

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, Wednesday 2 December 2015

Members

Peter Anderson (Chair)
Daniel Moylan (Vice-Chair)
Brian Cooke
Angela Knight
Michael Liebreich

Present

Mike Brown	Commissioner, Transport for London
Ian Nunn	Chief Financial Officer and Interim Managing Director, Finance
Howard Carter	General Counsel
Peter Blake	Director of Service Operations, Surface Transport (for minute 105/12/15)
Nick Brown	Managing Director, Rail and Underground
Michael Bridgeland	Head of Project Assurance, Finance
Michele Dix	Managing Director, Crossrail 2
Leon Daniels	Managing Director, Surface Transport
Patrick Doig	Director of Finance, Surface Transport
Garrett Emmerson	Chief Operating Officer, Surface Transport
Terry Morgan	Chairman, Crossrail Limited
Ben Plowden	Director of Surface Strategy and Planning, Surface Transport (for minute 106/12/15)
Andrew Pollins	Finance Director, Rail and Underground
Shamus Kenny	Head of Secretariat
James Stanton	Secretariat

In Attendance

Charles Belcher	TfL Board Member
David James	Chairman, Independent Investment Programme Advisory Group
Terry Fitzgibbon	Member, Independent Investment Programme Advisory Group

97/12/15 Apologies for Absence and Chair's Announcements

Apologies for absence were received from Sir John Armitt CBE, Eva Lindholm and Isabel Deding.

98/12/15 Declarations of Interests

The following interests were declared: Peter Anderson as a director of the Canary Wharf Group plc in relation to Crossrail and the Jubilee line upgrade; Daniel Moylan 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; and Michael Liebreich as Chairman of the Advisory Board of Bloomberg New Energy Finance.

99/12/15 Minutes of the Meetings of the Finance and Policy Committee held on 15 October and 17 November 2015

The minutes of the meetings held on 15 October 2015 and 17 November 2015 were approved as correct records and signed by the Chair.

100/12/15 Matters Arising and Actions List

Action 38/09/15 Alstom Northern Line Train Service Contract: Renewal to 2027:

Members noted that negotiations to secure the best contractual terms with Alstom had concluded and that this would not be pursued further. The action list would be updated appropriately.

[Action: Howard Carter]

Members requested an update on the current position of the property partnership programme and an estimated timescale for the delivery of predicted financial outputs.

[Action: Graeme Craig]

The Committee noted the Actions List.

101/12/15 Operational and Financial Performance and Investment Programme Reports - Second Quarter, 2015/2016

Ian Nunn introduced the paper informing the Committee of TfL's Operational and Financial Performance (OFR) and presented the Investment Programme Report (IPR) for the second quarter of 2015/16. These reports would be submitted to the meeting of the Board on 17 December 2015.

Members considered the issues set out in the papers. Members noted the reasons for changes in TfL's staffing and recommended that a plan be developed to address the movement in headcount figures.

[Action: Ian Nunn]

The fall in bus passenger revenue was discussed. Members suggested that utilisation of surplus capacity on the network should be considered and kept under review when the major road improvement and Cycle Superhighways works were completed. Members discussed the need for the next Mayor to consider the future priorities for the allocation of road space.

Consideration would be given to reviewing the reporting format to ensure that known issues were clearly highlighted in the report.

[Action: Ian Nunn]

The Committee noted the TfL Operational and Financial Performance and Investment Programme Reports – Second quarter 2015/16.

102/12/15 Project Monitoring - Project Approvals

Ian Nunn presented the forward approval programme for projects with a value in excess of £50m from December 2015 to July 2017. The Commissioner and Managing Director, Finance had approved Project Authority for five projects each since the meeting of the Committee held on 15 October 2015.

In relation to the project to move the entrance at Knightsbridge station, Members recommended that TfL negotiate to recover the full cost from the developers.

The Committee noted the paper.

103/12/15 Crossrail 2

Michele Dix introduced the item. The Committee received an update on the Crossrail 2 application to the Comprehensive Spending Review 2015 (CSR). Members noted that, subsequent to the CSR, a paper would be presented to the Board recommending the establishment of a Crossrail 2 company. Due to the timing of the CSR announcement, it had not been possible to present the paper to this meeting. Members welcomed the proposal, noting that this would enable momentum to be maintained on the project.

It was confirmed that the potential for recharging the design and development costs initially borne by TfL would be examined at an appropriate stage, once the Crossrail 2 company had been established and final approval received.

A briefing session on Crossrail 2 would be arranged for Members in the New Year.

[Action: Secretariat]

The Committee noted the paper and agreed to recommend to the Board that the revised cumulative Project Authority for Crossrail 2 be increased to £21.459m, bringing forward £4.74m from the 2016/17 Business Plan.

104/12/15 Procurement of New Rolling Stock for London Overground: Lease Financing

Ian Nunn introduced the item. The Committee was asked to recommend the proposals for entering into lease financing arrangements for the new fleet of trains for London Overground to the Board.

The Committee also discussed power generation and emission issues in general and how these might be captured as part of in future procurement exercises.

- 1. The Committee noted the paper and the supplemental information in the paper on Part 2 of the agenda and agreed to recommend that the Board:**
 - (a) approve entering into lease financing arrangements for the new fleet of trains for London Overground with the financier with the highest score (in accordance with the evaluation criteria) and as described in the paper submitted and the related paper on Part 2 of the agenda (the Transaction);**

- (b) authorise the TfL Officers and the Subsidiaries (as described in resolution 2 below) to finalise the terms of the operating lease agreement and related documentation required to implement the Transaction (the Transaction Documents);**
- (c) authorise 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 Transaction Documents and any of the matters referred to within them (including without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents);**
- (d) authorise TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the Transaction Documents and the matters referred to in them;**
- (e) note that options for additional vehicles or other equipment under the Manufacture and Supply Agreement will not be exercised without further authority from the Board; and**
- (f) give, in accordance with authority delegated to Transport for London by the Mayor and to the extent that the Transaction could be construed as a disposal of property under paragraph 12(1) of Schedule 11 of the Greater London Authority Act 1999, the Mayor's opinion that such property is not required by TfL for the purposes of the discharge by TfL of any of its functions, in accordance with the delegation of the Mayor's opinion concerning the disposal of property.**

2. The following Officers and Subsidiaries shall have delegated authority:

- (a) TfL Officers: the Commissioner, the Managing Director Finance, the Managing Director Rail and Underground and General Counsel; 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 the company.**

105/12/15 Cycle Hire Re-Let

Leon Daniels and Peter Blake introduced the item and updated the Committee on progress with the recommended option for the Cycle Hire Re-Let programme.

The Committee discussed the operation of the cycle hire scheme. It was noted that the scheme would need to grow further, with an increase in the number of docking stations and locations, if it was to move past the point where bikes needed to be physically relocated on a regular basis. The physical constraints of London as a city made this a challenge. Members noted that the relocation of cycles, particularly those which had been hired on a one way basis from mainline railway stations, was a major cost within

the operation of the scheme. Intensification in the use of the cycles, as envisaged under the re-let of the contract, was intended to generate more trips and save on relocation money.

- 1. The Committee noted the paper and the supplementary information in the paper on Part 2 of the agenda and recommended that the Board:**
 - (a) note that Project Authority and Financial Authority (in respect of the estimated cost of the delivery of the Cycle Hire Re-Let (CHR) programme and operation of the scheme, including the transition of certain services to the Revenue Collection Contract (RCC)) exists up to March 2024;**
 - (b) grant Procurement Authority of the amount stated in the paper on Part 2 of the agenda to enter into a variation of the RCC with Cubic Transportation Systems Limited to transition certain Cycle Hire services (as described in the paper) in 2017 as part of implementing the CHR solution previously endorsed by the Committee;**
 - (c) authorise the TfL Officers and Subsidiaries (as described in resolution 2 below) to finalise the terms of the variation to the RCC and any other agreements required to deliver the services described in paragraph 4.2 of the paper (together the Agreements);**
 - (d) authorise 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 Agreements and any of the matters referred to in them (including, without limitation, all agreements, licences, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**
 - (e) authorise 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 Agreements and the matters referred to in them.**
- 2. The following Officers and Subsidiaries shall have delegated authority:**
 - (a) TfL Officers: the Commissioner, Managing Director Finance, Managing Director Surface Transport and General Counsel; 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.**

106/12/15 Ultra Low Emission Zone (ULEZ) Portfolio

Leon Daniels introduced the item and Ben Plowden gave a short summary of the Ultra Low Emission Zone (ULEZ) portfolio approach. The approach was designed to tackle the problem of poor air quality in London and included three main strands: the purchase of cleaner emission buses; changes to the licensing requirements of taxi and private hire vehicles by 2020, including support with a rapid charging network; and the introduction of

a charging scheme (in addition to the existing congestion charge) for vehicles to drive within the ULEZ area.

In response to questions from Members, it was confirmed that retrofitting of the existing vehicle fleet with cleaner emission technology was taking place in addition to the purchase of new, fully electric vehicles. Buses on the network were already making use of innovative energy and emission saving technologies. Vehicles that were unsuitable for retrofitting would be sold to companies on other networks, reducing the particulate pollution within London.

The Committee noted the paper and the portfolio approach to delivering the ULEZ and agreed recommended that the Board:

- (a) approve the additional Financial Authority to make budget provision for £94m (a cumulative total of £425m);**
- (b) approve additional Project Authority of £10m for the feasibility, design and preparatory work of the ULEZ portfolio to 2017, bringing the total project authority to £12m;**
- (c) note the portfolio approach to delivering the Ultra Low Emission Zone, which has a total Estimated Final Cost of £425m; and**
- (d) note that, of the £94m gap between current Financial Authority and Estimated Final Cost, £35m is funded through Government grants which have either been received or committed and to note the proposals to fund the remaining £59m set out in Section 6 of the paper, including an option to reduce the scope of the portfolio.**

107/12/15 Any Other Business the Chair Considers Urgent

There was no urgent business.

108/12/15 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: Procurement of New Rolling Stock for London Overground: Lease Financing; Cycle Hire Re-Let; and Ultra Low Emission Zone (ULEZ) Portfolio.

The meeting closed at 11.30am.

The next meeting would be held on Thursday 21 January 2016 at 10.00am.

Chair: _____

Date: _____