

## Board



**Date:** 29 March 2017

**Item:** Report of the meeting of the Finance Committee held on 13 March 2017

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### **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 13 March 2017. One decision was taken using authority delegated by the Board to the Committee.

## **2 Recommendation**

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

## **3 Background**

- 3.1 The main matters considered by the Committee are listed below. Items marked with an asterisk appear elsewhere on the agenda for this meeting.
- (a) Finance Report – Period 11 2016/17\*;
  - (b) Treasury Management Strategy 2017/18\*;
  - (c) Treasury Management and Derivative Investments Policies 2017/18\*;
  - (d) Long Term Insurance Renewal;
  - (e) One Facilities Management Services Procurement: Approval of Award of Contracts;
  - (f) Commercial Development Quarterly Report;
  - (g) Disposal of Land at Kidbrooke; and
  - (h) Affordable Housing.

## **4 Issues Discussed**

### **Finance Report – Period 11 2016/17**

- 4.1 The Committee noted the report, which showed trends similar to the previous Period 9 report. While the net cost of transport operations was currently forecast at £10m worse than budget, the Chief Finance Officer considered this

to be an overly cautious estimate and expected the final result to be positive to budget.

- 4.2 The capital programmes included an over-programming provision and given the complexity of many of the schemes, it was not uncommon for programmes to be under rather than over budget. Underspending was generally due to exploiting contracts to get better value, cost reduction and value engineering by TfL and genuine slippage in delivery. There were no significant concerns relating to the current underspend on the capital programme and some commentary was included in the Report to cover this. The momentum on major capacity enhancement programmes remained on target and would bring significant revenue when delivered. Members requested that future reports also include details of any programmes that were being accelerated, such as the Bus Priority Programme and step free access on the Underground, to take advantage of available funds.
- 4.3 Members also requested that future Reports include graphs with trend lines to clearly show movement against the key performance indicators during the year.
- 4.4 A paper on the Finance Report appears elsewhere on the agenda for this meeting.

#### **Treasury Management Strategy 2017/18**

- 4.5 The Committee noted the paper and recommend that the Board approves the proposed TfL Treasury Management Strategy (TMS) for 2017/18. The TMS 2017/18 comprises the Investment Strategy, the Borrowing Strategy, the Liquidity Strategy, the Risk Management Strategy and the Counterparty Exposure Limits.
- 4.6 Given the tapering off of Treasury funding for TfL via the General Grant, Members commented on the need in the medium term for the Mayor to provide a letter of funding assurance to TfL and set the borrowing limit.
- 4.7 Members of the Committee were invited to visit the Treasury team to see how its controls, processes and segregation of responsibilities worked in practice.
- 4.8 Each meeting of the Committee would include an item on specific parts of the Treasury Management Strategy to provide assurance and to seek Members' input.
- 4.9 A paper on the TMS appears elsewhere on the agenda for this meeting.

#### **Treasury Management and Derivative Investments Policies 2017/18**

- 4.10 The Committee recommended that the Board approves the proposed TfL Treasury Management Policy Statement and Treasury Management Practices, and the proposed TfL Group Policy relating to the use of Derivative Investments for 2017/18.
- 4.11 A paper on these policies appears elsewhere on the agenda for this meeting.

## **Long Term Insurance Renewal**

- 4.12 The Committee noted the update on TfL's insurance arrangements, which outlined TfL's overall insurance position. As part of TfL's transformation work, the insurance team had been moved into Group Treasury and the insurance strategy was being reviewed to consider TfL's insurance risks and self-assurance options. TfL's insurance costs were also expected to rise as a result of the increase in Insurance Premium Tax and the tragic tram derailment at Sandilands.
- 4.13 To enable the review to take place, it was proposed to postpone the re-marketing of the main insurance policies, which were in a long term agreement, for one year from July 2017 to July 2018, and to continue the appointment of TfL's third party administrator who managed all liability insurance claims on TfL's behalf.

## **One Facilities Management Services Procurement: Approval of Award of Contracts**

- 4.14 Under the authority delegated by the Board on 15 December 2016, the Committee approved entering into six contracts for the provision of facilities management services across TfL (the One FM Contracts) across the following TfL areas:
- (a) Underground – Stations, depots and offices; Crossrail interface stations, Tunnelling Underground Construction Academy (TUCA).
  - (b) Surface – Bus stations, Victoria Coach Station, Dial a Ride, Trams, River service piers;
  - (c) TfL Corporate – Offices & Premises;
  - (d) London Transport Museum
- 4.15 The contracts would be awarded in March/April 2017 to allow for a smooth transition between providers in time for service commencement on 25 June 2017.
- 4.16 Members were assured that provisions had been written into the contracts to ensure that TfL owned the intellectual property rights and other protections to enable a seamless transfer to another provider when the contracts were relet in the future. There were also provisions in the contract under shared gain mechanisms to seek further efficiencies and the framework agreements would enable smaller additional items of work to be procured without the need for a full and expensive procurement process to be followed. Members were also assured that the rights of staff delivering the contracts would be protected, including payment of the London Living Wage and that this would be monitored.
- 4.17 The One FM Contracts programme was driven by TfL's transformation agenda to reduce the number and complexity of contracts across TfL and to encourage innovation and cost reduction. The transformation message would

be reinforced as part of the communications and training programmes for the new contracts with both new and incumbent providers.

- 4.18 Members requested that future papers should provide some context on how the proposals for approval related to the Transformation programme. For the One FM contracts, the next meeting of the Committee would receive a paper confirming the award of contract against each TfL area and the impact on the budget.

### **Commercial Development Quarterly Report**

- 4.19 The Committee noted an update on Commercial Development activity. A discussion on telecoms opportunities would be programmed in for a future meeting.

### **Disposal of Land at Kidbrooke**

- 4.20 The Committee approved the proposed disposal and redevelopment of surplus land at Kidbrooke through the Property Partnerships Framework. Members were pleased at the level of affordable housing included in the scheme.

### **Affordable Housing**

- 4.21 The Committee noted TfL's approach to facilitate delivery of the Mayor's objective for the provision of much needed affordable housing and the Business Plan assumptions in terms of income from the disposal or development of surplus TfL sites.
- 4.22 Members requested further details on how affordable housing was defined and that future papers set out how the different elements of the definition applied to each individual scheme that came forward for approval and that the quarterly or annual updates showed the blend across the entire programme.

### **List of appendices to this report:**

None

### **List of Background Papers:**

Papers submitted to the Finance Committee on 13 March 2017.

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