

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to update the Board on the current progress in establishing the Commercial Development Advisory Group (CDAG), to seek approval for the Terms of Reference for the CDAG and to set out the recruitment process.
- 1.2 At its meeting on 25 November 2014, the Finance and Policy Committee noted the proposals in this paper and endorsed the recommendation to the Board.

2 Recommendation

- 2.1 **The Board is asked to note the paper, approve the terms of reference of the Commercial Development Advisory Group and note the recruitment process.**

3 Background

- 3.1 Successful delivery of the TfL Business Plan is dependent on the generation of £3.4bn (net) from commercial development activity. The drivers of this income are property development, advertising, and other forms of assets management, including retail.
- 3.2 Property development is forecast to generate £1.1bn over the next ten years. Alongside the existing Joint Venture to develop Earls Court, TfL will be working with a small number of Joint Venture partners to develop a number of other TfL property assets. Delivering property development revenue through Joint Ventures requires considerable investment from TfL (both financial and human resource) and increases the risk of TfL realising property development revenue, though this also enables TfL to significantly enhance its financial returns relative to disposal assets, albeit with the revenues generally deferred.
- 3.3 Advertising is forecast to generate £1.2bn over the next ten years. The proposed approach is to consolidate TfL's substantial advertising assets, reducing the number of sites, whilst investing in digital infrastructure and premium locations that will generate a higher return.
- 3.4 Non-advertising asset management is forecast to generate £1.2bn over the next ten years. This activity encompasses retail, commercial residential and industrial property activity, alongside car parking, sponsorship and telecoms.

3.5 The capability and capacity of the Commercial Development directorate is being strengthened to deliver the plan across these key areas. However, there is a need also for additional support to the senior Commercial Development management team in a form of that can also provide assurance to TfL's Chief Officers and TO the Board. This need can be met by establishing an Advisory Group, comprising highly experienced business leaders who have substantial relevant industry expertise.

4 Commercial Development Advisory Group

4.1 The CDAG's purpose will be to provide scrutiny, assurance and expert advice on strategies and plans, both in formulation and during implementation.

4.2 The membership of the Group is expected to comprise four or five external experts for whom the terms of reference are as at Appendix 1.

4.3 TfL will undertake an open recruitment process to identify candidates to be members of the CDAG. Recruitment of the CDAG members will be undertaken through advertisement supported by a specialist recruitment agency. A shortlist of suitable candidates will be presented to the Chairman of the Finance and Policy Committee and the Managing Director, Finance. Candidates will undergo an interview based selection process.

4.4 Candidates will be asked to commit to the equivalent of one day a week on these activities. These positions will be remunerated, with the fees set by reference to members of the Independent Investment Programme Advisory Group, that is, with the Chairman expected to be paid £50,000 a year and the other members paid £40,000 a year.

4.5 It is anticipated that members will be appointed to the CDAG for three to four years and may be reappointed by TfL at the end of a term of appointment.

5 Views of the Finance and Policy Committee

5.1 Successful delivery of the TfL Business Plan is dependent on the generation of £3.4bn (net) from commercial development activity. The drivers of this income are property development, advertising, and other forms of assets management, including retail.

5.2 At its meeting on 25 November 2014, the Finance and Policy Committee noted the proposals in this paper and endorsed the recommendation to the Board. The Committee was keen that recruitment of a high calibre group be undertaken as soon as possible, to enable the Commercial Development Directorate to achieve the challenging targets set out in the Business Plan. It was anticipated that a Chairman would be appointed by the end of January 2015 and would assist in recruiting the remaining members by the end of March 2015.

List of appendices to this paper:

Appendix 1: Commercial Development Advisory Group Terms of Reference

List of Background Papers:

None.

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Commercial Development Advisory Group

Purpose

The Commercial Development Advisory Group (CDAG) will provide independent scrutiny, assurance and expert advice to TfL on its Commercial Development Investment Programme both in terms of the overall strategy and its implementation.

Membership

Membership is expected to comprise 4-5 senior level external experts from relevant industry sectors and the membership of CDAG will between them have experience in:

- property development;
- retail development;
- advertising; and
- investment and asset management.

Frequency of Meetings

The Chair of CDAG will determine the frequency of meetings, in consultation with TfL, noting that it is anticipated that it will meet at least six times a year.

Remit

1. CDAG will advise TfL on the following, taking into account issues of opportunities and risks, prioritisation, efficiency and value for money:
 - Commercial Development strategies and plans;
 - the Commercial Development Business Plan;
 - the delivery of the commercial development programme, which may include consideration of systemic or generic issues such as organisational capability and structure, and the efficiency, effectiveness and economy of delivery of the programme;
 - investment and delivery plan proposals for specific major initiatives, to ensure they are undertaken thoroughly and efficiently, and recommending that further reports or reviews be commissioned, where appropriate; and
 - other aspects of the commercial development programme that are considered, with TfL, to be appropriate.
2. CDAG will propose annually a plan of work, to be agreed with TfL.
3. CDAG will assign members to review and report on specific high value initiatives (>£10m) and/or high risk projects, or programme areas within the commercial development programme.

4. CDAG may, to support its work, provide advice in relation to (but not otherwise participate in) the selection of appropriate suppliers, agencies and consultancies in accordance with TfL's policies and procedures.
5. CDAG will, when requested, provide advice to and attend meetings of the TfL Finance and Policy Committee and other TfL meetings as appropriate.
6. CDAG will provide to TfL an annual report on TfL's Commercial Development programme from its work during the year, drawing out any common themes, systemic issues and lessons learnt.
7. The Chair of CDAG will notify TfL of any issues of significant concern in relation to the value for money or delivery of the Commercial Development programme.