paper, which set out an end of year update on the Mayor's Community Infrastructure Levy (MCIL), Borough CILs and section 106 funding contributing either to the funding of Crossrail or other TfL transport infrastructure.

The Committee noted the paper.

25/07/18 Crossrail Central Operating Section (CCOS) - Structure of Rail for London (Infrastructure) Limited's proprietary interest in the CCOS infrastructure

Howard Smith and Stephen Hatch introduced the paper on the proposed structure for Rail for London (Infrastructure) Limited's and London Underground Limited's proprietary interests in the Crossrail Central Operating Section infrastructure; why and by when such interests are required; and the rationale for the proposed structure.

It was confirmed that a benchmarking exercise and good practice models had been reviewed and considered as part of the recommended proposals, including access charges and competing service options.

The Committee noted the paper and approved the completion of the intra-Group lease arrangements that deliver Rail for London (Infrastructure) Limited's (RfL(I)'s) and London Underground Limited's (LUL's) proprietary interests in the Crossrail Central Operating Section (CCOS) infrastructure and authorised:

- (a) TfL to enter into an agreement for lease with Crossrail Limited (CRL) of the CCOS (excluding the South East Spur (SES));**

- (b) TfL to enter into an agreement for lease with RfL(I) of the SES;**
- (c) CRL to enter into an agreement for under lease with LUL of the CCOS platforms and related infrastructure at the five existing LUL stations served by the CCOS; and**
- (d) CRL to enter into an agreement for lease with RfL(I) of the remainder of the premises to be let to CRL under the agreement for lease mentioned in 2.1 (a) above.**

26/07/18 TfL Management of Risk of Insolvency of Major Suppliers

David Wylie introduced the paper, which set out the steps taken by TfL to provide assurance on the continued viability of suppliers and appropriate contingency measures in the event of a failure.

The Committee noted the paper.

27/07/18 TfL Consulting and International Operations

Graeme Craig, Helen Murphy and Ken Youngman introduced the paper and related supplemental information on Part 2 of the agenda, which set out TfL's response to the Mayor's request to develop new income streams by offering the organisation's consulting expertise on transport services, both at home and abroad.

While the Committee welcomed the opportunities that consulting offered TfL as an organisation, the risks needed to be mitigated. The Commissioner said that there would be no detrimental impact on the delivery of TfL's core services or resources.

It was agreed that the strategy should include talent retention and improvement as part of the benefits to the organisation. **[Action: Helen Murphy]**

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

28/07/18 Telecommunications Commercialisation Project Update

Graeme Craig, Matt Griffin and Ken Youngman introduced the paper and related supplemental information on Part 2 of the agenda. The paper set out TfL's approach to delivering a range of telecommunications improvements, in line with the Mayor's Transport Strategy.

Coverage targets were based on industry standards. Members were keen to reiterate that there should be no disruption to passengers during the project delivery.

Responses to the procurement process would be included in the development of the Business Plan.

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

29/07/18 Connect PFI Transition

Shashi Verma introduced the paper and related supplemental information on Part 2 of the agenda. The paper provided an update on the status of the work being undertaken to provide for continuity of telecommunication services following the expiry of the Connect Private Finance Initiative Contract. The Committee noted that decisions on this matter would be sought through Chair's Action ahead of the next meeting of the Committee.

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

30/07/18 Transformation Programme Update

Andrew Pollins presented the paper updating the Committee with progress on the Transformation programme.

The Committee noted the paper.

31/07/18 Actuarial Valuation of the TfL Pension Fund

Simon Kilonback and Nicola Cox introduced the paper and related supplemental information on Part 2 of the agenda. The paper provided an update on the triennial actuarial valuation of the TfL Pension Scheme as at 31 March 2018 and sought approval to certain provisions in response to that valuation.

The Committee noted the paper and the related paper on Part 2 of the agenda and gave authority for certain commitments to the TfL Pension Scheme, as described in the paper on Part 2 of the agenda.

32/07/18 Members' Suggestions for Future Discussion Items

Howard Carter introduced the current forward programme. A number of issues may require Chair's Action during the summer recess. All Members would be consulted following the usual process.

The Committee noted the forward programme.

33/07/18 Any Other Business the Chair Considers Urgent

There was no urgent business.

34/07/18 Date of Next Meeting

The next meeting would be held on Wednesday 17 October 2018 at 10.00am

35/07/18 Exclusion of the 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), when it considered the exempt information in relation to the items on: Treasury Activities; Insurance Programme renewal; TfL Consulting and International Operations; Telecommunications Commercialisation Project Update; Connect PFI Transition and Actuarial Valuation of the TfL Pension Fund.

36/07/18 Close of Meeting

The meeting closed at 1.15pm.

Chair: _____

Date: _____