

# AGENDA

## Meeting Budget and Performance Committee

**Date** Thursday 20 November 2014

**Time** 10.30 am

**Place** Committee Room 5, City Hall, The Queen's Walk, London, SE1 2AA

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### Members of the Committee

John Biggs AM (Chairman)  
Stephen Knight AM (Deputy Chair)  
Gareth Bacon AM  
Darren Johnson AM

Joanne McCartney AM  
Valerie Shawcross CBE AM  
Richard Tracey AM

A meeting of the Committee has been called by the Chairman of the Committee to deal with the business listed below.

Mark Roberts, Executive Director of Secretariat  
Wednesday 12 November 2014

### Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Dale Langford, Principal Committee Manager; Telephone: 020 7983 4415; Email: [dale.langford@london.gov.uk](mailto:dale.langford@london.gov.uk); Minicom: 020 7983 4458.

For media enquiries please contact Alison Bell; Telephone: 020 7983 4228; Email: [alison.bell@london.gov.uk](mailto:alison.bell@london.gov.uk). If you have any questions about individual items please contact the author whose details are at the end of the report.

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**Agenda  
Budget and Performance Committee  
Thursday 20 November 2014**

**1 Apologies for Absence and Chairman's Announcements**

To receive any apologies for absence and any announcements from the Chairman.

**2 Declarations of Interests** (Pages 1 - 4)

**The Committee is recommended to:**

- (a) Note the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, as disclosable pecuniary interests;**
- (b) Note the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s); and**
- (c) Note the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at Agenda Item 2) and to note any necessary action taken by the Member(s) following such declaration(s).**

**3 Minutes** (Pages 5 - 64)

**The Committee is recommended to confirm the minutes of the meeting of the Budget and Performance Committee held on 15 October 2014 to be signed by the Chairman as a correct record.**

The appendices to the minutes set out on pages 9 to 64 are attached for Members and officers only but are available from the following area of the GLA's website:

<http://www.london.gov.uk/mayor-assembly/london-assembly/budget-performance>

**4 Summary List of Actions** (Pages 65 - 76)

Report of the Executive Director of Secretariat

Contact: Dale Langford; [dale.langford@london.gov.uk](mailto:dale.langford@london.gov.uk); 020 7983 4415

**The Committee is recommended to note the completed and outstanding actions arising from previous meetings of the Committee.**

## **5 Action Taken Under Delegated Authority** (Pages 77 - 80)

Report of the Executive Director of Secretariat

Contact: Dale Langford; [dale.langford@london.gov.uk](mailto:dale.langford@london.gov.uk); 020 7983 4415

**The Committee is recommended to note the action taken by the Chairman under delegated authority, namely to agree, in consultation with party Group Lead Members, comments on the London Infrastructure Plan for submission to the London Assembly's Planning Committee.**

## **6 Draft GLA Budget 2015-16** (Pages 81 - 106)

Report of the Executive Director of Resources

Contact: Doug Wilson; [doug.wilson@london.gov.uk](mailto:doug.wilson@london.gov.uk); 020 7983 4038

**The Committee is recommended to respond on behalf of the Assembly to the Mayor's consultation on his Draft GLA Budget for 2015-16.**

The appendix to this report, set out on pages 85 to 105 is attached for Members and officers only but is available from the following area of the GLA's website:

<http://www.london.gov.uk/mayor-assembly/london-assembly/budget-performance>

## **7 Budget and Performance Committee Work Programme** (Pages 107 - 110)

Report of the Executive Director of Secretariat

Contact: Steve Wright; [steve.wright@london.gov.uk](mailto:steve.wright@london.gov.uk); 020 7983 4390

**The Committee is recommended to note its work programme for 2014/15.**

## **8 Date of Next Meeting**

The next meeting of the Committee is scheduled for Tuesday 6 January 2015 at 10.00am in Committee Room 5.

## **9 Any Other Business the Chairman Considers Urgent**

# Subject: Declarations of Interests

**Report to: Budget and Performance Committee**

**Report of: Executive Director of Secretariat**

**Date: 20 November 2014**

**This report will be considered in public**

## 1. Summary

- 1.1 This report sets out details of offices held by Assembly Members for noting as disclosable pecuniary interests and requires additional relevant declarations relating to disclosable pecuniary interests, and gifts and hospitality to be made.

## 2. Recommendations

- 2.1 **That the list of offices held by Assembly Members, as set out in the table below, be noted as disclosable pecuniary interests<sup>1</sup>;**
- 2.2 **That the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s) be noted; and**
- 2.3 **That the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at below) and any necessary action taken by the Member(s) following such declaration(s) be noted.**

## 3. Issues for Consideration

- 3.1 Relevant offices held by Assembly Members are listed in the table overleaf:

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<sup>1</sup> The Monitoring Officer advises that: Paragraph 10 of the Code of Conduct will only preclude a Member from participating in any matter to be considered or being considered at, for example, a meeting of the Assembly, where the Member has a direct Disclosable Pecuniary Interest in that particular matter. The effect of this is that the 'matter to be considered, or being considered' must be about the Member's interest. So, by way of example, if an Assembly Member is also a councillor of London Borough X, that Assembly Member will be precluded from participating in an Assembly meeting where the Assembly is to consider a matter about the Member's role / employment as a councillor of London Borough X; the Member will not be precluded from participating in a meeting where the Assembly is to consider a matter about an activity or decision of London Borough X.

<b>Member</b>	<b>Interest</b>
Tony Arbour AM	Member, LFEPA; Member, LB Richmond
Jennette Arnold OBE AM	Committee of the Regions
Gareth Bacon AM	Member, LFEPA; Member, LB Bexley
John Biggs AM	
Andrew Boff AM	Congress of Local and Regional Authorities (Council of Europe)
Victoria Borwick AM	Member, Royal Borough of Kensington & Chelsea; Deputy Mayor
James Cleverly AM	Chairman of LFEPA; Chairman of the London Local Resilience Forum; substitute member, Local Government Association Fire Services Management Committee
Tom Copley AM	
Andrew Dismore AM	Member, LFEPA
Len Duvall AM	
Roger Evans AM	Committee of the Regions; Trust for London (Trustee)
Nicky Gavron AM	
Darren Johnson AM	Member, LFEPA
Jenny Jones AM	Member, House of Lords
Stephen Knight AM	Member, LFEPA; Member, LB Richmond
Kit Malthouse AM	Deputy Mayor for Business and Enterprise; Deputy Chair, London Enterprise Panel; Chair, Hydrogen London; Chairman, London & Partners; Board Member, TheCityUK
Joanne McCartney AM	
Steve O'Connell AM	Member, LB Croydon; MOPAC Non-Executive Adviser for Neighbourhoods
Caroline Pidgeon MBE AM	
Murad Qureshi AM	Congress of Local and Regional Authorities (Council of Europe)
Dr Onkar Sahota AM	
Navin Shah AM	
Valerie Shawcross CBE AM	Member, LFEPA
Richard Tracey AM	Chairman of the London Waste and Recycling Board; Mayor's Ambassador for River Transport
Fiona Twycross AM	Member, LFEPA

[Note: LB - London Borough; LFEPA - London Fire and Emergency Planning Authority; MOPAC – Mayor's Office for Policing and Crime]

3.2 Paragraph 10 of the GLA's Code of Conduct, which reflects the relevant provisions of the Localism Act 2011, provides that:

- where an Assembly Member has a Disclosable Pecuniary Interest in any matter to be considered or being considered or at
  - (i) a meeting of the Assembly and any of its committees or sub-committees; or
  - (ii) any formal meeting held by the Mayor in connection with the exercise of the Authority's functions
- they must disclose that interest to the meeting (or, if it is a sensitive interest, disclose the fact that they have a sensitive interest to the meeting); and

- must not (i) participate, or participate any further, in any discussion of the matter at the meeting; or (ii) participate in any vote, or further vote, taken on the matter at the meeting

#### UNLESS

- they have obtained a dispensation from the GLA's Monitoring Officer (in accordance with section 2 of the Procedure for registration and declarations of interests, gifts and hospitality – Appendix 5 to the Code).

- 3.3 Failure to comply with the above requirements, without reasonable excuse, is a criminal offence; as is knowingly or recklessly providing information about your interests that is false or misleading.
- 3.4 In addition, the Monitoring Officer has advised Assembly Members to continue to apply the test that was previously applied to help determine whether a pecuniary / prejudicial interest was arising - namely, that Members rely on a reasonable estimation of whether a member of the public, with knowledge of the relevant facts, could, with justification, regard the matter as so significant that it would be likely to prejudice the Member's judgement of the public interest.
- 3.5 Members should then exercise their judgement as to whether or not, in view of their interests and the interests of others close to them, they should participate in any given discussions and/or decisions business of within and by the GLA. It remains the responsibility of individual Members to make further declarations about their actual or apparent interests at formal meetings noting also that a Member's failure to disclose relevant interest(s) has become a potential criminal offence.
- 3.6 Members are also required, where considering a matter which relates to or is likely to affect a person from whom they have received a gift or hospitality with an estimated value of at least £25 within the previous three years or from the date of election to the London Assembly, whichever is the later, to disclose the existence and nature of that interest at any meeting of the Authority which they attend at which that business is considered.
- 3.7 The obligation to declare any gift or hospitality at a meeting is discharged, subject to the proviso set out below, by registering gifts and hospitality received on the Authority's on-line database. The on-line database may be viewed here:  
<http://www.london.gov.uk/mayor-assembly/gifts-and-hospitality>.
- 3.8 If any gift or hospitality received by a Member is not set out on the on-line database at the time of the meeting, and under consideration is a matter which relates to or is likely to affect a person from whom a Member has received a gift or hospitality with an estimated value of at least £25, Members are asked to disclose these at the meeting, either at the declarations of interest agenda item or when the interest becomes apparent.
- 3.9 It is for Members to decide, in light of the particular circumstances, whether their receipt of a gift or hospitality, could, on a reasonable estimation of a member of the public with knowledge of the relevant facts, with justification, be regarded as so significant that it would be likely to prejudice the Member's judgement of the public interest. Where receipt of a gift or hospitality could be so regarded, the Member must exercise their judgement as to whether or not, they should participate in any given discussions and/or decisions business of within and by the GLA.

## **4. Legal Implications**

- 4.1 The legal implications are as set out in the body of this report.

## 5. Financial Implications

5.1 There are no financial implications arising directly from this report.

<b>Local Government (Access to Information) Act 1985</b>
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List of Background Papers: None
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Contact Officer: Dale Langford, Principal Committee Manager
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# MINUTES

## Meeting: Budget and Performance Committee

**Date:** Wednesday 15 October 2014

**Time:** 2.00 pm

**Place:** Committee Room 4, City Hall, The  
Queen's Walk, London, SE1 2AA

Copies of the minutes may be found at:

<http://www.london.gov.uk/mayor-assembly/london-assembly/budget-performance>

### Present:

John Biggs AM (Chairman)  
Stephen Knight AM (Deputy Chair)  
Gareth Bacon AM  
Tom Copley AM  
Darren Johnson AM  
Joanne McCartney AM  
Richard Tracey AM

## 1 Apologies for Absence and Chairman's Announcements (Item 1)

- 1.1 An apology for absence was received from Valerie Shawcross CBE AM, for whom Tom Copley AM attended as a substitute Member.

## 2 Declarations of Interests (Item 2)

- 2.1 The Committee received the report of the Executive Director of Secretariat.
- 2.2 As it had not at the time been included in the Authority's Register of Gifts and Hospitality, Tom Copley AM declared that he had attended by invitation the British Film Institute's Centrepiece Gala on 14 October 2014.

2.3 **Resolved:**

- (a) That the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, be noted as disclosable pecuniary interests; and
- (b) That Tom Copley AM's additional declaration of hospitality at the British Film Institute's Centrepiece Gala also be noted.

**3 Minutes (Item 3)**

3.1 **Resolved:**

That the minutes of the meeting of the Budget and Performance Committee held on 11 September 2014 be signed by the Chairman as a correct record.

**4 Summary List of Actions (Item 4)**

4.1 The Committee received the report of the Executive Director of Secretariat.

4.2 **Resolved:**

That the outstanding actions arising from previous meetings of the Committee be noted.

**5 London Overground (Item 5)**

5.1 The Committee received the report of the Executive Director of Secretariat as background to putting questions on London Overground to the following invited guests:

- Jon Fox, Director of Rail, Transport for London;
- Peter Austin, Managing Director, London Overground Rail Operations Ltd;
- Janet Cooke, Chief Executive, London TravelWatch; and
- Jonathan Roberts, Managing Director, Jonathan Roberts Consulting.

5.2 A presentation on London Overground given by Peter Austin is attached at **Appendix 1**.

5.3 A transcript of the discussion is attached at **Appendix 2**.

5.4 During the course of the discussion, the Committee requested the following additional information in writing:

- A breakdown of London Overground income, showing which elements were linked to the Retail Prices Index;
- What incentives might work for rail operators and Network Rail to improve the line-side environment, particularly in relation to graffiti, refuse and litter;
- The percentage fare risk for Transport for London in the Crossrail concession; and
- The leasing costs for the £250 million of new rolling stock for the West Anglia Overground lines.

5.5 **Resolved:**

**That the report and discussion be noted.**

## **6 Budget and Performance Committee Work Programme (Item 6)**

6.1 The Committee received the report of the Executive Director of Secretariat.

6.2 The Chairman informed the Committee that Transport for London had been slow in providing information for the Budget Monitoring Sub-Committee meeting taking place on 21 October, with the information submission arriving 12 days after the requested date. The Committee agreed that the Chairman should write to TfL to express dissatisfaction with the speed of response.

6.3 **Resolved:**

- (a) That the work programme for 2014/15 be noted;**
- (b) That Chairman should write to Transport for London to express the Committee's dissatisfaction about the response time in dealing with the Committee's request for information; and**
- (c) That the terms of reference and scope for the scrutiny of the Mayor's budget for 2015/16, as set out in Appendix 1 to the report, be agreed.**

## **7 Date of Next Meeting (Item 7)**

7.1 The next meeting of the Committee was scheduled for Thursday 20 November 2014 at 10.00am in Committee Room 5.

**8 Any Other Business the Chairman Considers Urgent (Item 8)**

8.1 There were no other items of business.

**9 Close of Meeting**

9.1 The meeting ended at 4.30pm.

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Chairman

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Date

**Contact Officer:** Dale Langford, Principal Committee Manager; Telephone: 020 7983 4415;  
Email: dale.langford@london.gov.uk; Minicom: 020 7983 4458.

# Appendix 1



# London's Forgotten Railway

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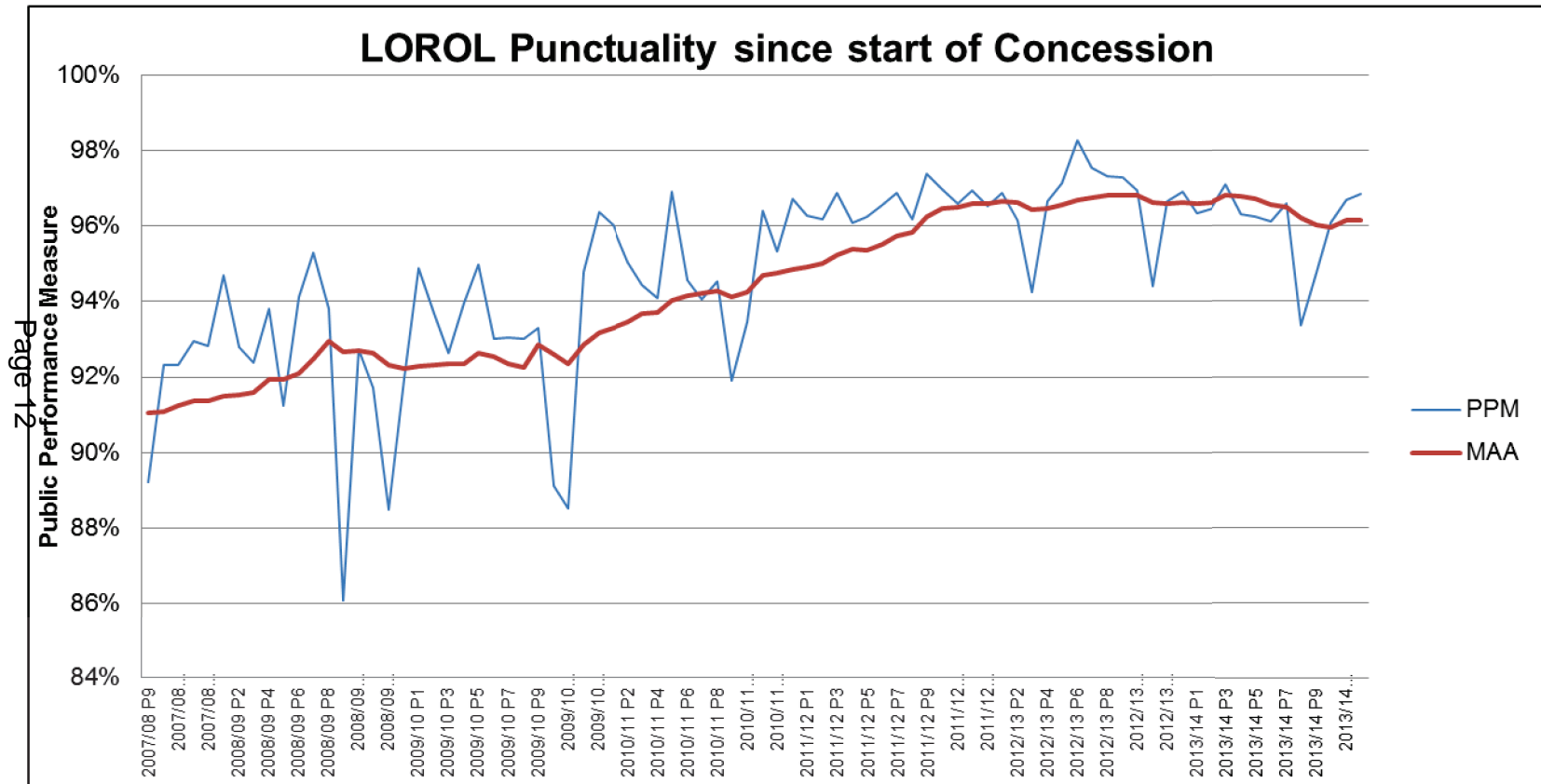


# Progress

- **Full Station Staffing**
- **New Stations**
- **New trains on all routes**
- **Longer trains**
- **Increased frequency**
- **Opening of ELL**
- **Station investment – CCTV, PA, Customer information**



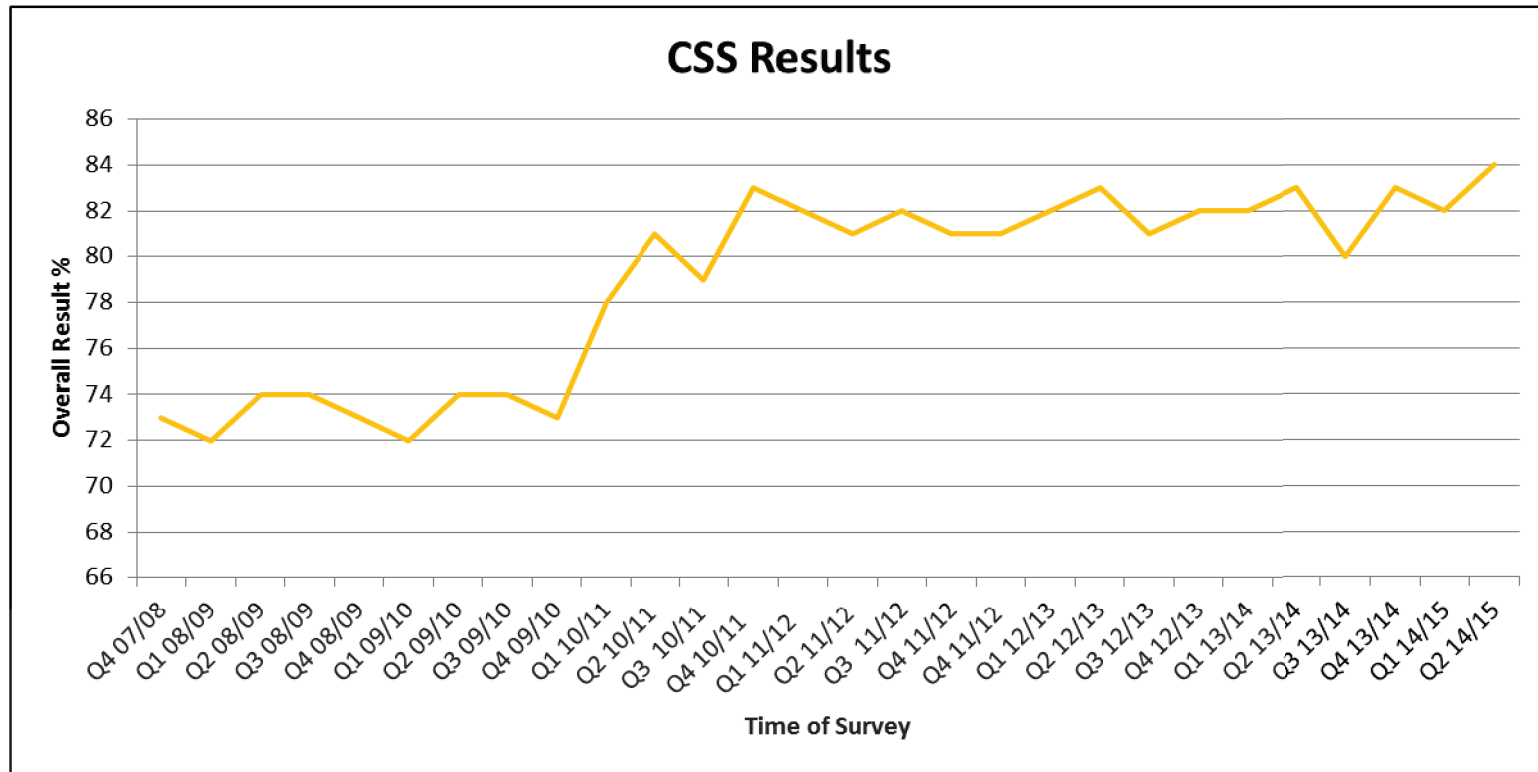
# LOROL Punctuality





# Customer Satisfaction Survey

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# LOROL Statistics

Metric	2007	Present
Standard weekday services	405	1090
PPM Moving Annual Average	91.01%	96.04%
Passenger numbers per annum	33.1m (2008)	135.5m
Ticketless Travel	12.7% (Sep 2007)	1.68%
Passenger Revenue	£34m (2008-9)	£138m (2013-14)



# Approach to Success

- **Shared vision for the Overground**
- **Informed client and a clear specification**
- **Partnership approach with key suppliers**
- **Putting the passengers first**



**tfl.gov.uk**



**Budget and Performance Committee – 15 October 2014****Transcript of Item 5 – London Overground**

**John Biggs AM (Chairman):** The main item then is London Overground and we have four witnesses, Jon Fox and Peter Austin from, well, I think of them both from Transport for London [TfL]. Peter Austin, you are actually from the operator, is that right?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** From the operating company.

**John Biggs AM (Chairman):** We have Janet Cooke from TravelWatch and Jonathan Roberts from Jonathan Roberts Consulting, who many of us know from his work down the years on various bits of London's transport. He and I grew old together on the East London line extension, I think.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Yes.

**John Biggs AM (Chairman):** We are now younger again. OK, so we have a series of questions, but I think we will start with a presentation from London Overground Rail Operations Limited (LOROL). So welcome.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Good afternoon, thanks very much. There are just a few slides with thought we would take you through, just to try to set the scene.

I am Peter Austin, I am the Managing Director at LOROL. I have been with the company since we actually went through the original bidding process as well; originally as Finance Director and for the last 18 months as Managing Director, so I have seen the whole procurement process and actually the change that has happened.

Where did we start? Back before 2007 I think, a well-known piece of work about London's forgotten railroad, about the North London line. The North London line was part of the Silverlink franchise at the time and under the Department for Transport (DfT). We inherited a lot of stations with lots of graffiti, very little staffing on them, the trains were pretty much clapped out and in dire need of some money and the stations were pretty much the same. That was what we inherited and the vision was to try to transform the railway into a world class metro operator.

Since 2007, under the contracts, we have seen full station staff being implemented. Every single LOROL station, that is every single Overground station I should call it, is staffed 15 minutes before the first train until 15 minutes after the last train. We also now provide complete 'turn up and go' accessibility at all stations as well; all other National Rail stations have to pre-book. We are adopting the TfL model where actually now you can just 'turn up and go', we facilitate that.

We have opened a number of new stations - Shepherds Bush and Imperial Wharf. I remember the first time I went to Imperial Wharf thinking, "Why on earth is a station being built here?" Now it is an extremely busy station for us.

All the trains we have have been replaced, we operate 57 electric trains; they are all less than five years old. There is a fleet of eight diesel trains as well, which are also relatively new; all renewed during the concession. All the electrical trains have all been extended as well. Initially they were introduced as three cars; currently running in four cars and from November this year we start seeing those cars becoming five cars. That's a response to the increased demand, particularly on the East London line and on the North London line.

Train service frequency has also increased. Originally we were running two trains per hour on the West London Line; that is now four trains per hour. The North London line was originally two trains per hour and step changed to three trains per hour; now four trains per hour. We are also doing some work looking to see if we can extend the last and the first trains as well.

I suppose the biggest change was the opening of the new East London line back in 2010, so a major piece of new railway. A new fleet of trains, new stations as well; that is probably the biggest change that we have seen on that.

We also undertook a £35 million investment programme of the existing stations. That involved deep cleaning of the stations; improving the lighting; some resurfacing of platforms; some general ambience work to try to make the stations more pleasant places to be; also an investment in closed circuit television (CCTV) and public announcement (PA) systems and customer information, so new screens. All our stations, every single station has got the British Transport Police (BTP) secure station accreditation certificate as well.

This graph shows, despite increasing the number of trains and the large increase in the number of passengers - I think we are up to about 135 million passengers per annum now - the punctuality has seen an increase from about 91% when we took over to about 96% now. The customer satisfaction survey as well has gone the same way. The latest results is one of our best ever at about 84%, so again we are very pleased with what we have achieved there.

Just to give you some headline statistics, I think one that is not on there is quite interesting. Originally we inherited about 400 staff from Silverlink and the current operation runs about 1,100; that is just a reflection of the growth in the railway and the additional staffing at the stations.

Weekday services, originally was 405 trains per day; that has more than doubled with 1,100 trains per day. Passenger numbers went up from 33 million to 136 million; we were seeing revenue growth in excess of 13% last year on some routes.

Ticketless travel as well, is something that we have really, really tried to drive down and indeed we are incentivised to drive down - I expect we will come on to that later - to make sure we capture the revenue that is due to the railway. That has come down gradually over time from nearly 13% to just underneath 2% now.

If I am asked what makes up the success, I think both the operating company that I represent, LOROL and TfL, we have a shared vision for the Overground. We have all been part of that same journey; the transformation of it and from understanding the specification, what the vision was, and what the objective was. We bought into that from an early stage and we have worked very hard in partnership with TfL and our key suppliers to deliver that.

I think in Rail for London (RfL) we have a very informed client. The specification is very clear. We have a client who knows what they want and when we do not deliver they tell us so and we are managed hard, we are managed closely. Also a think the bullet point that is not on here is it was a good procurement process and I think the right operator was chosen through that, I think that helps.

I think we do try to put the passengers first; it is about moving people around the railway, moving people around the system. We try to instil that to all of our staff. At the end of the day it is not about moving trains, it is not about the stations, it is about the passengers; that is what we try to instil.

**John Biggs AM (Chairman):** OK, thank you very much. You are actually a private sector operator?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** That is correct, yes.

**John Biggs AM (Chairman):** You always have been.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** That is correct, yes.

**John Biggs AM (Chairman):** Even with the Underground fares?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Yes.

**John Biggs AM (Chairman):** All your staff are private employees as well?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** That is correct, all LOROL staff are private.

**John Biggs AM (Chairman):** We are going to come to various aspects of the concession in a while. I will start with the questions.

On the face of it this is a sort of win-win-win, it is a superb service and it is doing very well compared to most of the other operators. We have a table in our briefing note and you are way up there in terms of satisfaction and punctuality. Some of the better ones like Chiltern and c2c are relatively small compared to you, in terms of their passengers. That is wonderful, isn't it? How are you performing - you have already told us that a bit - and how do you compare with other rail services in London? Are you the best in London?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** It is difficult to make direct comparisons. c2c I think always set the benchmark in terms of the passengers per minute (PPM), they are the highest in that. That is what we aspire to. We would argue that they run a much simpler railway than we do. Typically we are in the top three and that is where we certainly strive to try to get as close to c2c as we possibly can. Merseyrail is probably a more similar operation to us. We are marginally ahead of Merseyrail and I think they work hard to try to catch us up.

**John Biggs AM (Chairman):** That is in terms of the operating contract as well, which we are going to come to in a while, but also the sort of urban setting we are working in.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Correct, yes.

**John Biggs AM (Chairman):** Obviously our job as a budget committee is to look at why this is not such a great value proposition and how we could do better still. What improvements are you planning in the operation of the network and what funding is in place to achieve that?

**Jon Fox (Director of Rail, Transport for London):** I think one of the things that is interesting about this model is that unlike the National Rail model we, as the client, can intervene, which might be responding to policy from the Mayor, or indeed from our view of how things should improve, given that the cycle of these arrangements are from seven to nine years.

I think it is fair to say that at the moment we are not feeling the need to invest in the performance of the railway, but the obvious example of the investment is the five car upgrade, because of the volume on the railway. Therefore £320 million, as I am sure you have seen in the briefing notes somewhere, in that five car

upgrade - which is split between infrastructure, station platform extensions and rolling stock for the five car upgrade - that is the most significant investment in the railway at the moment.

Going beyond that, I think we have some more tactical investments to make, where it is quite interesting how we look at infrastructure investment in order to make either capacity or resilience improvements to the railways. We can come on to capacity maybe with Network Rail and so on, as we go, however tactically one of the things that we have done is to work with Network Rail and LOROL and ourselves in what we call a virtual alliance board. You may be aware that in South West Trains they have a formal alliance, a formal joint venture between South West Trains and Network Rail; they put their people and their organisation formally together. We have not done that. We have a grouping, if you see what I mean, where we meet together as a sort of virtual board, and we can make tactical choices about how we might invest across the network. For example, at the north end of the East London line there is a piece of infrastructure which does not connect to the North London line. It was descoped from the original East London line project and we are going to put that back in, such that in times of disruption you can go from the North London line to the East London line, which will help performance and managing disruption when and if it comes.

I think from our point of view, capital, five car, tactical investments in the infrastructure to help performance improvement, especially with Network Rail being a little short for cash in control period 5 (CP5), it is quite important that we keep them focused on keeping investing in the network. I would say those two main things in investment going forward.

**John Biggs AM (Chairman):** There is another partner in this relationship, which of course is Network Rail we have mentioned, so they own most of the asset?

**Jon Fox (Director of Rail, Transport for London):** That is right, yes.

**John Biggs AM (Chairman):** Apart from the old East London line, I suppose.

**Jon Fox (Director of Rail, Transport for London):** Yes.

**John Biggs AM (Chairman):** And Richmond. Well, no, Richmond is theirs as well.

**Jon Fox (Director of Rail, Transport for London):** Yes.

**Tom Copley AM:** Was the East London line transferred to Network Rail or is it still --

**Jon Fox (Director of Rail, Transport for London):** No, it belongs to us. RfL owns it and operates it and we are the infrastructure manager under railway jargon.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Our route starts off down in West Croydon and Crystal Palace, which is Network Rail infrastructure. Once you cross the line at New Cross Gate, as it were, you are on to the TfL infrastructure.

**John Biggs AM (Chairman):** Yes. Again, this is not a transport committee, but in terms of the operating performance, the fact that a lot of your railways actually carry a lot of freight and you have managed to have frequent services is, on the face of it, quite a superb achievement. That is a bit of a geeky question I suppose, so we can leave that to the Transport Committee in the wake of that. I suppose I was thinking in terms of the relationship with Network Rail. There are various things that you might want to do, and I know that the relationship in terms of negotiating arrangements to do them can make that very hard. I do not think that is a question about the concession, it is a question about the relationships you have with them. Is that a problem?



**Jon Fox (Director of Rail, Transport for London):** Yes. I think freight delays are more emotive for us than perhaps the numbers suggest. The numbers suggest of all delays that cumulatively they are around 2% of all delays. That is actually a small impact, but when it does happen, like last Friday on the West London Line - three hours later no trains had moved - it has a high impact and, therefore, quite a lot of frustration, shall we say, for us. That point is quite interesting because I think when you look at the North London line, as Members around the Committee will be quite familiar with it, what does freight do on the North London line over time? It has been there since time immemorial; Felixstowe Container Services, Stone Services and what have you.

In our discussions with Network Rail, what we have been trying to say is, "You are building the cross-country freight route, which goes from the east coast ports across to the Midlands and so on, please why don't you get and encourage the freight industry to move its traffic across there and not come via London at all?"

**John Biggs AM (Chairman):** Therefore we are sort of getting away with it now and it would be better if we could get it out of London?

**Jon Fox (Director of Rail, Transport for London):** Absolutely it would, and I think there is some encouragement with the freight industry to do that.

**John Biggs AM (Chairman):** OK, right. I think that is our sole concession today to 'trainspotting geeking', although something like that would have an impact on passenger satisfaction, so it might be something outside of your control.

**Jon Fox (Director of Rail, Transport for London):** Indeed.

**John Biggs AM (Chairman):** Which would affect the reputation of the railway. A very sunny story. It is now the job of Jonathan [Roberts] and Janet [Cooke] to shoot it down in flames and tell us what is so bad about London Overground, how they are performing and how they could improve.

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** I think it is partly about the relationships going forwards; the further pressures which are going to be faced. Let us be clear, Network Rail is now once again a creature of Government with the Treasury control from 1 September. We do not know what that will require in terms of future changes, but certainly I think one is clear that the rules on the capital available to you are harder. They are back to almost the old days of British Rail (BR). Similarly, there is no longer a Network Rail credit card, as it was called, which was the ability to spend against the regulated asset base, as long as you achieved a basic return on that. That, I believe, will make it harder - starting, as it were, this last month - in terms of the ability for the ambition. There is clear ambition by both TfL and LOROL to do more, better, and that may limit the ability to do things both in timescale and in terms of future concession specifications. That is looking ahead a bit, but we do need to understand that it is not going to be a simple road.

**John Biggs AM (Chairman):** That is primarily a third-party problem, so Network Rail as the owner will cause a problem for the operation of the concession with TfL?

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** Yes, Network Rail has to, as always, balance off all the operator's requirements. At this stage I would say that we are seeing, if you like, two sorts of Overground and we are now about to see another one. We have, if you like, the 'orbital Tube', which is hugely popular, hugely trusted, and people are willing to commit their lifestyles to it. A resident of Hampstead is going to be very happy using that, as they might even be happy using the Northern line. There

is the radial Overground in the form of the East London line; grossly crowded. What are the issues there? Crowding is a big issue. You saw on one of those graphs on that slide there has actually been a dip in terms of effectiveness and attractiveness of the service in recent months. That is potentially down to crowding and issues like that. I think that is something we do need to explore further here.

Actually not all the Overground is behaving in the same way. There is also the Euston-Watford Line, which is in a way the poor relation of it all, with only 20 minute interval services, rather than the more preferred standard of 15 or better. Yes, there is an overlay with the Bakerloo line services, however it has not seen the same weight of trains with passenger usage as other parts of the Overground. Going forwards with West Anglia, we will now see a much tougher challenge, which has to be got right, however we will come on to that in a moment.

**John Biggs AM (Chairman):** We will explore that a bit later on. OK, that is very helpful.

You talk about overcrowding. When I was on the Transport Committee many years ago, we talked about the notorious pixies - as at the bottom of the garden - which is about passengers in excess of capacity. There were various lines into London which were really overcrowded. Is London Overground featuring on that at all, on those?

**Jon Fox (Director of Rail, Transport for London):** We have a number of 'pixie services', as you are calling additional services, on the Gospel Oak-Barking Line, particularly. We are in the process of agreeing two additional services from the December timetable to add to the small number of additional services we can add. It is a tactical deployment of capacity at the start and end of the peak, very often additional trains. Some of the constraints of that is around paths, just to unpack that a little bit. Some of the constraints around that is around the use of rolling stock; very often we can do that and we still do that.

**John Biggs AM (Chairman):** Obviously TravelWatch look at the passenger experience in particular and overcrowded trains is one of your bugbears.

**Janet Cooke (Chief Executive, London TravelWatch):** It is indeed.

**John Biggs AM (Chairman):** Gospel Oak to Barking is a nightmare, I know this.

**Janet Cooke (Chief Executive, London TravelWatch):** The overcrowding is still a big issue and it has to be sorted but I think that has probably been covered.

**John Biggs AM (Chairman):** Are there other bits that are causing serious concern?

**Janet Cooke (Chief Executive, London TravelWatch):** In terms of overcrowding?

**John Biggs AM (Chairman):** Yes, in terms of the passenger experience, are there bits of it? It looks too good to be true, doesn't it? There must be something wrong.

**Janet Cooke (Chief Executive, London TravelWatch):** The statistics, you know, the National Rail Passenger Survey (NRPS) and also the reliability statistic do prove that London Overground is running a good service and it is improving, which is also very important for passengers, and they score pretty well on the value for money.

One of the things that they do, which we do like, is that they engage with us on behalf of passengers. For example, recently they have commissioned some independent research from us to actually ask passengers what

they think. This does not always happen, but LOROL are actually very keen to work with us and actually ask what passengers think. There is a piece of research that TfL have funded that will be published fairly soon.

One of the things that has come out, which is actually probably not very fair on London Overground, but passengers find it difficult to distinguish between the different bits - the three sort of lines, as it were - so there is a bit of problem with brand awareness. We will be recommending that TfL do actually better delineate, so that if there are delays on one bit of the line it does not just come up on the 'rainbow boards' as delays everywhere. That will help passengers get better information about disruption.

They are also a victim of the success of being so closely associated with TfL's logo and roundel that passengers think they are TfL and do not recognise. They expect a service like the get on the Underground. So once again there are issues about how passengers understand travelling on the Overground that I think could be improved to make it better for people to understand what they are getting. I think that would probably actually drive up some of the value for money scores, because passengers expect to turn up and it is going to be like on the Tube, not like on National Rail, so I think that is an issue.

Information in terms of disruption; we are still not as satisfied with that as we might be and we still do get feedback. I think there are probably issues behind that you might want to ask Peter [Austin] a bit more about - about how they interface with Network Rail and how the information is coming through that they can give passengers - but we do get feedback from passengers that they do not properly understand what the disruption means and when it might be sorted or not. I think there are issues there that we would like to see improvement on. As ever, we would like to see accessibility improved and I think particularly on the line north of Euston there are some quite serious gaps between the train and the platform edge and that is really difficult for people to negotiate. Actually I suspect if it is the same as other parts of the National Rail network it stops people travelling.

**John Biggs AM (Chairman):** OK. Is there an argument that so much money has been thrown at this railway to get it up to its current standard that it is unlikely to cause big technical problems for a few years but if there is not a continuing investment then it will start degrading itself? Is that a problem?

**Janet Cooke (Chief Executive, London TravelWatch):** I think if you have an operator who is focussed on passengers you are going to probably look a bit more about the model, where the incentives for the operator are actually to do things that are good for passengers, which raises the amount of revenue income they are getting. You are on to a win-win there and we would suggest if you increase gating - so all the stations are gated - not only does that improve the reassurance around security, it also helps to make sure you do get maximum revenue. That will help.

If you are running a good service and you are committed to doing things the passengers want it continues to give the paybacks it needs.

**John Biggs AM (Chairman):** In terms of a satisfactory outcome the fifth coach on most of the network is good news obviously, however on the 'Cinderella line' - the Gospel Oak Line - we are being asked to wait five or six years until we have an electric train service and so it will continue to be a sort of cattle service. Is that a concern to your members? It is a leading question, I know.

**Janet Cooke (Chief Executive, London TravelWatch):** Yes, it is a leading question, and I have got the Director over there and a previous member; very closely associated. We have been calling for the electrification. We are pleased it is happening.

**John Biggs AM (Chairman):** I think everyone loves the electrification.

**Janet Cooke (Chief Executive, London TravelWatch):** Yes, and there are all sorts of knock-on impacts of that, other bits cannot be opened up without that, so we definitely --

**John Biggs AM (Chairman):** If we are stuck with massive overcrowding in the meantime, then if you break down the satisfaction, I am sure if you were to survey people of the Gospel Oak- Barking part of it, they would be a bit less satisfied.

**Janet Cooke (Chief Executive, London TravelWatch):** There is a slight issue, if I can go on a little bit, because one of the key standards in the industry, in terms of passenger satisfaction is the Passenger Focus NRPS. There are some bits of London railway area - which is slightly wider than the Greater London Authority (GLA) area - which just do not get surveyed. Therefore there are stations and little bits of the service where passengers have never been asked what they think. There are bits where I think more could be done to actually ask passengers what they think, which would help to unpick what passengers really think.

**John Biggs AM (Chairman):** OK. Just to finish from my point of view then is - we are going to come on to the questions about the concession - it seems to me you have developed a very powerful ground, which has raised expectations, which seem to be performing very well, however your job is now to maintain and transfer the quality of that. Is that a big challenge for you?

**Jon Fox (Director of Rail, Transport for London):** Yes, I think it starts with the basic service; reliability and capacity are obviously the two basic tenets of what any service can provide. To start with capacity, yes five car will start now over the next 12 - 16 months for being rolled out, but the next stage in our issue is moving that capacity on the North London line up from its current eight trains per hour. We have agreement with Network Rail that we will be able to run to ten trains per hour, at least for part of the day, from 2018 onwards.

We have not published that extensively at the moment because we still need to bottom it out with Network Rail - what the access arrangements are going to be and so on - however we have done a study with them to say that that is what we can do. That is a significant step forward and we have put options in our new rolling stock procurement to take additional rolling stock, which will be needed of course to do that. After five car the next step for us is to be able to run ten car on the North London Railway; how that pans out between Richmond and Clapham at the other end, we are still working out those details. We would like to do it sooner; Network Rail say possibly, but they are not sure. However, in order to be able to do that we have to find some additional rolling stock.

**John Biggs AM (Chairman):** OK, so the level of demand is such that you would have ten coach trains on that line?

**Jon Fox (Director of Rail, Transport for London):** No, sorry, ten trains per hour.

**John Biggs AM (Chairman):** Right, you said ten cars. I am glad we corrected that.

**Jon Fox (Director of Rail, Transport for London):** Forgive me, sorry, ten trains per hour, five car.

**Tom Copley AM:** On the Richmond to Stratford?

**Jon Fox (Director of Rail, Transport for London):** From Stratford, ten trains per hour.

**Tom Copley AM:** From 2018.

**Jon Fox (Director of Rail, Transport for London):** Richmond and Clapham have got four trains per hour each at the moment. How we would spread that ten between those two locations - so either six to one, four to the other or five and five - that is still to be decided. It depends upon capacity at Clapham pretty much.

**John Biggs AM (Chairman):** OK. Obviously another part flows out of it, which is there may be additional things that add to your demand as the service grows. If a High Speed station at Old Oak is open then you would suddenly find yourselves inundated.

**Richard Tracey AM:** A couple of things that have come up during that discussion; one of them is this matter of shared services with freight and with Southern, I think it is particularly, is it not? Frankly I suspect you are losing valuable revenue when the track has to be repossessed for maintenance and so on. I am a Clapham Junction user and I know a large number of people complain about the constant weekend closures of the line from Clapham Junction.

As we are a budget committee, obviously my question is primarily about the lost revenue. What are you losing and could this be prevented?

**John Biggs AM (Chairman):** I think you are constrained to performance issues as well, without getting too geeky, but yes.

**Jon Fox (Director of Rail, Transport for London):** I think there are two parts to that, those closures are partly about normal maintenance possessions, so-called, but the predominance of those closures in the last year have been about the five car upgrade on Overground. Last weekend, again, there were considerable parts of the network being closed for upgrades. We have tried to minimise the number of possessions that we have by working behind barriers and so on, so that we can work and extend platforms without shutting the railway; we have done some of that. Yes, everybody is on our case about another weekend of Overground closures.

Once the preponderance of that work has been done later next year then you will see the number of weekend possessions reduce substantially to what we might call 'normal' weekend possessions for maintenance. Beyond that, I know that the Rail Delivery Group (RDG) has done quite a lot of work in terms of how Network Rail can be more efficient in terms of its possession. There are all sorts of statistics flying around, around how much real time is being used in any possession, because so much time is taken up with preparatory and document submission works and all that sort of stuff. We are very much interested in that and certainly my Managing Director, Mike Brown is very keen that we take what we have learnt on access from the Underground and take that to the Network Rail network.

One of the challenges we have is that on the South London line - you mentioned Clapham Junction - is that the line is open all night for freight traffic, predominantly from the Channel Tunnel, but from other locations, therefore the standard model, for example, on the Underground of 'operate all day, work on it during the night' is not feasible. Therefore, there needs to be more weekend possessions taken to do maintenance, just from a standard of doing it all in a frame of seven days concept. It will mean that Network Rail will need to be more efficient. Interestingly, they need to be more efficient - coming back to the premise of this Committee - from an efficiency point of view, because in CP5 they have a reduced settlement from previous control periods and they are going to have to be more efficient for that. It will be interesting to see what they do come up with in certain innovations in that space, because I think they are going to have to be more efficient on possession management in the future.

**Richard Tracey AM:** That is good. The second question I wanted to ask is about the longer trains. As you say, you are going to five car trains, how is the funding for lengthening platforms? I can see there are stations

where you might get away with five car, even possibly six car trains, but if you are going to get any longer - and it cannot be long, because of the sheer growth of passengers that you have shown us in the presentation - how well are you funded to do those platform extensions?

**Jon Fox (Director of Rail, Transport for London):** I think if you are asking can we go to six, seven, eight, nine, ten, sort of thing, then some of the constraints are quite substantial. For example, on the East London line, where we are talking about the East London tunnel, then we are constrained by that bore of the tunnel, some 150 years, or whatever it is old now.

**John Biggs AM (Chairman):** Therefore it is quite difficult to do any more and, in fact, in order to deliver the five car upgrade Peter's [Austin] team are going to have to operate at a selective door operation. In other words, some doors at the end of that five car train will not open. We are really pushing the envelope on the East London line already. On the North London line there are some constraints but it is less so. At the moment, our policy is to try to push for more frequency to talk to the point that both people to my right were making about people want to see more frequency in order to get to the standard that London Underground (LU) provides. That is the sort of policy direction.

**John Biggs AM (Chairman):** It may be in terms of recommendations that you might want to link any recommendations to the infrastructure planning for London, because if we want to get a higher frequency it might be that the Mayor or whoever would need to lobby Government to give greater priority to taking nuisances like freight trains off the --

**Jon Fox (Director of Rail, Transport for London):** Over time that can be planned; short term is more difficult.

**Stephen Knight AM (Deputy Chair):** First to Jon. In terms of the difference between a franchise and concession, can you talk us through what the difference is and why TfL chose the concession route rather than the franchise route?

**Jon Fox (Director of Rail, Transport for London):** I think there is a little bit of confusion around this. To be honest, the difference between a franchise and concession is not much when you are talking about -- it is a contract, basically, between a client and a provider. We get a bit hung up about that, but basically it is a contract. The feature, I think, that has been the case until recently, has been that our model has been much more about us as client taking the revenue risk in that contract as opposed to the operator. We believe that was the right thing to do for principally two reasons. One is that in the London and any dense urban area, any revenue that goes up and down is mostly a function of gross domestic product (GDP) of that urban area. If we give the revenue risk to our providers we are asking them to take a punt upon future GDP and pricing it and that is not particularly good value, in our view. I think predominantly we are saying leave the risk with us.

**Stephen Knight AM (Deputy Chair):** It has all been positive in recent years anyway, has it not? The fluctuation has been upwards, not downwards.

**Jon Fox (Director of Rail, Transport for London):** Yes, I think the recent past has not exactly exonerated the revenue risk model, for all sorts of reasons. I think we feel that that has been the right move. In fact, the Department [for Transport] is now moving down that road with, for example, the tendering of the Southern Great Northern franchise being on a management contract or retained revenue risk assumptions. We had quite extensive dialogue with the Department about that to understand what our model was, but they have now sort of gone for the horses for courses model with revenue risk of longer - I mean distance - and more leisure-orientated franchises and management contracts, à la the TfL ones for more urban concessions.

**Stephen Knight AM (Deputy Chair):** OK. I wonder if you can talk us through some of the figures. In particular, I am interested to know how much TfL has paid LOROL for 2013/14? How does that breakdown in terms of an element of fee, bonus, penalty, etc, what are the figures?

**Jon Fox (Director of Rail, Transport for London):** Peter was Finance Director, perhaps Peter is the right person then to answer the question.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** For 2013/14 we were paid a fixed fee of £100.7 million.

**Stephen Knight AM (Deputy Chair):** So £100.7 million is your fixed fee?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** It is not as simple to say it is 100% fixed, but it is made up of different components for different levels of service that we --

**Stephen Knight AM (Deputy Chair):** You do not get any bonuses for --

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** No, there is a performance regime. There are a number of performance regimes within the contract. I suppose the one that is material financially is the operational performance regime, which incentivises the operator to minimise the delay that it causes. If Network Rail has a points failure, for example, that will not be part of the regime, but if we have an ill passenger; if we have a station closure; if we have a train breakdown; if we have a driver that does not turn up, those kinds of things that we control are part of that regime.

**Stephen Knight AM (Deputy Chair):** In the last year, we are talking about 2013/14, what payments, if any, were there under that?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** We received an income of £7.3 million from that regime.

**Stephen Knight AM (Deputy Chair):** £7.3 million; that is effectively a performance bonus.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Correct. How the regime is structured is that for every minute of delay - when we originally began the contract it was set at £50 but inflation moves on so it is just over £62 per minute now - there is a benchmark that we aim for. If we do better than that benchmark we receive an income, if we do worse than that benchmark --

**Stephen Knight AM (Deputy Chair):** That £7.3 million is a net figure, is it?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** That is the physical cash we received, so we beat the benchmark by that much for each four-week period the original contract allowed which is part of the bid process as well, so all the way back in 2007.

**Stephen Knight AM (Deputy Chair):** That is a net amount which takes into account over-performance in some areas and delays in others and the net effect is a £7.3 million performance bonus.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Correct. If we cancel a train we receive 50 minutes penalty for that. A cancellation is worth just £3,100.

**Stephen Knight AM (Deputy Chair):** Does it make a difference as to whether it is a peak time train or an off peak train?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** It does not, no.

**Stephen Knight AM (Deputy Chair):** It does not, so it is the same.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** It is the same whatever train, whatever route and whatever time it is.

**Stephen Knight AM (Deputy Chair):** OK.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** There are a number of other regimes in the contract as well; that is around operational performance. We also have some contractual targets around PPN; the National Rail, which includes the Network Rail delay, that is broken down by route. The contract target for that is just over 95%, so we are ahead of that at the moment. That does have some financial penalties attached to it if we do not get those, but those are in the tens of thousands, so they are not the same magnitude. There are also other regimes around the performance of the rolling stock; with Bombardier if they perform well or if they perform badly.

At all the stations we have a quality regime, where we pay penalties of between £5,000 and £15,000 per period on that. Every single station, there are about 90 different measures: chewing gum; birds roosting; customer information; staff presence; ticket machine working, there is a whole list of those for every single station which we have to comply with. If we fail we attract the penalties. That is really important for driving behaviour for us because we manage our stations on this regime as well. Although the penalties alone are not that -- when it is managed the first couple of periods on the concession they were running at £45,000 a period, so that took us a while to get to grips with. Also, if you have three consecutive periods over £15,000 it invokes all other horrors in the contract that TfL can make us write remedial plans and spend large sums of money rectifying issues.

**Stephen Knight AM (Deputy Chair):** Can I just return to the annual fee, the fixed element; the £100.7 million?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Yes.

**Stephen Knight AM (Deputy Chair):** Is that upgraded annually in line with the Retail Prices Index (RPI) or Consumer Price Index (CPI), or what is the arrangement?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** It is split; elements of it are fixed, elements are indexed by RPI. The contract did allow for some elements to be indexed by CPI but we chose not to do that.

**Stephen Knight AM (Deputy Chair):** What is the fixed fee for 2014/15, for example?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Broadly speaking, it will be the £100 million plus --

**Stephen Knight AM (Deputy Chair):** Plus inflation in some of the aspects of it. Perhaps you can write to the Committee and let us have the breakdown of which elements are inflation-related and which bits are not, and so on.



**John Biggs AM (Chairman):** Is it transparent as to what your rate of return on that is then?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** On our statutory accounts, I do not mind telling you that, we make about -- with an original bid we put a 5% return in. The original bid was a 5% return before tax and we are running broadly to that; in 2013/14 we made a profit before tax of £4 million.

**John Biggs AM (Chairman):** OK, thank you.

**Jon Fox (Director of Rail, Transport for London):** Also one of the devices we put in was a profit cap/share; had we got the numbers wrong pre-bid and Peter was building swimming pools in his back garden and so on, then clearly we would have clawed that money back. I think that has been quite important from a public accountability point of view.

**Stephen Knight AM (Deputy Chair):** You are making more than £4 million a year profit?

**Jon Fox (Director of Rail, Transport for London):** It is quite important to be able to say that, because otherwise it is 'fat cat' sort of stuff.

**Stephen Knight AM (Deputy Chair):** Yes, I appreciate that. I was going to come to you next, Jon. You have paid LOROL £108 million for 2013/14, that is plus the bonus element. In terms of income to TfL you have a fare income of £149 million for that year, plus £29 million in Department of Transport subsidy.

**John Biggs AM (Chairman):** You are laughing all the way to the bank.

**Stephen Knight AM (Deputy Chair):** You are laughing all the way to the bank, are you not?

**Jon Fox (Director of Rail, Transport for London):** Not all the way; part of the way.

**Stephen Knight AM (Deputy Chair):** He is making £4 million and you are making --

**Jon Fox (Director of Rail, Transport for London):** One thing you did not allow him to finish on possibly was that he gets a revenue share of 10% of the total revenue income fare box.

**Stephen Knight AM (Deputy Chair):** In addition to the fee?

**Jon Fox (Director of Rail, Transport for London):** Indeed.

**Stephen Knight AM (Deputy Chair):** Ah, OK, and that is included in the £4 million profit?

**Jon Fox (Director of Rail, Transport for London):** No. Well, one question at a time.

**Stephen Knight AM (Deputy Chair):** OK, well this is important.

**Jon Fox (Director of Rail, Transport for London):** It is, yes.

**John Biggs AM (Chairman):** £14 million, I believe it was, Peter, last year?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Correct.

**Jon Fox (Director of Rail, Transport for London):** In terms of revenue share of 10%; your £145 million, 10% roughly gives that number - point one. Point two is we are not here for taking the profit back to Hong Kong and banking it; we are here to reinvest every penny.

**Stephen Knight AM (Deputy Chair):** Of course.

**Jon Fox (Director of Rail, Transport for London):** Where we do make a surplus it does go back in, however that does not cover, of course, our investment up front in new rolling stock, in stations and so on.

**Stephen Knight AM (Deputy Chair):** Presumably if you use this revenue surplus to finance that over a longer period it does cover its costs, does it?

**Jon Fox (Director of Rail, Transport for London):** Exactly.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** I do not pick up the costs of leasing the rolling stock either. The class 378 electrics are leased by Jon and Jon also picks up the costs of maintaining them. Whilst we act as agent for RfL --

**Stephen Knight AM (Deputy Chair):** You do not pay for the rolling stock - TfL pays the rolling stock - you pay for the staffing of the people that run it.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Correct, yes.

**Tom Copley AM:** Do you own rolling stock?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** We do not, we lease it.

**Tom Copley AM:** Right, OK.

**John Biggs AM (Chairman):** Are you clear that you make £4 million on the £104 million contract, plus another £15 million --

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** I make £4 million. £4 million is my profit.

**Stephen Knight AM (Deputy Chair):** Right, so that includes the £108 million you have had from TfL in terms of the bonus plus your fare income.

**Jon Fox (Director of Rail, Transport for London):** My total income is about £123 million; I have a few other income streams as well.

**Stephen Knight AM (Deputy Chair):** What are your other income streams?

**Jon Fox (Director of Rail, Transport for London):** There is a little bit of property, about £1 million a year on property, where we have invested, where we have innovated on stations; the non-East London line core stations and the Network Rail stations.

**Stephen Knight AM (Deputy Chair):** Are we talking about things like coffee shops?

**Jon Fox (Director of Rail, Transport for London):** Coffee shops, we have a bit of rental income there, we have done quite well on that. For example, we try to encourage most of our stations where we can, where the footfall justifies it, to have some kind of retail presence, because that is another member of, if you like, almost free staff that is visible on the stations.

The other big elements – I mean there are a number of other regimes - but the biggest other one that we have not spoken about is qualifying expenditure. If I have a station, for example, Croydon, the Southern corner; Southern will pay for each share of using that station. We manage the gross costs of that station then some elements of that, for example we provide dispatch services to Southern from that station. Across the network that is worth £4 million a year.

**Stephen Knight AM (Deputy Chair):** Right. Where you have stations like Richmond that are run by South West Trains, but you also have TfL and the Tube, you pay an element of the total running costs presumably?

**Jon Fox (Director of Rail, Transport for London):** That is correct. Barking is another one, Richmond and also Clapham Junction.

**Stephen Knight AM (Deputy Chair):** I was going to ask TfL with LOROL collecting the fares, how do you manage the fare risk? In terms of the person collecting the fares is not the one taking the risk. Of course you have explained that a big chunk of the money does come from fares; that is presumably how you manage that risk by incentivising them to collect it. Do you want to talk about that?

**Jon Fox (Director of Rail, Transport for London):** As a train operator we are the ones that have the relationship, have the national arrangement. We sign up to the ticketing and settlement agreements, therefore we collect all the revenues and we also set the fares on behalf of TfL.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** We do not set the fares.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** We ask TfL what fares they want.

**Stephen Knight AM (Deputy Chair):** You collect the fares based on TfL's decision?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Correct.

**Jon Fox (Director of Rail, Transport for London):** It's a chap in this building [the Mayor of London] who sets the fares.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Yes. When I say that, we input them into the national fares system.

**John Biggs AM (Chairman):** Are you predominately cashless now though and are you converting to Oyster?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** We have just introduced contactless payment.

**John Biggs AM (Chairman):** It is an Oyster system though, isn't it?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Yes, Oyster accounts for the vast majority, however that is split between travel cards and pay-as-you-go.

**Jon Fox (Director of Rail, Transport for London):** LOROL has exactly the same offer as the Underground does.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** We also have to sell National Rail tickets.

**John Biggs AM (Chairman):** You are not closing your ticket offices?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** That is correct. We will sell a ticket, just as any other train operator sells a ticket. That income goes into the central base and gets allocated across the different departments. We receive our share back into a dedicated bank account and that gets swept weekly across to TfL and there is a reconciliation process around that.

**Stephen Knight AM (Deputy Chair):** A question to TfL. The £60 million revenue surplus, roughly, in 2013/14 --

**Jon Fox (Director of Rail, Transport for London):** Not £60 million, more like £20 million.

**Stephen Knight AM (Deputy Chair):** Sorry, more like £50 million revenue surplus.

**Jon Fox (Director of Rail, Transport for London):** Yes.

**John Biggs AM (Chairman):** £20 million you are saying?

**Jon Fox (Director of Rail, Transport for London):** No.

**Stephen Knight AM (Deputy Chair):** You have got a bit more than £130 million plus £30 million in Government grants and you are paying out £108 million.

**Jon Fox (Director of Rail, Transport for London):** Anyway, the surplus that we get, yes.

**Stephen Knight AM (Deputy Chair):** The question is really does this wash its face financially to TfL? Does TfL consider that it is subsidising this service from other services or that this service is paying for itself? What is your overall take, just taking into account the financing costs and everything else?

**Jon Fox (Director of Rail, Transport for London):** Yes, in terms of the way we look at, it is about covering your variable costs and making a contribution to your fixed costs and that is the concept. As long as I think you are covering your variable costs then it can wash its face and then we, as any public investment body does, are going to be looking to make a contribution towards our investment capital. However to cover it is almost unheard of, I think. That is the model and that is the aim. If we are covering our variable costs I think that is a good target to aim for making a contribution.

**Stephen Knight AM (Deputy Chair):** In terms of covering, are the 2013/14 figures that we are looking at typical over the last four or five years or was 2013/14 a bumper year for fares? How does it compare with 2012/13?

**Jon Fox (Director of Rail, Transport for London):** I think in proportionate terms, conceptually the more people you stuff in a train the better your returns are going to be.

**Stephen Knight AM (Deputy Chair):** It has been getting gradually better?

**Jon Fox (Director of Rail, Transport for London):** Yes. Sadly for our passengers it has been slightly worse and financially for us it has been getting better.

**Stephen Knight AM (Deputy Chair):** Financially it has been getting better.

**Jon Fox (Director of Rail, Transport for London):** This coming year, if you put it in basic accounting and if you depreciate the investment; £320 million, a proportion of which we will spend over the next financial year will make a huge step change in the five car and our income will not cover that. That is what really goes into the big TfL account and is accounted for that way.

**Stephen Knight AM (Deputy Chair):** Indeed. In a sense your fare revenue is significantly higher than was forecast for the last year.

**Jon Fox (Director of Rail, Transport for London):** Yes.

**Stephen Knight AM (Deputy Chair):** I do not know what your forecast is for the current year. Do you have the figure?

**Jon Fox (Director of Rail, Transport for London):** Yes. It is about the same, it is not much more. The problem we have had this year is because we have had so many weekend closures we have had to write down some of our revenue. I think probably this year is not the right year to compare and next year will be a better year to compare, when we would expect a greater contribution again, when we have fewer closures.

**Stephen Knight AM (Deputy Chair):** OK, I think I have covered everything.

**John Biggs AM (Chairman):** What is the cost of monitoring this rather elaborate contractual arrangement, and how does it compare to the national model of franchising?

**Jon Fox (Director of Rail, Transport for London):** I think the proxy for the cost is how big is the management team to manage it? Actually the number of people that we have managing this contract, in terms of operational review and scrutiny, is about six or seven people. When you actually come to it, it does not take that much. These guys have to declare what they have done; we do not send 'clipboard armies' out. We do in certain cases, mystery shoppers is a bit different, but in terms of what they have to declare they declare it to us and we audit that, rather than us sending a host of people in to check Peter's [Austin] pockets to make sure he has paid all the money over. It is not that heavy touch, to be honest, it is quite light touch.

**John Biggs AM (Chairman):** OK.

**Tom Copley AM:** Is it basically the same as the Dockland Light Rail (DLR) concession?

**Jon Fox (Director of Rail, Transport for London):** An interesting point. DLR is where we started our thinking. The current DLR franchise, as we call it, the concession - same thing - which ends in six weeks' time, has a 10% contribution in it however the new one will not.

**Tom Copley AM:** So it is 100% TfL?

**Jon Fox (Director of Rail, Transport for London):** It is 100% TfL. The reason for that was that when we actually looked at what incentive that was giving to the operator to do something different, to invest that

money, for example, to be focussed on the outputs, we took some views from around the industry and did some research; we felt that the other indicators, the other tools that we have to incentivise the operator were perfectly adequate. That revenue - Peter [Austin] might disagree with me, but this is our view - that revenue was just part of the way that the operators were bidding for things and not really incentivising behaviours particularly. Therefore we have taken a choice on the future, six weeks' time starting DLR contract, to make that a 0% revenue contribution, because we believe both in the partnership and the other incentives it works perfectly adequately.

**Tom Copley AM:** OK, thank you. It is basically a management contract though, is it not?

**Jon Fox (Director of Rail, Transport for London):** Yes, the same model, absolutely, sorry, at a basic level, just that revenue is different.

**John Biggs AM (Chairman):** I am going to side track us a little bit. Your top three risks are what?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** I think the top three risks, clients? No, I don't think so.

**John Biggs AM (Chairman):** In terms of your bottom line.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** The thing, I think, that differentiates London Overground from a lot of other operators over the last four or five years is the rate of change we have experienced. I think what my team and I have to do is not only run a railway day-to-day, but run a railway around huge amounts of investment, development and infrastructure change. We have built up quite a big project resource that is good at managing risk and operating a railway around that. For instance, you are running a 16 train per hour service up the East London line, while some of those platforms are being extended; those kinds of risks. I think there is a big project risk around there and the contract is often opened up to change things. For example, the extension to Clapham was not originally part of the concession. We need to make sure we get that right and make sure we understand the risks. West Anglia is another example of that. That is a big risk for us.

The performance is extremely important for our reputation as well. We are always monitoring that as a risk, particularly on the East London line at the moment, and the performance of that route, where we do have some challenges over the last couple of months as we go into autumn. That route is exceptionally busy; other operators are not performing as well. Network Rail is perhaps not performing as well as it was and we have the ongoing work around five car, we also have the London Bridge works going on. Those are probably the top two risks.

Specifically, at the moment the one that is causing us quite a lot of, not headache, but a lot of work is the five car investment programme. We are operating a railway with reduced trains at the moment; two trains are up in Derby having a fifth car added.

**John Biggs AM (Chairman):** There is no risk from staffing costs or industrial relations issues?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** We have had that. At the moment industrial relations are reasonable, they are good.

**John Biggs AM (Chairman):** Your staff is part of a national agreement rather than a local agreement?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** No, we manage the relationship with the unions. We have a collective bargaining agreement with the National Union of Rail, Maritime and Transport Workers (RMT), Associated Society of Locomotive Engineers and Firemen (ASLEF) and Transport Salaried Staffs' Association (TSSA), so we manage the relationship with those.

**John Biggs AM (Chairman):** Do they judge themselves as part of the national network or as part of the TfL department?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Part of the national network, however they negotiate exclusively with us. It is not national agreements.

We do have risks. We are in the third year of a four-year pay deal, so that has put a lot of things to one side. This year we have just completed the introduction of driver-only operations on the Gospel Oak-Barking line. Last December we introduced that on the North London line and West London line, which was quite a tense time for industrial relations; however we managed to see our way through that.

**John Biggs AM (Chairman):** OK. I hope that was not too bizarre a side track.

**Joanne McCartney AM:** Is electrification of the Gospel Oak-Barking line a risk as well? It is something that we will be pushing for.

**Jon Fox (Director of Rail, Transport for London):** Yes, it is a risk. One of the risks is the railway is closed for a period of time therefore we have to manage customers' expectations around that. There would be a rail replacement bus, I suspect, of some sort, to manage all passengers turning up. There will be risks associated with that. The introduction of new trains and the new infrastructure is always a risk; however it is something we are quite keen to having managed throughout the programme. That is actually after our concession as well, however it is one we will help to do further planning for as an operator.

**Joanne McCartney AM:** Thank you.

**Stephen Knight AM (Deputy Chair):** Can I ask Jonathan to give us his view to what extent the concession model, in other words, TfL taking the fare risk, albeit 90% of the fare risk, has been a contributing factor in the success of this operation, or is the success really down to just the level of capital investment we have had, or other factors? What is your view?

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** The process, I believe, has been very successful in terms of concession, allowing TfL to take the revenue risk. If you contrast that with pretty well anything else out there on the National Rail network, effectively the DfT contracts out the revenue risk, as we have seen one or two recent examples it is not doing that, but it contracts out the revenue risk and the operator then takes that on the nail and obviously prices in the risk. They are also potentially also risk averse about running additional services where there is not perhaps quite the same certainty of additional revenues. You have examples, such as in South East London, where you have trains that are only running twice an hour in the off peak or on Sundays. The Hayes branch comes to mind. That is a distinctly worse offer than a Tube or an Overground operation. The signals that gives to operators is a fundamental one and TfL effectively are saying, "Right, that is our problem, you go on and deliver the best service possible and we will, [TfL] aim to ensure that the specification for the service is as appropriate as possible for the passenger market".

I go on and say that in practice, because of where the Overground is, to a large extent it is inner London, and it has to be a sort of 'turn up and go' type service. Years ago in 1975 I was Chairman of the North London line Committee and we actually got the line on the Underground map in 1976, Jim Daly was the Transport

Committee Chair then at the Greater London Council (GLC). That was the first ever revenue subsidy given by the GLC to any rail service in its area, other than the Tube. Believe it or not, within the next 18 months or so, the line, suddenly on the Underground map, had off peak traffic grow by a third. That sort of ability for strategic intervention, in that case by the GLC, but within TfL about, actually started to liberate the railway. BR were about to reduce that service to half-hourly.

**Stephen Knight AM (Deputy Chair):** Therefore merely putting it on the map?

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** Merely putting it on the map just increased traffic by a third.

**Stephen Knight AM (Deputy Chair):** Practically increased traffic by a third.

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** That is the sort of ability to influence things. If you like, the whole thing, the whole Underground, in a sense, started there, because that was the beginning of the change of attitudes. You had the Department of Environment funding supporting inner city improvements and the East London line was an early beneficiary of that, cumulatively you have then seen the results on the graph.

There is a very interesting report in which TfL had considered its Rail and Underground Panel back in November 2011. I would strongly recommend that you look at that. It is essentially an assessment of why the Overground has been so successful, at that point 2011, and it has carried on. Crudely there is a lovely graph on page 6, you cannot see it in detail, but you can see the blobs.

That is effectively saying that a quarter of the extra growth up to that point was background growth, increased jobs and activity in London. Another, broadly, a quarter is service quality and performance, and that is something that is a fundamental change from the way frankly Silverlink was operated and its franchise arrangements were with the Department. Frequency, another quarter, and the other quarter grouped together is connectivity, marketing and other. The cumulative effect is a totality of focus and I think that that again is something which needs to be taken further forward with the new concession, however it is the starting point for an awful lot of things which have been happening.

**Stephen Knight AM (Deputy Chair):** To get back to my original question. The model of TfL taking the fare risk under the concession, rather than the franchise model, is critical to this overarching success in terms of the ability to operate in the way that it has?

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** Yes, because it has taken away the risk adverseness that many operators have also had.

**Stephen Knight AM (Deputy Chair):** The behaviour of the operator, good. Thank you very much. That is very helpful.

**John Biggs AM (Chairman):** Would you go as far to say a franchise type operation, like on National Rail, is a pretty bad option for an urban rail system that needs 'turn up and go' services? Is there any compatibility of some kind there?

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** It works. Nobody would say that South West Trains is struggling, trying to find passengers. They are overwhelming it in some ways. Again, the nature of the debates that I am sure TfL can expand on, in terms of the arrangements you then have to make in negotiations for Oyster - do you remember the struggles one had to get pay-as-you-go in place?



**John Biggs AM (Chairman):** I suppose the following thing is, with a franchise you pass quite a lot of risk and opportunity onto the operator.

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** Yes.

**John Biggs AM (Chairman):** Whereas with an urban railway it probably does not make sense. There are not that many things you can hand on.

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** No.

**John Biggs AM (Chairman):** There might be odds and ends.

**Janet Cooke (Chief Executive, London TravelWatch):** Could I just add one very quick thing on to that? This is about the business aspect of it, in terms of the model. We very much support the concession model. I think it is better for passengers. The operator can concentrate on running a good service.

Also, a critical thing which we have been recommending in respect of all other franchises is quality regime for stations, the service and the mystery shopping that goes with it. The NRPS is great and it has got a long track record of monitoring trends and all the rest of it, however it is still a measure of passenger satisfaction on that particular journey. All sorts of things might affect how satisfied the passenger is. I am not suggesting you would do this, but if you are a train operating company (TOC) who had lots of incentives to get a good score in that and you knew where the survey was going to take place you might potentially do a little bit of extra marketing, who knows. We think that that big objective, that 90% criterion that Peter [Austin] spoke about, is really important for passengers, that someone is keeping an eye on that, the boring stuff behind the scenes that makes sure the stations really are clean.

**John Biggs AM (Chairman):** Obviously we need to get a move on. I think there is a very important issue here which is about things like the station ambience, which is a very important part of the Overground product, require some additional investment clearly to get off the ground. With the franchise there is always a jostling with national Government between keeping the cost down and the payments or the premiums maximised. One has to accept that to some degree the success of the Overground is a result of us being in the fortuitous position of being able to throw a reasonable amount of money at it to get it up to a reasonable standard in the first place.

**Jon Fox (Director of Rail, Transport for London):** I think there are two things on that. I think the first point plays to if we take the revenue risk then the Mayor can make decisions around fares policy. If all of a sudden people come onto the Underground instead of the Overground then somebody in Peter [Austin's] chair, somewhere else in the franchise, would be sending the Mayor an invoice to pay for the compensation of money that he has lost. In this case there is no compensation element; it is a matter of fares policy. I think that is quite attractive from a London-centric point of view.

**John Biggs AM (Chairman):** I suppose what I am saying is if there was - there is not quite yet - a Mayor of Manchester, that person would be able to bang a shoe on the table and say, "The people of Greater Manchester need to have 'turn up and go services', I will lobby Government for the investment and I will try to get control of it". There is sort of something like that there, but the thing in London is the best version of that I suppose in terms of local control.

**Jon Fox (Director of Rail, Transport for London):** Bus services, of course, in other urban centres are not quite the same as they are in London.

**John Biggs AM (Chairman):** That is right. I think that was for me a useful distraction. Anyway, go on.

**Stephen Knight AM (Deputy Chair):** Can I turn to Peter then? Your parent company operates rail services in other parts of the UK, and indeed internationally I believe?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Yes.

**Stephen Knight AM (Deputy Chair):** I do not know if you are able to speak about the experience of your parent company operations, but how does the experience of London Overground compare with the experience of your parent company in other franchise arrangements?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** I can certainly speak of other UK franchise and concessions. Particularly through the DB Arriva side, we meet and we swap notes and share best practice fairly regularly.

There are a number of differences. I think clients are one difference. We serve a variety of different clients; Welsh Assembly, DfT, Nexus, and TfL. I think TfL is a more sophisticated client than the other bodies. They are more experienced in managing rail, be it light rail or underground, than perhaps some of the other operators are. Even the DfT's experience of that is relatively new, prior to that it was in the Strategic Rail Authority (SRA), and before the SRA it was in the Office of Passenger Rail Franchising. Therefore I think you are more advanced than your contemporaries in knowing what you want. I think the question is about, "Do you want clean stations? Do you want to include that in the specification? Is that something you are prepared to pay for?" That is a decision that you will make that perhaps DfT would not, they would leave that to the operators and the competition to make that decision. That is a key difference for us. That undoubtedly makes a difference.

They are all very different businesses as well. The different rail franchises or concessions, or rail contracts, are all slightly different. They are all very different businesses. We are similar to Nexus in some ways, in DB Tyne & Wear Metro. That is a similar client relationship and no revenue risk. Difficult performance regimes as well up there. We are similar there.

**Stephen Knight AM (Deputy Chair):** What I am really trying to get at is how would your behaviour be different as an operator if you were taking 100% of the fare risk rather than only 10% of the fare risk?

It may be difficult to answer that question, but that is the nub of what we are trying to get at.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** It depends on the business. Arriva CrossCountry, for example, is a long-distance operator. It spends a huge amount of its time and management attention looking at yield management; how it can maximise the fares for its trains, how it can sell its seat from Penzance to Aberdeen three or four times on that journey. They are like an airline when it comes to managing the revenue. We do not do that. We sell very different products.

**Stephen Knight AM (Deputy Chair):** If you were doing that, what would you not be doing instead?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Having said that, Chiltern also prides itself on quality. I think it is fair to say it is a business incentive to focus attention on the high yielding business. A franchise will do that. It will drive value. Our average yield is only a little over a pound. Ours is about providing consistency and quality of service, across the board. We are more driven by those regimes in our contract. We do not have the revenue incentive that other operators do.

**John Biggs AM (Chairman):** Does [Arriva] CrossCountry get penalised for chewing gum on the platform?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** It does not, no.

**John Biggs AM (Chairman):** No, OK. I think that is quite an important question really.

**Stephen Knight AM (Deputy Chair):** That is the sort of difference in behaviour, I suppose.

Across the panel, what is the feeling about value for money for the taxpayer and the fare payer in terms of the difference between the fare risk being borne by the client or the provider? Most of you have said that the client taking the fare risk has big advantages.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** The other thing is when you are looking at such a huge investment programme, such a huge change, whatever revenue forecast you put together is going to have some element of unknown; be it around timing, success, or implementation. At the point of bidding if you are asking a bidder to take a view on that, and they are not responsible for a lot of that investment programme as well, you are bringing an element of uncertainty into a bidding process that the bidder will have to price to take account of.

**Stephen Knight AM (Deputy Chair):** The cost of an upgrade programme would be much more --

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Potentially, yes.

**Jon Fox (Director of Rail, Transport for London):** That is what dragged the DfT, I think, into their decision on Thameslink on the Govia Thameslink Railway (GTR) because the Thameslink upgrade programme was driving so much risk into the marketplace; the price they would get back for operating it would be stupendous.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Having said that, LOROL has benefitted from having the revenue share. We have done better than the original predictions. We have done better than our original bid predicted. We have done better than that. There are also other areas where we have done worse.

It does align incentives. Whilst I agree that in the example of London Overground we should not be taking what I call primary revenue risk. I think taking a revenue share has aligned objectives. It does help to align objectives, and it does help you share the pain and the gain, like the profit share, as well. I would just be a little bit cautious in where you leave the operator with the contract going forward is my view. In DB Tyne & Wear, for example, there is very little opportunity to go anywhere other than down from your bid. We have that flexibility. We can do well in some areas and do badly in other areas and still keep an even keel.

**Stephen Knight AM (Deputy Chair):** General comments from Janet [Cooke], Jonathan [Roberts], or both, about this difference between fare risk and whether or not --

**Janet Cooke (Chief Executive, London TravelWatch):** Can I just say that I think eliminating the perverse incentives that there is on the franchise, which were not necessarily intended but that is an unintended outcome, has got to be better for the taxpayer. For passengers I think the satisfaction figures speak for themselves. I think what we said previously about the operator being incentivised to keep improving really helps. For example, the study that I talked about earlier that TfL have commissioned to find out more, to drill

down into what it is in terms of value for money that passengers on the Overground think are important so they can actually feed that back to LOROL is important.

Going back a few years to the date when perhaps none of the operators was good at complaint handling, but then they are all much better than they were. We used to do something called a complaint handling audit. We used to go around to the train companies, basically passenger focused, to give them tips for improvement. We did that and paid for it ourselves because it was so bad then. We stopped doing it when it was not needed anymore. LOROL have paid twice subsequently for our time to go back and actually look at the complaint handling and for further improvements. I think that is a real indicator of an operation that is incentivised to actually keep continuously improving.

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** Transport is a means to an end. That is what I was taught in school. It is all very well just wanting to go around orbitally as many times as you can in a day but that is not the point of it. It is about the city as a whole functioning, achieving capacity for economic growth. There is Crossrail, it has 10% extra capacity, and you can make the city do 10% more or better than that. This is the same thing. It is partly inner city, it is partly radial movements.

All this work the GLA is doing about London 2050, the forecasts in terms of jobs and in terms of population, tends to be pointing towards higher densities in one form or another, particularly in central and inner London. I do not think that - not even ambition, it is projected as going to happen whether you like it or not in the present circumstances - can in any way be accommodated successfully unless you have a relationship with train operators in general; Overground if you like is a current, specific example, that actually incentivises, certainly no perverse actions at all, please, and actually has strong beneficiary actions.

If you like, the discussion about franchises tends to be yield management focused because that is where the revenue lies in terms of responsibility. Here we are fortunate, and it started a while ago. TfL is focused on overall benefit. That is how it measures things. It gets a little concerned to get the revenue at the margin. It has to. Even if it is a pound a journey it is still better than having nothing. The key thing is that it is a benefit focused appraisal of investments rather than what the yield can be from individual investments. Unless you can do that and increase capacity going forwards through to 2030, 2050, whatever your date is, actually London will struggle. Therefore this is fundamental glue for the future.

**John Biggs AM (Chairman):** Thank you very much. That sounds good and socialist to me.

**Richard Tracey AM:** I just have one question; it seems to me it is an obvious one we must ask. We have been hearing about the benefits of concession to Overground, to DLR, and Crossrail coming along. Has London Underground thought about concession for the London Underground as a whole?

**Jon Fox (Director of Rail, Transport for London):** I am sure it has.

**Richard Tracey AM:** It should, should it not, if it is such a good model?

**Jon Fox (Director of Rail, Transport for London):** Yes, I think when we brought the DLR competition to the TfL Finance and Policy Committee there was a challenge about consistency of model across the piece. The answer then was we can live with more than one model. It does not necessarily mean that one size fits all. It depends what you are trying to do, what you want to do. The cost of changing the Underground to a different model, both in social and other costs, may be extremely high. Would we be prepared to take that sort of risk if you were thinking about privatising the Underground again, in a different way? There are quite a lot of political and emotive issues around doing so. I do not think it is necessary to say that just because it is successful here it has to be done that way everywhere. Horses for courses is probably what I would say.

**Richard Tracey AM:** I will not ask all the other panellists the same question. Jon, I know you are trying to make progress; I think you are trying to make progress.

**John Biggs AM (Chairman):** The final bit on this question, and then we are going to motor on, is what have TfL done in terms of evaluating this model against say a franchise type model? Did you consider doing that?

**Jon Fox (Director of Rail, Transport for London):** It goes back to what we said before. The evolution of this came from the original thinking on the DLR model, yes.

**John Biggs AM (Chairman):** Has there be any cross-comparison stuff? We are a budget committee, we are interested in value for money.

**Jon Fox (Director of Rail, Transport for London):** Yes.

**John Biggs AM (Chairman):** It could be that some things, there might be a bit more chewing gum on the platform, for example, but we might get bigger bang for our bucks in terms of a good quality service at less cost to the taxpayers.

**Jon Fox (Director of Rail, Transport for London):** I think the only answer I can give to that is that in every bid we try to put a public sector comparative bid together. Before we start, we say, "How much should this cost to rebuild or operate services on this line?" or whatever. That becomes a benchmark. Actually going through that and saying, "If we did revenue risk how much more would it cost?", for example, I cannot point to a precise study which we have done which says, "If we did it that way it would cost that". I have not got a piece of work I can say to that. It was more intuitive, around the sense of the speed of change and the arguments that we have talked about.

**John Biggs AM (Chairman):** I am sort of settling my mind that this is a model that is particularly applicable to urban networks.

**Jon Fox (Director of Rail, Transport for London):** Yes.

**John Biggs AM (Chairman):** Do you sit down with people who run other urban networks in the UK but who are burdened with franchise agreements, and talk about the relative strengths of your operations?

**Jon Fox (Director of Rail, Transport for London):** Two examples I can give. Certainly Peter Wilkinson [Franchising Director, Department for Transport] who now runs the Department franchising for them, we sat down and talked to the Department about this model versus the revenue risk to the operator model. We would like to think at least it was partly due to that discussion, certainly that logic, whatever the discussion was, that the Department changed to have a management contract for the Thameslink franchise; point one. Point two, when Nexus came to look at how they were going to operate and invest the £150 - 200 million that the Government had given them for their upgrade programme in the North East, they came to us, I was at DLR at the time, and said, "Please can you give us your contract. We think it is a great idea to go in this way. In fact, the Department suggested it might be a good way to go. How might we do that?" Therefore we have certainly shared with other authorities how we might do this and the benefits from that, and they seem to have appreciated that.

**John Biggs AM (Chairman):** Thameslink is substantially different from franchises in what 'two-sentence' respect?

**Jon Fox (Director of Rail, Transport for London):** That revenue risk is with the Government.

**John Biggs AM (Chairman):** Totally?

**Jon Fox (Director of Rail, Transport for London):** I am not sure if it is 10% or 0%, but it is predominately with the Government.

**Tom Copley AM:** Is it not basically a concession then? A fare concession with the Government?

**Jon Fox (Director of Rail, Transport for London):** Yes.

**Tom Copley AM:** They still call it a franchise?

**Jon Fox (Director of Rail, Transport for London):** It is just the technical terminology, yes. It should be a concession, it would be simpler.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** It is the awarding authority that determines that.

**John Biggs AM (Chairman):** They have some fairly long-distance travellers, including incentivising families to take their kids to the seaside, weekend off-peaks and so on which would classically be the sort of thing you would incentivise through a franchise?

**Jon Fox (Director of Rail, Transport for London):** Most of the risk in that franchise is around London Bridge and the Thameslink upgrade and the introduction of a huge swathe of rolling stock.

**John Biggs AM (Chairman):** Thameslink is a sort of urban thing, with a few longer distance bits stuck on it?

**Jon Fox (Director of Rail, Transport for London):** Maybe that is a bit London-centric, but that is one way of describing it.

**Janet Cooke (Chief Executive, London TravelWatch):** It is 30% of London's train capacity, is it not?

**Jon Fox (Director of Rail, Transport for London):** Yes.

**John Biggs AM (Chairman):** OK, I am a bit London-centric.

**Tom Copley AM:** Before I come to the questions, and forgive me if I missed this before, staffing; are the staff on the same conditions, pay etc as other staff? TfL and its Underground staff; or is it separate?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** LOROL terms and conditions.

**Tom Copley AM:** LOROL terms and conditions. The stations, are they owned by Network Rail?

**Jon Fox (Director of Rail, Transport for London):** How long have you got?

**Tom Copley AM:** I do not know. How long have we got, Chair?

**John Biggs AM (Chairman):** We have got all day, come on then.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** On the London Overground, yes they are, except the stations on the core route.

**Tom Copley AM:** Who owns the stations on the core?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** TfL. We lease those stations off either Network Rail or TfL. We are the operator of those stations.

**John Biggs AM (Chairman):** When you have got something complicated like Croydon where you have Network Rail and Overground services stopping; it is your station, not theirs?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** West Croydon is a Network Rail station. We are what is called the station operator so we are the station facility operator. We operate that on behalf of the railway and we sell basically capacity to some, for want of a better word.

**Tom Copley AM:** I will move swiftly onto learning lessons. What have TfL and LOROL learnt from the Overground experience, and what evaluation has been done of the contribution of the concession model? I think we have talked a bit about this already.

**Jon Fox (Director of Rail, Transport for London):** I think we have, yes. I have been repeating myself a bit. I still think that our ability as a client to direct a change in the scope during the tenure of the operator, without it costing an arm and a leg to do so because of the lack of revenue compensation that we happen to be talking about, is a huge advantage for policy makers and clients like ourselves. If demographics, or whatever, change and we want to run different services to different places we can do that more flexibly than if you have got a very rigid contract with a very boxed kind of risk around it. From our point of view it is about the flexibility, which is also partly due to the relationship and how the operator takes that kind of, "We would like to do something different", "OK" or not. I think it is about that flexibility. As well as value for money, I would say it is flexibility.

**Tom Copley AM:** Peter, like I said, I think we have covered a lot of this already, but anything to add from LOROL's point of view on lesson learning?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Yes. Certainly our contracts included a number of capital works or station refresh programme. We did not cover ourselves in glory in that. That was certainly a quite difficult period of the concession for us. We overspent and probably under delivered, to be honest, we were consistent in that regard. That was difficult for us. That type of work is very different to managing project risk around a railway, or operating a railway. That would be something we would certainly look at very differently. We have a much different approach to that now.

I think another area where we can probably work better together as well is around some of the initial specification setting. Whilst the new electrics are absolutely fantastic from a passenger's perspective, the drivers are not entirely happy with them. It is quite a cramped cab. In the future more could be done with operators in terms of consulting with the right people. Indeed, that is what we are looking to do for Overground and the trains being used for the electrification on the Gospel Oak-Barking Line.

Those are probably the two main elements.

**Tom Copley AM:** Jon, what planning has TfL done so far regarding Overground services after the current deal expires in November 2016?

**Jon Fox (Director of Rail, Transport for London):** We have issued a prior information notice (PIN), in other words a procurement notice, to say it is coming. That externally is what we have done. We are in the phase of working out what to do next. Clearly it is just over two years away now.

I do not see a lot of substantial change in terms of the overall model.

**Tom Copley AM:** You mentioned the DLR; taking out the 10% and going to 100%. Is that something that you are considering?

**Jon Fox (Director of Rail, Transport for London):** It is. You heard Peter [Austin's] view which is slightly different to ours. That is something we want to consider as to whether in this case there is a different logic there that we need to consider. That is one of the things we will be thinking about.

West Anglia is obviously another one. We have done an add-on deal to start from 31 May 2015 until November 2016. We will look to integrate that fully in the contract next time round, and have it bid in totality rather than as an extension, if you see what I mean. Beyond that, of course, next time there will be new rolling stock into this new contract and the new services I talked about earlier, we ought to have ten trains per hour and so on. We are also looking at on the East London line moving from 16 trains per hour beyond that to 18, and possibly 20. At this stage we cannot put that in writing anywhere because we have not committed and have not got the studies finalised on that.

**Tom Copley AM:** How easy is it for you to vary those things within the contract?

**Jon Fox (Director of Rail, Transport for London):** It is not easy.

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** In the contract?

**Tom Copley AM:** Say if you want to up the number of trains per hour, is that something simple?

**Jon Fox (Director of Rail, Transport for London):** The way we would do that is, if we are certain about it and we have got letters and processes from Network Rail saying, "You can have these [train] paths and here they are" then we would put in the scope of the contract, in the invitation-to-tender and say, "Please price that". If we are not, sometimes you might put it in as an option, "Please price this option, we cannot be certain about it but at least give us prices for that so that if does come on stream we know what it is going to cost".

**Tom Copley AM:** It is relatively flexible?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** The contract is very flexible. The Clapham extension and the West Anglia are all done through the current change mechanisms and variation mechanisms in our existing contract. Within parameters Jon has got complete flex over what service he drives off us.

**Tom Copley AM:** The next question is the reverse of Richard's question, could TfL operate the Overground itself? That is what Ken Livingstone [former Mayor of London] originally envisaged. There might be something in law that prevented TfL from doing that, I am not sure.



**Jon Fox (Director of Rail, Transport for London):** There may be technical legal arguments; we would have to go and offer all his guys 10% more to come and work for us. It does not sound like good value for the taxpayer.

**Tom Copley AM:** Are there any advantages to bringing it completely in-house?

**Jon Fox (Director of Rail, Transport for London):** One of the critical factors from our perspective, is what the private sector operators do very well, is managing labour cost and industrial relations.

**Tom Copley AM:** Keeping wages down, is that part of what you are saying?

**Jon Fox (Director of Rail, Transport for London):** I did not say that. I just said labour cost, managing cost. Evidence would suggest that is the case. There is a political point, I completely get that. In terms of doing that I am not so sure we would do it any cheaper.

**John Biggs AM (Chairman):** My question is, within TfL there has been this value for money thing and cost cutting which has seen a lot of back office cuts chopped out of the system - and there have been staff cuts as well; ticket office and so on, on the Underground - there has been some cost engineering to focus resources, we are told, on the front line. Until now the Overground has been protected in the same way as the Underground, by those savings elsewhere. In a climate in which the grant regime became less generous from the Government, and there were no future opportunities for savings in the back office, how would you restructure the way in which you were going, we are talking about the next concession? Are you being driven by TfL to get better value out of the next concession?

**Jon Fox (Director of Rail, Transport for London):** First of all I believe that per passenger carried on the Overground the cost is less, for example, than on the Underground. Therefore in terms of relative efficiency I do not see that as a pressing need.

**John Biggs AM (Chairman):** Within TfL you would say, "Cut them first, not me"?

**Jon Fox (Director of Rail, Transport for London):** It is a question of relative efficiency.

**John Biggs AM (Chairman):** Not that you should do either, of course.

**Jon Fox (Director of Rail, Transport for London):** Indeed, but I think secondly just in the way it works I cannot tell him to take ten people out of his team and charge me less, even if I wanted to. He could say, "No, thank you very much because unless you pay me more money I am not going to take those people out because it gives me more risk". The only real device I have to do that is to say, "Please cut your service and give me the price reduction from that".

**John Biggs AM (Chairman):** Alright, but if you were retendering under cost pressure, the sorts of things you would do would be what?

**Jon Fox (Director of Rail, Transport for London):** You have got two choices. You either cut back and say, "We are not going to run the same services in future so, please, instead of eight trains per hour on the North London line we will only run six trains per hour on the North London line and have a huge overcrowding problem magnified" or some variant of that which is a strange way of going about it. Or, indeed, to actually say, "Let us have a look at the demand on the Overground, as we have, and let us see if we can create more revenue from existing services which then creates a better efficiency from that". That is the direction that we prefer to go in, certainly.

**John Biggs AM (Chairman):** Right. Thanks very much. I thought that was again, useful for me in my strange world.

**Tom Copley AM:** Moving on Jonathan [Roberts] and Janet [Cooke], what do you think TfL need to change in the next concession agreement?

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** Potentially quite a lot would be my answer. I think we have broadly discussed concession, fine, but what do you want out of it? Back to my point that transport is a means to an end. There are examples within the present Overground timetable of low-frequency late evening services on week days. I think there is something like a half-hourly gap towards the end.

Given the nature of London being more 24/7, that does not fit I would say, just like that. No doubt there will be debate with Network Rail who will want to say, "End the service so we can do engineering" or whatever. The reality is there is the public demand. That is at weekends as well. Try to get on a train at Stratford with the Westfield crowds; it is really full. It is full and standing leaving Westfield so there are issues there.

There is the question of the quality of how individual services can be managed on a station by station basis, sorry that is a perverse way of describing it. One goes to Canada Water in the peaks, it is only a four coach station, it is limited in its size. Unless you spend a lot of money you are stuck with it like that. Every delay that might occur at Canada Water is critical to the reliability of the East London line, which then interacts down the line with Southern and so forth. I am not suggesting one does Japanese sort of crowd style management, but certainly something may need to be done and written into the contract going forward to say how the future operator can manage that sort of situation better during quite a lot of periods.

There is also an issue about, from TfL responsibility, not just looking upwards and outwards to Network Rail and the Department, we are currently in what is called Network Rail CP5 which is 2014 to 2019, and then control period six (CP6), if it happens, is 2019 to 2024. There are only two years left for TfL to get in its bid for what should be in that period, from 2019. Yet that is going to be a fundamental part of the future concession because it will certainly extend through to 2024 - 2025, I am assuming it is a seven or eight year concession period. Getting the ducks in a row both upwards and across within the rail industry, as well as then turning that around and putting that sort of thing into the specification is going to be fundamental. I have not yet seen a lot that convinces me that we are going to be ready for some of those things which are going to happen.

I will give you an example I only learnt about this month. I went to an Institution of Civil Engineers (ICE) meeting on the second of this month, and Network Rail were there saying that they want to put electronic signalling across the entire National Rail system, certainly on busy lines, by 2029. That is up to 10,000 route miles and a large amount of it is London focused. I just hate to think how many weekend engineering works and so forth, are going to follow. London Bridge will be a piece of cake potentially compared to what might have to happen on most London main lines and the suburban networks.

**Tom Copley AM:** What can TfL do about something like that?

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** They have to speak loudly on behalf of the users, over to Janet [Cooke] on that. They also have to anticipate what the rail industry is going to do and make sure that you get the best possible plan for that sort of situation. London Gateway with that new port, you cannot send its trains any other way than over the Gospel Oak-Barking Line so there is another load of traffic that needs to be accommodated and managed. All these accumulatively put pressure on TfL

and, in turn, on the future operator, whoever that is. There are other aspects, however it strikes me that that sort of thing is going to be pretty fundamental.

I could go on and mention things like you can do interchanges, but TfL, above all, ought to be able to encourage better interchange between bus services and Overground and so on. That may or may not be a matter for the operator, however it is certainly something for TfL.

I will stop there, I could go on.

**Tom Copley AM:** Before I ask Janet [Cooke] to come in, do you want to come back on any of those points, Jon?

**Jon Fox (Director of Rail, Transport for London):** I do.

**Tom Copley AM:** I thought you might.

**Jon Fox (Director of Rail, Transport for London):** Poignantly enough in the context of the previous discussion about TfL's budget and affordability, we used to have late night services and weekend services in our service offering and had to make a choice to cut those services because at that time, some four or five years ago, they were not as well used as they are today.

**Tom Copley AM:** Right.

**Jon Fox (Director of Rail, Transport for London):** It used to be in the specification. It is a fair point to say now that those services are likely to see higher demand in future we should really consider putting them back into the Overground 2, as we call it, the next time we go to Overground contract. I think that is a good point and one we would like to consider.

On the quality by station point and Canada Water - obviously Canada Water is going to have five car rather than four car - it does mean to say that, yes, there will be even more people there. I do take the point that Canada Water is one of those pinch points in the system where there is a huge volume that goes through there, especially going on the Jubilee line out to Canary Wharf and so on. We have just got to think about that. We have done it by mitigation, additional staff on the station for direction and so on, and contraflows on the platform itself. I think that is fair, and we need to consider those stations.

Whether we incentivise station by station and the contract becomes extremely labyrinthine and complex is something we need to think about, but it is a fair point.

I think on the CP6 bid, we do not approach it as a CP6 bid, ie beyond 2019 per se, but some of the things we have been talking about today around more trains on the East London line; more trains on the North London line; new rolling stock, and we will talk about West Anglia in a minute, are definitely on our radar for continuing. I do not disagree with what Jonathan [Roberts] says. We still have a job to do for a couple of months yet by the sound of it, yes.

**Tom Copley AM:** Janet [Cooke], do you want to come in on changes to the concession?

**Janet Cooke (Chief Executive, London TravelWatch):** Just do it differently. One of the things the DfT are now starting to do, which is very welcome, is they say every time passengers are at the heart of their franchising process; they are actually commissioning work independently to actually find out what passengers want in new franchises. It is quite interesting the wording that Peter [Austin] used back at the beginning, "TfL

know what they want". Usually they do, very clearly and they are usually right, however sometimes what passengers want or what passengers have to say might be slightly different. We would say in terms of the concession model that TfL should be doing what the DfT are now doing, actually commission independent research - we would say through the watch dog [London TravelWatch] - to actually find out about some of these local issues. That is what one picks up from that kind of survey that they can then feed into the specification. To be fair we are starting to talk to them about that, however I think that TfL sometimes perhaps do not ask as much as they might.

In terms of the actual model, and I cannot really get into the technicalities, I am picking up on something that Jonathan [Roberts] said, I think there was something about jointly incentivising people. I think possibly, and this might come out, one thing we have advocated to the National Rail franchises is actually for Network Rail; joint incentives between the operator and Network Rail to actually improve things for passengers. I am thinking particularly of accessibility at stations. It may be that TfL want to look a bit more at that. There is also something about joint incentivising. I would say it might not be possible, but who knows, from a passenger point of view for Network Rail to do something about the standard of the line side graffiti and rubbish that is down the side of parts of its track which just looks awful for passengers. It does not stop people using the trains; we have done some research on this. If people want to travel that sort of stuff does not stop them. However, what does it say about what they think about Londoners and people using it? If there is any way that they could work something in there to have some joint incentive, I think they should.

**Tom Copley AM:** Do you have any idea as to TfL might do that, the joint incentivising?

**Janet Cooke (Chief Executive, London TravelWatch):** Possibly I could get back to you after the meeting when I have a chance to consult with my experts back at the office.

**Tom Copley AM:** Of course.

**Janet Cooke (Chief Executive, London TravelWatch):** I am quite sure we have got some ideas on that.

Then there are issues to do with integrating things and interchanges. Jonathan [Roberts] started to allude to it. We would expect somebody operating on behalf of TfL to actually have staff that have the knowledge about the bus services. It is what we would like to see at all stations, particularly interchange stations; staff that actually know enough about what else happens. They take ownership of the station on behalf of the passenger; they know that the buses have all been diverted around the back of the station or that the next Thameslink train usually comes in at so and so, therefore you get that more joined up approach.

**Tom Copley AM:** I am conscious of the time, unless there is anything burning that Jon wants to come back on then I will move on to my next --

**Jon Fox (Director of Rail, Transport for London):** I think there are a few things. On the last point, staff being armed with smart phones and much more information at their fingertips is one answer, however we have got more work to do.

**Tom Copley AM:** OK, thank you. Jon, how will you improve the level of transparency before the next Overground concession, and how much financial information will you disclose?

**Jon Fox (Director of Rail, Transport for London):** In the DLR's case, the DLR contract, apart from the confidential commercial information, is on the TfL website. The current contract with LOROL is not on the website but has been requested under freedom of information (FOI) a number of times and we have provided it again in redacted form. Those are a couple of things.

**Tom Copley AM:** It could be put on the website?

**Jon Fox (Director of Rail, Transport for London):** It could be put on the website and perhaps we ought. Other than that, the number of Freedom of Information requests that I see across my desk, I do not feel that we are an opaque organisation, however that is my perception and easy for me to say. We do get lots of requests for information. One might say, quite rightly, "If you put more on the website people would not have to ask the questions". Any ideas you have, I am happy to listen.

**Tom Copley AM:** We are very keen on transparency obviously. You do not disclose the money you pay at the moment to LOROL, do you? I presume that is not going to change?

**Jon Fox (Director of Rail, Transport for London):** We do disclose a fair amount of financial information and we disclose passenger information. If one looks on the website there is an inordinate amount of information. Part of the contracting process is we keep some things confidential in terms of the bids that come in from operators and we have taken those bids out. However, typically speaking, we do answer FOI requests as transparently as we can.

**Tom Copley AM:** I will ask my final question then, unless any other Members have anything on transparency, which is: how has the Overground experience influenced the structure of TfL's concession for Crossrail?

**Jon Fox (Director of Rail, Transport for London):** Quite a lot, I think. There are significant parallels there. The so-called Crossrail train operating concession (CTOC), in other words the first services from Crossrail, from Shenfield into Liverpool Street, are on a very similar model. That starts at the same time as West Anglia starts next year. I think we recognise that the model works in an urban environment for all the reasons that we have talked about now. Originally to Maidenhead, not to Reading, and down to Abbey Wood is predominately within the GLA area so therefore why would we not? I think it has very strongly done so.

**Tom Copley AM:** The Crossrail concession, is that 100% fare risk for TfL, or is it 90% or --

**Jon Fox (Director of Rail, Transport for London):** I knew you would ask me that. I did not run that competition. I cannot remember, but I can fill you in.

**Tom Copley AM:** I am sure you can find out.

**Jon Fox (Director of Rail, Transport for London):** Yes.

**John Biggs AM (Chairman):** Now we move onto the easy question, West Anglia.

**Joanne McCartney AM:** Yes, because I represent Enfield and Haringey this is very dear to my heart. Can I just clarify though; you are going to be taking over services out of Liverpool Street to Enfield Town, Cheshunt and Chingford?

**Jon Fox (Director of Rail, Transport for London):** Indeed.

**Joanne McCartney AM:** However, those out to Liverpool Street via Tottenham Hale up to Hertford East, do you have anything to do with that line at all, or not?

**Jon Fox (Director of Rail, Transport for London):** No.

**Joanne McCartney AM:** OK, however you have helped with some of the bidding for, I believe, Northumberland Park and Angel Road improvements, is that correct?

**Jon Fox (Director of Rail, Transport for London):** Yes.

**Joanne McCartney AM:** That is where your involvement is.

**Jon Fox (Director of Rail, Transport for London):** Yes. There is a decision to be made about who is the operator of Stratford to Angel Road services. That has not been made yet. We would like to be considered on our merits for doing that, however that is not a decision that has been made yet.

**Joanne McCartney AM:** The Hertford East Line, I understand, is being extended at the minute, is that right? Rather than a new franchise to Abellio. Will there become a point shortly when you will be able to bid for that as well, or not?

**Jon Fox (Director of Rail, Transport for London):** When we will be able to bid for that?

**Joanne McCartney AM:** Yes.

**Jon Fox (Director of Rail, Transport for London):** As TfL we will not be bidding for anything, to answer your question exactly. Just let me repeat, tell me to shut up if I am telling you lots of things you know, but the Shenfield to Liverpool Street services come out of Abellio Greater Anglia from 31 May next year. Those services that you have declared come out of Abellio Greater Anglia and come to us, and we are giving that to LOROL. All of the rest of Abellio Greater Anglia, at the moment, stays with Abellio Greater Anglia, contracted by the Department with Abellio Greater Anglia. Does that make sense?

**Joanne McCartney AM:** I understand that, yes. I understand that the Hertford East Line though was only an extension to Abellio for another two years? I am wondering whether your empire is going to grow shortly or not.

**Jon Fox (Director of Rail, Transport for London):** The Abellio contract in totality has been extended for another two years by Direct Award. All of the rest of the bit that is not coming to TfL then goes out to competition again. We will not be able to run that competition. That is still a Departmental competition.

There is an argument about whether we should be going to Hertford East.

**Joanne McCartney AM:** I think it should be. It would make sense because it shares a lot.

**Jon Fox (Director of Rail, Transport for London):** Therein lays a lot of the devolution argument about this so-called democratic deficit of where TfL should be running services to just within GLA boundary or beyond. There is plenty of arguments around on that, however TfL has been running services beyond that GLA boundary out to Watford and so on for many a long year. That is part of the devolution debate.

**Joanne McCartney AM:** I think the Hertford East one is a logical one --

**Jon Fox (Director of Rail, Transport for London):** Right.

**Joanne McCartney AM:** -- to be honest with you. That should come to you.

**Jon Fox (Director of Rail, Transport for London):** We note your enthusiasm, yes.

**Joanne McCartney AM:** On what I am told is now called the Inner West Anglia routes.

**Jon Fox (Director of Rail, Transport for London):** Yes, 'West Anglia Inners', we call them colloquially.

**Joanne McCartney AM:** Yes. You have got certain plans over them. Can I just ask you first of all about the financial package though? How much are you investing in this line in the next few years? Are you receiving a Government subsidy, or do you actually have to pay the Government anything to operate?

**Jon Fox (Director of Rail, Transport for London):** To answer that question first, the numbers are still coming through. They have been an interesting negotiation process. The concept is that there is no transfer either way between the Department and TfL for the transfer of those services because the net sum to operate them, in other words the revenue minus the cost, is a zero sum gain. When we take those services on financially it is neutral and therefore we take those services on and get in the revenue which is there today and the cost which will be from this gentleman to my left [Peter Austin, Managing Director, London Overground Rail Operations Ltd] rather than from Abellio Greater Anglia, is comparable to what it is today. Therefore we do not pay anything more than the Department does today, conceptually.

**Joanne McCartney AM:** You take all the risks.

**Jon Fox (Director of Rail, Transport for London):** That is operational cost. That is not capital cost.

**Joanne McCartney AM:** Right.

**Jon Fox (Director of Rail, Transport for London):** In capital cost terms, what we have done is put aside £25 million for upgrade of the 24 stations which are coming to us for West Anglia. I am not talking about the Crossrail stations for a minute, just the West Anglia ones. We have got a programme of station upgrade work, just like we did when Overground took over the North London line, for upgrading that area.

You will be aware that £25 million for 24 stations is not a huge investment per station. I think we can all do the maths, even I can. What we are doing for that is largely making sure that the signage and the branding of those stations improves; we will do a deep clean of those stations; we will do some repainting of those stations; we will do some station works; we have got to do some accommodation work to put the staff in, because there are now more staff requirements for accommodation in those places, and we will make them clean and fit and friendly. They are not rebuilding stations or anything like that. We have not got that capital sum there. However, they will feel quite different. They will have security, CCTV and better lighting to boot.

**Joanne McCartney AM:** That is helpful, because at the moment they are in a disgraceful state quite frankly.

**Jon Fox (Director of Rail, Transport for London):** I think they are, horrendous. They are a bit like those photographs that Peter [Austin] showed up there, I think.

**John Biggs AM (Chairman):** Will they look like, the stations on, say, the West Croydon route, which I think are fairly reasonable?

**Jon Fox (Director of Rail, Transport for London):** Yes, except on the West Croydon route there is new palisade fencing all down the back of those stations. Whether we can actually run to all new high tech, high spec fencing down the back of the stations we have got to see. That is all part of going to the market. We have not gone to market yet. Effectively that is what it will be.

We do have, though, a lot of Victorian infrastructure out there, old buildings that leak like sieves and so on. A lot of that money will have to go into actually plugging the running water coming down the steps at Hackney and those sorts of things. There are some issues. Effectively they are to change them and make them feel a lot better, friendlier, welcoming, better lit and so on.

**Joanne McCartney AM:** That is helpful. Can I return now to the financial package? You are not envisaging getting any money from the Government, or giving any money to them?

**Jon Fox (Director of Rail, Transport for London):** Correct, because the money that we will get is from the fare box.

**Joanne McCartney AM:** You have obviously done projections, do you think it will stay on an even keel or do you think you will be making profit?

**Jon Fox (Director of Rail, Transport for London):** We are telling Government that we think it will stay on an even keel.

**Joanne McCartney AM:** OK, sorry.

**John Biggs AM (Chairman):** You are about to talk about the capital side of it as well, I think.

**Jon Fox (Director of Rail, Transport for London):** Yes, the £25 million scheme.

**John Biggs AM (Chairman):** That is it?

**Jon Fox (Director of Rail, Transport for London):** No, in addition to that we have the £250 million equivalent of investment in new rolling stock coming to West Anglia.

**John Biggs AM (Chairman):** That is from yield sales or from Government?

**Jon Fox (Director of Rail, Transport for London):** It is going to be financed by leasing, but that is going to be our financial responsibility. We are getting no money from Government for that.

**John Biggs AM (Chairman):** OK, sorry. Thanks.

**Joanne McCartney AM:** Presumably you also talk to Network Rail about what is theirs or not as well in part of this. Are there any disputes with that, or is that going well?

**Jon Fox (Director of Rail, Transport for London):** That was the bit about how long have you got earlier on.

**Joanne McCartney AM:** The reason I ask is because we have got a tree growing out of Bruce Grove station and no one will say who owns it because they cannot decide amongst themselves who owns it.

**Jon Fox (Director of Rail, Transport for London):** I went to see the leader of Haringey here upstairs actually, with Neale Coleman [CBE, Mayoral Advisor on Tottenham] the other day and he said, "There is a sign at Bruce Grove Station that you must get fixed" so we are going to do that. If you let us know which it is we will sort it for you.

**John Biggs AM (Chairman):** What sort of tree?



**Jon Fox (Director of Rail, Transport for London):** And whether it has got a tree preservation order on it.

**Joanne McCartney AM:** It was not one of those. Apart from the improvements to the stations; the cleaning and the repainting, and CCTV, I get lots of complaints about that, however I also get complaints about capacity and frequency, is that going to improve as well?

**Jon Fox (Director of Rail, Transport for London):** Yes. There are two things at the moment. One is we are going to make the Saturday service be replicated on a Sunday service. Rather than having two trains per hour figuratively on the Sunday, we will have four trains per hour throughout the day so the Sunday service is better than it is today. Also, on that well-known and highly patronised railway called Romford to Upminster which comes as a sweetener, obviously, to us as part of the deal, Government has insisted, we at some point intend to run a Sunday service on that line where there is no Sunday service today. That will not be, probably speaking, from May next year but at some point. That is partly due to the timetabling process and lead times etc and actually how we find the rolling stock to do it. That will be a change.

In addition to that, the question is not so much about intent as capacity into Liverpool Street. As Jonathan [Roberts] I am sure can corroborate, in terms of additional capacity in the peaks into Liverpool Street, Network Rail are absolutely adamant that there is no capacity to be had, otherwise would be thinking about using it today.

Question, is there some opportunity to run, for example, from Enfield Town four trains per hour rather than two trains per hour off-peak and is there a business case for it? Yes, there is to the first question notionally. Is there a business case for it? Possibly, we are having a look at that.

**Joanne McCartney AM:** Good.

**Jon Fox (Director of Rail, Transport for London):** Until we see some more capacity relief into Liverpool Street then I do not have lots of plans up my sleeve to say it is all going to get better for everybody from now on sort of thing.

**Joanne McCartney AM:** The two trains from Enfield Town is a real disappointment actually.

**Jon Fox (Director of Rail, Transport for London):** They are, yes.

**Joanne McCartney AM:** Can I ask, one of the things that I know one of the local Members of Parliament (MPs), Andy Love [Labour, Edmonton] has suggested is why could you not put a shuttle from Seven Sisters back and forward? If you cannot go into Liverpool Street --

**Jon Fox (Director of Rail, Transport for London):** Indeed.

**Joanne McCartney AM:** The train decamps at Seven Sisters, at least half the train gets off there.

**Jon Fox (Director of Rail, Transport for London):** Yes, absolutely. This has been thought about before. We have done the numbers on that. It does not look fantastically beneficial in terms of an economic case. The advantage is that we could do that in the peak. The infrastructure to turn trains around at Seven Sisters is not, at this moment in time, in such a state that we could turn them around efficiently and get them out of the way, however that is something we are talking to Network Rail about. We do not have the rolling stock to do it at the moment therefore if anybody wanted to do that it would have to be through purchasing more rolling stock. The first of the new trains does not come in until 2018. Therefore in all reality, even if we had all guns

blazing, “Yes, we want to do that, no problem, no economic difficulties at all” it is not going to be until 2019, 2020 that we could do it because we have not got the rolling stock to do it.

**Joanne McCartney AM:** Are you still looking at it?

**Jon Fox (Director of Rail, Transport for London):** Yes.

**Joanne McCartney AM:** That is helpful. Will you be setting any targets to LOROL about passenger satisfaction? At the moment it is pretty low on this line.

**Jon Fox (Director of Rail, Transport for London):** Yes.

**Joanne McCartney AM:** Is that part of your performance management at all?

**Peter Austin (Managing Director, London Overground Rail Operations Ltd):** Yes, it is. Our contract has a PPM, which is an operational performance target, in there; we have a customer satisfaction surveys (CSS) target in there; we have a ticketless travel and a mystery shopper survey target in there as well. All of those show improvements. What we have tried to do over the 18 months is map the same improvement that we saw in Overground core, over the first 18 months. We are trying to put the same trajectory over the first 18 months of operating the West Anglia areas.

**Joanne McCartney AM:** Thank you.

**Jon Fox (Director of Rail, Transport for London):** One of the big differences, just to re-emphasise, is we are not going to be able to do all this infrastructure work from day one. It is not that we can do it secretly at night and then all of a sudden reveal it, “Tah dah” on day one. Most of the difference is going to be staffing from day one. That is where most of the passengers in your neck of the woods will see the difference because we will be staffed all operational hours, which is nowhere near that at the moment.

**John Biggs AM (Chairman):** Here is a very simple question; a scale of one to ten question. If all of the stuff you have taken on so far was say, I do not know, a maximum of five on a scale of one to ten, what is West Anglia Great Northern?

**Jon Fox (Director of Rail, Transport for London):** You mean in terms of difficulty?

**John Biggs AM (Chairman):** Yes, in terms of difficulty and challenge.

**Jon Fox (Director of Rail, Transport for London):** Back from 2007 I would say it is about the same challenge because we are talking station dilapidation; we are talking old rolling stock, and we are talking performance and customer satisfaction which are poor.

**John Biggs AM (Chairman):** Are you comfortable of the ability you have to get it up to the desirable specification and so on? You are not going to get there, are you?

**Jon Fox (Director of Rail, Transport for London):** That is part of the discussion with Network Rail. I think one of the points earlier around what do Network Rail bring? They are funded to get a 92.5% PPM national performance level. We are at the moment running 96 point something on Overground, and on West Anglia they are running at about 93.5 - 94%, some days a bit better. If you said to Network Rail, “Please, will you invest in this area?” they would naturally say, “Well, actually no because you are performing better than the national average so why should we put money in?”

**John Biggs AM (Chairman):** Jon, you are basically saying it is not significantly more challenging than stuff you have done already?

**Jon Fox (Director of Rail, Transport for London):** I do not think so because that has been quite a challenge anyway.

**John Biggs AM (Chairman):** Which is not the impression I have had, OK.

**Joanne McCartney AM:** Certainly in my area it is an area of great population growth and one of the major regeneration in housing areas in London so the case should, if you like, speak for itself.

**Jon Fox (Director of Rail, Transport for London):** It is pockets, is it not? Tottenham is quite different to Chingford in terms of population growth and demand profile from that. That is why we believe the Enfield Town Line is one that is worth considering how we can transform it, or at least change it for the better for the future. We get the arguments. They are very similar to the Silverlink arguments. The question really is about managing expectations over time. It will not transform overnight, which is the point.

**Joanne McCartney AM:** Janet [Cooke] and Jonathan [Roberts], what do you think should be TfL's priorities when it takes over this line?

**Janet Cooke (Chief Executive, London TravelWatch):** Jonathan [Roberts] has just said it is sort of a challenge on a similar line. I think it is probably going to be a different challenge, in the sense of there is not going to be the immediate investment that possibly happened last time around. There are a lot more passengers already using those routes. They are taking on a route with a lot of passengers regularly travelling to Liverpool Street. They have a different group of passengers that they are working with.

I think it is really important that the soft things, which they are going to have to prioritise, so that passengers can actually see a difference. I think it is really important that they work closely with LOROL to make sure that that is clear.

I might be slightly getting my background stuff here wrong, but I think it is important for local stations if they are, for example, doing something at Hackney to stop the flooding down the steps - because I believe that TfL do the communications or the publicity rather than LOROL - that they let passengers know.

**Jon Fox (Director of Rail, Transport for London):** Yes.

**Janet Cooke (Chief Executive, London TravelWatch):** Do not put too much spin on it, but just tell them what they can expect.

**Jon Fox (Director of Rail, Transport for London):** Yes.

**Janet Cooke (Chief Executive, London TravelWatch):** Then they have got some way of passengers seeing that at Bruce Grove maybe they are going to say, "Joanne [McCartney AM] is going to make us chop the tree down" or something. I do not know. Have a local flavour to it so that they bring their passengers with them.

The other thing, in terms of passenger satisfaction, is that I said earlier that not all of the stations are actually surveyed in the NRPS. The only way that is going to get increased is TfL is going to have to pay to boost the samples. One way that one would actually get that measure that is the industry standard of passenger satisfaction is to commission on the existing LOROL that are not currently surveyed, the bits that come in from

Greater Anglia, and then compare with some of the other currently unsurveyed bits that are going to other franchises. That means that they will, over time, be able to demonstrate how the passengers rate it, or do not rate it.

The other thing, in terms of actually supporting LOROL, or negotiation with Network Rail, is when they are making some investments on the station improvements and things like that to actually get Network Rail to finish the work. Have some kind of agreed schedule. We have had discussions with Peter [Austin] about the length of time it takes to finish things off. At some stations it has almost become institutionalised. Network Rail has been there since whoever knows; clearly they do not have to rent the scaffolding! When they are about to do things then get on and get them done and get them offsite so passengers can see the difference.

**Jon Fox (Director of Rail, Transport for London):** Yes.

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** I declare three interests on this one. I am an advisor to the West Anglia Routes Group WARG and have been since it started in 2006, based roughly on the East London line Group model. I am also advising Enfield on schemes such as opening Angel Road. Separately, contractual arrangements with WARG; in the last four years we have counted, physically, at most of the stations which leads to very different numbers than the Office of Rail Regulation (ORR) would have you believe. This is actually a budget and performance issue that ORR numbers for the London area can be severely out and underestimated. The quick headline is clearly how you allocate a zonal ticket, such as we have, on to a point to point basis in order to say that Bruce Grove Station has X number of passengers. They have tended to use a model based on 2001 travel flows, which is pre-Oyster pay-as-you-go, London growth and service improvements, and the Overground. Unsurprisingly it is not very reliable. The counts that, for example, we did last year - it is still fresh in my mind; 18½ hours counting at Seven Sisters Station continuously - one person did one platform, another did the other; not the tube, that would have been impossible. The official number is about 3.5 - 4 million passengers a year entry/exit at Seven Sisters and that includes Victoria line interchange flows. The actual number is about double that, it is over seven when you gross the numbers up. Tottenham Hale, ditto, just over 4 million officially; it is actually over 8 million, and it goes on. Bruce Grove, about 300,000 or 400,000 in the ORR numbers for the latest year, 2012/13; it is actually over a million.

**Joanne McCartney AM:** Edmonton Green was similar.

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** Edmonton Green, yes, having counted that plenty of times now; about 1.8 million officially, north of 3 million actual. We have done that enough times to be clear. This will actually affect the business case. On the Overground with the new trains, one can count because they have got load meters or whatever they are called on the trains. Some of that data has been supplied to TfL for part of its business planning purposes for West Anglia. It is there and available and up on the website, I can make some available. Where does that lead them? The business case for doing more may actually be stronger than the official numbers given, and yet the DfT will not yet accept that there are different numbers, it relies on the official numbers and so forth. That, I think, is going to be something where the Committee and maybe the Transport Committee could push a bit further in terms of what could be done. Clearly they need the funding and they have only got, as you said, a certain amount of money.

Other practical things, from personal experience at all these stations for long hours; it is going to be a very difficult railway to guarantee that, frankly, when the service falls down how does the Underground not fall down as well. They will be locked into a terminus at Liverpool Street with no spare capacity and yet the quality that people will be looking for, they will want to somehow see a distinctive better feel for the service even if they cannot actually start with running more trains or make the existing trains work harder. That is going to be

a huge challenge for TfL and the spec through to the operator; how does one feel a great difference when in practical purposes it is going to be the same queue of trains going past Bethnal Green junction.

Information varies; however it is generally not very good on the stations at present and the train describer systems are poor as well. I think they tend to use something called the long line information. One gets, occasionally, some useful details but it is not a total updated information service as on the Overground elsewhere. One other point is that certainly counting after the official end of the evening peak at 7.00 in the evening, that next hour group of trains coming out of Liverpool Street are very crowded --

**Joanne McCartney AM:** They are.

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** -- and it is an 8.00 evening peak not a 7.00 peak. Something needs to be addressed in that in service planning. There is more that could be said but that gives the flavour that this is a railway which has not had the TLC on it that we now need to see as well.

**Joanne McCartney AM:** Can I also ask TfL, what are the key risks out of all this? I suppose part of the risk is that, certainly at Liverpool Street you are sharing the line with the Stansted Express and the Western Anglia Abellio services and you are probably the smaller player in those three. Does that pose any risks?

**Jon Fox (Director of Rail, Transport for London):** I will have a go and then Peter should. I think we talked about the relationship with Network Rail. Now, Abellio have a fairly good relationship with Network Rail however I think our relationship with Network Rail is stronger and probably we have got more leverage, probably, and therefore I think one of the things that we have been talking to Network Rail already about is how we deal with contingency plans and response. One key thing we have got to get right is once upon a time it did not really matter, if you were the operator of all of those lines you ran the contingency plans that operationally benefited you. Clearly now if one of our lines is shut because an Abellio service is blocking the other lines or something then we have got to be clear about those contingency plans in advance so that one operator's failure does not impact the other operator's performance. A bit like Southern and LOROL at the moment on south of New Cross Gate. I think that is important around those contingency plans.

**Peter Austin (Managing Director, LOROL):** I think what is interesting is if you combine LOROL or London Overground and c2c we will be the majority player in this. If we take a joined up approach, although we would be at opposite ends of the station, we can have a key influence in how Liverpool Street is run. The behaviours that Anglia has shown, we can have a joined up approach where we have to buy services of Abellio Greater Anglia and I think we have got a pretty common view on how the station should be operated.

**Jon Fox (Director of Rail, Transport for London):** One operational point is we cannot dedicate platforms to operators at Liverpool Street; there are not enough platforms to do that. Therefore, we have to work together and my personal view is if we as TfL insist for dedication of platforms, arguments will be wafer thin, in fact seen through, and then the whole argument for devolution is undermined because as soon as we ask for dedicated platforms for our service with dedicated branding it does not work. Then those who do not favour devolution can say, "Actually, look it shows it does not work, what you really need is the old model because that works better, etc". We have to be careful about how hard we argue for dedicational platforms at Liverpool Street and working together, in my view, is the best outcome however equally we have to have a voice which is listened to by Network Rail when disruption happens.

**John Biggs AM (Chairman):** Once Crossrail opens you will have extra capacity at Liverpool Street?

**Jon Fox (Director of Rail, Transport for London):** We will however the Department and Network Rail's plans are for bringing more longer distance Anglia services where the demand is from Cambridge and Stansted and so on --

**John Biggs AM (Chairman):** OK.

**Jon Fox (Director of Rail, Transport for London):** -- into Liverpool Street instead and that is a debate we have still got to have but we will not get that space.

**Joanne McCartney AM:** They can go to Stratford.

**Jon Fox (Director of Rail, Transport for London):** Stratford is an option, yes.

**Joanne McCartney AM:** The other thing I wanted to ask briefly is that I know that Enfield Council, for example, has just released plans it wants to do to improve the area around, I think about six or seven of these stations and I think they may even be bidding for money, whether it is from you or from whoever I am not quite sure. It will be a shame if they want to do improvements outside the stations to make it a better passenger experience and you are doing your improvements on the stations, if you do not join up. It seems to me that it is a perfect opportunity there.

**Jon Fox (Director of Rail, Transport for London):** I get that. The station ambience, if we can call it that, improvements that we are talking about are relatively short-term. Most of those developments, as I understand them, are a bit longer term than that and I do not see us making structural changes to the station which would prevent those longer developments going forward. I take your point in principle however the timing is such so that that will not be so much of an issue.

**Joanne McCartney AM:** OK.

**John Biggs AM (Chairman):** I have a couple of things to tidy up. One is £250 million of rolling stock, the leasing costs on that over that period, what do you --

**Jon Fox (Director of Rail, Transport for London):** Yet to be decided.

**John Biggs AM (Chairman):** OK, the fag packet figure would be what?

**Jon Fox (Director of Rail, Transport for London):** I would have to send you it. I do not know.

**John Biggs AM (Chairman):** Right, OK. The other little tidy up question was you sort of implied this in your answer earlier on that you have got all these other bits coming but you have got this Romford to Upminster which essentially nobody wants. I think that, reading between the lines, is what you are saying.

**Jon Fox (Director of Rail, Transport for London):** We love our passengers on the Romford Upminster route.

**John Biggs AM (Chairman):** It is currently a rather neglected little service; it could do a lot better. Did the Government give it to you at the point of a gun basically or did you bid for it, or what?

**Jon Fox (Director of Rail, Transport for London):** We did not bid for it.

**John Biggs AM (Chairman):** That is an interesting remark you should know. You were told you had to have it as part of the deal, they could not think of anywhere else to put it.

**Jon Fox (Director of Rail, Transport for London):** It came as a sweetener to the deal, yes.

**John Biggs AM (Chairman):** OK. That is a very interesting answer. Goodness me. OK, it will link to Crossrail, I suppose, but yes.

**Gareth Bacon AM:** I am looking forward to further expansion. What is TfL's vision for further expansion in rail, Mr Fox?

**Jon Fox (Director of Rail, Transport for London):** In devolution terms, you mean?

**Gareth Bacon AM:** Yes.

**Jon Fox (Director of Rail, Transport for London):** Well, I think we have made not too much of a secret that we think that the devolution argument is a compelling one. If you then look at where the practical application of that is around London, it is South London. Southeastern, Southern, and Southwestern are three franchises that come up for renewal in 2018, 2019, and 2021. When you actually think about that, given it is roughly a two-year process from the starting gun going off to the start date of a franchise, Southeastern, for example, is coming up so is a process opportunity from 2016; not too long away. We went through the arguments ad nauseam, some might say at length on Southeastern before. We do not believe that anything has gone away in terms of logic from those arguments.

We still believe that the money that we had lined up to invest in those stations in the way that we are going to do in West Anglia and have done on the existing Overground network, would have benefited those Southeastern passages in the metro area and we still believe that enhancing those services and bringing those stations up to the Overground standard would be a good thing. We are in the process of formulating the arguments again for Southeastern when it comes up next time and we would argue that Southwestern and Southern, when they come up, are also cases for us to advance the devolution argument on too and we are in the process of working out what that actually means and how to do that.

**Gareth Bacon AM:** The Mayor outlined his vision in 2012, did he not, which was along the lines of what you have just described and the Government ignored it or disagreed with it and extended the Southeastern franchise, as you say, until 2018. What are you going to change about the way you pitch it to Government? If the argument is as compelling now as it was then, how are you going to change the way you put it in order to be successful?

**Jon Fox (Director of Rail, Transport for London):** There are two things, there is the politics of the argument and there is the economics or the railway arguments. It is not for me to opine on the politics of the argument here. It is not for me to do so anyway.

**Gareth Bacon AM:** No, it is probably for us here.

**Jon Fox (Director of Rail, Transport for London):** On the offer I think what we put forward last time, a lot of that, interestingly, was picked up by the Southeastern Direct Award and ideas that we had about serving Victoria directly from the Dartmouth suburban lines. Many of those things have gone in the Direct Award therefore a number of our ideas have already been adopted.

Not to the same level as the station upgrades that we were looking for. I do not think one will see the ambience improvements on Southeastern metro in that Direct Award as one would have done if TfL was operating it. I do think that Thameslink and all of the London Bridge capacity issues does throw up some opportunities however I think it is quite difficult to find additional services that we would run into the London Terminals out of the Dartmouth suburban lines. That is kind of what we are doing at the moment. What else would we do?

**Gareth Bacon AM:** Well, indeed. What is the business case then?

**Jon Fox (Director of Rail, Transport for London):** At the moment, to answer you directly, we have not got the argument to trot out to you today to say, "We think it is this, this, this and this". We would say that the argument from last time that we put forward is still there in terms of the services that we proposed and in terms of station upgrades that we proposed. Some of those have been taken on in the Southeastern Direct Award. What I am saying is we have to go back literally to the drawing board to come up with more compelling arguments for the transfer from a railway and economic point of view. I still think there are ticketing and zonal advantages which could come out of that which will not come out of the Direct Award so we have got to do some more work on that. Yes, that is kind of what we are doing at the moment.

**Gareth Bacon AM:** Does the redevelopment of London Bridge get in the way of all of that?

**Jon Fox (Director of Rail, Transport for London):** The redevelopment of London Bridge facilitates some more efficiencies within the London Bridge area which enables more services that will run that the Southeastern Direct Award will be able to take advantage of.

**Gareth Bacon AM:** Yes, I would be inclined to agree but that is in the future, is it not?

**Jon Fox (Director of Rail, Transport for London):** Yes. Once the Direct Award is over, really the majority of that opportunity is in the future when the competition is re-bid and we would argue that we can make as good a case of that as anybody else. If you say train services are part of that argument, have we got some new ideas beyond what Network Rail have come up with? Not yet. Is our offer at station level a better one? We believe it is, from security, friendliness, the whole environment, ambience question, we reckon that that is a better offer than what is currently being provided. Actually the business case for doing up stations' ambience is not in itself a very good business case. If you ask any operator whether it is worth investing money in station ambience they will not do it. Look at the National Rail Network; it does not happen from TOCs. Only if there is significant regional advantage will TOCs invest in that area, and even then because their cycle of franchise is fairly short they do not get the return. Our argument is for the fare-paying passenger the environment is going to be better and that is something that is quite compelling in our argument.

**Gareth Bacon AM:** Speaking as somebody who uses Southeastern Rail on a daily basis I would be inclined to agree and I wish you Godspeed, however you were talking about the bid not being ready I suppose. Have you been having conversations with Government ministers, MPs, and local representatives?

**Jon Fox (Director of Rail, Transport for London):** We were talking only yesterday about the previous experience of trawling around the wards of Kent. In essence, as officers, most of our focus last time was not upon the inner London politicians in offices, MPs, Assembly Members or boroughs, it was actually about the Kent end of the discussion as I am sure you are more than well aware.

**Gareth Bacon AM:** Indeed.



**Jon Fox (Director of Rail, Transport for London):** Certain councillors in Kent County Council were very much against TfL taking over and this whole argument around the 'democratic deficit' and so on and, "Kent will be a barren wasteland when it comes to trains if TfL takes over", was perhaps misrepresenting exactly what we had said because we had made an absolutely copper bottom guarantee that there would be no less services from Kent than previously. That comes back to the question of perhaps it was about politics rather than about the economics of the argument.

**John Biggs AM (Chairman):** There is a provision in one of the revisions to the GLA Act to have people from outside London on an advisory or on a TfL board, I think --

**Jon Fox (Director of Rail, Transport for London):** Yes, there is.

**John Biggs AM (Chairman):** -- in order to help meet that democratic deficit.

**Jon Fox (Director of Rail, Transport for London):** Yes. We did put forward that as part of the argument last time and it could still be put forward again.

**John Biggs AM (Chairman):** OK, yes. Right, sorry.

**Gareth Bacon AM:** The other question, or the final question really to put to our two guests here is what you believe that TfL's ambition should be and what should their priorities be?

**John Biggs AM (Chairman):** Richard indicated, do you have something to TfL before --

**Richard Tracey AM:** Yes, I do actually although the others might have some interesting ideas. The South London question, actually yesterday in the Transport Committee we were talking about the infrastructure up to 2050 and we had Ian Brown [CBE, Non-Executive Director, Crossrail Ltd] there --

**John Biggs AM (Chairman):** Something like the West Lothian question.

**Richard Tracey AM:** -- who unfortunately you will know well. The point was that there was some discussion about either the business case for what is called R25, the doughnut railway around - even further out than the Overground - but also the point about perhaps linking up the Overground to various railway lines and so on in order to serve that outer ring of London. To do what many people in South London say the Underground does not do because there is the Bakerloo line debate going on that the Northern line and the District line do not really go very far into South London. What do you think of the prospects there on a business case?

**Jon Fox (Director of Rail, Transport for London):** I think the business case is self-evident in terms of the demand in South London - look at Southwest Trains today, look at the demand profile on them; look at Clapham Junction; look at Wimbledon.

**Richard Tracey AM:** Yes, I use them and my experience is exactly the same as Gareth's [Bacon, AM] on the Southeastern Line.

**Jon Fox (Director of Rail, Transport for London):** Yes. I do not think the business case in nominal terms is actually arguable. The question is how you satisfy that demand and our viewpoint - however it is not articulated in detail - is that the investment in junction capacity and creating more 'throat capacity' into the London terminals, a bit like the Liverpool Street question, is good value for money in terms of a business case. The downside of that is it is an extremely complex piece of work, it is extremely expensive, and it will be long term. We have to, I think, fuse the sort of short-term opportunities and those long-term plans together to

create a south London story because I do not think there is one, however, there is a compelling case for one. Stand on any platform in south London and they will tell you.

**Richard Tracey AM:** Yes. Conceivably it would not be as expensive as building R25 though.

**Jon Fox (Director of Rail, Transport for London):** It is that sort of scale of choice. It is not tens of millions it is hundreds of millions that we are talking about.

**John Biggs AM (Chairman):** OK. I think that is a very useful intervention.

**Richard Tracey AM:** Thank you very much.

**John Biggs AM (Chairman):** No, it was, yes. Uncharacteristic as always. I will stick on the end of it obviously Crossrail 2.

**Jon Fox (Director of Rail, Transport for London):** Sure.

**John Biggs AM (Chairman):** Just for the record, Crossrail 2 will form part of this as will the considerations as Richard mentioned, of sending the Bakerloo line down to wherever it is – Hayes.

Obviously looking at the future there will presumably be a Crossrail 3 coming up and people might want to talk about how that integrates. The French have done it, the Chinese have done it. We might as well have several and that is a performance issue for London in terms of capacity and infrastructure and so on.

**Janet Cooke (Chief Executive, London TravelWatch):** I think that the Mayor's vision should continue to be to actually devolve rail services because rail services should be further devolved. Travel in London, as you all know, the modes are so interconnected particularly with ticketing now interconnected. Travel in London is so interconnected it must make better sense to have one authority having an overview of the whole thing therefore you can actually maximise planning and interconnectivity so people can have different journey options. Particularly in parts of South London and we had this discussion with [Sir] Peter Hendy [Commissioner of Transport] a few months ago.

They could give people options so they might choose to use their car which is absolutely fine but if for example they were travelling from Chessington to Croydon, I think that is the example he used, they would not think they could only use the car, they might think actually the frequency of services is such that they could say, "I will just get the train to Clapham Junction" a bit like you might do in North London on the Tube. It has got to be better if they do that.

There is the other thing though, that as you probably know we represent rail passengers in London's commuter belt. Services do not fall off the edge of London as they do not do with the Tube or bus services so last time round when there was the discussion about Southeastern and the arguments were being made, we did work together with Passenger Focus who represent rail passengers further afield than that, we represent I think going to the Kent Line, I think we go to Sevenoaks? Yes.

Possibly more could have been done to talk to passengers about the benefits they were getting and also to just reassure them that the services would not - your argument about Liverpool Street - LOROL would just take it over or TfL would take it over to the disadvantage of East Anglia services. I do not think that is the case and we did actually get TfL and Mike Brown [Managing Director, London Underground and London Rail] has actually signed up to a nine point, I think it is, passenger assurance that we sought from him. We did it jointly

with Passenger Focus so passengers outside London could be reassured that services would continue to act in the best interests of all passengers not just London passengers.

**Gareth Bacon AM:** How would you crack that though? I am a passenger on Southeastern and I did not know about that. How would you make sure that passengers -- because for them to be reassured they need to know what you have just said and they probably do not.

**Janet Cooke (Chief Executive, London TravelWatch):** You have the dialogue with them. You tell them what it would mean because I think there was probably - and these things happen - some misinformation and maybe they did not talk to their elected representatives, I do not know, however it is just a question of letting people know what it might mean and what it probably will not mean. I know we were talking to James Cleverly [AM] a few weeks ago and he was saying, "Yes, I need to do more talking to my colleagues down in Kent so that they understand how devolution would help their constituents". It is just talking to people and letting them -- dispelling some of the myths.

**Richard Tracey AM:** I recollect it was Tunbridge Wells that particularly kicked up about these ideas however there were people there, probably the politicians that Jon [Fox] was talking about, and you do not go as far as that, do you, Janet?

**Janet Cooke (Chief Executive, London TravelWatch):** No, not Tunbridge Wells, no.

**John Biggs AM (Chairman):** I am still waiting for my first letter from 'Angry of Tunbridge Wells'.

**Gareth Bacon AM:** Mr Roberts, do you agree with that?

**Jonathan Roberts (Managing Director, Jonathan Roberts Consulting):** I do agree that that has to be the overall thrust in terms of policy direction, yes. There are practical and pragmatic issues that need to be addressed and I do not think the economics is really the issue. You can add value in one way and another and they are going to have to, in the 2020s through to London 2050, do a huge amount more in terms of capacity and they are only going to get one shot at it probably for each ride. If one looks at the Network Rail long-term planning process forecasts for 2043 that are up there, they are published, for London and Southeast, one does the maths and if you get a piece of paper here and there is actually, in addition to High Speed 2 (HS2) and Crossrail 2, three to four additional main lines needed. It is that scale of volume and that is one in from the Southeast and one in from Greater Eastern or West Anglia joined up together, things like that. That is the scale of what is going to be required for London if one believes those forecasts and that is just for London 2050 numbers.

To get to that point, therefore, they have to start by getting in and making some good, useful differences with the railway network that they have. I totally understand the pragmatics about it is probably best trying to do it by when the next franchise sequence comes around. One looks at the actual physical numbers in terms of thousands of passengers travelling on the main corridors and it is shouting about the whole of South London, Southern, the South Western, from your perspective, and the South Eastern. Those are really big numbers of passengers who are only going to grow in total number as well. Yes, they come across the border, they come in from Kent, Surrey, Sussex and so on and one has to take a judgement as to where the TfL involvement stops or slows down. There is already an agreement between TfL and the DfT about where Oyster could go. It goes out as far as Hartford and Guildford, things like that. That is crudely the inner suburban service network and I rather think that it is going to be that sort of animal which needs to be addressed.

One final thing, certainly Crossrail 2 is needed for main line relief and Tube relief, plus whatever needs to be done at Euston. Maybe there is some policy sense in seeing whether one can do more on those corridors, such

as through Winterbourne and so on, in a pre-Crossrail 2 phase. That is just a thought however it is that way of anticipating that over the next 35 years we are going to be seeing more than half a million passengers coming in on the main line because that is the forecast. That is not the Tube; that is the main lines. If you are not careful a large number of those will be standing, including both inner and outer suburban services, and that nettle really has to be grasped. It is not going to be easy it will be a joint Government issue with TfL and everybody else. The funding scale; you need effectively a main line production line.

**Darren Johnson AM:** This is a final question for Jon really because surely in terms of making the future case in Southeastern, the biggest potential advert for that is getting things right in West Anglia and showing that the fears can be allayed about the impact on other services, that services can improve and so on. Surely that is going to be your biggest advert for hopefully taking over Southeastern at some point in the future.

**Jon Fox (Director of Rail, Transport for London):** We are off to do it right now.

**Darren Johnson AM:** Good. OK.

**John Biggs AM (Chairman):** Can we thank you very much. I am sorry if you feel over-delayed or in excess of capacity or whatever but it has been great having you here and we understand. We try not to become trainspotters too much and we understand a lot better, I think, about the 'thing', the concession and how it works and how we might give some advice out of this. Thanks very much for that and we will note your answers.

**Subject: Summary List of Actions****Report to: Budget and Performance Committee****Report of: Executive Director of Secretariat****Date: 20 November 2014****This report will be considered in public****1. Summary**

- 1.1 This report sets out details of actions arising from previous meetings of the Budget and Performance Committee.

**2. Recommendation**

- 2.1 **That the Committee notes the completed and outstanding actions arising from previous meetings of the Committee, as listed below.**

**Actions Arising from the Meeting of 15 October 2014**

<b>Agenda Item</b>	<b>Topic</b>	<b>Status</b>	<b>For action by</b>
<b>5.</b>	<p><b>London Overground</b></p> <p>During the course of the discussion, the Committee requested the following additional information in writing:</p> <ul style="list-style-type: none"> <li>• A breakdown of London Overground income, showing which elements were linked to the Retail Prices Index;</li> <li>• What incentives might work for rail operators and Network Rail to improve the line-side environment, particularly in relation to graffiti, refuse and litter;</li> <li>• The percentage fare risk for Transport for London in the Crossrail concession; and</li> <li>• The leasing costs for the £250 million of new rolling stock for the West Anglia Overground lines.</li> </ul>	The Chairman has written to the relevant guests to request the additional information.	Deputy Commissioner, MPS

Agenda Item	Topic	Status	For action by
6.	<p><b>Work Programme</b></p> <p>The Committee noted that Transport for London had been slow in providing information for the Budget Monitoring Sub-Committee in October and agreed that the Chairman should write to TfL to express dissatisfaction with the speed of response.</p>	<p>The Chairman (in his capacity of Chairman of the Budget Monitoring Sub-Committee) has written to TfL. The letter is attached at <b>Appendix 1.</b></p>	Chairman

### Actions Arising from the Meeting of 11 September 2014

Agenda Item	Topic	Status	For action by
6.	<p><b>Policing in Austerity</b></p> <p>During the course of the discussion, the Committee requested from the Metropolitan Police Service (MPS) details of break clauses in the Command and Control contract and details of teams where volunteers and special constables are deployed.</p>	<p>The response from the Deputy Commissioner is attached at <b>Appendix 2.</b></p>	Deputy Commissioner, MPS
7.	<p><b>London Legacy Development Corporation (LLDC)</b></p> <p>During the course of the discussion, the Committee sought further clarity about the potential for Tottenham Hotspur Football Club (Spurs) to use the Olympic Stadium during redevelopment of the Club's own stadium.</p>	<p>The response from the Chief Executive of the LLDC is attached at <b>Appendix 3.</b></p>	Chief Executive, London Legacy Development Corporation

### Actions Arising from the Meeting of 3 July 2014

Agenda Item	Topic	Status	For action by
4.	<p><b>GLA's Business Plan and Project Prioritisation Process</b></p> <p>The Committee requested the following additional information:</p> <ul style="list-style-type: none"> <li>• Details of the Government's announcement on New Homes Bonus funding in London and any correspondence with the Government about the decision; and</li> </ul>	<p>The Chairman has written to the relevant guests to request the additional information.</p>	Head of Governance and Resilience

Agenda Item	Topic	Status	For action by
	<ul style="list-style-type: none"> <li>• Details of performance against any key performance indicators (KPIs) against the previous criteria where the KPIs have been updated.</li> </ul>		

### Actions Arising from the Meeting of 25 June 2014

Agenda Item	Topic	Status	For action by
10.	<p><b>Viability of Transport for London's Sponsored Transport Schemes</b></p> <p>The Committee noted the commitments to provide the following additional information:</p> <ul style="list-style-type: none"> <li>• The report analysing Emirates Air Line passenger usage year on year;</li> <li>• The percentage of operating costs for the Barclays Cycle Hire Scheme covered by the sponsorship;</li> <li>• How much capital costs for the Barclays Cycle Hire Scheme differed from the original estimates; and</li> <li>• Details of any agreements with private property owners to fund the installation of cycle docking stations.</li> </ul> <p>The Committee also noted the commitment from the Deputy Mayor for Transport to look into how Transport for London could incorporate into its sponsorship policy a provision for commercial agreements with companies the tax arrangements for which did not reflect the size of their operations in the UK.</p>	The Chairman has written to the relevant guests to request the additional information.	Transport for London

## Actions Arising from the Meeting of 4 March 2014

Agenda Item	Topic	Status	For action by
6.	<p><b>GLA Land and Property Assets</b></p> <p>The Committee requested the following additional information:</p> <ul style="list-style-type: none"> <li>• Details of the 75 sites Transport for London (TfL) intended to take forward for development over the course of the next ten years;</li> <li>• The reasons for the Single Property Unit list of GLA group assets not yet including all TfL assets; and</li> <li>• A definition from the Deputy Mayor for what the GLA means by property savings across the GLA group.</li> </ul>	The Chairman has written to the relevant guests to request the additional information.	<p>Director of Commercial Development, TfL</p> <p>Deputy Mayor for Housing, Land and Property</p>

### 3. Legal Implications

3.1 The Committee has the power to do what is recommended in this report.

### 4. Financial Implications

4.1 There are no financial implications to the GLA arising from this report.

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#### List of appendices to this report:

Appendix 1: Letter from Chairman of the Budget Monitoring Sub-Committee to TfL

Appendix 2: Letter from MPS re policing in austerity

Appendix 3: Letter from LLDC re Olympic Stadium

#### Local Government (Access to Information) Act 1985

List of Background Papers: None

Contact Officer: Dale Langford, Principal Committee Manager

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John Biggs AM, Chairman of the Budget Monitoring Sub-Committee

**Ben Plowden**

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6 November 2014

Dear Mr Plowden

**Budget Monitoring Sub-Committee – 21 October 2014**

I would like to thank the representatives of TfL for attending the London Assembly's Budget Monitoring Sub-Committee meeting on 21 October 2014 to discuss delivery of the Mayor's cycling vision. Their answers were of much assistance and Members were grateful for their contributions.

During the course of the discussion, Members requested that TfL provide some maps showing the various cycling initiatives – in particular, the Cycle Superhighway routes. Clearly, TfL is best placed to decide the most suitable way to present this information; but it would be useful for Members to be able to put the various schemes into their geographical context and understand how they are spread across London. If they are not already published, may I suggest that TfL makes the maps available on its website.

Members also asked for an explanation of the £59 million increase in budget for the Cycle Superhighways programme. This figure was reached using the £150 million budget in the 2013 Business Plan (£83 million for existing routes and £67 million for new routes), rising to £209 million as set out in the TfL Board paper, *Cycling Vision Portfolio*, 5 February 2014.

We were disappointed to receive your written submission 12 days after the 20 working days deadline, without any explanation for the delay. I appreciate that delays are, at times, unavoidable. But on this occasion, the lateness of the submission meant that we were unable to publish it on the Sub-Committee's agenda, and Members had little time to examine the information ahead of the meeting. I would appreciate an explanation as to why TfL was unable to provide us with a written response within the agreed time frame. I am confident that it will not come to this, but delays to Assembly requests for information or responses to reports may be reported to the GLA Oversight Committee for its consideration.

I would be grateful if you would arrange for your response to be sent to me by 6 December (copied to the Project Officer, as per the details below).

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Biggs', with a large, stylized initial 'J' and 'B'.

**John Biggs AM**

Chairman of the Budget Monitoring Sub-Committee

Cc: Patrick Doig, Nigel Hardy, David Rowe, Lilli Matson, Andrew Gilligan

3rd November 2014

John Biggs, AM,  
Chair of the Police and Crime Committee  
London Assembly  
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London SE1 2AA

**Craig Mackey QPM**  
Deputy Commissioner of Police  
of the Metropolis

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Dear John

Please see the responses below to your questions following the Budget and Performance Committee meeting on 11 September, as received by the MPS on 22 September.

**1) Specific grants – At the meeting, you discussed the different specific grants that the MPS receives from central government over which it has no control. Please provide, for each year of the current spending review period (2010-11 to 2015-16), the grant income that the MPS has received from the government for the following:**

- National, International and Capital City funding
- ACPO Terrorism and Allied Matters funding (i.e. for counter-terrorism)
- TfL
- Other significant specific grants not listed above

These are listed below and will form part of the November 2014 MPS budget submission:

MPS Specific Grants/Income	Actual Grants				Budget 2014/15 £m	Notes
	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m		
NIACC	208.00	200.00	189.00	185.00	176.20	Paid as part of main Police Grant.
CT	198.40	192.34	199.21	199.50	244.27	Grants merged for 2014/15.
ACPO TAM	40.73	37.94	42.60	42.54		Grants merged for 2014/15.
DSP (now PSG)	109.83	112.50	108.58	106.40	101.65	
Neighbourhood Policing Fund	95.51	103.40	101.27	-	-	Paid as part of main Police Grant from 2013/14.
Special Constabulary Grant	2.82	1.50	-	-	-	Stopped in 2012/13.
Budget Resilience Grant			90.00			One off.
Loan Charges Grant	1.98	1.87	1.62	1.23		
Crime Fighting Fund	72.98	-	-	-	-	Moved to main Police Grant.
Rule 2 Grant	54.70	-	-	-	-	Moved to main Police Grant.
Basic Command Unit Fund	7.90	-	-	-	-	Moved to main Police Grant.
Olympic 2012 Funding	22.91	37.03	99.42	0.08	-	
TFL (Income)	88.48	85.89	92.76	91.70	91.30	
<b>Total</b>	<b>964.24</b>	<b>772.47</b>	<b>924.46</b>	<b>626.45</b>	<b>613.42</b>	

2015/16 Details will form part of the November 2014 budget submission.

**2) Savings – At the meeting, you said that the MPS might need to make cumulative savings of around £700-800 million in the next spending review period (2016-17 to 2019-20). Against what baseline?**

Including 2015/16, the MPS needs to save between £770m and £970m by the end of 2019/20. Once 2015/16 is balanced, the MPS will need to save between £520m and £720m over the next spending review period.

**3) Introducing new technology – At the meeting, you said that the MPS has a “piece of work that will come out very shortly...which is around transforming what the [MPS]’ technology activity looks like”. Given the Committee’s interest in the MPS’ plans to improve how it uses technology, please could you provide further details of this work, including the terms of reference, the report author and your expected completion date? Please also confirm that you will share the results with the Committee as soon as the report is approved.**

This refers to work being carried out as part of the MPS’s Commercial Programme in relation to how we manage our ICT infrastructure. This is referenced in the response to question four below.

**4) Commercial programme – At the meeting, you mentioned that there are seven areas/services that the MPS is looking at to see if it can “compete” them. Please could you provide a description of these seven areas and what savings and service improvements you hope to achieve.**

The seven areas of the commercial programme include: Corporate Real Estate, Transport Services, Business Support Services, Logistics, ICT Services, Command and Control, and Criminal Justice.

Future savings are estimated in the region of £60m however outline business cases are being worked on and as a result of this there will be more clarity on the level of savings that will be achievable. There are significant savings included within the current financial strategy for Corporate Real Estate (£70m by 2019/20) and Total Technology (£68m by 2017/18).

#### Service Improvements

The Commercial Programme is focusing on making support services more effective, efficient and economic. We are aiming for Services to be delivered to the appropriate level of quality for less cost.

**1. Corporate Real Estate - A Facilities Management Integrator has been appointed to generate substantial efficiencies within the facilities management chain and deliver improved service levels.**

**2. Transport Services - On Fleet activities, we have reviewed our current arrangements and may retender for services later this year. We are seeking to simplify Fleet Services and deliver better value for money, without the MPS privatising or losing control of the services.**

**3. Business Process Outsourcing (HR, Finance, Procurement and associated IT systems) - We are currently assessing all the pros, cons and overall viability of all the potential solutions - both in the market and in-house - to reduce costs and improve quality of service delivery.**

**4. Logistics** - We have begun the procurement for a National Uniform Managed Service. This new arrangement will enable the MPS to purchase new uniform as part of the national offering, at a reduced cost.

**5. ICT - Infrastructure**

We are already preparing to retender for infrastructure and other ICT services as the existing contract is due to expire in December 2015.

**6. Command & Control Futures**

A replacement Command & Control system is required to enhance capabilities and deliver future savings.

**7. Criminal Justice**

Not yet identified as scoping has only just started.

Please let me know if you require any further information.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Craig Mackey". The signature is fluid and cursive, written in a professional style.

**Craig Mackey**  
**Deputy Commissioner**

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24 October 2014

John Biggs AM  
London Assembly  
City Hall  
The Queen's Wall  
London SE1 2AA

Dear John,

**Re: Use of the Olympic Stadium**

Many thanks for your letter of 1 October on my first day in post. I'm delighted to take up my new role here at LLDC and look forward to continuing the constructive relationship between the organisation and your Committee.

I am aware of the session of 11 September attended by Neale Coleman, Dennis Hone and Jonathan Dutton and am happy to provide clarification on the points you raise.

You will know that the Stadium is owned by E20 Stadium LLP, a joint venture between the LLDC and Newham Council, specifically set up to transform and manage the Stadium. The E20 Stadium LLP seeks to make the Stadium financially sustainable as well as maximise the sporting legacy and the long-term regeneration benefits from the site. I therefore copy Kim Bromley-Derry from Newham Council into my response.

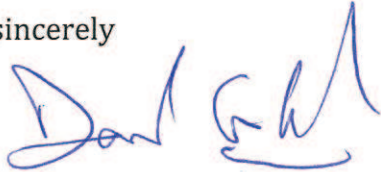
In March 2013, the E20 Stadium LLP confirmed that West Ham United Football Club would be the Stadium's long term concessionaire with a 99 year concession commencing in 2016 and as such their matches have priority. It was also confirmed that the Stadium will become the new national centre for athletics with UK Athletics having use of the venue from the last Friday in June to the end of July every year under a 50 year agreement.

To address your first point, the E20 Stadium LLP will appoint an operator to manage and maintain the Stadium and programme activities and events. Any proposal made, be that from a football team or other organisation, will be considered on its merits by the E20 Stadium LLP and operator and in consultation with the existing concessionaires.

On your remaining three points regarding Tottenham Hotspur FC (Spurs) in particular, the E20 Stadium LLP has not had any approach from Spurs and therefore this possibility has not been looked at in any detail. Again, if any proposal were made from Spurs, it would be considered on its merits by the E20 Stadium LLP and operator and in consultation with the existing concessionaires.

I think you last came to the Park in October last year. If you would like to visit the Park now it is open to the public and see the work we have done to date, I would be pleased to show you round. Please do get in touch with my PA Johanna Pearson if you would like to take up this offer.

Yours sincerely



David Goldstone CBE  
Chief Executive  
London Legacy Development Corporation

Copy to: Kim Bromley-Derry, CEO LB Newham



# Subject: Action Taken Under Delegated Authority

**Report to: Budget and Performance Committee**

**Report of: Executive Director of Secretariat**

**Date: 20 November 2014**

**This report will be considered in public**

## 1. Summary

1.1 This report sets out recent action taken by the Chairman under delegated authority.

## 2. Recommendation

2.1 **That the Committee notes the recent action taken by the Chairman under delegated authority, namely to agree, in consultation with party Group Lead Members, comments on the London Infrastructure Plan for submission to the London Assembly's Planning Committee.**

## 3. Background

3.1 Under Standing Orders and the Assembly's Scheme of Delegation, certain decisions by Members can be taken under delegated authority. This report details those actions.

3.2 At its meeting on 11 September 2014, the Budget and Performance Committee delegated authority to the Chairman, in consultation with party Group Lead Members, to agree comments on the London Infrastructure Plan for submission to the London Assembly's Planning Committee.

## 4. Issues for Consideration

4.1 The Committee's comments on the London Infrastructure Plan were agreed by the Chairman, following consultation with the lead Members of the party Groups on the Committee, and submitted to the Planning Committee on 10 October 2014. The submission is attached as **Appendix 1**.

## 5. Legal Implications

5.1 The Committee has the power to do what is recommended in the report.

## 6. Financial Implications

6.1 There are no direct financial implications to the GLA arising from this report.

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### List of appendices to this report:

Appendix 1: Submission re London Infrastructure Plan to Planning Committee

<b>Local Government (Access to Information) Act 1985</b>
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List of Background Papers:
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Member's Delegated Authority form 530
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John Biggs, Chairman of the Budget and Performance Committee

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## **Nicky Gavron**

Chair of Planning Committee

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10 October 2014

Dear Nicky,

### **London Infrastructure Plan 2050 – Budget and Performance Committee comments**

As Chair of the London Assembly Budget and Performance Committee, I welcome the opportunity to contribute to the consultation for the London Infrastructure Plan 2050. In my capacity as Chair of the Committee, I sat on the London Finance Commission. The Commission recommended that the Mayor should develop and maintain a high-level infrastructure plan and report progress against it.

Below are the key findings from the Budget and Performance Committee's work over the last few years that are most relevant to the London Infrastructure Plan:

- London's success depends on continuous and significant investment, and we therefore welcome the Plan as a positive step forward. But, having agreed on the need for this scale of investment – and the benefits it will bring London and the UK – we must all recognise that it has to be paid for.
- Not all the infrastructure in the Plan will be owned, or paid for, by the public sector. Some will be entirely private sectors ventures, paid for by consumers through charges or levies. Some will be publicly-owned and funded, either at the national or regional/local government level. And some will be a hybrid. So, while the public sector may have a role in all the schemes – in terms of enabling, promoting or regulating – it will only need to fund and deliver some of them, using a range of strategies for raising the funding and delivering the schemes. Where possible, the likely ownership and funding arrangements should therefore be set out in the Plan. As should the ways in which City Hall, where not responsible for delivery, will oversee, monitor and help to facilitate projects viewed as a priority.
- In view of the fact that, because of the scale of funding required, it is likely that not all the projects will proceed, the Plan could set out the key priorities until 2050 more clearly.
- Infrastructure investment must be underpinned by robust forecasting and business cases that capture all the costs and benefits. As we have seen with the Cycle Hire

## LONDONASSEMBLY

Scheme, TfL's forecasting and modelling is not always reliable, yet it underpins huge investment decisions.

- We note the significance of fares as a proportion of the plan's proposed funding. And it would be tempting to increase fares above inflation to plug the funding gap. But fare increases should be kept to a minimum – the Mayor needs to recognise the impact of fares on London's affordability.
- There is still a great deal of uncertainty for the Mayor and GLA on many of its income streams e.g. business rates – this needs to be improved. We therefore agree with the Mayor's goal to take greater control over taxation in London.
- The lack of certainty over funding, particularly over the longer term, makes it very difficult to plan effectively. Where longer-term funding has been agreed – for example the six-year capital funding settlement from DfT to TfL – this has made it easier (and potentially cheaper) to plan investment.
- We support the further devolution of suburban rail services – the Overground has proven an effective model to improve services and control costs.
- There may be opportunities to leverage in private investment in the form of philanthropic donations or commercial sponsorship. While this will only ever provide a small element of the funding required, these sources should not be ignored.
- The GLA Group needs to become more commercially-aware to make best use of its assets. TfL is expanding its commercial team to increase these income streams, and we support this approach.
- The Mayor must make best use of the GLA's land assets, and there is a case for the Mayor to have a strategic role in managing disposals of all public sector land in London.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Biggs', with a stylized flourish at the end.

**John Biggs**  
**Chair of the Budget and Performance Committee**

<b>Subject: Draft GLA Budget 2015-16</b>	
<b>Report to: Budget &amp; Performance Committee</b>	
<b>Report of: Head of Paid Service and Executive Director of Resources</b>	<b>Date: 20 November 2014</b>
<b>This report will be considered in public</b>	

## 1. Summary

1.1 Members are asked to respond to the Mayor's initial budget plans for the GLA for 2015-16.

## 2. Recommendation

2.1 **That the Committee responds on behalf of the Assembly to the Mayor's consultation on his Draft GLA Budget for 2015-16.**

## 3. Background

3.1 The GLA Act requires the Mayor to consult the Assembly on his GLA budget plans for the next financial year before going out to consultation on GLA Group plans. The consultation document is appended to this report.

## 4. Issues for Consideration

4.1 The issues arising are highlighted in the report attached at **Annexe A**.

## 5. Legal Implications

5.1 Sections 85 to 90 and Schedule 6 ("Schedule 6") of the Greater London Authority Act 1999 set out the requirements and procedure for the preparation of the Greater London Authority's (GLA's) Group annual budget. The budget is prepared in two principal stages, described as the draft consolidated budget and the final draft budget.

5.2 Under paragraph 1 of Schedule 6 the Mayor and Assembly are responsible for the preparation of:

- A component budget for each "constituent body", that is, the Mayor, the Assembly, and each of the functional bodies, namely, Transport for London, the Mayor's Office for Policing and Crime,

the London Legacy Development Corporation, and the London Fire and Emergency Planning Authority; and

- A consolidated budget for the GLA.

### **Consultation**

- 5.3 The Mayor must prepare a draft component budget for each constituent body. The Mayor must consult the Assembly before preparing the draft component budgets for the Mayor and the Assembly, and the functional bodies before preparing their draft component budgets.
- 5.4 The Mayor must then prepare a consolidated budget for the GLA, consisting of the GLA's consolidated council tax requirement, the component budget for each of the constituent bodies, and the calculations giving rise to the GLA's consolidated council tax requirement and the component council tax requirements.

### **Draft consolidated budget meeting**

- 5.5 The Mayor must submit his draft consolidated budget to the Assembly's "Draft Budget Meeting" by no later than 1 February each year (or such later date as substituted by regulations). The Assembly's role is to consider the Mayor's draft consolidated budget at a public meeting, to approve the draft component budgets giving rise to the draft consolidated budget (with or without amendments) and to set a budget in the event that the Mayor does not do so in time (In this event the Assembly approves the separate component council tax requirements and the GLA's consolidated council tax requirement for the year, and the whole budget process ends at that point). There are limits set out in paragraph 5A of Schedule 6 on the aggregate amendments the Assembly may make to the draft component council tax requirement for the Assembly. The Assembly may make amendments to the draft component budgets and the resulting draft consolidated budget (and council tax requirements) by a simple majority of votes cast (If none are made then the draft consolidated budget is deemed to have been approved by the Assembly by operation of law un-amended).

### **Final budget meeting**

- 5.6 After the draft consolidated budget has been approved (amended or not) the Mayor has to prepare a final draft of the proposed consolidated budget ("final draft budget"). This may be the same as the original draft consolidated budget, or the draft consolidated budget amended by the Assembly or the Mayor.
- If it is different from the draft consolidated budget previously amended by the Assembly at the Draft Budget Meeting, then the Mayor must lay a written statement of reasons explaining the difference;
  - The final draft budget is then presented to the Assembly's Final Budget Meeting which must be held before the end of February each year (this date cannot change). The Assembly must approve the final draft budget with or without amendment;
  - Amendments to the final draft budget require the support of two thirds of the Assembly members voting (If none are made then the draft consolidated budget is deemed to have been approved by the Assembly by operation of law un-amended);
  - The Assembly's powers to amend the final draft budget are subject to financial limits in respect of the Assembly's component council tax requirement and it also may not amend the budget to make it "excessive" (see below).

- 5.7 The process of determination of the component and consolidated budget requirements is expected to take place between December, when central government's provisional financial settlement is published, and the end of February, when the final draft budget must be approved by the Assembly in accordance with paragraph 8(7) of Schedule 6.
- 5.8 Under section 66 of the Local Government Finance Act 1992, the GLA's calculation of its budget requirements, and resulting precept, made in accordance with the statutory procedures, may not be questioned except by way of judicial review.
- 5.9 Expenditure or activities undertaken by the GLA must be based on the specific statutory powers given to it. Expenditure should only be budgeted for activities which fall within those statutory powers and can only be spent for such purposes whether budgeted or not.

### **Excessiveness Principles**

- 5.10 Under chapter 4ZA of the Local Government Finance Act 1992, there is provision for the holding of referendums by billing authorities if the GLA's relevant basic amount of council tax is "excessive" under principles proposed by the Secretary of State and approved by the House of Commons for the forthcoming financial year.
- The Excessiveness Principles for 2015-16 are likely to be approved by the House of Commons in early 2015 with draft principles expected to be published for consultation alongside the provisional local government finance settlement in December 2014. As soon as these are confirmed the GLA is under a duty to determine whether its "relevant basic amount of council tax" is excessive with regard to those approved principles;
  - The Excessiveness Principles refer, in the context of the GLA, to the two relevant basic amounts of council tax (based on Band D) and these must be determined as part of the budget calculations: (1) the "adjusted" relevant basic amount of council tax which applies throughout Greater London outside the City including funding for MOPAC, LFEPA and other services and (2) the "unadjusted" relevant basic amount of council tax which applies within the area of the City of London only and reflects the fact that that council taxpayers in that area do not fund MOPAC (where instead the City of London Police is funded by the City Corporation through its council tax). In 2014-15 the adjusted amount of council tax is £299 and the unadjusted amount £84.48;
  - If either or both figures do not comply with the Excessiveness Principles then the component and consolidated budgets, and council tax requirements that give rise to them, are considered excessive, with the consequences set out below;
  - If the final draft budget does not comply with these "Excessiveness Principles" then the Mayor must prepare and present a "substitute final draft budget" alongside the (excessive) final draft budget prepared and presented to the Assembly;
  - In the event that the final draft budget is approved (with or without amendment) in a form where it is "excessive" then the Assembly must also approve a (non-excessive) substitute final draft budget;
  - The approved budget is then submitted to a referendum of local government electors across the whole of Greater London irrespective of which of the two relevant basic amount of council tax calculations is excessive. If the referendum fails the non excessive substitute budget becomes the approved budget;

- Such a referendum is normally to be held on the first Thursday in May and, from the point when the GLA precept is issued until the result of the referendum, billing authorities across Greater London (the boroughs) are not permitted to pay any precept to the GLA. It is therefore anticipated that any council tax referenda for 2015-16 would be held on Thursday 7 May which is expected to be the date of the UK General election.

## 6. Financial Implications

6.1 Financial issues are integral to the consultation document at Annexe A.

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### List of appendices to this report:

Annexe A: Draft GLA Budget 2015-16

<b>Local Government (Access to Information) Act 1985</b>
List of Background Papers: None
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## Draft GLA budget for 2015-16

20 November 2014

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### APPENDICES

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Appendix 5:	Revenue Reserves
Appendix 6:	Capital Spending Plan
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## BACKGROUND

### 1. Introduction

- 1.1. For the purpose of budget setting, the Mayor and the Assembly are treated as separate constituent bodies. Before preparing separate draft component budgets for each, the Mayor must, under the GLA Act 1999, consult the Assembly. That is the purpose of this document: to consult the Budget and Performance Committee, acting on behalf of the Assembly. Subsequently the full Assembly will be consulted further, as part of the wider GLA Group budget consultation process.
- 1.2. As set out in the GLA Act 2007:
- The component budget for the Assembly comprises the estimates for defined expenditure (essentially its own direct expenditure and London TravelWatch), income, and appropriate contingencies and financial reserves for Assembly functions; and
  - The component budget for the Mayor comprises the remainder of the GLA and this includes expenditure incurred on accommodation in relation to the Assembly's business and goods and services provided or procured for the Authority in general.
- 1.3. The Mayor's budget guidance for 2015-16 for the GLA was issued in July 2014. The Budget Guidance requested spending plans for both 2015-16 and 2016-17 and set out the funding allocations which the Mayor expected to provide to the GLA and each functional body in respect of those general resources over which he has direct control, i.e. funding from Council Tax, Council Tax Freeze Grant, Retained Business Rates and Revenue Support Grant. As there are no details on Government departmental allocations (other than housing capital funding) for 2016-17 and future years, as these are not expected to be published until after the General Election in May 2015, the allocations for that financial year are purely indicative estimates.
- 1.4. The guidance required budget proposals to be developed in accordance with the following planning assumptions of general funding (i.e. funding from Council Tax, Council Tax Freeze Grant, Retained Business Rates and Revenue Support Grant):

Mayor and Assembly (£178.3m in 2014-15)	£175.1m in 2015-16 £172.2m in 2016-17
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#### Savings plans

- 1.5. In the GLA's own internal guidance, directorates were requested to demonstrate 2.5% per annum net savings on non-programme expenditure in order to provide headroom for further Mayoral priorities. No new savings were requested of the Assembly.

#### Funding assumptions

- 1.6. The Provisional Local Government Finance Settlement for 2015-16 which will confirm the revenue support grant allocation for the GLA and LFEPA is expected to be published in mid-December. Indicative allocations were published last February and it is not anticipated that the revenue support grant allocations will change materially. The settlement may also address the mechanism by which the Mayor and the LEP will receive any funding allocated to it for the New Homes Bonus in 2015-16.
- 1.7. The GLA's share of retained business rates is another significant source of funding. The 33 London billing authorities provided rates forecast information at the start of the year. Billing authorities will provide a further estimate in January of expected income for 2014-15 and also a taxbase forecast for 2015-16 – on a similar basis to the system for council tax. Should there be a surplus or deficit compared to the original forecasts for 2014-15, the difference will be paid over

to or recovered from the GLA through the instalments for 2015-16. This data will need to be taken into account in determining the budget proposals for next year. In summer 2015 the GLA will receive final outturn data for 2014-15 which will determine the actual sum receivable in respect of that financial year, as well as any levy payment we may be required to pay to DCLG if there is net real terms growth compared to the baseline as the Mayor is only able to retain 73 per cent of the uplift. The GLA will accrue for these sums in its accounts. However, the cash transfers from boroughs due to the actuals being different from the January for 2014-15 will not be made until the following financial year (i.e. 2016-17) through the subsequent January surplus/deficit calculation. The same timing – deferred by one year – will apply for the 2015-16 business rates figures. In addition the GLA will receive section 31 grant from DCLG to fund the costs of any reliefs announced in the Chancellor’s Autumn Statement (e.g. small business rate relief, targeted support for retailers or for any cap in the actual NNDR multiplier should the Government decide this will be lower than the actual September RPI uplift as occurred for 2014-15)

- 1.8. It is therefore boroughs’ forecasts, assumptions on appeals and the sums they collect in business rates which will determine the funding available for the GLA and the rest of the GLA Group via rates retention both in terms of revenues received directly from them and any related section 31 top up grants from the Government for the costs of certain rates reliefs – and not any indicative estimates set out in Government expenditure planning documents. The GLA is working closely with DCLG, London Councils, individual London boroughs and the Corporation of London, as well as engaging with the Valuation Office Agency, to understand how the new system is operating on the ground, including collection rates and appeals.
- 1.9. Although there are a number of factors that affect the business rates retention yield, the funding should rise in line with the annual RPI inflation (September is the statutory month) as the business rates multiplier (or tax rate) is uplifted by this amount. The September 2014 RPI was 2.3 per cent and the following uplifts have been assumed in respect of the support provided for GLA’s directorate spending – (i.e. excluding any growth held corporately in the Mayor’s resilience reserve to support group funding pressures in either year):

2015-16 business rates retention RPI uplift	£0.8m
2016-17 business rates retention RPI uplift	£0.8m

- 1.10. It is against the above background that the Budget and Performance Committee is invited to comment on behalf of the Assembly before the Mayor prepares draft component budgets for the Mayor and the Assembly.

**2. Preparation of draft component budgets**

- 2.1. The Mayor does not intend to prepare component budgets for consultation until after the Provisional Local Government Finance Settlement. This announcement will not be issued until the Chancellor of the Exchequer has made his Autumn Statement on 3 December.
- 2.2. The following sections set out the budget proposals as they currently stand. They are not final budget proposals and Members are asked to note the following points in relation to the approach adopted:
- Provision has been made for a one per cent pay award for 2015-16;
  - A vacancy rate of 5.85 per cent has been applied where appropriate;
  - The Mayor is currently consulting on a proposal to establish the Old Oak & Park Royal Development Corporation (OPDC) on 1 April 2015 and the GLA’s budget proposals include seed-funding for this new functional body;

- The forecast level of interest receipts will be kept under review due to the uncertainties surrounding the timing of receipts and payments;
- The contingency for 2015-16 currently stands at £4.9m, which is subject to review and which will be essential to ensure that the GLA has adequate financial resources to meet identified liabilities, future inflation and a degree of unforeseen risk;
- There remains uncertainty over other new potential funding sources;
- It has been assumed that £70m of New Homes Bonus will be received on behalf of the LEP in 2015-16 and that expenditure will be incurred against this split approximately 45/55 between capital and revenue;
- The retained business rates tariff payment to DCLG (£352.9m in 2014-15) will increase by the RPI uplift each year and will be the first call on any increased business rates income;
- The estimates and budgetary provisions set out in this report represent reasonable and necessary financial provisions but further detailed advice on these matters, including advice on the adequacy and use of reserves, will be presented to the Mayor and the Assembly before decisions are required on the 2015-16 budget; and
- To mitigate the risk of a shortfall in business rates and the special risk the GLA is exposed to as a result of the timing and the potential quantum of changes to the council tax base, collection fund shares and grant settlements, the GLA retains the Mayor's Resilience Reserve. This reserve will be reviewed once the Provisional Local Government Settlement is announced and when relevant returns are received from London's 33 billing authorities in January 2015.

### 3. Context and overview

#### The GLA's Business Plan

- 3.1. In May 2014 the GLA published a refreshed business plan covering the period from 2014-15 to 2015-16. The plan sets out how each of the GLA's directorates and units plays its part in delivering the Mayor's priorities. The plan also includes an overview of the work of the Secretariat in supporting the Assembly.
- 3.2. The overarching theme of the plan is ensuring that every penny of taxpayers' money delivers value for money. The plan also outlines two top priorities – which are mutually supporting:
  - jobs and growth; and
  - housing for Londoners: finding every way possible for hard-working Londoners to access decent, low cost affordable housing.
- 3.3. The plan lists the following major projects and programmes supporting the Mayor's ambitions, including his 2020 Vision:
  - Through the Mayor's Regeneration Fund and a focus on London's high streets, bring vitality to London's local places and centres. Local economies will be strengthened, jobs created and safeguarded, public realm transformed, and local infrastructure will be made fit for the future.
  - Increase the supply of affordable homes, delivering 100,000 over two Mayoral terms, and identify new and better approaches to increasing housing supply.
  - Give talented young Londoners the opportunity to contribute to London's success and build the foundation of a successful career by creating 250,000 apprenticeships by 2016.
  - Drive up standards in London's schools, boosting attainment and giving every child the platform they need to succeed by implementing the Mayor's Education Delivery Plan.
  - Retrofit more of London's homes and public workplaces, saving carbon and cutting bills.
  - Make London a greener, cleaner city by planting 10,000 street trees, creating 100 pocket parks and improving six larger, strategic green spaces.

- Work to continue to improve London’s air quality through developing plans for the Ultra Low Emission Zone, introducing cleaner buses and taxis and through the Mayor’s Air Quality Fund for local schemes.
  - Work with stakeholders to deliver more local energy generation projects for a lower cost, more secure and lower carbon energy supply for London.
  - Build on the London 2012 sporting legacy by further boosting sport at the grassroots.
  - Through Team London, help and encourage Londoners to volunteer and do something great for their city.
  - Enhance London’s cultural capital and deliver a diverse programme of events to create economic value, excite and put London in the world’s spotlight.
  - Present London’s case to government and internationally as the world’s destination for investment, tourism and talent.
  - Work with TfL to build a 21st century transport network and to make the case for transport investment in London, supporting jobs and regeneration.
  - Use the GLA’s planning powers and significant land holdings to stimulate regeneration and create jobs, including progressing the transformation of the Royal Docks into a first class business and leisure destination and unlocking the potential of the Old Oak Common Opportunity Area.
  - Plan for London’s future, putting in place policies and strategies to seize the opportunities and address the challenges, including securing tomorrow’s infrastructure.
- 3.4. The business plan will be refreshed again for the 2015-16 financial year. The refresh will take into account the outcome of the budget process.

Tracking delivery

- 3.5. Supporting delivery of the business plan is a suite of Key Performance Indicators (KPIs) and associated targets. The KPIs were first introduced for the 2013-14 financial year – the first time the GLA had formally sought to identify its top outcome measures – and reflected, in part, the organisation’s expanded budget and responsibilities flowing from the devolution of new powers and functions to the Mayor.
- 3.6. The KPIs were derived from the Mayor’s priorities; focusing on those that are readily measurable. Over 2013-14, and as part of the business planning process for 2014-15, the KPIs were kept under review and to ensure that the indicators were both robust and in line with the Mayor’s priorities. The changes were minor and the KPI suite has remained broadly consistent over the two years.
- 3.7. One new KPI was introduced for the 2014-15, counting the number of schools supported to improve their practice.
- 3.8. The KPIs are listed in full at Appendix 7 together with targets and Quarter 1 2014-15 performance data. They are structured under the following themes:
- economy and regeneration;
  - youth;
  - community;
  - environment and retrofitting;
  - housing & land; and
  - efficiency.

- 3.9. We will continue to keep the KPIs under review to ensure they reflect Mayoral priorities; that definitions are robust and data of good quality; and that targets are both achievable and stretching.
- 3.10. The KPIs – which are reported quarterly to the Corporate Management Team, the Investment and Performance Board (IPB), and the Assembly’s Budget Monitoring Sub-Committee – are not the only means of tracking delivery.
- 3.11. IPB receives monthly updates on the GLA’s project portfolio and quarterly financial monitoring reports. This information is published on the GLA’s website. In addition, the Corporate Management Team maintains oversight of progress against the milestones in the business plan.

Budget process

- 3.12. There has not been a full-scale project prioritisation process this year. This is because the GLA Business Plan for 2014-15 and 2015-16 already set out the indicative programme budget for 2015-16 as part of a two-year programme, and to that extent the proposed budget reflects this continuity.
- 3.13. As in previous years a series of initial meetings have taken place with relevant Advisors and Directors to ensure that the strategic direction and programmes defined last year do remain fit for purpose. Where appropriate, some updates have taken place, in particular regarding staffing to ensure that resources are in place to support the delivery of priority areas, such as regeneration, high streets, volunteering and low carbon.
- 3.14. As 2015-16 will be the final full year of the current Mayoral term, there is a strong focus throughout the proposals on delivering outputs and outcomes which meet the Mayor’s commitments within the timeframe.
- 3.15. Within the context of limited resources and the GLA’s continuing investment in delivering jobs and growth, and supporting regeneration across the capital and in High Streets, there remain financial pressures which mean that work will continue to maximise value for money from our programmes.
- 3.16. The GLA retains a significant level of non-programme budgets, mainly in the form of running costs and other supplies and services. The current plans provide for staffing, supplies and other savings of £8m already in hand in 2015-16. During the budget discussions, Directorates were asked to exemplify potential 2.5% savings and efficiency options above this for 2015-16 and 2016-17 in non-programme (including staffing) budgets.
- 3.17. Any slippage in 2015-16 and proposed carry forwards from 2015-16 into 2016-17 will become matters for the 2016 to 2020 Mayoral administration.
- 3.18. Discussions have identified a number of multi-year projects for which the profiling needs to vary to match delivery expectations. In some instances this is linked to the need for identified projects and programmes to go through a robust commissioning process – in advance of contracting – to ensure that delivery is focused on the most impactful outcomes (e.g. the London Enterprise Panel funding).
- 3.19. Emerging pressures and aspirations include:
- Old Oak & Park Royal Development Corporation;
  - Staffing costs of the regeneration and other posts previously covered through the regeneration Funds;
  - Uncertainty about future funding for the London Enterprise Panel;
  - Transition period for the Youth and ESF programmes;

- A programme of major international sporting events, including the 2017 World Athletics Championships and the International Paralympic Committee Athletics World Championships 2017 and associated ceremonies;

3.20. Projects will, in addition, continue to be subject to challenge and scrutiny from the Investment and Performance Board, before formal approval by the Mayor.

Equalities priorities

3.21. The GLA continues to ensure that all its investments maximise benefits to London’s communities and the equality groups. Key budgeted programmes focused on equality groups have not been asked for savings and the final budget proposals will be assessed against the GLA’s equality duties to ensure that policies and services are appropriate and accessible to all and meet the needs of different groups of Londoners.

3.22. Equalities impact will also be considered when individual programmes and project specifications are developed and approved through the Investment & Performance Board and formally through the MD, DD and ADD processes.

3.23. The Mayor’s budget includes provision for:

- Commitments on affordable and family-sized housing;
- No Second Night Out campaign helping homeless people and continued severe weather emergency provision for rough sleepers;
- Promotion of the London Living Wage, helping those on low pay. The number of accredited companies paying London Living Wage has doubled over the past 12 months to exceed 400, including some major organisations such as ITV, Nationwide and Google. The Hospitality and Retail sectors will be a particular focus over the coming months;
- The Mayor’s Regeneration Fund, creating jobs and supporting disadvantaged communities;
- The promotion of volunteering through the now established Team London;
- Through the LEP, the new Youth Employment Initiative funded by €37m will help young people aged up to 25 receive support towards a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving school or becoming unemployed;
- Additional allocations for Health Inequalities, a Youth Innovation Fund and internal apprenticeship places.

#### 4. Revenue Budget – Mayoral Component

Budget movements 2015-16

4.1. Alongside the corporate budgeting process, further savings opportunities and growth pressures have been identified with Directorates. The effects of these are summarised below and detailed in Appendices 4 and 5:

<b>Budget Movements 2015-16</b>		<b>£000's</b>
<b>Mayor’s Opening Base Budget</b>		<b>207,049</b>
Savings	(4,381)	
Growth	4,260	
<b>Net Adjustments</b>		<b>(121)</b>
<b>Mayor’s Draft Budget Requirement</b>		<b>206,928</b>

- 4.2. A commentary on major projects, programmes and workstreams by Directorate follows.  
Development, Enterprise & Environment
- 4.3. Building on the soaring numbers of visitors attracted to London (international tourists made nearly 8.5 million trips to the city in the first six months of this year, a 7.6 per cent increase when compared to the same period in 2013), the successful launch of the 'dot london' domain name and continued successes in attracting inward investment to London – with significant investments from the US and China, the GLA will continue to support **London and Partners**, London's promotion agency. The GLA's £11.4m investment in 2015-16 aims to attract further visitors, students and foreign direct investment to the capital – benefiting London's businesses and creating jobs. 'dot london' will also assist London and Partners in raising commercial income to reinvest in the promotion of the capital across the world.
- 4.4. Following the success of the Outer London Fund which delivered improvements to town centres across London from Bromley to Harrow town centre and Streatham High Street, the Mayor has launched a new £9m **High Street Fund** currently open to submissions from small business and community groups. The Fund will start delivery in April 2015 helping create better public spaces, supporting shops, local jobs and growth.
- 4.5. The **Growing Places Fund** (GPF) is continuing to provide £111m of investment guided by the business-led London Enterprise Partnership (LEP). Many projects already at delivery stage including MedCity, the new organisation promoting London's excellence in biotech and research, a construction skills project to help address shortages in the industry, £5.5m to the Central Research Laboratory in Hayes which will become a hub for start-ups and SMEs in West London and £25m invested in the London Co-Investment Fund to assist small companies looking for early stage venture capital. The capital projects supported by the GPF are also progressing with spend planned in 2015-16 for Southall, Hackney Wick and West Anglia projects.
- 4.6. More than £1m (£600,000 net) is being invested in 2015-16 to deliver the Mayor's **Food** priorities including managing food waste, promoting healthy and sustainable food for London and supporting SMEs and start-ups. Over 2014-15 and 2015-16, the London Food Board is leveraging £600,000 GLA funding with the equivalent amount from the Department for Education and additional funding from the Innocent Foundation to launch two Flagship Food Boroughs in Croydon and in Lambeth. The investment aims to address poor diet and health related issues, as well as child obesity levels in London which are the highest in the UK. Activities include grants for community cooking and healthy-eating projects; food growing on estates; food business start-up funds; and initiatives to reduce sugar intake by pupils.
- 4.7. Building on the successful delivery of the **Parks and Trees** programme, with 100 pocket parks and 10,000 additional street trees by March 2015, the GLA will invest a further £1,000,000 capital in 2015-16 to continue to improve London's environment and green assets. This funding recognises that investment in public spaces not only enhances the look and feel of the city, but also contributes to maintaining and improving London's image as the world's greenest big city, thereby attracting further investment and visitors and helping businesses to thrive. The new investment will deliver 5 park enhancements, totalling at least 20 hectares, and support the planting of at least 10,000 trees through a community grant scheme.
- 4.8. A budget of £0.5m is available to Drain London in 2015-16.
- 4.9. **Air Quality** is a particular priority for the Mayor as it affects the health and well-being of Londoners. The GLA will continue to promote initiatives which help to reduce air pollutant emissions at a local level. Additional resources are proposed this year with a permanent Grade 8 post.
- 4.10. A £0.5m budget has been allocated to the Directorate to fund smaller programmes, which it is intended the Director will prioritise in-year, in consultation with Mayoral Advisors.



## Housing & Land

- 4.11. The Directorate continues to work towards delivering the Mayor's commitment of 100,000 **affordable homes** over the two Mayoral terms to 2016.
- 4.12. Management of the GLA's 635 hectare estate and the acceleration of development of surplus assets for housing and economic growth continue to support the Property Asset Strategy and the Mayor's commitment to having an exit strategy in place for all existing assets by 2016.
- 4.13. The Mayor has committed to ensuring that no-one new to the streets sleeps rough for a second night. Given the increasing flow of new rough sleepers onto the streets of London, this is a challenging task and a new substantial investment of £8.4m in 2015-16 is proposed to continue Pan-London **Rough Sleeping Services**, including the No Second Night Out programme.
- 4.14. The Directorate will aim to intensify London's **retrofit** activity with £2.2m in 2015-16. £1m will be directed towards public building retrofitting (RE:FIT project), which aims to deliver 45,000 tonnes of CO<sub>2</sub> savings and more than 130 retrofitted buildings, including GLA Group estate buildings and schools, whilst £1.26m is focused on the RENEW residential retrofit.

## Communities and Intelligence

- 4.15. **Team London** is a key legacy from the Olympic and Paralympic Games and aims to make it easy for Londoners to get involved in and give their time and skills to volunteer and do great things for London: making the capital greener and cleaner, giving young people the chance to gain skills and experience and providing an outstanding welcome to London's visitors through the Team London Ambassadors programme. Much has been achieved to date and Team London activity is planned to continue next year, with additional efforts to link young people's volunteering to training and support towards work experience, with the launch of a micro-volunteering platform.
- 4.16. Next year is a year of transition for **ESF Youth** programmes. £1.2m is being invested in the existing projects which support young people, including ex-offenders, in getting sustained employment or education. Whilst these projects end in September 2015, the new wave of ESF programme (2014-20) will aim to continue this support. It is however too early at this stage to be specific as to what the offer will be.
- 4.17. The Mayor's Education Inquiry showed that improving the quality of teaching is the best way to improve children's attainment at school and can help narrow the gap in learning outcomes. The GLA set up the **London Schools Excellence Fund** to address this issue and will invest £2.1m in 2015-16 to continue to help young people achieve better results through expert teaching, improved subject knowledge and subject-specific learning methods. To reinforce this important work, this budget proposes an additional £700,000 to 2016-17.
- 4.18. Also coming out of the Mayor's Education Enquiry, the **London Curriculum** (developing teaching resources), **Supplementary Programmes for Schools** and the **London Schools Gold Card** (encouraging excellence in London's schools) will continue delivery in 2015-16.
- 4.19. The investment in the capital's creative industries – through GLA's support of **Film London** (for films, animation and television productions), the **London Design Festival** and the **London Fashion Week**, amongst others – continues to bring in substantial investment to the city. UK film production spend is now worth almost £1.1 billion. 75 per cent of this production is concentrated in and around the capital, which creates significant employment opportunities. This budget reaffirms the importance of this activity. The Mayor will also continue to support cultural events which benefit schools, young people and visitors alike, such as the Mayor's GIGS, Busk in London, Big Dance, the Fourth Plinth programme and the major cultural attraction which is the **Museum of London**. 2015-16 will also mark the beginning of activities to promote London as a world centre for the Games industries, through an investment from the Growing Places Fund.

- 4.20. In excess of £2.1m revenue will be invested over the next two years through the on-going **Sports Legacy Programme**. This will support participation in activities such as Freesport, whilst the capital programme continues to refurbish local facilities and increase user numbers. The budget also proposes a supplementary allocation of £500,000 per year to expand the work into 2016-17.
- 4.21. In addition, investing £650,000 in 2015-16, the GLA is leading and coordinating on a strategy to ensure London can build on its success in hosting the Olympic and Paralympic Games in 2012. London will be hosting a number of major international sports events over the next few years, such as the IAAF World Athletics and IPC Athletics World Championships in 2017. Such high-profile events require investment from the host city but create direct economic benefits for the economy and increased sports participation.
- 4.22. A £0.5m budget has been allocated to the Directorate to fund smaller programmes, which it is intended the Director will prioritise in-year, in consultation with Mayoral Advisors.

#### External Affairs

- 4.23. The GLA is continuing to ensure that **Events for London** are delivered efficiently. The Events programme, with an annual attendance of 3 million people, supports the international promotion of London's cultural offers, generates spend within the London economy and encourages the participation of different communities across London, encouraging social development and cohesion. A three-year contract for **New Year's Eve** is in place to allow for better planning and greater sponsorship opportunities for the event in the coming years. To address its popularity with associated issues of safety and overcrowding, the event is now ticketed. However the income from ticket sales only covers the additional infrastructure required. GLA investment remains at the same level in 2015-16.
- 4.24. The GLA will be launching a new **website** providing Londoners and businesses with clearer and more accessible information as to the work of the Mayor and the London Assembly. £500,000 is set aside in the budget to conclude the technical work and £225,000 to communicate to Londoners how they can make the best of the new site.

#### Resources

- 4.25. London will benefit from the new **2014-20 EU programmes** that will start delivery over the coming months. The London Enterprise Panel has been awarded €748.6m of European Social Fund (ESF) and European Regional Development Fund (ERDF) to invest in boosting jobs and growth for London.
- 4.26. An additional €37m has been received for the Youth Employment Initiative (YEI) to provide extra funding to reinforce support available to young people in Inner London through ESF.
- 4.27. The 2014-20 ESIF strategy for London set out the key areas for ESF and ERDF investment against the LEP's four Jobs and Growth Plan priorities: Skills and Employment, SME Competitiveness, Science & Technology and Infrastructure. ESF will be, for the most part, co-financed by national 'Opt-in' organisations, including the Department for Work & Pensions (DWP), the Skills Funding Agency (SFA) and Big Lottery Fund. ERDF is expected to follow an open, competitive bidding process.
- 4.28. The GLA acts as the Intermediary Body managing regional EU funds on behalf of the Government and the London Enterprise Panel (to which the Government has given strategic responsibilities in respect of EU Funds). As now, programmes will be implemented via individual projects by co-financing organisations. The European Programmes Management Unit will also continue to deal with the existing 2007-13 EU programmes in which investment continues till March 2016.
- 4.29. Shared services and efficient use of accommodation at City Hall continue to be significant contributors to budget savings.

- 4.30. Following the full re-opening of the Queen Elizabeth Olympic Park, the **LLDC**'s priority continues to be the accelerated programme of housing and the creation of thousands of new jobs, securing higher education and investments in the Park. The budget process identified revenue savings of £1m in 2015-16 and £500,000 in 2016-17.

## 5. Revenue Budget – Assembly Component

- 5.1. The GLA Oversight Committee will be considering the London Assembly's draft budget requirement for 2015-16 for recommendation to the Mayor on the 20<sup>th</sup> November 2014. Based on the figures set out in that report, subject to any changes that might be necessary prior to the final agreement on the budget in February 2015, the effects of the proposed changes are shown below:

<b>Budget Movements 2015-16</b>		<b>£000's</b>
<b>Assembly's Opening Base Budget</b>		<b>7,178</b>
Savings achieved	(47)	
Pay award	37	
<b>Total Adjustments</b>		<b>(10)</b>
<b>Assembly's Draft Budget Requirement</b>		<b>7,168</b>

## 6. Capital Spending Plan (2015-2017)

- 6.1. The GLA's capital spending plan reflects the Government's intention to strengthen London's governance, enshrined in the Localism Act 2011, as well as its programmes to support housing, regeneration and economic development.
- 6.2. The GLA's Capital Programme for 2015-16 and 2016-17 (including Crossrail contributions) is set to increase, from the £1.3 billion previously forecast, to £2.1 billion. The net increase of £0.8 billion can be attributed to the following:
- £12m reduction in slippage to reflect actual spending and revised estimates for 2014-15;
  - £149m increase due to re-profiling from 2014-15 (includes £85m Northern Line Extension);
  - £32.2m New Homes Bonus funding;
  - £120m Further Education funding;
  - £145m additional Decent Homes funding;
  - £15.5m Homelessness Change funding;
  - £400m London Housing Bank & Housing Zones funding;
  - £12m Millennium Mills funding;
  - Addition into the programme of 2016-17 Northern Line Extension £150m;
  - Growth Items £1m Lido and £3.5m Sports Programme;
  - **less:** £183m re-profiling of new funding into future years
- 6.3. The 2015-17 capital programme is set out in more detail in Appendix 7.
- 6.4. In financing the capital programme over the medium term the GLA will seek to optimise decisions on future borrowing to minimise costs, having made prudent estimates of the profile of the capital receipts that are planned to be realised. Details on the main elements of the capital spending plans are set out on the following pages.

### GLA Contribution to the Funding of Crossrail

- 6.5. The Mayor has agreed to provide GLA funding of £4.1 billion towards the costs of the Crossrail project between 2010 and 2015 of which around £3.4 billion is expected to have been financed by borrowing by 31 March 2015 and a further £0.7 billion through a direct revenue contribution.

The financing and repayment of this £3.4 billion of borrowing and the direct revenue contribution are being funded through a supplement on non-domestic ratepayers in London. This supplement only applies to rating assessments with a rateable value of over £55,000 and therefore nearly 80 per cent of ratepayers are exempt. In addition up to £0.3 billion is forecast to be raised from the Mayor's community infrastructure levy for Crossrail and this will also be used as a direct revenue contribution towards the project.

### Housing and Land

- 6.6. The priority for the coming year continues to be delivering affordable housing for Londoners, in line with the Mayor's commitment of 100,000 new affordable homes over his two Mayoral terms, and supporting 250,000 Londoners into low-cost home ownership, through part-rent, part-buy, over the next decade.
- 6.7. 2014-15 saw the roll-out of the London Housing Bank and Housing Zone schemes.
- 6.8. The Government and the GLA are jointly committing a total of £400m funding for twenty Housing Zones across the capital, delivering up to 50,000 new homes for Londoners. The GLA's contribution to Housing Zones is to be committed from the Mayor's Housing Covenant. Over ten years these Housing Zones should deliver over 50,000 homes as part of the Mayor's efforts to double house-building in London.
- 6.9. The London Housing Bank £200m funding will be offered in the form of low-cost loans to enable more homes to be brought forward faster than would otherwise be delivered, particularly on large multi-phased sites to deliver up to 4,000 additional homes. The homes will be made available at sub-market rents for working Londoners for a minimum of seven years
- 6.10. The Capital Spending Plan continues to support boroughs to improve local authority homes to the Decent Homes Standard with an investment exceeding £300m in 2014-15 and a further £145m of funding awarded for 2015-16.

### Regeneration

- 6.11. The Directorate is continuing to drive forward the delivery of the Mayor's £70m MRF programme which, together with the OLF programme of £50m, supports regeneration in high streets and neighbourhoods. Between them, these programmes are supporting all London's 33 boroughs in delivering physical and economic regeneration projects which benefit Londoners at a local level.
- 6.12. 2014-15 was the final year for the delivery of the majority of the Outer London Fund projects, building on the consultations, design and procurement, and public realm and shop front works with some projects now due for completion in 2015-16. Local businesses, markets, retailers and local residents are expected to benefit from an economic uplift provided by the investment, making these town centres more attractive and vibrant.
- 6.13. This year saw a number of achievements for the MRF, including Tottenham High Road and Tottenham Green. Investment will continue in Croydon, with a focus on supporting local businesses and entrepreneurs through initiatives including the Enterprise Hub and the Innovation Centre, which will be complemented by investments in the public realm.
- 6.14. Within the LEP, schemes announced in June last year are under way to deliver improved rail links between Tottenham Hale and the Upper Lea Valley and provide support in Ealing to harness the economic opportunities coming from Crossrail. These projects will help safeguard and create an

estimated 45,000 jobs. A second round of allocation saw the approval of £25m for the London Investment Fund designed to support small and medium-sized businesses.

## GLA Consolidated Revenue Budget

(including GLA Land &amp; Property Ltd; to be adjusted for £10k net saving on Assembly)

	2014/15	2015/16	2016/17
	£000	£000	£000
<b>Directorate Expenditure</b>			
Development, Enterprise and Environment	29,837	12,909	10,258
Housing and Land	25,313	21,309	21,007
Communities and Intelligence	20,279	18,534	22,038
External Affairs	6,398	6,371	6,064
Resources	36,592	24,422	23,505
Corporate Management Team	1,103	1,120	1,109
Elections	750	6,500	10,485
Mayor's Office	4,224	4,089	4,089
Assembly and Secretariat	7,215	7,178	7,178
<b>Total Directorate Expenditure</b>	<b>131,711</b>	<b>102,432</b>	<b>105,733</b>
Olympic Funding Agreement	61,000	61,000	27,400
London Waste and Recycling Board	1,500	0	0
Museum of London	7,600	7,410	7,600
London and Partners	12,550	11,410	10,410
London Legacy Development Corporation	38,150	17,000	14,300
Contingency	4,800	4,921	4,800
<b>Net Service Expenditure</b>	<b>257,311</b>	<b>204,173</b>	<b>170,243</b>
Crossrail Business Rate Supplement	121,000	130,000	130,000
Voluntary Revenue Provision	11,928	10,231	10,510
Interest Payable	7,425	6,960	6,960
Business Rates Collection Fund Deficit	0	40,336	0
Business Rates Retention Tariff	352,860	365,452	378,508
<b>Net Expenditure</b>	<b>750,524</b>	<b>757,152</b>	<b>696,221</b>
<b>Income</b>			
Crossrail Business Rate Supplement	(121,000)	(130,000)	(130,000)
Business Rates income to fund Tariff	(349,000)	(357,706)	(366,649)
Interest Receivable	(2,200)	(4,100)	(5,100)
<b>Net Cost of Services</b>	<b>278,324</b>	<b>265,346</b>	<b>194,472</b>
<b>Contributions to reserves</b>	<b>56,286</b>	<b>50,868</b>	<b>9,348</b>
<b>Contributions from reserves</b>	<b>(131,302)</b>	<b>(102,108)</b>	<b>(58,519)</b>
<b>Financing requirement</b>	<b>203,308</b>	<b>214,106</b>	<b>145,302</b>
<b>Financed by:</b>			
Council tax freeze specific grants	(9,440)	(9,440)	0
Retained business rates	(62,618)	(80,809)	(100,011)
Revenue support grant	(54,900)	(42,540)	(7,181)
Statutory council tax requirement	(78,550)	(75,717)	(32,509)
Collection fund surplus for council tax	(15,100)	(5,600)	(5,600)
Collection fund deficit for retained rates	17,300	0	0
<b>Total Budget</b>	<b>(203,308)</b>	<b>(214,106)</b>	<b>(145,302)</b>

## Programme Revenue Budgets (including GLA Land & Property Ltd)

Directorate/Unit	Programme Area	2015-16 Expenditure £000	2015-16 Income £000	2015-16 Budget £000	2016-17 Expenditure £000	2016-17 Income £000	2016-17 Budget £000
<b>Development, Enterprise and Environment</b>							
Economic & Business Policy Unit	London and Partners	11,410	0	11,410	10,410	0	10,410
Economic & Business Policy Unit	Food Programme	600	0	600	300	0	300
Economic & Business Policy Unit	London Hydrogen Partnership	55	0	55	30	0	30
Economic & Business Policy Unit	Infrastructure Delivery Board & 2050 Plan	170	0	170	220	0	220
Economic & Business Policy Unit	Expo 2025	50	0	50	100	0	100
Regeneration	Outer London Fund	510	0	510	0	0	0
Regeneration	Mayor's Regeneration Fund	778	0	778	0	0	0
Regeneration	London Enterprise Fund	147	0	147	0	0	0
Regeneration	Growing Places Fund	1,116	0	1,116	0	0	0
Regeneration	New Homes Bonus	37,800	(37,800)	0	0	0	0
Environment	Environment statutory programme	390	0	390	390	0	390
Environment	Environment non-statutory programme	363	0	326	326	0	326
Environment	Smart London Demonstrators	1,000	(1,000)	0	291	(291)	0
Environment	Capital Clean up	40	0	40	40	0	40
Environment	Drain London	534	(534)	0	0	0	0
Transport	Noise Project	20	0	30	15	0	15
Planning	London Plan	350	0	350	350	0	350
Planning	Tottenham planning	75	0	75	0	0	0
Planning	Croydon planning	52	0	52	0	0	0
Planning	Old Oak and Park Royal Development Corporation	1,255	0	1,255	386	0	386
Planning	Call-in / takeover applications	200	0	200	200	0	200
Directorate	Minor programmes	500	0	500	500	0	500
<b>Total</b>		<b>57,415</b>	<b>(39,334)</b>	<b>18,054</b>	<b>13,558</b>	<b>(291)</b>	<b>13,267</b>
<b>Housing and Land</b>							
Programme, Policy and Services	Rough Sleeping	8,450	0	8,450	8,450	0	8,450
Programme, Policy and Services	Care and support housing	40	(40)	0	40	(40)	0
Programme, Policy and Services	RE:FIT	1,000	(500)	500	1,000	(500)	500
Programme, Policy and Services	RE:NEW	1,260	(1,010)	250	250	0	250
Programme, Policy and Services	Seaside & Country Homes	175	(175)	0	175	(175)	0
<b>Total</b>		<b>10,925</b>	<b>(1,725)</b>	<b>9,200</b>	<b>9,915</b>	<b>(715)</b>	<b>9,200</b>
<b>Communities and Intelligence</b>							
Health & Communities	2017 IPC World Championship	233	(529)	(296)	3,433	(2,711)	722
Health & Communities	Major Events Sports Programme	650	0	650	650	0	650
Health & Communities	Lido	1,000	0	1,000	0	0	0
Health & Communities	2017 IAAF World Championship	0	0	0	8,915	0	8,915
Health & Communities	A Sporting Future for London: Sports Legacy programme	2,225	0	2,225	950	0	950
Health & Communities	Museum of London	7,600	0	7,600	7,600	0	7,600
Health & Communities	Film London	1,300	0	1,300	1,300	0	1,300
Health & Communities	British Fashion Council	649	0	649	649	0	649
Health & Communities	4th Plinth Programme	254	0	254	254	0	254
Health & Communities	Design	250	0	250	250	0	250
Health & Communities	GIGS	131	0	131	125	0	125
Health & Communities	Big Dance	68	0	68	178	0	178
Health & Communities	London Cultural Strategy Group	121	0	121	121	0	121
Health & Communities	Sustainable Development	50	0	50	50	0	50
Health & Communities	Youth ESF Projects	1,498	(749)	749	250	(125)	125
Health & Communities	Supplementary Programmes for Schools (Leadership clubs)	218	0	218	218	0	218
Health & Communities	Gold Club	105	0	105	105	0	105
Health & Communities	Peer Outreach team	40	0	40	40	0	40
Health & Communities	New Schools for London	85	0	85	0	0	0
Health & Communities	London Schools Excellence Fund (LSEF)	2,550	0	2,550	300	0	300
Health & Communities	English the key to Integration in London	288	(200)	88	0	0	0
Health & Communities	Academies	148	0	148	120	0	120
Health & Communities	Orade	300	(175)	125	50	(50)	0
Health & Communities	The London Curriculum	100	0	100	100	0	100
Health & Communities	Obesity Programme	290	0	290	0	0	0
Health & Communities	London Health Board Secretariat	50	0	50	50	0	50
Team London	Team London	1,589	(1,577)	12	0	0	0
Team London	Volunteering into Work	220	0	220	220	0	220
Team London	Volunteering in Younger People	62	0	62	62	0	62
Team London	Visitor Welcome	220	0	220	220	0	220
Directorate	Minor programmes	500	0	500	500	0	500
<b>Total</b>		<b>22,794</b>	<b>(3,230)</b>	<b>19,564</b>	<b>26,710</b>	<b>(2,886)</b>	<b>23,824</b>
<b>External Affairs</b>							
External Relations	Events for London (including New Year's Eve)	3,155	(310)	2,845	2,845	0	2,845
External Relations	Website marketing	225	0	225	0	0	0
External Relations	10th anniversary of 7/7	50	0	50	0	0	0
<b>Total</b>		<b>3,430</b>	<b>(310)</b>	<b>3,120</b>	<b>2,845</b>	<b>0</b>	<b>2,845</b>
<b>Resources</b>							
Corporate	Website	500	0	500	0	0	0
<b>Total</b>		<b>500</b>	<b>0</b>	<b>500</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Revenue Programme (excl LLDC)</b>		<b>95,064</b>	<b>(44,599)</b>	<b>50,438</b>	<b>53,028</b>	<b>(3,892)</b>	<b>49,136</b>
Corporate	LLDC Sponsorship	17,000	0	17,000	13,800	0	13,800
<b>Total Revenue Programme</b>		<b>112,064</b>	<b>(44,599)</b>	<b>67,438</b>	<b>66,828</b>	<b>(3,892)</b>	<b>62,936</b>

## Savings Proposals

(including GLA Land &amp; Property Ltd)

		2015-16 £000	2016-17 £000
Corporate	Increase in interest receivable	(2,100)	(3,100)
Corporate	Reduction in Voluntary Revenue Provision	(1,662)	(1,383)
<b>Transferred to Mayor's Resilience Reserve</b>		<b>(3,762)</b>	<b>(4,483)</b>
Development, Enterprise & Environment	Directorate savings	(397)	(439)
Housing & Land	Directorate savings, net of internal growth	(311)	(613)
Communities & Intelligence	Directorate savings	(393)	(144)
External Affairs	Directorate savings	(85)	(167)
Resources	Directorate savings, net of internal growth	(335)	(692)
Corporate Management Team	Directorate savings	(15)	(26)
Mayor's Office	Directorate savings	(120)	(120)
<b>Total Directorate savings</b>		<b>(1,656)</b>	<b>(2,201)</b>
Corporate	Reduction in Central Programme Budget	(1,725)	(2,050)
Corporate	Reduction in LLDC sponsorship	(1,000)	(500)
<b>Applied to fund growth proposals</b>		<b>(4,381)</b>	<b>(4,751)</b>
<b>Total Savings</b>		<b>(8,143)</b>	<b>(9,234)</b>

**Note**

Housing & Land, Resources, CMT and the Mayor's Office delivered net savings in line with the budget guidance for the GLA. Where appropriate, figures for these areas are shown net of any growth. In all other cases, growth and savings are shown separately.



## Appendix 4

### Growth Proposals/Funding Pressures (including GLA Land & Property Ltd)

		FTE		2015-16	2016-17
				£000	£000
Executive Director	Core GLA funding for posts supporting regeneration funds & LEP	0.5	on-going	0	80
EBPU	Core GLA funding for posts supporting regeneration funds & LEP	5.55	on-going	0	340
EBPU	Staffing	1	on-going	19	19
EBPU	0.5 Grade 10 Digital Skills post	0.5	on-going	0	32
EBPU	Expo 2025		on-going	50	100
EBPU	Infrastructure Delivery Board and 2050 Plan		on-going	170	220
Environment	Staffing	1	on-going	49	49
Environment	Grade 8 Air Quality Post	1	on-going	49	49
Planning	Proposed Planning Unit restructure (net of income generation)		on-going	70	70
Regeneration	Core GLA funding for posts supporting regeneration funds & LEP	18.15	on-going	0	1,088
Regeneration	Grade 10 GPF funded posts		on-going	0	59
Regeneration	Grade 8 GPF funded posts		on-going	0	49
Regeneration	Grade 6 GPF funded posts		on-going	0	37
Regeneration	2 x Grade 8 GPF funded FE posts	2	on-going	0	98
Regeneration	Grade 10 High Street funded posts	1	on-going	59	59
Regeneration	Grade 12 Crystal Palace/Old Street funded Post	1	on-going	77	77
Regeneration	Additional Grade 10 post to support Regeneration Unit	1	on-going	59	59
Regeneration	New Homes Bonus		one off	0	0
Transport	Transport Grade 10 Post funded from High Streets Budget	1	on-going	59	59
DE&E	Minor programmes budget allocation		on-going	500	500
OPDC	Programme Budget requirement		one off	80	136
<b>Total Development, Enterprise &amp; Environment</b>				<b>1,241</b>	<b>3,180</b>
Health & Communities	Staffing	1	on-going	34	34
Health & Communities	Lido		one-off	1,000	0
Health & Communities	Phase 3 Revenue - Sports Legacy Programme		on-going	500	500
Health & Communities	London Schools Excellence Fund - Embedding subject knowledge & sharing learning		on-going	400	300
Health & Communities	Youth Innovation Fund - ESF		on-going	125	125
Team London	Staffing	2	on-going	75	75
C&I	Minor programmes budget allocation		on-going	500	500
<b>Total Communities &amp; Intelligence</b>				<b>2,634</b>	<b>1,534</b>
External Relations	Marketing campaign for new london.gov.uk		one-off	225	0
External Relations	New Designer post (grade 6)	1	on-going	0	0
External Relations	10th Anniversary of 7/7		one-off	50	0
<b>Total External Affairs</b>				<b>275</b>	<b>0</b>
Corporate	Apprentices	5	on-going	110	110

## Revenue Reserves

Reserve	31-Mar-14	Transfer In	Transfer out	31-Mar-15	Transfer In	Transfer out	31-Mar-16	Transfer In	Transfer out	31-Mar-17
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assembly Development & Resettlement Reserve	(1.288)		0.037	(1.251)			(1.251)			(1.251)
Census and SASPAC	(0.698)			(0.698)			(0.698)			(0.698)
City Hall Lease Smoothing Reserve	(3.449)	(1.313)	1.671	(3.091)	(0.234)	0.055	(3.270)	(0.365)		(3.635)
Compulsory Purchase Orders	(2.170)			(2.170)			(2.170)			(2.170)
Development Reserve	(2.000)			(2.000)			(2.000)			(2.000)
Directorate Reserves (programme reserve)	(24.074)		22.673	(1.401)		1.000	(0.401)		0.291	(0.110)
Election Reserve	(6.235)	(4.500)	0.750	(9.985)	(4.500)	6.500	(7.985)	(4.500)	10.485	(2.000)
Environment Drainage Reserve	(1.059)		0.525	(0.534)		0.534	(0.000)			(0.000)
Estates Reserve	(4.000)			(4.000)			(4.000)			(4.000)
Home Retrofit Reserve	0			0			0			0
Legal Fees Reserve	(0.700)			(0.700)			(0.700)			(0.700)
London and Partners Reserve	(2.206)			(2.206)			(2.206)			(2.206)
Major Sporting Events	(3.500)			(3.500)			(3.500)			(3.500)
Mayoral Resettlement Reserve	(0.077)			(0.077)			(0.077)			(0.077)
NDR Backdated Appeals Spreading Reserve <sup>1</sup>	(60.083)	0	15.021	(45.062)		15.021	(30.042)		15.021	(15.021)
Olympic Legacy	(10.000)			(10.000)			(10.000)			(10.000)
Olympics Reserve	(1.256)	0	0.100	(1.156)			(1.156)			(1.156)
Planning smoothing Reserve	(0.854)			(0.854)			(0.854)			(0.854)
Pre-Application Planning Reserve	(0.475)		0.033	(0.442)			(0.442)			(0.442)
Mayor's Resilience Reserve <sup>2</sup>	(40.350)	(23.349)		(63.699)	(42.768)	48.082	(58.384)	(4.483)	38.758	(24.109)
Revenue Grants Unapplied Reserve <sup>3</sup>	(141.863)	(27.124)	105.513	(63.474)	(3.366)	45.937	(20.903)		8.912	(11.991)
Seaside and Country Homes	(0.020)			(0.020)			(0.020)			(0.020)
Self Insurance Fund Reserve	(1.000)			(1.000)			(1.000)			(1.000)
<b>Total Earmarked Reserves</b>	<b>(307.356)</b>	<b>(56.286)</b>	<b>146.323</b>	<b>(217.319)</b>	<b>(50.868)</b>	<b>117.129</b>	<b>(151.058)</b>	<b>(9.348)</b>	<b>73.467</b>	<b>(86.939)</b>

## Notes

- NDR Backdated Appeals Spreading Reserve:** This is an unusable reserve, representing a technical accounting adjustment to spread backdated appeals over 5 years to 2017-18. This is matched by a balance sheet provision and equal and opposite amounts are released each year.
- Mayor's Resilience Reserve:** This reserve was created to address fluctuations in funding streams that may arise under the new funding arrangements (localisation of benefits, retained business rates, etc.).
- Revenue Grants Unapplied Reserve:** This reserve holds funds received in advance of need under the London Settlement.
- GLA Land & Property Ltd's Accumulated Losses:** Commercial activities relating to land and property are conducted through a GLA subsidiary (GLAP). As a limited company, it does not hold reserves but had, at 31 March 2014, accumulated losses of £49m. Although separate legal entities for statutory purposes, the budget covers the activities of both the GLA and GLAP and so, for clarity, GLAP's losses have been netted off against the GLA's general fund balance to show the effective level of non-earmarked reserves available to the authority. This gives rise to a net 'general fund balance' (in addition to the earmarked reserves above) of £9.8m.

## Capital Spending Plan

(including GLA Land & Property Ltd)

	2015-16	2016-17	Total
	£m	£m	£m
Crossrail	9.000	0	9.000
Northern Line Extension	200.000	225.000	425.000
Compulsory Purchase Orders	51.024	0.065	51.089
Outer London Fund	0.845	0	0.845
New Homes Bonus	32.200	0	32.200
Mayor's Regeneration Fund	29.202	0	29.202
London Enterprise Fund	4.684	1.200	5.884
London Enterprise Panel	47.019	19.048	66.427
Community & Intelligence	2.300	3.196	5.496
Regeneration	25.720	0.920	26.640
Technology Group	0.360	0.360	0.720
Parks	1.000	0	1.000
Kidbrooke Regeneration	0.226	0	0.226
Land & Property	10.629	48.435	59.054
Decent Homes	145.000	0	145.000
Mayor's Housing Covenant	240.148	390.999	631.147
Care & Support Programme	10.475	10.199	20.674
London Housing Bank	100.000	100.000	200.000
Housing Zones (MHC)	20.000	90.000	110.000
Housing Zones (DCLG)	20.000	90.000	110.000
Homelessness Change and Platform for Life	15.500	15.000	30.500
Further Education Capital	30.000	55.000	85.000
Custom Build	4.200	0	4.200
City Hall	0.175	0.175	0.350
<b>Sub-total</b>	<b>999.697</b>	<b>1,049.957</b>	<b>2,049.654</b>
Estimated Slippage from 2014-15	63.228	18.065	81.294
<b>Total Capital Spending Plan</b>	<b>1,062.925</b>	<b>1,068.022</b>	<b>2,130.948</b>

## Key Performance Indicators

KPI	Targets				Performance	
	2013-14	2014-15	2015-16	Project lifetime	2013-14	Quarter 1 2014-15
Jobs created and supported through GLA Group investment	50,000	50,000	50,000	200,000 (2012-16)	50,785	N/A
Number of new apprenticeships started	56,204	66,882	79,684	250,000 (2012-16)	40,710	N/A
Square metres of public realm improved or created through GLA investment and associated spend (ie. levered or match funded)	25,560	80,124	49,887	N/A	32,114	32,010
Number of employers signed up to the London Living Wage	94	25	25	250 (2012-16)	187	85
Number of young Londoners who are actively supported	6,875	4,446	122	N/A	13,133	2,217
Number of young Londoners supported into and achieving an improved and sustained outcome	5,118	2,972	743	N/A	7,846	733
The number of schools supported to improve their practice	NEW	3,700	N/A	3,767 (2014-16)	NEW	2,451
GLA Group sites identified for new schools	3	2	1	10 (2012-16)	7	0
Number of volunteering opportunities signed up to through Team London	17,000	35,000	48,000	100,000 (2013-16)	18,691	13,622
Number of Londoners participating in sport or physical activity through the Mayor's sports programme (Phase 2)	5,865	32,548	23,850	62,263 (2013-16)	5,500	7,378
The number of street trees planted through the Mayor's street trees initiative	5,865	3,700	N/A	10,000 (2012-15)	4,329	0
The number of pocket parks established	22	98	N/A	100 (2013-15)	3	9
The area of green space created or restored in acres	0	300	N/A	300 (2012-15)	0	0
Tonnes of CO <sub>2</sub> saved as a direct result of Mayoral homes energy efficiency programmes	29,416	9,666	36,834	189,208 (2009-16)	4,245	996
Tonnes of CO <sub>2</sub> saved as a direct result of Mayoral workplace energy efficiency programmes	8,801	16,887	13,023	45,427 (2009-16)	16,469	9,181
Tonnes of CO <sub>2</sub> saved as a direct result of Mayoral energy supply	4,712	4,849	4,893	156,000 (2010-21)	4,712	1,212

KPI	Targets				Performance	
	2013-14	2014-15	2015-16	Project lifetime	2013-14	Quarter 1 2014-15
programmes						
The number of affordable homes delivered	7,786	17,890	4,815	100,000 (2008-16)	9,409	463
The number of council homes made decent	17,374	7,160	N/A	45,000 (2011-15)	17,374	336
Percentage of rough sleepers who did not spend a second night out as a result of the GLA-funded No Second Night Out service	80%	80%	80%	N/A	85%	91%
Release of GLA land in hectares	61	51	N/A	198 (2012-15)	51	0
Value of match funding (£) from partner bodies as a result of GLA investment through the Mayor's Regeneration Fund and Outer London Fund	£26.53m	£16.47m	£10.74m	£61.30m (2012-17)	£15.59m	N/A
The return on investment made to secure outside sponsorship	8:1	10:1	N/A	7:1 (2012-15)	8:1	6:1
The percentage of invoices from small and medium sized enterprises paid within ten days	90%	90%	90%	N/A	92%	92%
Average number of working days per GLA employee lost to sickness absence	6	5.9	5.9	N/A	3.4	2.8
The percentage of correspondence responded to in full in 20 working days	90%	90%	90%	N/A	84%	88%

**Note:**

In a few cases data are estimated and/or provisional. For a fuller overview of performance against KPIs – including details of which KPIs rely on estimates or, for the time being, provisional data – please refer to Budget Monitoring Sub-Committee papers.

Some 2015-16 targets have not yet been set and are currently marked as N/A.

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# Subject: Budget and Performance Committee Work Programme

**Report to: Budget and Performance Committee**

**Report of: Executive Director of Secretariat**

**Date: 20 November 2014**

**This report will be considered in public**

## 1. Summary

- 1.1 This report sets out proposals for the Budget and Performance Committee work programme for 2014/15.

## 2. Recommendation

- 2.1 **That the Committee notes its work programme for 2014/15.**

## 3. Background

- 3.1 The Committee receives a report monitoring the progress of its work programme at each meeting.

## 4 Issues for Consideration

- 4.1 During 2014/15 the Committee will scrutinise the Mayor's 2015/16 budget proposals for the Greater London Authority (GLA) Group on behalf of the London Assembly, as well as examine specific budget and performance issues across the GLA Group. The Committee is asked to note the following areas for investigation over the coming months:
- **Budget-setting process.** The Committee will carry out its scrutiny of the Mayor's budget for 2015/16 proposals over the coming months. In early December the Committee will publish its Pre-Budget Report before the Mayor publishes his draft consultation Budget before the end of the year. The Committee will examine this Budget in three meetings in early January, first with the heads of the functional bodies of the GLA Group, and then with the Mayor. The Mayor will publish a draft consolidated Budget in February which the Assembly will consider later that month.

### *Proposed meeting timetable*

- 4.2 The table below sets out scheduled future meetings of the Committee in 2014/15. The Committee can agree further topics as the year progresses. Items are subject to change to enable the Committee to respond to matters at short notice.

<b>Meeting date</b>	<b>Proposed topic(s)</b>
Tuesday 6 January 2015	2015/16 budget: GLA functional bodies
Thursday 8 January 2015	2015/16 budget: GLA functional bodies
Tuesday 13 January 2015	2015/16 budget: the Mayor
Thursday 19 March 2015	Topic to be confirmed

### **Budget Monitoring Sub-Committee**

- 4.3 The Budget Monitoring Sub-Committee monitors GLA Group spending and performance, and informs the work of the Budget and Performance Committee. The previously scheduled meeting on 17 December 2014 will be rescheduled so that an additional London Assembly Plenary meeting can take place that afternoon instead. The Sub-Committee's remaining two meetings during 2014/15 are:

- December 2014 – date to be scheduled; and
- Tuesday 24 March 2015.

- 4.4 Ideas under consideration for 2014/15 include:

- **New Year's Eve.** The Sub-Committee examined the sponsorship of the New Year's Eve event in July 2013. This is an opportunity to follow up that work, and investigate the ticketing arrangements for this year's event.
- **London & Partners.** Members may wish to examine how London & Partners uses its £11 million budget and how its performance can be measured.
- **Business rates.** By summer 2014, there will be data available showing the outcome of the first full year of business rate retention. The Committee could consider the GLA's business rates income and its effect on GLA activities.

- 4.5 As well as examining the GLA Group quarterly monitoring reports, the Sub-Committee will explore topical issues or specific areas contributing to the full Committee's investigations or reports, where appropriate, and examine Mayoral Decisions.

### **Proposed meeting timetable**

- 4.6 The table overleaf sets out scheduled future meetings of the Sub-Committee in 2014/15. The Sub-Committee can agree further topics as the year progresses. Items are subject to change to enable the Sub-Committee to respond to matters at short notice. The Sub-Committee will examine the GLA Group quarterly monitoring reports and invite functional bodies to appear as necessary.



<b>Meeting date</b>	<b>Proposed topic(s)</b>
December 2014 (date to be confirmed)	New Year's Eve
	London & Partners
Tuesday 24 March 2015	Topic to be confirmed

## **5 Legal Implications**

5.1 The Committee has the power to do what is recommended in this report.

## **6 Financial Implications**

6.1 There are no direct financial implications to the GLA arising from this report.

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

None

<b>Local Government (Access to Information) Act 1985</b>	
List of Background Papers: None	
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