

Board



Date: 25 July 2018

Item: Report of the Meeting of the Finance Committee held on 4 July 2018

This paper will be considered in public

1 Summary

1.1 To report to the Board on the meeting of the Finance Committee held on 4 July 2018.

2 Recommendation

2.1 **The Board is asked to note the report.**

3 Committee Agenda and Summary

3.1 The papers for the meeting of the Committee held on 4 July 2018 were published on 26 June 2018 and are available on the TfL website:
<https://tfl.gov.uk/corporate/publications-and-reports/finance-committee>

3.2 The main matters to be considered by the Committee are:

- (a) Use of Delegated Authority;
- (b) Finance Report - Period 2, 2018/19;
- (c) Treasury Activities;
- (d) Insurance Programme Renewal;
- (e) Update on Income from Developers through Planning Obligations;
- (f) Crossrail Central Operating Section (CCOS) - Structure of Rail for London (Infrastructure) Limited's proprietary interest in the CCOS infrastructure London Underground Stations Renewals and Enhancements Programme;
- (g) TfL Management of Risk of Insolvency of Major Suppliers
- (h) TfL Consulting and International Operations;
- (i) Telecommunications Commercialisation Project Update;
- (j) Connect PFI Transition;
- (k) Transformation Programme Update; and

(l) Actuarial Valuation of the TFL Pension Fund;

- 3.3 A summary of the items discussed and decisions taken at the meeting is provided below. The more detailed minutes of the meeting held on 4 July will be published ahead of the 17 October 2018 meeting of the Committee.

4 Issues Discussed

Use of Delegated Authority

- 4.1 The Committee noted the paper. Since the last meeting of Committee, the Commissioner had approved Procurement Authority of £53.2m for SAP licences and associated maintenance, to support its existing use in TfL for the next six years.

Finance Report - Period 2, 2018/19 dependent Investment Programme Advisory Group – Quarterly Report

- 4.2 The Committee noted the report. Passenger change and demand responses had been more significant than anticipated in period 2, with a higher level of modal switch from bus to tube, which had created a positive yield.
- 4.3 Passenger route data was also being integrated to help inform future planning. Bus routes were being examined in relation to the opening of the Elizabeth Line and potential new passenger traffic as well as increased outer London journeys.
- 4.4 Members suggested that modal shift analysis could also include: non-TfL transport services, such as Uber and Lyft; technology such as scooters; and walking and cycling data.

Treasury Activities

- 4.5 The Committee noted the paper and supplementary paper on Part 2 of the agenda, which set out an update on Treasury activities for the period from 1 April to 13 June 2018. The objectives of the Strategy remained unchanged: enabling sufficient cash and liquidity facilities; enhancing TfL's credit rating; having regard to good prudential measures and implementation of adequate risk mitigation measures. There had been no change to TfL's credit rating since the last meeting.
- 4.6 The Committee noted that the total amount of borrowing to be raised for 2018/19 and the proportions estimated to be raised through long-term debt and through rolling unhedged commercial paper (short-term floating rate debt). The mix of short and long term debt would be re-assessed over the financial year to take into consideration market conditions and liquidity management requirements.

Insurance Programme Renewal - Update

- 4.7 The Committee noted the paper and the supplemental paper included on Part 2 of the agenda, which set out an update on the process of tendering for TfL's insurance broker and outlined the insurance programme renewal, completed in June 2018.
- 4.8 There had been significant market interest in TfL's insurance structure options. A detailed report on insurance renewal, including cyber security, would be submitted to the next meeting.

Update on Income from Developers through Planning Obligations

- 4.9 The Committee noted the paper, which set out an end of year update on the Mayor's Community Infrastructure Levy (MCIL), Borough CILs and section 106 funding contributing either to the funding of Crossrail or other TfL transport infrastructure.

Crossrail Central Operating Section (CCOS) - Structure of Rail for London (Infrastructure) Limited's proprietary interest in the CCOS infrastructure

- 4.10 The Committee noted the paper and approved the completion of the intra-Group lease arrangements that delivered Rail for London (Infrastructure) Limited's and London Underground Limited's proprietary interests in the Crossrail Central Operating Section infrastructure.
- 4.11 A benchmarking exercise and good practice models had been reviewed and considered as part of the recommended proposals, including access charges and competing service options.

TfL Management of Risk of Insolvency of Major Suppliers

- 4.12 The Committee noted the paper, which set out the extensive steps taken by TfL to provide assurance on the continued viability of suppliers and appropriate contingency measures in the event of a failure.

TfL Consulting and International Operations

- 4.13 The Committee noted the paper and the supplementary information on Part 2 of the agenda. The paper set out TfL's response to the Mayor's request to seek means of developing new income streams by offering the organisation's consulting expertise on transport services, both at home and abroad.
- 4.14 The Committee welcomed the opportunities that consulting offered TfL as an organisation but stated that the risks needed to be mitigated. The Commissioner assured Members that there would be no detrimental impact on the delivery of TfL's core services or resources.
- 4.15 It was agreed that the strategy should include talent retention and improvement as part of the benefits to the organisation.

Telecommunications Commercialisation Project Update

- 4.16 The Committee noted the paper and the supplementary information on Part 2 of the agenda. The paper set out TfL's approach to delivering a range of telecommunications improvements, in line with the Mayor's Transport Strategy.
- 4.17 Members were keen to reiterate that there should be no disruption to passengers during the project delivery. Responses to the procurement process would be included in the development of the Business Plan.

Connect PFI Transition

- 4.18 The Committee noted the paper and the supplementary information on Part 2 of the agenda, which detailed the status of the work being undertaken to provide for continuity of telecommunication services following the expiry of the Connect Private Finance Initiative Contract (Connect PFI) between London Underground (LU) and Citylink Telecommunications Limited (CTL).

Transformation Programme Update

- 4.19 The Committee noted the paper.

Actuarial Valuation of the TfL Pension Fund

- 4.20 The Committee noted the paper and the supplementary information on Part 2 of the agenda, which provided an update on the triennial actuarial valuation of the TfL Pension Scheme as at 31 March 2018. The Committee approved authority for certain commitments to the TfL Pension Scheme in response to that valuation.

List of appendices to this report:

None

List of Background Papers:

Papers submitted to the Finance Committee on 4 July 2018

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