

**Board**



**Date: 4 February 2015**

**Item 14: Report of the meeting of the Finance and Policy Committee held on 22 January 2015**

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**This paper will be considered in public**

## **1 Summary**

- 1.1 To report to the Board on the meeting of the Finance and Policy Committee held on 22 January 2015.

## **2 Recommendation**

- 2.1 **That the Board notes the report.**

## **3 Background**

- 3.1 The main matters considered by the Committee were:
- (a) Review of the Assurance and Approval Processes Applicable to Investment Projects;
  - (b) Project Monitoring – Project Approvals;
  - (c) Taxi and Private Hire Licence Fees;
  - (d) Taxi Fares and Tariffs Review 2015;
  - (e) Brent Cross Redevelopment;
  - (f) Elephant & Castle Northern Roundabout;
  - (g) Structures and Tunnels Investment Portfolio – Hammersmith Flyover Strengthening;
  - (h) iBus Contract Extension;
  - (i) British Transport Police Authority Update;
  - (j) Borrowing Strategy;
  - (k) Export Development Canada – Corporate Loan for Crossrail Rolling Stock and Depot Project; and
  - (l) European Investment Bank – Urban Mobility for London Facility.

## **4 Issues Discussed**

### **Review of the Assurance and Approval Processes Applicable to Investment Projects**

- 4.1 The Committee noted the review of the assurance and approval processes for investment projects. Its Special Purpose 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 was appropriately resourced to add depth and value; and cultural change that recognised the value of assurance and aspired to 'world-class' project delivery. The Committee approved the implementation plan that would address 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).
- 4.2 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.
- 4.3 The Committee would receive an update on progress against the implementation plan in March 2015 and would review the outcome of the changes in the assurance and approval process against the expected benefits, including the progress on cultural change, in March 2016.

### **Project Monitoring – Project Approvals**

- 4.4 The Committee noted the forward approval programme for projects with a value in excess of £50m, from January 2015 to June 2016 and the details of 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.

### **Taxi and Private Hire Licence Fees**

- 4.5 The Committee noted 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 are no proposed changes to private hire licence fees. The Committee endorsed the recommendation that the Board note these changes and approve proposed changes to taxi driver and vehicle application and licence fees from 1 April 2015.
- 4.6 A paper on the Taxi and Private Hire Licence Fees appears elsewhere on the agenda.

## **Taxi Fares and Tariffs Review 2015**

- 4.7 The Committee noted the outcome of the annual review of taxi fares and tariffs and endorsed the 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.
- 4.8 Members discussed and were given information on the application of the fuel charge extra and the London TravelWatch request that there should be more fixed price fares between airports and central London and more opportunities for taxi sharing.
- 4.9 A paper on the Taxi Fares and Tariffs Review 2015 appears elsewhere on the agenda.

## **Brent Cross Redevelopment**

- 4.10 The Committee noted 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 strong controls for TfL in relation to network reliability and adequate financial security being established.
- 4.11 TfL had existing Financial Authority of £286m. 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 existing Procurement Authority of £1.5m would be increased if necessary in due course in accordance with Standing Orders.
- 4.12 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 and clarity on the future ownership and maintenance responsibilities in relation to assets. 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 when the scheme was submitted for approval in March 2015. 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.

## **Elephant and Castle Northern Roundabout**

- 4.13 The Committee noted the proposals for the reconfiguration of the Elephant and Castle Northern Roundabout, which was part of a wider scheme to aid the regeneration of the area. The Committee endorsed the extension of the relevant Project Authority in light of its strong qualitative business case but negative transport Benefit:Cost ratio.

- 4.14 The Committee accepted that the Benefit:Cost outcome was based on metrics prescribed by government and did not necessarily reflect the wider regeneration enabling or safety benefits of the proposal. It wanted TfL to develop additional tools and methodologies to appraise the value of similar projects to help inform future decision making.
- 4.15 The Committee discussed post-implementation reviews of major schemes and how that feedback should lead to the recalibration and refinement of TfL's traffic modelling for future schemes.

### **Structures and Tunnels Investment Portfolio – Hammersmith Flyover Strengthening**

- 4.16 The Committee noted 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 project milestones had been reforecast. The Committee endorsed the recommendation that the Board approve an increase in Financial Authority and an increase in Project Authority (of which £8.1m was unbudgeted).
- 4.17 Members commended everyone involved in the project for keeping closures to the flyover to an absolute minimum, despite undertaking very complicated and challenging work.
- 4.18 The Committee suggested that particular consideration should be given to risk allocation when estimating costs for unique projects where the problems were unknown.
- 4.19 A paper on the Structures and Tunnels Investment Portfolio – Hammersmith Flyover Strengthening appears elsewhere on the agenda.

### **iBus Contract Extension**

- 4.20 The Committee endorsed a recommendation that the Board approve an extension to the iBus Contract for a further period of up to seven years. This 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'.
- 4.21 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.
- 4.22 A paper on the iBus Contract Extension appears elsewhere on the agenda.

## **British Transport Police Authority Update**

- 4.23 The Committee noted an update on joint TfL and British Transport Police (BTP) Authority efficiencies in relation to the Police Services Agreement (PSA). Since December 2012, efficiencies and savings amounting to £16.7m had been achieved and 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.
- 4.24 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.

## **Borrowing Strategy**

- 4.25 The Committee noted an 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.
- 4.26 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.

## **Export Development Canada – Corporate Loan for Crossrail Rolling Stock and Depot Project**

- 4.27 The Committee approved the addition of Export Development Canada (EDC), Canada's export credit agency, to the Treasury Management Strategy 2014/15 list of Approved Borrowing Sources. The Committee then approved the substantive terms of a corporate loan facility agreement with the EDC for up to £500m to fund part of the Crossrail Rolling Stock and Depot project.
- 4.28 The Committee welcomed the use of an export development agency and the potential to use such agencies for future major rolling stock procurement programmes.

## **European Investment Bank – Urban Mobility for London Facility**

- 4.29 The Committee approved the substantive terms of a corporate loan facility agreement with the European Investment Bank for up to £1bn. 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.

**List of appendices to this report:**

None

**List of Background Papers:**

Papers submitted to the Finance and Policy Committee on 22 January 2015

Contact Officer: Steve Allen, Managing Director, Finance  
Number: 020 3054 8907  
Email: [StephenAllen@tfl.gov.uk](mailto:StephenAllen@tfl.gov.uk)