

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 22 January 2015**

Members

Peter Anderson	Chairman
Daniel Moylan	Vice Chairman
Sir John Armitt CBE	Member
Brian Cooke	Member
Isabel Dedring	Deputy Chair of TfL (from 06/01/15)
Angela Knight	Member

Staff

Steve Allen	Managing Director, Finance
Michael Bridgeland	Head of TfL Programme Management Office Assurance (for 05/01/15, 06/01/15 and 09/01/15-12/01/15)
Howard Carter	General Counsel
Leon Daniels	Managing Director, Surface Transport
Patrick Doig	Director of Finance, Surface Transport
Garrett Emmerson	Chief Operating Officer, Surface Transport
Nick Fairholme	Director, Projects and Programmes, Surface Transport (for 11/01/15)
Terry Morgan	Chairman, Crossrail Limited
Graham Nash	Sponsorship Manager – Major Programmes, Road Space Management, Surface Transport (for 09/01/15 and 10/01/15)
Andrew Pollins	Interim Chief Finance Officer
Simon Reed	Head of Technical Services Group, Surface Transport (for 12/01/15)
Rachel Stretton	Interim Director of Finance, Rail and Underground
Clive Walker	Director of Internal Audit
Shamus Kenny	Head of Secretariat
Also in Attendance	(for 05/01/15, 06/01/15 and 09/01/15-12/01/15)
Derek Fryer	Member, Independent Investment Programme Advisory Group
Ian Fugeman	Member, Independent Investment Programme Advisory Group
Paul Jenkins	Member, Independent Investment Programme Advisory Group

01/01/15 Apologies for Absence and Chair's Announcements

Apologies for absence were received from Baroness Grey-Thompson DBE, Michael Liebreich and Eva Lindholm.

02/01/15 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 National Express Group plc, Deputy

Chairman of the Berkeley Group plc and a Member of the Airports Commission.

03/01/15 Minutes of the Meeting held on 25 November 2014 and the Meeting of the Special Purpose Sub-Committee held on 16 December 2014

The minutes of the meeting held on 25 November 2014 and the minutes of the meeting of the Special Purpose Sub-Committee held on 16 December 2014 were approved as a correct record and signed by the Chairman.

04/01/15 Matters Arising and Actions List

The Committee noted the Actions List.

05/01/15 Review of the Assurance and Approval Processes Applicable to Investment Projects

Daniel Moylan introduced the paper, summarising the work of the Special Purpose Sub-Committee in reviewing the assurance and approval processes for investment projects. The Sub-Committee had sought three levels of change: organisational reporting lines; structural changes to the three lines of defence, to ensure they each had a distinct role and were appropriately resourced to add depth and value; and cultural change that recognised the value of assurance and aspired to 'world-class' project delivery.

On 25 November 2014, the Committee considering the findings and recommendations of the EC Harris benchmarking exercise that compared TfL's programme assurance review process to its peers, along with recommendations from the Independent Investment Programme Advisory Group (IIPAG). Subsequently, the Sub-Committee had discussed how the recommendations would be addressed and a proposed implementation plan that addressed its three levels of change, which the Committee was now asked to approve.

The Committee supported the views of its Sub-Committee, in particular the need for project teams and the Programme Management Office (PMO) to have the necessary skills to provide robust assurance and for the role of the IIPAG to be distinct from the PMO. It noted the different roles of the PMO and Internal Audit and the role of the Audit and Assurance Committee in considering project assurance as part of TfL's wider integrated assurance framework and risk management processes.

A paper would be submitted to the Committee in March 2015 setting out the progress against the implementation plan, in particular the changes to reporting lines and the competency and skill gaps being addressed through the recruitment process in the PMO.

[Action: Andrew Pollins]

A paper would be submitted to the Committee in March 2016 to review the outcome of the changes in the assurance and approval process against the expected benefits, including the progress on cultural change.

[Action: Andrew Pollins]

The Committee:

1 noted the paper;

- 2 approved the implementation plan; and**
- 3 discharged the Special Purpose Sub-Committee, which had driven the review of the process and guided the development of the implementation plan.**

06/01/15 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 January 2015 to June 2016 and detailed the Project Authority granted by the Commissioner and the Managing Director, Finance, in accordance with delegated authority under TfL's Standing Orders, since the last meeting.

The Committee noted the report.

07/01/15 Taxi and Private Hire Licence Fees

Leon Daniels introduced the paper, which updated the Committee on the proposed changes to the Knowledge of London appearance and examination fees and taxi application and licence fees with effect from 1 April 2015. There were no proposed changes to private hire licence fees. The Committee was asked to recommend that the Board note these changes and approve proposed changes to taxi driver and vehicle application and licence fees from 1 April 2015.

The Committee:

- 1 noted the proposed changes to taxi licence fees effective from 1 April 2015, which the Board would be asked to approve at its meeting on 4 February 2015:**
 - (a) 60 per cent increase of £30 to the Taxi Driver application fee;**
 - (b) 3.5 per cent decrease of £7 to the Taxi Driver licence fee;**
 - (c) 1.5 per cent decrease of £1 to the Taxi Vehicle application fee;**
 - (d) 8.3 per cent decrease of £3 to the Taxi Vehicle licence fee;**
 - (e) 0.8 per cent decrease of £1 to the Digital Taxi Top advertising application fee; and**
 - (f) 8.3 per cent decrease of £3 to the Digital Taxi Top licence fee.**
- 2 noted the proposed changes to the Knowledge of London appearance and examination fees effective from 1 April 2015, which the Board would be asked to note at its meeting on 4 February 2015:**
 - (a) 14 per cent increase of £50 to the Knowledge of London appearance fee; and**
 - (b) 14 per cent increase of £25 to the Knowledge of London written examination fee.**

08/01/15 Taxi Fares and Tariffs Review 2015

Leon Daniels introduced the paper, which updated the Committee on the outcome of the annual review of taxi fares and tariffs and sought a recommendation that the Board approves a freeze in taxi fares and tariffs and defers a decrease of 0.1 per cent to 2016/17 and approves the extension of the fuel charge extra.

Members asked why the fuel charge extra compensated drivers immediately if prices increased above the set limit but not passengers if the price fell. They were informed that the formula applied to setting fares and tariffs reflected the costs of operating vehicles in the medium term. Therefore, if fuel costs remained low over a long period, this was reflected in the next annual review and would result in a fares freeze or reduction.

Members discussed the suggestion from London TravelWatch that there should be more fixed price fares between airports and central London and more opportunities for taxi sharing. TfL considered that the private hire industry catered for this demand and that taxi sharing was being addressed by the market.

The Committee noted the paper and recommended that the Board:

- 1 approves a freeze in taxi fares and tariffs based on the cost index for financial year 2015/16 and defers a decrease of 0.1 per cent to 2016/17; and**
- 2 approves the extension of the fuel charge extra, a 40 pence additional charge for all taxi journeys, to be implemented only if London retail diesel prices (as measured by the AA fuel price report) reach the threshold level as set by TfL at any point between Saturday 11 April 2015 and Friday 1 April 2016, and which, if implemented, would not extend beyond Friday 1 April 2016.**

09/01/15 Brent Cross Redevelopment

Leon Daniels introduced the paper, which provided information on the highways improvements to be delivered between 2016 and 2021 as part of the Brent Cross/Cricklewood Regeneration Programme.

The developer would deliver the works to TfL's highways and the M1, subject to governance arrangements and strong controls for TfL in relation to network reliability and adequate financial security being established. There was existing Project Authority of £6.4m to proceed with investigation works and pre-construction planning until completion of concept design, with all of TfL's costs in relation to the development being recovered from the developer.

The Committee considered the risks and reinforced the need for strong control by TfL in relation to the developer delivering the immediate works for the scheme – including TfL staff being on site daily to monitor the progress – and clarity on the future ownership and maintenance responsibilities in relation to assets like the 'living bridge'. The Committee also requested the views of the Surface Transport Panel on the scheme design and traffic modelling. Further information would be provided to the Committee once the legal agreements had been negotiated and the scheme was submitted for approval in March 2015.
[Action: Garrett Emmerson]

Members asked that papers which would benefit from a more detailed discussion of the design of a scheme should go to the Surface Transport Panel at an appropriate point in the development of the scheme. **[Action: Howard Carter / Garrett Emmerson]**

The Committee:

- 1 noted the current intention for the developer to deliver the works to TfL's highways and the M1, provided that strong controls for TfL (especially in relation to network reliability) and adequate financial security could be established;**
- 2 noted that there was existing Financial Authority of £286m;**
- 3 note that there is existing Project Authority of £6.4m to proceed with investigation works and pre-construction planning until completion of concept design, recognising that all TfL's costs in relation to the development would be recovered from the developer; and**
- 4 note that there was existing Procurement Authority of £1.5m and that this would be increased if necessary in due course in accordance with Standing Orders.**

10/01/15 Elephant & Castle Northern Roundabout

Leon Daniels introduced the paper, which provided information on the reconfiguration of the Elephant & Castle Northern Roundabout, which was part of a wider scheme to aid the regeneration of the area. The Committee was asked to endorse the extension of the relevant Project Authority in light of its strong qualitative business case but negative transport Benefit:Cost ratio.

The Committee accepted that the Benefit:Cost outcome was based on metrics prescribed by government and did not necessarily reflect the wider regeneration enabling benefits of the proposal. Officers were asked to develop additional tools and methodologies to appraise the value of similar projects to help inform future decision making.

[Action: Steve Allen]

The Committee identified this as another scheme that would have benefited from discussion by the Surface Transport Panel (see minute 09/01/15). Post-implementation reviews of major schemes assessed the accuracy of the traffic modelling predictions and the claimed benefits against the original business case. Members requested that TfL's traffic modelling was considered and refined in the light of the feedback from major scheme reviews. A post-implementation major scheme review and the feedback mechanism for traffic modelling would be reported to a future meeting of the Surface Transport Panel.

[Action: Garrett Emmerson]

The Committee noted the paper and endorsed Project Authority for the reconfiguration of the Elephant & Castle Northern Roundabout to the sum of £24.368m.

11/01/15 Structures and Tunnels Investment Portfolio – Hammersmith Flyover Strengthening

Leon Daniels introduced the paper and the related supplementary information on Part 2 of the agenda, which updated the Committee on the progress of the project to strengthen the Hammersmith flyover. The project would deliver a significant upgrade of a key structure, including improved maintenance access. The Committee was asked to recommend that the Board approve an increase in Financial Authority and an increase in Project Authority (of which £8.1m was unbudgeted).

As the project had progressed, a number of risks and unforeseen issues had arisen. An agreement on the allocation of costs had been agreed with the contractor and the project milestones had been reforecast. Surface Transport acknowledged the project management help it had received from colleagues in Rail and Underground, including on the contract negotiations.

Members commended everyone involved in the project for keeping closures to the flyover to an absolute minimum, despite undertaking very complicated and challenging work.

The Committee suggested that particular consideration should be given to risk allocation when estimating costs for unique projects where the problems were unknown..

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

- 1 approves an increase in Financial Authority of £8.1m which was currently unbudgeted, to be funded by a draw down of centrally held management contingency;**
- 2 approves an increase in Project Authority of £24.33m for the Structures and Tunnels Investment Portfolio – Work Package 3, giving a total Project Authority of £101.11m;**
- 3 approves an increase in Procurement Authority of £24.24m for the Structures and Tunnels Investment Portfolio – Work Package 3, giving a total Procurement Authority of £97.41m;**
- 4 authorises the TfL Officers and the Subsidiaries (as described in paragraph 7 below) of the authority to finalise the terms of the agreement to be entered into pursuant to the related paper on Part 2 of the agenda (the Agreement);**
- 5 authorises 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 Agreement and any of the matters referred to in it (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**
- 6 authorises the TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the Agreement and the matters referred to in it.**

7 The following Officers and Subsidiaries shall have delegated authority:

- (a) TfL Officers: the Commissioner, Managing Director Finance, Managing Director Surface Transport; 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.**

12/01/15 iBus Contract Extension

Leon Daniels and Simon Reed introduced the paper and the related supplementary information on Part 2 of the agenda, which sought a recommendation that the Board approve an extension to the iBus Contract for a further period of up to seven years.

The extension with the incumbent operator, Trapeze, would secure continuity of service while TfL commenced the staged replacement of iBus. This modular strategy would allow TfL to re-tender various components of the iBus contract over the next few years to achieve better value for money, while maintaining the base of the bus and garage equipment and performance support regime with Trapeze. The new procurement strategy would introduce a multiple supplier base with the aim of establishing competition and reducing 'lock-in'.

Members asked about the possibility of including wifi provision on the bus network. This would be considered in the procurement strategy for the successor to iBus. Adding something to the existing network would be expensive and potentially offer a poorer bandwidth service than users would get from their own mobile phone networks.

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

- 1 approves the extension of the iBus contract, as described in the paper, for a further period of up to seven years (the Extension) with a value up to £98.2m giving total procurement authority of £260.6m;**
- 2 authorises the TfL Officers and the Subsidiaries (as described in paragraph 5 below) to finalise the terms of the Extension described in the paper;**
- 3 authorises 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 completion and implementation of the Extension and any of the matters referred to in it (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**
- 4 authorises TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the Extension and the matters referred to in it.**

5 The following Officers and Subsidiaries shall have delegated authority:

- (a) TfL Officers: the Commissioner, Managing Director Finance, Managing Director Surface Transport, 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 directors of the relevant company shall be authorised to act for and on behalf of that company.**

13/01/15 British Transport Police Authority Update

Rachel Stretton introduced the paper and the related supplementary information on Part 2 of the agenda, which provided an update on joint TfL and British Transport Police (BTP) efficiencies in relation to the Police Services Agreement (PSA). Since December 2012, efficiencies and savings amounting to £16.7m had been achieved. A joint TfL and BTP annual budget review would be developed to review the resource requirements and provide a repeatable process for the review and delivery of efficiencies.

As requested by the Board, negotiations with the BTP had removed TfL's indemnity to the BTP Authority in respect of claims arising out of policing services, with effect from 1 October 2013.

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

14/01/15 Borrowing Strategy

Simon Kilonback introduced the paper and the related supplementary information on Part 2 of the agenda, which provided a brief update on TfL's outstanding borrowing, the key principles of TfL's borrowing strategy and the options available for raising its borrowing requirements for 2015/16.

Members supported the approach taken to borrowing and noted the impact of pension changes and the current economic climate on the investment decisions of major institutions.

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

15/01/15 Export Development Canada – Corporate Loan for Crossrail Rolling Stock and Depot Project

Simon Kilonback introduced the paper and the related supplementary information on Part 2 of the agenda, which sought approval for TfL to enter into a corporate loan facility agreement with the Export Development Canada (EDC), Canada's export credit agency, to fund part of the Crossrail Rolling Stock and Depot project. EDC was not on the list of Approved Borrowing Sources within the Treasury Management Strategy 2014/15 and so approval was also required for EDC to be added.

The Committee welcomed the use of an export development agency and the potential to use such agencies for future major rolling stock procurement programmes.

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

- 1 noted that under the Treasury Management Strategy 2014/15, approved by the Board in March 2014 and updated in November 2014, the Committee's approval was required for any additional sources of borrowing to be added to the list of Approved Borrowing Sources;**
- 2 approved the addition of Export Development Canada (EDC) to the Treasury Management Strategy 2014/15 list of Approved Borrowing Sources;**
- 3 approved the substantive terms of the proposed loan facility agreement between TfL and the EDC for up to £500m, as set out in the paper on Part 2 of the agenda, subject to any further amendments that the TfL Officers (as described in 7 below) may approve further to the delegation in paragraph 4 below;**
- 4 authorised the TfL Officers (as described in 7 below) to agree the final terms and conditions of the loan facility agreement (including the final amount of the loan (subject to a maximum of £500m), the tenor, interest rates, specific drawdown dates, loan profile and repayment schedules and any amendments to the substantive terms) and any other documentation relating to the loan;**
- 5 authorised the TfL Officers to approve, sign, execute (if necessary, by authorising the fixing of the TfL seal) and deliver on behalf of TfL the loan facility agreement and any and all ancillary documentation to be entered into by TfL in relation to the loan facility; and**
- 6 authorised the TfL Officers to do all the things they consider necessary or expedient to implement the loan facility agreement described above.**
- 7 The following TfL Officers have delegated authority: the Commissioner, Managing Director Finance, General Counsel, Chief Finance Officer and Director of Group Treasury.**

16/01/15 European Investment Bank – Urban Mobility for London Facility

Simon Kilonback introduced the paper and the related supplementary information on Part 2 of the agenda, which sought approval for a corporate loan facility agreement with the European Investment Bank. The agreement would fund a range of projects forming part of the TfL Investment Programme, including London Underground's Bank and Victoria station upgrades, track renewal programmes and cycling schemes.

The Committee:

- 1 noted the paper and the related paper on Part 2 of the agenda;**
- 2 noted that under the Treasury Management Strategy 2014/15, approved by the Board in March 2014, the Committee's approval was required for any newly**

arranged facility (but not facilities being renewed) through the European Investment Bank (EIB);

- 3 approved the substantive terms of the proposed loan facility agreement between TfL and the EIB for up to £1bn, as set out in Appendix 1 to the paper on Part 2 of the agenda, subject to any further amendments that the TfL Officers (as described in 6 below) may approve further to the authorisation in paragraph 4 below;
- 4 authorised the TfL Officers (as described in 6 below) to finalise terms and conditions of the loan facility agreement (including the final amount of the loan (subject to a maximum of £1bn), the tenor, interest rates, specific drawdown dates, loan profile and repayment schedules and any amendments to the substantive terms) and any other documentation relating to the loan; and
- 5 authorised the TfL Officers to approve, sign, execute (if necessary, by authorising the fixing of the TfL seal), deliver on behalf of TfL the loan facility agreement and any and all ancillary documentation to be entered into by TfL in relation to the loan facility and to do all such other things as they consider necessary or desirable to implement the above.
- 6 The following TfL Officers have authority: the Commissioner, Managing Director Finance, General Counsel, Chief Finance Officer and Director of Group Treasury.

17/01/15 Any Other Business the Chair Considers Urgent

There were no other items of business raised.

18/01/15 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: the Structures and Tunnels Investment Portfolio – Hammersmith Flyover Strengthening; iBus Contract Extension; British Transport Police Authority Update; Borrowing Strategy; Export Development Canada – Corporate Loan for Crossrail Rolling Stock and Depot Project; and European Investment Bank – Urban Mobility for London Facility.

The meeting closed at 11.30am.

The next meeting would be held on Wednesday 11 March 2015 at 10.00am.

Chair: _____

Date: _____