

Transport for London

Minutes of the Finance Committee

**Committee Room 5, City Hall - City Hall, 110 The Queen's Walk,
London, SE1 2AA
10.00am, Friday 15 September 2017**

Members

Val Shawcross CBE (in the Chair)
Anne McMeel
Dr Nina Skorupska CBE

Present

Peter Blake	Director of Service Operations
Helen Chapman	General Manager, London Taxi & Private Hire
Tanya Coff	Director of Finance, London Underground
Patrick Doig	Director of Finance, Surface Transport
Simon Kilonback	Interim Chief Finance Officer
Mark McConochie	Head of Public and Regulation Law, General Counsel
Emma Osborne	Surface Transport
James Stanton	Secretariat

32/09/17 Apologies for Absence and Chair's Announcements

Apologies for absence had been received from Ron Kalifa, Michael Liebreich and Ben Story.

It was agreed that Val Shawcross CBE would chair the meeting.

The Chair noted that this was the first meeting of the Finance Committee since the passing of Ian Nunn, TfL's Chief Finance Officer. The Chair expressed her sincere condolences to Ian's family and colleagues on behalf of the Committee and noted that he was very much missed by all.

33/09/17 Declarations of Interests

Members confirmed that their declarations of interests, as published on tfl.gov.uk, were up to date. There were no further declarations of interests.

34/09/17 Interim Chief Finance Officer Arrangements - Chair's Action

Mark McConochie presented the paper.

The Committee received an update on the steps taken following the sudden death of Ian Nunn on 24 July 2017, to ensure that TfL had an appointed person to act as TfL's Chief Finance Officer, both in the management position but also as the statutory CFO. These steps had been taken under Standing Order 114 which allowed the Chair of a Committee to take urgent action on matters reserved to the Board or the Committee.

The Chair asked that the Committee's gratitude and appreciation to staff for the way in which everyone had stepped up in very difficult circumstances be recorded in the minutes.

The Committee noted the interim Chief Finance Officer arrangements and the use of Chair's Action.

35/09/17 Taxi and Private Hire Licence Fees

Peter Blake introduced the paper. At its meeting on 19 July 2017, the Board had delegated authority to the Finance Committee to approve proposals to make, amend or revoke the fees for taxi drivers and taxis, and for private hire operators, drivers and vehicles. Subject to that approval, the Board authorised the Commissioner to make the necessary changes to the Private Hire Regulations to implement any changes in fees.

The Committee considered the proposed changes to the licence fees for Private Hire Vehicle operators, drivers and vehicles and to the licence fees for taxi drivers and taxis. Members noted a correction to the table of Revised Operator Fee Proposals on page 20 of the agenda. The total figure for the proposed 5 year fee (£) for 101-500 vehicles was corrected to read '150,000'. The Chair also noted that Members had received copies of letters from the Licensed Private Hire Car Association, GMB and Private Hire Board separately in relation to this matter.

Members noted that the existing license fees did not cover the costs of maintaining the system and that there was a public interest in not subsidising fees from other areas. The proposals had been designed to meet TfL's obligations as regulator. Significant additional regulations had been introduced in the past few years with public safety and increasing complexity in the sector with the movement from minicab based to app based provision. Additional enforcement and compliance work had been taking place which needed to be apportioned to various licences streams. Whilst the principle of change was noted to have been largely accepted, the response of operators had been against the scale of the change in some areas.

The Committee considered the basis on which the tier and banding points for charging operators by vehicle numbers had been developed. The larger the operator, the longer and more involved the regulation and more resources involved. The new license fees would be a step towards capturing the operator cost element of regulation. It was noted that the proposal for a per vehicle basis charge had been removed for large operators, this was something which would be revisited.

Members noted that the proposal would not fully address the costs involved but would be a significant step to doing so. There was concern that, with no financial subsidy from government, any shortfall in this area would effectively be subsidised by public transport passengers. Implementation of the current proposals would take place as soon as practicable. It was agreed that an update on steps to address the remaining shortfall, including progress on further consideration of per vehicle charging, would be provided in December 2017. **[Action: Peter Blake]**

Members expressed support for the principle of recovering costs in a changing environment both for operators and TfL as the regulator.

The Committee noted the paper and, in accordance with the authority delegated by the Board, and agreed that:

- (a) the fees for taxi drivers and taxis, and for private hire drivers and vehicles, be amended as set out in Appendix 2 to the report submitted; and**
- (b) the structure and level of private hire operator fees be amended as set out in Appendix 2 to the report submitted.**

36/09/17 Any Other Business the Chair Considers Urgent

There was no urgent business.

37/09/17 Date of Next Meeting

An additional meeting of the Finance Committee was scheduled to be held on Wednesday 27 September 2017 at 11am.

The next ordinary meeting would be held on Wednesday 18 October 2017 at 10am.

Chair: _____

Date: _____

Transport for London

Minutes of the Finance Committee

**St Pancras Room, 10th Floor, , Palestra,
197 Blackfriars Road, London, SE1 8NJ
11.00am, Wednesday 27 September 2017**

Members

Ron Kalifa (Chair)
Ben Story (Vice-Chair) - by telephone
Michael Liebreich
Anne McMeel
Dr Nina Skorupska CBE

Staff

Howard Carter	General Counsel
Tanya Coff	Director of Finance, London Underground
Graeme Craig	Director of Commercial Development
Lester Hampson	Property Development Director (for minute 35/09/17)
Simon Kilonback	Acting Chief Finance Officer
Chris Townsend	Head of Property Development (for minute 35/09/17) ?
Shashi Verma	Chief Technology Officer (for minute reference 34/09/17)
Sue Riley	Secretariat

Also in attendance

Frances Salway, Chair, Commercial Development Advisory Group

38/09/17 Apologies for Absence and Chair's Announcements

Apologies for absence were received from Val Shawcross CBE.

39/09/17 Declarations of Interests

Members confirmed that their declarations of interests, as provided to the Secretariat and published on tfl.gov.uk, were up to date and there were no other interests to declare that related specifically to items on the agenda.

40/09/17 Revenue Collection Contract

Shashi Verma presented the report, and the related supplemental information on Part 2 of the agenda, on the proposed extension of the Revenue Collection Contract (RCC) to Cubit Transportation Systems Limited (Cubic).

Under Standing Orders, the authority sought in the paper was reserved to the Board. On 19 September 2017 the Board delegated to the Finance Committee authority to approve those matters reserved to the Board in relation to any extension of the RCC.

Cubic had worked with TfL to further reduce the overall cost of revenue collection, with the possible extension of the contract for another three years as an incentive. Cubic had since realised savings of another 7.5 per cent.

The overall performance of Cubic was good, although some remedial action had been taken recently to address system changes related to the bus hopper fare and the installation of new vending machines on the Elizabeth line.

The tendering process for the RCC was complex and demanding and it was proving difficult for the competition in this market to develop due to the complexity of TfL's requirements and the high performance standards required. One lever would be to demonstrate the value of access to TfL's intellectual property rights, regardless of whether the bid was successful.

Members encouraged officers to develop the procurement market in this area, while recognising the difficulty and complexity in doing so. TfL faced similar challenges in other areas of technical procurement.

The extension of the contract was considered an important contribution towards the de-risking of the introduction of the Elizabeth line. It also offered the best value contract.

The relationship between TfL and Cubic was a positive one of co-dependency, with Cubic using TfL as its main point of reference for sales. The Committee was assured that TfL owned the necessary intellectual property rights related to this contract and would benefit commercially from its licensing.

Members encouraged staff to continue to scrutinise the profitability of Cubic to ensure that TfL was receiving value for money, particularly in the context of limited competition.

TfL had a number of direct relationships with Cubic at varying levels across the organisation and the Commissioner and the Chief Technology Officer met with the company president on a regular basis.

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 the extension of the Revenue Collection Contract (RCC) for a further three years;**
- 2 granted additional Financial Authority as set out in the paper included on Part 2 of the agenda;**
- 3 granted additional Procurement Authority as set out in the paper included on Part 2 of the agenda:**
 - (i) to enter into a variation to the RCC to effect the extension; and**
 - (ii) to cover any additional business initiatives as generally referred to in the paper, noting that the release of such authority will be subject to the approval of the Commissioner or the Chief Finance Officer; and**

4 in respect of the operating cost of the RCC, noted that:

- (i) there was sufficient Financial Authority in the current TfL Business Plan up to March 2023; and**
- (ii) as the term of the RCC (as extended) would have a duration beyond the end of the current Business Plan, future Business Plans will need to provide for the remaining years of operation.**

41/09/17 Southwark Station Development – Special Purpose Vehicle

Graeme Craig introduced the paper, and the related supplemental information on Part 2 of the agenda, which sought approval to the commercial approach for the delivery of an office-led development at Southwark station. Lester Hampson and Chris Townsend were also in attendance for this item, along with Francis Salway from the CDAG.

Under Standing Orders, the authority sought in this paper is reserved to the Board. On 19 September 2017 the Board delegated to the Finance Committee authority to approve those matters reserved to the Board in relation to the acquisition of a company to support the proposed over site development at Southwark station.

To capture the maximum value for TfL in pursuing this development, full control of the land was required prior to submitting a planning application, via the acquisition of the Company.

The advantages and disadvantages of a joint venture were discussed, as well as the reasons why the previous arrangement had not succeeded. TfL's acquisition of the Company would mean it carried the burden of the cost and risk, but could form part of TfL's new accommodation strategy moving forward.

Abortive costs from the previous arrangement included the cost of land acquisition, loss of income and share sale and purchase costs.

The Committee requested regular updates.

[Action: Graeme Craig]

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

- 1 approved the entry by TfL or any of its Subsidiaries into a share Sale and Purchase Agreement with Development Securities (Investment Ventures) Limited (a wholly owned subsidiary of U+I Group Plc) to acquire the entire issued share capital in Development Securities Southwark Limited ("the Company") for the amount and costs set out in the Part 2 paper; and**
- 2 authorised the TfL Officers and Subsidiaries (as described in paragraph 4 below) to:**
 - (i) finalise the terms of the Sale and Purchase Agreement referred to in this report and any other documentation related to the acquisition of the Company and the work relating to the over site development;**
 - (ii) authorise the execution (whether by deed or otherwise) of any documentation to be entered into in connection with the completion and**

implementation of the Sale and Purchase Agreement and any of the matters referred to in it, including the land swap referred to in this paper and, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents; and

(iii) do all such things as they consider necessary or desirable to facilitate the execution of the Sale and Purchase Agreement and the matters referred to in it.

3 authorised the TfL Officers and Subsidiaries to approve:

(a) the identity of the TfL Subsidiary that should acquire and hold the Company;

(b) the amendment of the Articles of Association of the Company;

(c) the individuals to comprise the board of directors of the Company;

(d) the individuals to be appointed officers of the Company; and

(e) the new name of the Company.

4 agreed that the following TfL Officers and Subsidiaries shall have delegated authority:

(a) TfL Officers: the Commissioner, Chief Finance Officer, General Counsel and Director of Commercial Development; and

(b) Subsidiaries: Subsidiaries of TfL including Transport Trading Limited (TTL), TTL Properties Limited and any other subsidiaries (whether existing presently or to be formed) of TTL and of the directors of the relevant company shall be authorised to act for and on behalf of that company.

5 agreed the recommendations as set out in Part 2 of the agenda.

42/09/17 Any Other Business the Chair Considers Urgent

Members were updated on Moody's announced rating actions taken on over 50 UK public sector bodies following the downgrade of the UK Sovereign.

TfL's ratings had been downgraded by one notch from Aa2 to Aa3 and would therefore continue to be one notch below the UK Sovereign. The outlook had changed from negative to stable, in line with that of UK Sovereign. Any implications would be discussed at the Board Business Planning away day.

43/09/17 Date of Next Meeting

Wednesday, 18 October 2017 at 10.00am.

44/09/17 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: Revenue Collection Contract; Southwark Station Development.

The meeting closed at 11.45am.

Chair: _____

Date: _____