

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, Thursday 17 July 2014

Members

Daniel Moylan	Vice Chairman (in the Chair)
Sir John Armitt CBE	Member
Brian Cooke	Member
Isabel Dedring	Deputy Chair of TfL
Angela Knight	Member

Staff

Steve Allen	Managing Director, Finance
Iain Blackmore	Head of Traffic Infrastructure, Surface Transport (for 66/07/14)
Mike Brown	Managing Director, Rail and Underground
Howard Carter	General Counsel
Tanya Coff	Head of Capital Projects, Finance (for Andrew Pollins, Director of Finance), Rail and Underground
Nicola Cox	Principal, Finance (for 60/07/14)
Leon Daniels	Managing Director, Surface Transport
Carl Devlin	Programme Director, Sub-Surface Upgrade, Rail and Underground (for 65/07/14)
Patrick Doig	Director of Finance, Surface Transport
Andy Eastaugh	Head of TfL Programme Management Office (for 62-63/07/14)
David Goldstone	Chief Finance Officer
Matthew Hudson	Head of Business Development, Customer Experience (for 67/07/14)
David Hughes	Director of Major Programme Sponsorship, Rail and Underground (for 64-65/07/14)
Terry Morgan	Chairman, Crossrail Limited
Trevor Sandford	Senior Associate, Finance (for 61/07/14)
Howard Smith	Director Operations, Crossrail (for 60-61/07/14)
Gareth Taylor	Recruitment Transformation Manager, Human Resourced (for 68/07/14)
Shashi Verma	Director, Customer Experience (for 67/07/14)
David Waboso	Capital Programmes Director, Rail and Underground (for 64-65/07/14)
Clive Walker	Director of Internal Audit
Julian Ware	Senior Principal, Finance (for 69/07/14)
Alex Williams	Director of Borough Planning (for 69/07/14)
David Young	Head of Commercial Services (for 68/07/14)
Shamus Kenny	Head of Secretariat

Also in Attendance

Ian Fugeman	Member, Independent Investment Programme Advisory Group
Paul Jenkins	Member, Independent Investment Programme Advisory Group

56/07/14 Apologies for Absence and Chair's Announcements

Apologies for absence were received from Peter Anderson (Chairman), Baroness Grey-Thompson DBE, Michael Liebreich and Eva Lindholm.

In the absence of the Chairman, Daniel Moylan chaired the meeting. The Chairman agreed to reorder the agenda to facilitate the flow of the meeting for the public present. The minutes record the items in the order that they appeared on the published agenda.

57/07/14 Declarations of Interests

Daniel Moylan declared an interest 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. Sir John Armitt declared an interest as Chairman of the Olympic Delivery Authority, Chairman of the National Express Group plc, Deputy Chairman of the Berkeley Group plc and a Member of the Airports Commission. Angela Knight declared an interest as Chief Executive of Energy UK and as a Non Executive Director of William Cook Holdings Limited.

58/07/14 Minutes of the Meeting held on 5 June 2014

The minutes of the meeting held on 5 June 2014 were approved as a correct record and signed by the Chairman.

59/07/14 Matters Arising and Actions List

The Committee noted the Actions List.

60/07/14 Crossrail Train Operating Concession

Sir John Armitt declared his interest in this item as a Chairman of National Express Group plc. He took no part in the discussion or decision. He had not received the paper on Part 2 of the agenda and left the meeting during the discussion of its content.

Mike Brown and Howard Smith introduced the paper and the related exempt supplemental information on Part 2 of the agenda, which updated the Committee on the procurement process being undertaken by Rail for London for the new concession agreement to operate Crossrail passenger train services from May 2015.

Under Standing Orders, the authority sought was reserved to the Board. On 26 March 2014, the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 4 July to 23 September 2014. Authority was requested ahead of the meeting of the Board on 24 September 2014 to enable the successful bidder to commence the mobilisation phase to ensure its organisation is in place prior to Concession Commencement in May 2015.

The contract included robust financial incentives for the operator to deliver performance at a level significantly higher than London Overground, which was itself one of the highest performing Train Operating Companies. The operator was also incentivised to work directly with Network Rail to resolve infrastructure issues. The Crossrail station at

Paddington had been designed to accommodate a busy interchange of passengers with the mainline station.

Although the leading bidder had the lowest price overall, this was higher than the estimate of the cost of the concession that had been included in the Business Plan, approved by the Board in December 2013.

Having made the decision, Members were advised that the winning bidder was MTR Corporation (Crossrail) Limited. MTR had a good reputation internationally, particularly on metro systems, and had made a significant contribution to the success of the London Overground as 50 per cent owner of LOROL. MTR was expected to employ around 1,100 staff with up to 850 new posts, creating many hundreds of jobs for local people, including almost 400 drivers and over 50 apprenticeships for people from communities along the route.

The Committee noted the paper and the supplementary information on Part 2 of the agenda and, in accordance with authority delegated from the Board:

- 1 approved entering into the Concession Agreement and ancillary agreements (“Concession Agreements”) with MTR Corporation (Crossrail) Limited;**
- 2 authorised the TfL Officers and the Subsidiaries (as described in paragraph 5 below) to finalise the terms of the Concession Agreements;**
- 3 authorised 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 Concession Agreements and any of the matters referred to therein (including, without limitation, all agreements, deeds, guarantees, indemnities, property or other licences, announcements, notices, contracts, certificates, letters or other documents); and**
- 4 authorised TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the Concession Agreements and the matters referred to therein.**
- 5 The following Officers and Subsidiaries shall have authority:**
 - (a) TfL Officers: the Commissioner, Managing Director Finance, 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 that company.**

61/07/14 Crossrail Track Access

Steve Allen, Howard Smith and Trevor Sandford introduced the paper and the related exempt supplemental information on Part 2 of the agenda. The papers updated the Committee on the finalisation of the terms of the Crossrail Supplementary Access Charge (CSAC) and its incorporation into the Crossrail Track Access Option (TAO). In 2008 the Board approved the novation of the TAO to TfL. The Secretary of State for Transport had

agreed to the novation, once the terms of the CSAC had been incorporated into the TAO. The paper set out the process by which the CSAC had been negotiated and the terms that were proposed and asked the Committee to agree them.

Members were advised that the TAO, incorporating the CSAC, provided TfL with a better rate for paying Network Rail for on network works, as it covered a longer period than Network Rail's five year funding settlement with government.

Under Standing Orders, the authority sought was reserved to the Board. On 26 March 2014, the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 4 July to 23 September 2014. Authority was requested ahead of the meeting of the Board on 24 September 2014 to enable a formal submission to be made to the Office of Rail Regulation (ORR) in time for the agreements to be executed by 1 September 2014. All approvals necessary to submit the TAO agreements to the ORR had already been obtained from Network Rail, the Department for Transport and (subject to TfL approval) the Crossrail Sponsor Board.

The Committee noted the paper, the supplementary information on Part 2 of the agenda and, in accordance with authority delegated from the Board:

- 1 agreed the draft terms of the Crossrail Supplementary Access Charge ("CSAC") described in the paper and to be documented by way of amendment to the Crossrail Track Access Option ("TAO") and the first Supplemental Agreement to the TAO (together referred to as the "TAO Agreements"), noting that the TAO Agreements shall be novated to TfL from the Secretary of State for Transport (SoS) as authorised by the Board at its meeting of 30 September 2008 and further noting that there was sufficient financial authority in the TfL Business Plan to cover the estimated cost of £337.2m up to 2022/23 but, as the TAO Agreements had a duration beyond the end of the current Business Plan, future Business Plans would need to provide for the remaining years of payment up to 2047/48;**
- 2 approved the amendment of the non-binding regulatory protocol (the "Protocol") established between Crossrail Limited ("CRL"), Network Rail and the SoS, which governed the delivery of the infrastructure enhancements needed for Crossrail services to operate on the national network, to accommodate changes required as a result of the TAO Agreements;**
- 3 authorised 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 TAO Agreements and any of the matters referred to in them (including, without limitation, all agreements, deeds, guarantees, indemnities, property or other licences, announcements, notices, contracts, certificates, letters or other documents);**
- 4 authorised TfL Officers and Subsidiaries to finalise the terms of the TAO Agreements, including agreeing any adjustments necessary to secure the approval of the Office of Rail Regulation and to settle the terms of any subsequent variation to the TAO Agreements required to facilitate the extension of Crossrail to Reading;**

- 5 authorised TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the TAO Agreements and the matters referred to in them; and
- 6 authorised such TfL Officers as may be appointed by the Commissioner, to act on behalf of TfL as Sponsor Representative in relation to TfL's membership of the Crossrail Sponsor Board, insofar as any decision making functions carried out by the Sponsor Board relate to the TAO Agreements, and/or the matters referred to in them.
- 7 The following Officers and Subsidiaries shall have delegated authority:
 - (a) TfL Officers: the Commissioner, Managing Director Finance, 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 that company.

62/07/14 Independent Investment Programme Advisory Group – Annual Report 2013/14

Steve Allen introduced the Independent Investment Programme Advisory Group (IIPAG) Annual Report for 2013/14 and the TfL management response. The Report would be submitted for approval to the Mayor and sent for information to the Secretary of State for Transport.

Ian Fugeman and Paul Jenkins confirmed that there was a greater willingness in the business to undertake benchmarking and respond to benchmarking analysis. Benchmarking was increasingly targeted on areas where it would add the most value. Mike Brown assured Members that the business supported appropriate benchmarking, for example the DLR was now included in international comparisons. TfL also sought savings that were immediately identifiable from benchmarking analysis and looked to incrementally address areas that were more difficult to tackle. This resulted in some innovative solutions, such as overnight track replacement. As part of the Business Planning process, the operating businesses and Finance discussed savings targets based on applying best in class benchmarking data. A paper would be submitted to the Committee in October showing how benchmarking data was linked to financial planning by the operational businesses. **[Action: Steve Allen]**

As part of the Business Plan development, Members would be provided with an analysis of the use of contingency in projects to inform discussions on the appropriate level of contingency within the overall and individual budgets.

Further information would be provided to Members on how TfL would address the issues that the IIPAG had raised on telecommunications. **[Action: Steve Allen]**

The Committee noted the Independent Investment Programme Advisory Group's Annual Report for 2013/14 and endorsed TfL's management response, for approval by the Mayor.

63/07/14 Project Monitoring – Project Approvals

Steve Allen introduced the paper, which set out the forward approval programme for projects with a value in excess of £50m, from July 2014 to January 2016 and detailed the Project Authority granted by the Commissioner, in accordance with delegated authority under TfL's Standing Orders, since the last meeting. The Managing Director, Finance had not approved any Project Authority in that period.

The Committee noted the report.

64/07/14 Northern Line Extension to Battersea

Mike Brown introduced the paper, which under delegated authority from the Board, sought a delegation to the Committee Chairman to authorise the award of a contract and to grant Procurement Authority, including a P80 risk element, for the Northern Line Extension (NLE) main works design and build contract.

Authority was requested ahead of the meeting of the Board on 24 September 2014 as the award of the contract in August 2014 was designed to ensure that the 31 December 2019 in-service date for the NLE was achieved and to meet a commercially critical Stage 2 handover to the BPS developers to facilitate the commencement of the over site development.

Given the size and importance of the contract award and the need to give full consideration to the views of the Independent Investment Programme Advisory Group on the procurement and evaluation processes, the Committee agreed that an extraordinary meeting should be called when the information required to consider the award of the contract was available.

[Action: Mike Brown / Secretariat]

The Committee noted the paper.

65/07/14 Sub-Surface Upgrade Programme Automatic Train Control Contract – Lessons Learnt

Mike Brown, David Hughes and Carl Devlin introduced the paper, which updated the Committee on the Lessons Learnt Review of the Sub-Surface Upgrade Programme (SUP) Automatic Train Control contract, carried out by KPMG and the SUP management response.

Members acknowledged that while the decision to terminate the contract had been taken reluctantly, it was the right decision in terms of the overall delivery and cost of the project.

The KPMG report was thorough and the TfL management response was positive. Implementation of the recommendations had already commenced.

The Chairman proposed that a task and finish sub-committee be established to consider the KPMG report and management response, with a focus on the decision making and assurance processes. Under Standing Order 77, the authority to establish a sub-committee was subject to the approval of the Board. On 26 March 2014, the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 4 July to 23 September 2014. Authority was requested ahead of the

meeting of the Board on 24 September 2014 to enable the sub-committee to meet and prepare a report in time for the meeting of the Committee on 14 October 2014.

The Committee noted the paper and, in accordance with authority delegated by the Board, established a task and finish sub-committee to review the KPMG Lessons Learnt report and management response, with a focus on the decision making and assurance processes. The Membership of the Committee would be Daniel Moylan (Chairman), Brian Cooke and Angela Knight (if available). Charles Belcher would also be invited to attend. Relevant officers and members of the Independent Investment Programme Advisory Group would also be invited to attend.

66/07/14 Traffic Control Maintenance Services

Garrett Emmerson and Iain Blackmore introduced the paper, and the related exempt supplemental information on Part 2 of the agenda, which briefed the Committee on the results of the evaluation of final tenders for the Traffic Control Equipment Maintenance and related Services Procurement (TCMS 2). The Committee was asked to note the Financial Authority and grant Procurement Authority and approve the award of the TCMS 2 contracts.

The Committee welcomed the considerable savings achieved compared to the TCMS 1 contracts. The procurement approach had played a significant role in achieving the affordable solutions in the final tenders.

TfL had a programme to invest in the use of LED technology when traffic signals were modernised, as this produced future cost savings. TfL also sought to reduce the number of lights at major junctions where appropriate.

Under Standing Orders, the authority sought in the paper was reserved to the Board. On 26 March 2014 the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 4 July to 23 September 2014. Authority was requested ahead of the meeting of the Board on 24 September 2014 to align with the intended contract commencement date.

In accordance with the authority delegated from the Board, the Committee noted the paper and the related information on Part 2 of the agenda and:

- 1 approved entering into the Traffic Control equipment Maintenance and related Services (TCMS 2) contracts described in the paper (“the Agreements”), with the preferred bidders (Lots 1 and 4 Imtech Traffic Limited, Lots 2 and 3 Siemens PLC and Lot 5 Cubic), with existing Financial Authority of £343m and grants Procurement Authority of £317m, being the sum of the contract value for the capital works and maintenance expenditure for the eight year contract period up to September 2022 (taking into account the savings that have been realised), plus any cost increases under the Agreements attributable to indexation in excess of the nominal sums described in the paper;**
- 2 authorised the TfL Officers and the Subsidiaries (as described in paragraph 5 below) to finalise the terms of the Agreements including the provision of any ancillary guarantees, bonds or other agreements by TfL;**
- 3 authorised 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 it (including, without limitation, all agreements, deeds, guarantees, indemnities, property or other licences, announcements, notices, contracts, certificates, letters or other documents); and

- 4 authorised 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 it.**
- 5 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.**

67/07/14 Revenue Collection System and Associated Services Procurement

Shashi Verma and Matthew Hudson introduced the paper and the related exempt supplemental information on Part 2 of the agenda, which informed the Committee of the outcome of the procurement for revenue collection and associated services to replace those currently provided under the Future Ticketing Agreement (FTA) contract until August 2015.

The current contract provided the rail and bus front office devices (gatelines, validators, ticket vending equipment and their control systems), back office, and other services to support Oyster, contactless, ITSO and magnetic ticket retailing and acceptance across TfL's services. Some services, such as communications networks and card procurement have been separated from the FTA contract and were now provided directly under separate contracts.

Under Standing Orders, the authority sought in the paper was reserved to the Board. On 26 March 2014 the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 4 July to 23 September 2014. Authority was requested ahead of the meeting of the Board on 24 September 2014 to align with the amended procurement process timetable. This amended timetable would allow entry into the new contract as soon as possible to enable planning of future activities.

In accordance with authority delegated from the Board, the Committee noted the paper and the supplementary information on Part 2 of the agenda and:

- 1 approved entering into the Revenue Collection and Associated Services Contract and ancillary documentation ("the Contract") with Cubic Transportation Systems (bidder A) for the sum set out in the paper on Part 2 of the agenda;**
- 2 delegated to the TfL Officers and the Subsidiaries (as described in paragraph 5 below) the authority to agree and finalise the terms of the Contract;**

- 3 authorised 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 Contract and any of the matters referred to therein (including, without limitation, all agreements, deeds, guarantees, indemnities, property or other licences, announcements, notices, contracts, certificates, letters or other documents); and**
- 4 authorised TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the Contract and the matters referred to therein.**
- 5 The following Officers and Subsidiaries shall have delegated authority:**
 - (a) TfL Officers: the Commissioner, Managing Director Finance, Managing Director Customer Experience, Marketing and Communications, General Counsel and the Director of Customer Experience; 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.**

68/07/14 Recruitment Services Tender – Award of Framework Agreement for Master Vendor Engineering

David Young and Gareth Taylor introduced the paper and the related exempt supplemental information on Part 2 of the agenda. At the extraordinary meeting of the Finance and Policy Committee on 13 May 2014, under authority delegated by the Board, the Committee approved the award of seven Framework Agreements for Recruitment Services. One of the contracts had not been signed by the first ranked bidder. Therefore, authority was sought to award the Master Vendor Engineering Framework Agreement (Lot 3) to the next ranked bidder in the event that it was not possible to conclude a contract with the first ranked bidder.

Under Standing Orders, the authority sought in this paper was reserved to the Board. On 26 March 2014, the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 4 July to 23 September 2014. Authority was requested ahead of the meeting of the Board on 24 September 2014 to avoid any further delay in the award of the contract.

The Committee noted the paper and the related paper on Part 2 of the agenda and:

- 1 approved the award of the Master Vendor Engineering Framework Agreement (Lot 3) (the Framework Agreement) to the next ranked bidder identified in the paper on Part 2 of the agenda in the event that it was not possible to conclude a contract with the first ranked bidder;**
- 2 noted that there was sufficient financial authority in the TfL Business Plan to cover the estimated cost of the Framework Agreement of £385m (included in the £650m that was approved by the Finance and Policy Committee on 13 May 2014);**

- 3 authorised the TfL Officers and the Subsidiaries (as described in paragraph 6 below) to finalise the terms of the Framework Agreement;
- 4 authorised 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 Framework Agreement and any of the matters referred to in them (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and
- 5 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 Framework Agreement and the matters referred to in them.
- 6 The following Officers and Subsidiaries shall have delegated authority:
 - (a) TfL Officers: the Commissioner, Managing Director Finance, General Counsel and the Chief Finance Officer; 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.

69/07/14 Update on Planning Obligations

Alex Williams and Julian Ware introduced the paper. TfL was responsible for advising the Mayor on the transport issues associated with planning applications referred to him, progressing section 106 contributions where TfL was delivering transport mitigation to enable developments to function effectively and overseeing the collection of £600m towards Crossrail from developments across the capital.

Two years after its introduction, the report provided the Committee with an end of year update on the Mayoral Community Infrastructure Levy (CIL), borough CILs and section 106 funding that would contribute either to the funding of Crossrail or other transport infrastructure.

In terms of securing £600m from the Crossrail funding streams by March 2019, the picture was mixed. There was increasing confidence in securing £300m from the Mayoral CIL, whereas the £300m income from the Crossrail Supplementary Planning Guidance (SPG) was looking less certain. In this context it might be necessary to reassess the balance of these targets.

In the light of experience, further consideration would be required on how Crossrail 2 could be funded, including consideration of greater use of over site development for the stations on the route.

The Committee noted the paper.

70/07/14 Any Other Business the Chair Considers Urgent

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chairman was of the opinion that the item on the Chief Finance Officer Interim Arrangements should be considered as a matter of urgency. The reason for urgency was that the departure date for the current Chief Finance Officer was very close to the next meeting of the Board and, given the importance of this role, an interim appointment needed to be confirmed as soon as possible to ensure a smooth handover of responsibilities.

There were no other additional items of business raised.

71/07/14 Chief Finance Officer Interim Arrangements

Steve Allen introduced the paper, which sought authority from the Committee for the interim arrangements for the position of Chief Finance Officer (CFO) between 1 October and the appointment of a permanent CFO. It was anticipated that the new CFO would be in post by the end of 2014.

As this was the last scheduled meeting of the Committee before his departure, the Committee expressed its thanks to David Goldstone for his contribution to TfL as its CFO and its congratulations on his appointment as Chief Executive Officer of the London Legacy Development Corporation.

Under Standing Orders, the authority sought in the paper was reserved to the Board. On 26 March 2014, the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 4 July to 23 September 2014. A decision was required ahead of the meeting of the Board on 24 September to ensure a smooth handover of responsibilities before the departure of the outgoing CFO on 30 September 2014.

In accordance with the authority delegated from the Board, the Committee noted the paper and authorised Andrew Pollins (Director of Finance, Rail and Underground) to act as the interim Chief Finance Officer from 1 October until a permanent appointment was in post.

72/07/14 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 appendices to the papers on: Crossrail Train Operating Concession; Crossrail Track Access; Traffic Control Maintenance Services; Revenue Collection System and Associated Services Procurement; and Recruitment Services Tender – Award of Framework Agreement for Master Vendor Engineering

The meeting closed at 11.45am.

The next meeting would be held on Thursday 14 October 2014 at 10.00am.

Chair: _____

Date: _____

Transport for London

Minutes of the Extraordinary Meeting of the Finance and Policy Committee

Conference Rooms 1 and 2, Ground Floor, Palestra,
197 Blackfriars Road, London, SE1 8NJ
9.00am, Wednesday 20 August 2014

Members

Peter Anderson	Chairman
Daniel Moylan	Vice Chairman
Brian Cooke	Member
Eva Lindholm	Member

Staff

Steve Allen	Managing Director, Finance
Sarah Atkins	Commercial Director, Rail and Underground (for 76/08/14)
Stuart Harvey	Programme Director, JNP Upgrades, London Underground (for 76/08/14)
Alan Bristow	Director of Road Space Management, Surface Transport (for 75/08/14)
Mike Brown	Managing Director, Rail and Underground
Andrea Clarke	Director of Legal (for Howard Carter, General Counsel)
Leon Daniels	Managing Director, Surface Transport
Garrett Emmerson	Chief Operating Officer, Surface Transport
Andy Eastaugh	Head of Programme Management Office
Nick Fairholme	Director, Projects and Programmes, Surface Transport (for 75/08/14)
Clive Walker	Director of Internal Audit

Also in attendance

Ian Fugeman	Member, Independent Investment Programme Advisory Group (IIPAG)
David James	Chairman, IIPAG (from 76/08/14)
Paul Jenkins	Member, IIPAG (from 77/08/14)
Shamus Kenny	Head of Secretariat

73/08/14 Apologies for Absence and Chair's Announcements

Apologies for absence were received from Sir John Armitt CBE, Isabel Dedring, Baroness Grey-Thompson DBE, Angela Knight and Michael Liebreich.

74/08/14 Declarations of Interests

Peter Anderson declared an interest as a director of the Canary Wharf Group plc in relation to Crossrail and the Jubilee line upgrade. Daniel Moylan declared an interest 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.

75/08/14 Wandsworth Gyrotory Removal

Leon Daniels and Garrett Emmerson introduced the paper, which sought approval for an increase in Project Authority of £1.4m to enable concept design, value management and public consultation to be undertaken in relation to the Wandsworth Gyrotory Removal project. The scheme was integral to the intended transformation of Wandsworth town centre. By removing through traffic, the scheme would improve the experience for public transport users, cyclists, pedestrians and local residents, creating a strong sense of place in the civic and retail centre of Wandsworth and supporting local growth and regeneration.

The Committee discussed the cost and financing of the scheme. While keen to manage costs back to the original estimate of £55m, officers confirmed that the aspiration was to achieve the right solution for the most economic cost.

Members requested that the public consultation include an option that did not ban traffic (other than buses and cycles) from entering parts of Wandsworth High Street but deterred traffic by design.

Clearer diagrams of the proposed traffic scheme would be provided to Members for future traffic schemes. **[Action: Garrett Emmerson]**

The Committee:

- 1 noted the paper;**
- 2 approved an increase in Project Authority of £1.40m to enable concept design, value management and consultation to be undertaken; and**
- 3 noted that value management, surplus land valuation, risk allocation and funding discussions with the London Borough of Wandsworth were intended to close the gap between Estimated Final Cost and Financial Authority before the next Project Authority submission in December 2015.**

76/08/14 Northern Line Extension to Battersea

Mike Brown, Sarah Atkins and Stuart Harvey introduced the paper and the related paper on Part 2 of the agenda. The paper requested approval to award of a contract and the granting of Procurement Authority for the Northern Line Extension (NLE) main works design and build contract.

Under Standing Orders, the authority sought was reserved to the Board. On 26 March 2014, the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 4 July to 23 September 2014.

Authority was requested ahead of the meeting of the Board on 24 September 2014 to enable the contract to be awarded on 2 September 2014. This was required to meet two legal milestones: the 31 December 2019 in-service date for the NLE; and a commercially critical Stage 2 handover to the developer. The station's location within the site required the station box and tunnelling to be completed ahead of the handover and commencement of over site and adjacent development. The timely completion of the development was required to generate the income to pay for the NLE.

The Committee discussed the risks of awarding the contract ahead of conditions precedent being met, which included: the Secretary of State for Transport's decision on the Transport and Works Act Order, expected in autumn 2014; and the government laying Enterprise Zone Regulations, for which TfL had a commitment from the Chancellor of the Exchequer that this would be done before March 2015. While the contract included a break point on 31 March 2015, TfL would have incurred financial risk of around £30m ahead of that date.

A further paper would be submitted to the Committee and Board, prior to 31 March 2015, to confirm if the conditions precedent had been met. **[Action: Mike Brown]**

Sarah Atkins and Stuart Harvey confirmed that the bids had been the subject of technical and price valuation on a target cost contract and that the preferred bidder had the most innovative solution. Within the time constraints, TfL had discussed potential innovations with the preferred bidder, though it had opted for a more traditional low risk tunnelling option for the junction with the Kennington Loop, due to the importance of maintaining operations within the loop during the construction of the NLE. Discussions were ongoing on options to reduce costs, for example Mike Brown would consider a reduced tunnel diameter subject to the advice of the London Fire and Emergency Planning Authority.

The Programme Management Office confirmed that it would issue a report providing independent assurance that the evaluation process has been undertaken properly and fairly and that the preferred bidder was offering the most economically advantageous offer. The Independent Investment Programme Advisory Group (IIPAG) had reviewed the procurement process and evaluation plan and commended them and the quality of the procurement team. The IIPAG supported a lessons learnt exercise so that the good practice could be shared throughout TfL. In due course, the Committee would consider the differences between the NLE and Bank Station Capacity Upgrade processes, including the involvement of the IIPAG. **[Action: Mike Brown]**

The Committee noted the paper and the supplemental paper on Part 2 of the agenda and, in accordance with the authority delegated from the Board:

- 1 granted Procurement Authority as detailed in the supplemental paper on Part 2 of the agenda;**
- 2 approved entering into the main works design and build contract ("the Contract") with Ferrovia Agroman / Laing O'Rourke Joint Venture; and**
- 3 delegated to the TfL Officers and the Subsidiaries (as described in paragraph 6 below) the authority to agree and finalise the terms of the Contract;**
- 4 authorised 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 Contract and any of the matters referred to therein (including, without limitation, all agreements, deeds, guarantees, indemnities, property or other licences, announcements, notices, contracts, certificates, letters or other documents); and**
- 5 authorised TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the Contract and the matters referred to therein.**

6 The following Officers and Subsidiaries shall have delegated authority:

- (a) TfL Officers: the Commissioner, Managing Director Finance, 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 that company.**

77/08/14 Special Purpose Sub-Committee Terms of Reference

Andrea Clarke introduced the paper, which set out the proposed terms of reference for a Special Purpose Sub-Committee.

Under Standing Order 77, the authority to establish a sub-committee was subject to the approval of the Board. On 26 March 2014, the Board delegated to the Finance and Policy Committee authority to approve any matter reserved to the Board from 4 July to 23 September 2014. On 17 July 2014, the Finance and Policy Committee agreed to establish a sub-committee to consider the KPMG report and management response, with a focus on the decision making and assurance processes. Authority to establish the sub-committee and approve its terms of reference was sought ahead of the meeting of the Board on 24 September 2014, to enable the sub-committee to meet and prepare a report in time for the meeting of the Committee on 14 October 2014.

In accordance with the authority delegated from the Board, the Committee agreed the terms of reference of its Special Purpose Sub-Committee, as set out in Appendix 1 to the paper.

78/08/14 Any Other Business the Chair Considers Urgent

There were no other additional items of business raised.

79/08/14 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 paper on the Northern Line Extension to Battersea.

The meeting closed at 10.15am.

The next meeting would be held on Tuesday 14 October 2014 at 10.00am.

Chair: _____

Date: _____