

Transport for London

Minutes of the Finance Committee

Conference Rooms 1 and 2, Ground Floor, Palestra, 197 Blackfriars
Road, London, SE1 8NJ
10.00am, Thursday 13 October 2016

Members

Ron Kalifa	Chair
Ben Story	Vice-Chair
Michael Liebreich	
Dr Nina Skorupska CBE	

Staff

Sarah Bradley	Group Financial Controller
Howard Carter	General Counsel
Emanuela Cernoia-Russo	Assistant Treasurer
Tanya Coff	Director of Finance, London Underground
Graeme Craig	Director of Commercial Development
Patrick Doig	Director of Finance, Surface Transport
Ian Lindsay	Land and Property Director, Crossrail (for minute 8/10/16)
Eleanor Lloyd	Secretariat
Ian Nunn	Chief Finance Officer
Shashi Verma	Chief Technology Officer & Director of Customer Experience (for minute 9/10/16)

1/10/16 Apologies for Absence and Chair's Announcements

Apologies for absence were received from Anne McMeel and Val Shawcross CBE.

2/10/16 Declarations of Interests

Members confirmed that their declarations of interests, as published on tfl.gov.uk, were up to date.

The Chair declared a conflict of interest in relation to item 9, Merchant Acquiring Contract and item 10, Multilateral Interchange Fees, in respect of his positions at Worldpay Limited and 441 Trust Co. He confirmed that he would absent himself from the meeting during the discussion of these items and the Vice Chair, Ben Story, would lead the meeting during his absence.

3/10/16 Minutes of the meeting of the Finance and Policy Committee held on 27 July 2016

The draft minutes of the final meeting of the Finance and Policy Committee held on 27 July 2016 were amended to reflect the correct titles of the "Climate Change Committee" and "Department for Energy and Climate Change" at minute 84/07/16 (g).

Subject to the above amendments, the minutes of the meeting of the Finance and Policy Committee held on 27 July 2016 were noted as a correct record.

4/10/16 Matters Arising and Actions List

Howard Carter confirmed that the outstanding actions from the Finance and Policy Committee that fell within the remit of the Finance Committee were in hand.

The Committee noted the Actions List.

5/10/16 Finance Report

Ian Nunn presented the Finance Report for Period 5 2016/17, the four weeks ending 22 August 2016. These results had been submitted to the meeting of the Board on 22 September 2016 but were presented again to allow the Committee an opportunity to comment in more detail.

The Committee discussed the report format, noting that recent improvements had been made, and agreed that it would also be helpful to see operating expenditure broken down by category. Members found the commentary provided alongside the tables particularly useful but asked that officers work to draw clearer linkages between data, for example the effects of passenger journey figures on the operating account. Officers confirmed they were working toward extending the methods and presentation used in TfL's new quarterly performance report, which was highly praised by Members, to both the TfL Business Plan and to periodic reporting such as the Finance Report.

[Action: Ian Nunn]

The Committee noted the Finance Report.

6/10/16 Prudential Indicators - Outturn for the Year Ended 31 March 2016

Ian Nunn introduced the paper, which reported on TfL's performance against the prudential indicators set for the financial year 2015/16, as required by the Chartered Institute of Public Finance and Accountancy Prudential Code. While performance against these indicators provided useful information it did not form an important basis for financial decision making, as TfL's financial management was more in line with that of a commercial organisation than a local authority.

Members requested that further information on both prudential indicators and TfL's treasury management strategy be provided during an induction briefing.

[Action: Ian Nunn]

The Committee noted the paper.

7/10/16 Update on TfL Borrowing

Ian Nunn introduced an update on TfL's borrowing, including the supplemental information that was exempt from publication on Part 2 of the agenda. The Committee discussed current borrowing costs and the relative merits of the borrowing on offer from TfL's available financing partners. Members felt that although the organisation should remain mindful of the spread of maturities, all opportunities for refinancing should also be considered given the advantageous rates currently on offer.

The paper included a request for authority to be delegated to the Chair of the Committee to agree any new loan facility with the European Investment Bank for the upgrade of the Metropolitan, District, Circle and Hammersmith and City underground lines, should this be required prior to the next meeting of the Committee in January 2017. Howard Carter explained the Chair's Action procedure and confirmed that Members would be given an opportunity to comment on proposals before any decision was taken.

1 The Committee:

- (a) noted the paper and the supplemental information on Part 2 of the agenda;**
- (b) noted that under the Treasury Management Strategy 2016/17, approved by the Board in March 2016, the Committee's approval was required for any new loan facility (but not facilities being renewed) with the European Investment Bank (EIB);**
- (c) delegated to the Chair (in consultation with available Members of the Committee) authority to approve any new loan facility with the EIB; and**
- (d) authorised the TfL Officers (as described in 2 below) to:**
 - (i) finalise terms and conditions of the loan facility agreement (including the final amount of the loan, 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**
 - (ii) 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 to the loan facility and to do all such other things as they consider necessary or desirable to implement the above.**

- 2 The following TfL Officers would have authority: the Commissioner, General Counsel, Chief Finance Officer and Director of Group Treasury.**

8/10/16 Tottenham Court Road West Over Site Development

Graeme Craig introduced the paper, including the supplemental information that was exempt from publication on Part 2 of the agenda, which recommended an increase in project authority for shell and core works at the over site development (OSD) at the Tottenham Court Road West Crossrail station. The variation had arisen as a result of construction cost inflation and design development.

Members discussed the costs in the context of the expected return on the scheme and the overall Crossrail OSD programme and considered the consequences of delaying completion of the OSD works until after the opening of the station. Given the potential disruption to the public caused by the latter option, the Committee was content to agree the increased authority.

A paper would be submitted to the January 2017 meeting of the Committee setting out the programme of Commercial Development activity, including Crossrail projects. A member of the independent Commercial Development Advisory Group would also attend. Members requested that a briefing on Commercial Development strategy and processes be included as part of their induction process. **[Action: Graeme Craig]**

Members discussed the general presentation of investment decisions at Board and Committee level and would work with staff to review this and develop an appropriate format. **[Action: Ian Nunn]**

The Committee noted the paper and the supplemental information on Part 2 of the agenda and approved an increase in Project Authority for the sum set out in the supplemental paper on Part 2 of the agenda.

9/10/16 Merchant Acquiring Contract

Ron Kalifa declared an interest in this item. He had not received the information on Part 2 of the agenda that was exempt from publication and left the meeting room during the discussion and decision on this item. Ben Story chaired the meeting for this item.

Shashi Verma introduced the paper, including the supplemental information that was exempt from publication on Part 2 of the agenda, which summarised the process undertaken to procure a contractor to provide TfL with the 'merchant acquiring services' needed to accept credit and debit card payments. Approximately five percent of the contract value was made up of the processing fee, the only variable element, while the other 95 per cent of the costs comprised fees regulated by UK and EU law.

Members discussed TfL's approach to resilience, in particular in relation to cyber security, across the organisation and in the awarding of major contracts. This would be raised at a forthcoming coordination meeting of the committee Chairs to ensure there was adequate coverage of the issue at Committee and Panel level.

[Action: Howard Carter]

The role of the Committee in the setting of procurement criteria and weightings was discussed. It was agreed that the Committee would be consulted on these ahead of invitations to tender for key procurement activity falling within its remit.

[Action: Ian Nunn]

The Committee noted the paper and the supplemental information on Part 2 of the agenda and recommended that the Board approves Procurement Authority of up to £380m over ten years for the award of the Merchant Acquiring Contract to the supplier recommended in the paper on Part 2 of the agenda.

10/10/16 Multilateral Interchange Fees

Ron Kalifa had declared an interest in this item. He had not received the information on Part 2 of the agenda that was exempt from publication and was absent from the meeting room during the discussion and decision on this item. Ben Story chaired the meeting for this item.

Howard Carter provided an update on legal proceedings issued by TfL and its subsidiaries against both Visa and MasterCard in relation to Multilateral Interchange Fees (MIFs) charged by those companies on credit and debit card transactions. A number of claims had been brought in both the US and the UK on the basis that MIFs unlawfully restricted competition and TfL was confident that a significant sum could be recovered. Members confirmed they were content with the approach being taken. A further update would be brought to the Committee in due course.

The Committee noted the paper.

11/10/16 Any Other Business the Chair Considers Urgent

There was no urgent business.

12/10/16 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: TfL Borrowing Update, Tottenham Court Road West Over Station Development, Merchant Acquiring Contract, and Multilateral Interchange Fees.

The meeting closed at 11.43am.

The next meeting was scheduled for Tuesday 24 January 2017 at 10:00am

Chair: _____

Date: _____