

Date: 3 July 2014

Item 13: Report of the extraordinary meeting of the Finance and Policy Committee held on 13 May and the ordinary meeting held on 5 June 2014

This paper will be considered in public

1 Summary

- 1.1 To report to the Board on the extraordinary meeting of the Finance and Policy Committee held on 13 May and the ordinary meeting held on 5 June 2014.

2 Recommendation

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

3 Background

- 3.1 The main matters considered by the Committee were:

13 May 2014

- (a) TfL Office Accommodation;
- (b) Recruitment Services Tender – Award of Framework Agreements;
- (c) HS2 Hybrid Bill and Petitioning;

5 June 2014

- (d) Operational and Financial Performance Report and Investment Programme Report, Fourth Quarter 2013/14;
- (e) Project Monitoring – Project Approvals;
- (f) Independent Investment Programme Advisory Group 2014/15 Budget and Work Plan;
- (g) Audit Exemption for Subsidiary Companies;
- (h) Bank Station Capacity Transport and Works Act Order; and
- (i) Docklands Light Railway Franchise Procurement.

4 Issues Discussed – Extraordinary Meeting Held on 13 May 2014

- 4.1 On 26 March 2014, the Board delegated to the Committee authority to approve any matter reserved to the Board from 27 March to 2 July 2014.

- 4.2 The extraordinary meeting of the Committee held on 13 May 2014 considered three matters that were reserved to the Board, where the Committee took decisions under the authority delegated by the Board.

TfL Office Accommodation

- 4.3 On 26 March 2014, the Board considered a recommendation, from the meeting of the Committee on 12 March 2014, in relation to the acquisition and preferred location for the office accommodation hub building (the Hub). The Board requested that TfL reconsider options for the location of the Hub. The Board noted that a decision on the new Hub was required before its next scheduled meeting and that the decision would therefore be made at an extraordinary meeting of the Committee.
- 4.4 The Committee considered the results of a further evaluation of the previously recommended option against a Hub in Stratford, compared on the same basis as the previous evaluation with a focus on the Net Present Cost. The Committee approved the proposal for the next accommodation hub property at The International Quarter, Stratford.
- 4.5 Members discussed the risk of delay in the construction of the new hub and were assured that this would be mitigated.

Recruitment Services Tender – Award of Framework Agreements

- 4.6 The Committee noted the approach taken to the procurement of services for the supply of temporary workers and permanent recruitment services to TfL over the next four years. Members discussed the operation of the contracts, the balance between the supply of labour by Master Vendors and the second tier and the significant savings achieved by simplifying the existing arrangements. They also discussed the level of resource proposed to be provided by Master Vendors, given the simplification of the contracting arrangements.
- 4.7 The Committee approved the award of seven framework agreements for the supply of temporary workers and permanent recruitment services.

HS2 Hybrid Bill and Petitioning

- 4.8 The Committee noted the progress that had been made with the Department for Transport (DfT) and HS2 Limited on agreement to protect TfL's assets from the impacts of HS2, which was being promoted in parliament through the High Speed Rail (London to West Midlands) Bill (the Bill).
- 4.9 Good progress has been made with the DfT over what were very complex interfaces between HS2 and TfL's assets in the form of draft protective provisions agreements.
- 4.10 The Committee granted authority to officers to oppose any aspects of the Bill on behalf of TfL by lodging petitions against it to protect TfL's interests and its negotiating position, particularly as parts of the Bill would need to be redesigned in light of the Higgins Review. TfL was particularly keen for the Bill

to include provision and funding by HS2 for an Overground link at Old Oak Common, which was key to the connectivity business case for the project. TfL also wanted provision in the Bill for a HS1-HS2 link connection at a later stage.

5 Issues Discussed – Meeting Held on 5 June 2014

Operational and Financial Performance Report and Investment Programme Report, Fourth Quarter 2013/14

- 5.1 The Committee noted TfL's Operational and Financial Performance and the Investment Programme Report for the fourth quarter of 2013/14 (8 December 2013 – 31 March 2014), which included a number of improvements intended to increase clarity and transparency.
- 5.2 The Committee discussed the further improvements made to the presentation of information in both reports. The OFR included an appendix which provided a reconciliation to the IPR. The IPR included a section on 'Actual v Budget', which included information on the proportion of underspends that was savings and those caused by rephrasing of a programme.
- 5.3 Members were advised that reliability and customer satisfaction targets for the year had all been met or exceeded, with the exception of the TfL Road Network (TLRN) where increased economic activity had resulted in more congestion. Budgets were all close to target, except for a significant underspend on the capital expenditure budget, which meant that cash balances were higher than anticipated. The Actual v Budget information demonstrated that a third of the overall underspend represented actual savings. Members requested that the executive summary in future IPRs highlight the proportion of underspend that was savings.
- 5.4 The Committee discussed the impact of ceremonial events on the TLRN and borough roads and what work could be done with the boroughs, police and security services to minimise the disruption. A paper will be submitted to the next meeting of the Surface Transport Panel.
- 5.5 Members discussed the programme of works around cycling. A paper seeking authority for further works as part of the cycling vision would be submitted to the Committee in January 2015 and to the Board in February 2015.
- 5.6 The Committee discussed the variation to the Better Junctions programme. While 100 junctions would be reviewed over the life of the Business Plan, the programme had been substantially reviewed, following input from the Cycling Commissioner to initially prioritise 33 key locations. Members would be provided with further information on the overall programme, setting out the rationale for the variation, the timetable for seeking authority for major parts of that programme, including the role of Independent Investment Programme Advisory Group in reviewing the programme and what traffic survey data and mitigation information would be provided.

- 5.7 A paper on the Operational and Financial Performance Report and Investment Programme Report, Forth Quarter 2013/14 appears elsewhere on the agenda.

Project Monitoring – Project Approvals

- 5.8 The Committee noted the forward approval programme for projects with a value in excess of £50m, from June 2014 to December 2015 and details of the Project Authority granted by the Commissioner and the Managing Director, Finance in accordance with delegated authority under TfL's Standing Orders.
- 5.9 The Committee was advised that the Stations Stabilisation programme would be reconsidered as part of the Business Plan prioritisations and that the Railway Timetabling System supported the signalling system to provide capacity improvements.

Independent Investment Programme Advisory Group 2014/15 Budget and Work Plan

- 5.10 The Committee noted and endorsed the Independent Investment Programme Advisory Group's (IIPAG's) 2014/15 Budget and Work Plan. The Budget and Work Plan had subsequently been submitted to the Mayor for his approval.
- 5.11 The IIPAG Chairman, David James, confirmed that the Group's role had evolved from providing assurance and oversight, following TfL bringing the former PPP services back in-house. It now provided support for projects across TfL, in particular following the substantial increase in the budget for projects managed by Surface Transport and it had a greater emphasis on looking at TfL's commercial activity. The membership of the IIPAG was being refreshed and candidates with commercial and software expertise were being sought.

Audit Exemption for Subsidiary Companies

- 5.12 In accordance with the authority delegated by the Board, the Committee approved the issuing of the required guarantee to enable the majority of TfL's trading subsidiaries, under the holding company Transport Trading Limited (TTL), to claim exemption from audit for the year ending 31 March 2014. This approach had been discussed with the external auditors, KPMG, and its audit plan, presented to the Audit and Assurance Committee in December 2013, was prepared on this basis. The Committee exercised its delegated authority as the subsidiary companies affected were due to meet before this meeting of the Board.
- 5.13 As Chief Finance Officer, David Goldstone confirmed that he would still review and sign off the accounts for every subsidiary company and that the accounts of TTL would still be audited. While issues of materiality were different at the level of TTL and individual subsidiary companies, most of the work of the companies was carried out by TfL. Where there were any concerns about materiality, the Internal Audit function would be asked to increase its focus on those companies. The Internal Audit work programme was risk based and

agreed by the Audit and Assurance Committee, which regularly reviewed the performance of TfL in addressing Internal Audit recommendations.

- 5.14 A paper on the Annual Report and Statement of Accounts appears elsewhere on the agenda.

Bank Station Capacity Transport and Works Act Order

- 5.15 The Committee recommended that the Board approves the submission by London Underground Limited of an application for an Order under the Transport and Works Act 1992 and for related consents to provide all the necessary rights in respect of the construction, operation and maintenance of the proposed upgrade of Bank station including any compulsory acquisition of land.
- 5.16 Members were advised that there was a single sponsor and single accountable project manager for the programme. When decisions to acquire, dispose or retain land were considered, London Underground consulted with colleagues in the Planning and Commercial Development teams. Externally London Underground was working with a large number of stakeholders in relation to the wider station upgrade.
- 5.17 A paper on the Bank Station Capacity Transport and Works Act Order appears elsewhere on the agenda.

Docklands Light Railway Franchise Procurement

- 5.18 The Committee noted the progress of the procurement process undertaken by Docklands Light Railway Limited for the new franchise for the provision of passenger operations and the maintenance of the Dockland Light Railway (DLR). Members requested that the Board be provided with further information on the evaluation criteria.
- 5.19 A paper on the Docklands Light Railway Franchise Procurement appears elsewhere on the agenda.

List of appendices to this report:

None.

List of Background Papers:

Papers for the extraordinary meeting of the Finance and Policy Committee held on 13 May and the meeting held on 5 June 2014.

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