

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2453

Title: TfL Subsidiaries Rationalisation

Executive Summary:

The purpose of this decision is to approve the making of three transfer schemes under section 165 of and Schedule 12 to the Greater London Authority Act 1999 (GLA Act) to transfer certain property, rights and liabilities of Transport for London (TfL) Group companies: LUL Nominee SSL Limited (SSL); LUL Nominee BCV Limited (BCV); and Tube Lines Limited (TLL) (save in relation to rights and obligations under the public-private partnership contracts with London Underground Limited (LUL) and under the Northern Line Train Services Contract (NLTSC)) to LUL. The purpose of these transfer schemes is to allow SSL and BCV to become dormant companies and to simplify the accounting of TLL. These changes will result in cost savings for TfL.

Decision:

The Mayor approves pursuant to section 165(2) of and Schedule 12 to the Greater London Authority Act 1999 the Transport for London (London Underground Subsidiary Entity Rationalisation) Transfer Schemes 2019 (as attached) comprising:

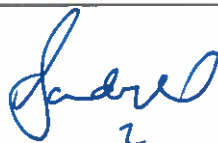
- (a) a scheme to transfer property, rights and liabilities of LUL Nominee SSL Limited ((SSL), save in relation to SSL's rights and obligations under its public-private partnership contracts with London Underground Limited (LUL)) to LUL;
- (b) a scheme to transfer property, rights and liabilities of LUL Nominee BCV Limited ((BCV), save in relation to BCV's rights and obligations under its public-private partnership contracts with LUL) to LUL; and
- (c) a scheme to transfer property, rights and liabilities of Tube Lines Limited ((TLL), save in relation to TLL's rights and obligations under its public-private partnership contracts with London Underground Limited (LUL) and under the Northern Line Train Services Contract (NLTSC)) to LUL.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

28/3/19

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1. The purpose of this decision is to approve the making of three transfer schemes under section 165 of and Schedule 12 to the Greater London Authority Act 1999 (GLA Act) to transfer certain property, rights and liabilities of three Transport for London (TfL) wholly owned, indirect subsidiary companies: LUL Nominee SSL Limited (SSL); LUL Nominee BCV Limited (BCV); and Tube Lines Limited (TLL) (save in relation to rights and obligations under the public-private partnership contracts with London Underground Limited (LUL) and under the Northern Line Train Services Contract (NLTSC)) to LUL.
- 1.2. The purpose of these transfer schemes is to allow SSL and BCV to become dormant companies. TLL will not become dormant but its accounting will be simplified. Investigations will continue into making TLL dormant in the future. These changes will result in cost savings through the reduction of the company secretarial and accounting burden of maintaining three subsidiary entities that perform no operational function in the TfL Group. Importantly, these changes will support London Underground in the delivery of future year savings of £1.2bn embedded in the 2018 TfL Business plan.
- 1.3. Metronet Rail BCV Limited, Metronet Rail SSL Limited (the Metronet companies) and TLL were infrastructure companies in public-private partnership with LUL. They entered into public-private partnership service contracts (PPP Contracts) with LUL and were responsible for the maintenance, renewal and upgrade of certain London Underground lines from 2003.
- 1.4. In July 2007, the Metronet companies were put into PPP administration. To enable TfL to take over the businesses of the Metronet companies and deliver their PPP obligations, the property, rights and liabilities of the Metronet companies were transferred to SSL and BCV, two dedicated subsidiaries of Transport Trading Limited (TTL). These transfer schemes came into effect in May 2008.
- 1.5. In June 2010, the entire issued share capital of TLL was acquired by TTL and it became a wholly-owned subsidiary of TTL, sitting within the TfL Group.
- 1.6. The PPP Contracts were kept in place between LUL and each of BCV, SSL and TLL. BCV, SSL and TLL have subcontracts with third party service providers which cover the scope of services envisaged in the PPP Contracts (the Subcontracts). The Subcontracts contain various links and references to the PPP Contracts that are relevant to the operation of those Subcontracts.
- 1.7. The proposed Transport for London (London Underground Subsidiary Entity Rationalisation) Transfer Schemes 2019 are threefold:
 - (a) SSL to LUL

All property, rights and liabilities of SSL will be transferred to LUL, with no exceptions, save in relation to the PPP Contract between SSL and LUL which will remain in place between these two parties.
 - (b) BCV to LUL

All property, rights and liabilities of BCV will be transferred to LUL, with no exceptions, save in relation to the PPP Contract between BCV and LUL which will remain in place between these two parties.

(c) TLL to LUL

All property, rights and liabilities of TLL will be transferred to LUL, save in relation to the PPP Contract between TLL and LUL which will remain in place between these two parties and also with the exception of the NLTSC.

- 1.8. None of these companies has employees, so no employees will transfer under these transfer schemes.
- 1.9. Section 165 of the GLA Act provides TfL with the power to make transfer schemes for the transfer of property, rights and liabilities between TfL and a subsidiary, or between subsidiaries, and that schemes do not take effect unless approved by the Mayor.
- 1.10. The proposal for these transfer schemes was considered by the TfL Board on 27 March and approval was given that they are proposed to the Mayor.

2. Objectives and expected outcomes

- 2.1. In relation to the Subcontracts, LUL, in practice, is now making payments directly to the subcontractors from LUL bank accounts with related correspondence entered into by LUL. Some of the Subcontracts have subsequently been entered into directly by LUL. TfL now wishes to make SSL and BCV dormant and simplify the structure within TLL, to reflect current operations and realise associated benefits, which is explained further in section 5. This project is a key enabler for a more unified and integrated finance function within TfL and supports TfL's Enterprise Resource Planning (ERP) strategy to upgrade TfL's SAP system.
- 2.2. Once all property, rights and liabilities of SSL and BCV (except the PPP Contracts) have been transferred to LUL they will be left as dormant companies, eliminating unnecessary complexity and administrative costs. The PPP Contracts between LU and each of SSL, BCV and TLL will remain in place with those entities, given the interdependency with the various Subcontracts mentioned in section 1.6. Whilst SSL and BCV remain the counterparties to the PPP Contracts, they will remain on the Companies House register.
- 2.3. TfL's auditors (Ernst & Young) have confirmed that, so long as no accounting entries fall to be recorded in the books of SSL and BCV, which TfL Finance have confirmed to be the expectation following the execution of the statutory transfer schemes, SSL and BCV will qualify as dormant.
- 2.4. Due to certain complexities it is not proposed to make TLL dormant and the NLTSC will remain in TLL. The PPP Contracts between LUL and each of SSL, BCV and TLL will remain in place as various Subcontracts have interdependency with them.

3. Equality comments

- 3.1. Under Section 149 of the Equality Act 2010, as a public authority, the Mayor of London must have 'due regard' of the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who have a protected characteristic and those who do not.
- 3.2. The proposed transfers are designed to remove an obsolete layer from TfL's corporate structure. There are no job losses associated with the transfer and it is not considered that there are any direct public sector equality duty implications arising from this decision.

4. Other considerations

- 4.1. The proposed transfers are designed to remove an obsolete layer from TfL's corporate structure and are purely administrative, with no effect on operational matters. There are, therefore, no direct implications for health and safeguarding or data protection. No statutory consultation is required and no other consultation is considered appropriate. There are no direct implications for the Mayor's

strategies and priorities, save that the proposed transfers are consistent with the Mayor's commitment to improvements in efficiency.

- 4.2. The proposed transfers do not carry a significant risk, given that only contracts (noting that the NLTSC and PPP Contracts are not transferring) and physical assets are affected, staff having already been transferred into other parts of the TfL Group.
- 4.3. The use of statutory transfer schemes as the mechanism for transfer (rather than contractual arrangements, whereby individual assets are identified) mitigates the risk that necessary assets are not properly transferred.

5. Financial comments

- 5.1. LU has a significant savings challenge to deliver, as outlined within the 2018 TfL business plan. The future year savings of £1.2bn require transparent and simple management information which is aligned to the business operating model. Currently the structure and reporting do not reflect the LU business operating model. Instead they reflect the PPP arrangements of 10 years ago. This decision will have the consequence of discontinuing this disconnect.
- 5.2. There are no direct financial implications on the GLA with regards to this decision.

6. Legal comments

- 6.1. Section 165(2) of the GLA Act provides that a transfer scheme shall not take effect unless and until it has been approved by the Mayor. Where a scheme involves the transfer of relevant statutory provisions under local Acts or TWA Orders then the approval of the Secretary of State is required, however that is not the case with the schemes under consideration here.
- 6.2. The Mayor may, after consultation with TfL, modify the transfer schemes before approving them.
- 6.3. In accordance with Schedule 12 to the GLA Act, TfL may agree in writing to modify the schemes after they have come into force, but only with the consent of the Mayor.

7. Planned delivery approach and next steps

Activity	Timeline
Execution (and entry into effect) of Statutory Transfer Schemes	By 1 April 2019
Notification of contractors of the transfers	April/ May 2019

Appendices and supporting papers:

Transport for London (London Underground Subsidiary Entity Rationalisation- Tube Lines Limited) Transfer Scheme 2019

Transport for London (London Underground Subsidiary Entity Rationalisation-LUL Nominee BCV Limited) Transfer Scheme 2019

Transport for London (London Underground Subsidiary Entity Rationalisation- LUL Nominee SSL Limited) Transfer Scheme 2019.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Justine Curry has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

David Bellamy has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on the 25 March 2019

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

M. J. Bellamy

Date 25.3.19

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

D. Bellamy

Date 25/3/2019

