

Transport for London

Minutes of the Finance and Policy Committee

Committee Rooms 1 and 2, Ground Floor, Palestra,
197 Blackfriars Road, London, SE1 8NJ
9.30am, Thursday 17 October 2013

Members

Peter Anderson	Chairman
Daniel Moylan	Vice Chairman
Isabel Dedring	Deputy Chair of TfL
Angela Knight	Member
Michael Liebreich	Member
Eva Lindholm	Member

Also in Attendance

Brian Cooke	Member
Keith Williams	Member

Staff

Steve Allen	Managing Director, Finance
Sarah Atkins	Commercial Director, Rail and Underground (for part)
Howard Carter	General Counsel
Richard de Cani	Director of Transport Strategy and Policy, Planning (for part)
David Goldstone	Chief Finance Officer
Stuart Harvey	Programme Director Jubilee, Northern, Piccadilly Upgrades, London Underground (for part)
David Hendry	Director of Finance, Surface Transport
David Hughes	Director Of Major Programme Sponsorship Train Systems and Upgrades, London Underground (for part)
Simon Kilonback	Group Treasurer
Terry Morgan	Chairman, Crossrail Limited
Ben Plowden	Director of Surface Strategy and Planning, Surface Transport (for part)
Andrew Pollins	Director of Finance, Rail and Underground
Dana Skelley	Director of Asset Management, Surface Transport (for part)
David Waboso	Capital Programmes Director, London Underground (for part)
Clive Walker	Director of Internal Audit
Shamus Kenny	Head of Secretariat

64/10/13 Apologies for Absence and Chair's Announcements

There were no apologies for absence.

Howard Carter informed Members that some content in the Part 1 papers on Group Treasury Activities and on the Northern Line Extension to Battersea had been redacted after their initial publication. Members were also notified of a missing figure in a table on the Victoria Station Upgrade Additional Procurement Authority paper.

65/10/13 Declarations of Interests

Peter Anderson declared an interest as a director of the Canary Wharf Group plc in relation to Crossrail and the Jubilee line upgrade. Daniel Moylan declared an interest as a Councillor for the Royal Borough of Kensington and Chelsea, as a Non Executive Director of Crossrail Limited (appointed by TfL) and as Chairman of Urban Design London. Angela Knight declared an interest as Chief Executive of Energy UK and as a director of Knight Rail. Michael Liebreich declared an interest as Chief Executive Officer, Bloomberg New Energy Finance.

66/10/13 Minutes of the Meeting held on 18 July 2013

The minutes of the meeting held on 18 July 2013 were approved as a correct record and signed by the Chairman.

67/10/13 Matters Arising and Actions List

The Committee noted the Actions List.

68/10/13 Prudential Indicators – Outturn for the Year Ended 31 March 2013

David Goldstone introduced the paper, which reported TfL's performance against the indicators for the Financial Year 2012/13. The indicators demonstrated that TfL exercised prudence in assessing the affordability of the capital expenditure and borrowing necessary to support the budget outputs.

The Committee noted the paper.

69/10/13 Group Treasury Activities

Simon Kilonback introduced the paper, and the related paper on Part 2 of the agenda, which provided an update on the Group Treasury activities for the six month period between 1 April and 30 September 2013 and provided an update on the proposed plans to implement the agreed Treasury Management Strategy for 2013/14.

The Committee noted the paper and the related paper on Part 2 of the agenda.

70/10/13 Borrowing Strategy

Simon Kilonback introduced the paper, and the related paper on Part 2 of the agenda, which provided information on the framework regulating TfL's borrowing activities and the key principles underpinning TfL's Borrowing Strategy.

The Committee supported the efforts of officers to convince Her Majesty's Treasury to allow TfL to issue bonds in other currencies. It recognized the desire of banks to have benchmarks against each maturity in the bonds market but encouraged officers to go for longer bond maturity periods wherever possible. Members discussed the use of hedging

and gilt locks when issuing bonds and agreed that this would be given further consideration. The next paper proposing a bond issue would include more information on hedging/gilt locks, including what TfL's peers did and any lessons learned.

The Committee noted the paper and the related paper on Part 2 of the agenda.

71/10/13 European Investment Bank Corporate Loan

Simon Kilonback introduced the paper, and the related paper on Part 2 of the agenda, which sought approval for TfL entering into a corporate loan facility agreement with the European Investment Bank (EIB).

Members supported the proposals in the paper and suggested that TfL explore other opportunities to secure funding from the EIB on similar terms. Opportunities would include projects outside both the Department for Transport's list of Comprehensive Spending Review milestones and the current TfL Business Plan.

The Committee:

- 1 noted the paper and the related paper on Part 2 of the agenda;**
- 2 noted that under the Treasury Management Strategy 2013/14, approved by the Board in March 2013, the Committee's approval was required for any newly arranged facility (but not facilities being renewed) through the European Investment Bank (EIB);**
- 3 approved the substantive terms of the proposed loan facility agreement between TfL and the EIB for up to £500m as set out in Appendix 1 to the paper on Part 2 of the agenda, subject to any further amendments that the TfL Officers (as described in paragraph 6 below) may approve further to the delegation in paragraph 4 below;**
- 4 delegated authority to the TfL Officers (as described in paragraph 6 below) such that any one of them may approve, authorise and agree on behalf of TfL the final terms and conditions of the loan facility agreement (including the final amount of the loan (subject to a maximum of £500m), the tenor, interest rates, specific drawdown dates, loan profile and repayment schedules and any amendments to the substantive terms) and any other documentation relating to the loan; and**
- 5 delegated authority to the TfL Officers(as described in paragraph 6 below) to approve, sign, execute (if necessary, by authorising the fixing of the TfL seal) and deliver on behalf of TfL the loan facility agreement and any and all ancillary documentation to be entered into by TfL in relation to the loan facility.**
- 6 The following TfL Officers have delegated authority: the Commissioner, Managing Director Finance, General Counsel, Chief Finance Officer and Director of Group Treasury.**

72/10/13 Northern Line Extension to Battersea

Richard de Cani introduced the paper and the related paper on Part 2 of the agenda, which updated the Committee on the progress of the Northern Line Extension (NLE) to Battersea project, including obtaining an Order under the Transport and Works Act, and the procurement of the design and construction of the NLE. The paper sought approval for TfL to enter into certain advance land acquisitions in relation to the NLE. It also sought a recommendation that the Board approve an increase in the Project Authority, the implementation of the funding strategy and the entry into a funding and delivery agreement between TfL and the developer of Battersea Power Station (BPS).

The Committee noted that discussions were ongoing with the Greater London Authority on the borrowing arrangements for the project. Further information would be provided to Isabel Dedring. **[Action: Steve Allen]**

Further information was requested on how TfL would mitigate against the risk of the developer not completing phases 2 and 3 of the BPS development. This would be included in the paper to the Board. **[Action: Mike Brown]**

The Committee was informed that Crossrail Limited was sharing its knowledge and lessons learned on how to incentivise contractors to reduce costs. A paper would be submitted to a future meeting of the Committee, setting out how contractors would be incentivised to deliver on time and on or below budget. **[Action: Mike Brown]**

Officers were encouraged to think ahead about how TfL could maximise third party contributions and land value for future projects, such as Crossrail 2.

The Committee:

- 1 noted the paper and the related paper on Part 2 of the agenda;**
- 2 under the terms of a specific delegation of authority in relation to approval for land acquisitions and related matters granted by the Board on 25 September 2013:**
 - (a) approved the early acquisition of land from and entry into related commitments with Sainsbury's, Banham, Battersea Dogs and Cats Home and Covent Garden Market Association as described in, and up to the maximum sum set out in, the paper on Part 2 of the agenda; and**
 - (b) authorised the TfL Officers and Subsidiaries (as defined in paragraph 4 below) the ability to agree and execute (whether by deed or otherwise) on behalf of TfL or a Subsidiary (as appropriate) any documentation to be entered into in connection with such acquisitions and commitments and to do such other things as they consider necessary or desirable to facilitate the proposed acquisitions and commitments;**
- 3 recommended that the Board:**
 - (a) grant an increase in Project Authority to £1,044m to proceed with the extension of the Northern line to Battersea Power Station (NLE), subject to all necessary consents being granted;**

- (b) grant approval for the implementation of a funding strategy between Government, local authorities and the GLA to deliver the NLE;
- (c) grant approval to a funding and delivery agreement and related documentation with the developer of Battersea Power Station, committing both parties to an agreed funding and delivery strategy for the NLE; and
- (d) authorise the TfL Officers and Subsidiaries (defined in paragraph 4 below) to agree and execute (whether by deed or otherwise) on behalf of TfL or a Subsidiary (as appropriate) any documentation to be entered into in connection with such commitments and to do such other things as they consider necessary or desirable to facilitate such commitments.

4 The following TfL Officers and Subsidiaries shall have delegated authority:

- (a) TfL Officers: the Commissioner, Managing Director Finance, General Counsel, Managing Director Planning and Managing Director Rail and Underground; and
- (b) Subsidiaries: all subsidiary companies of TfL including Transport Trading Limited and any other subsidiary of Transport Trading Limited (whether existing presently or to be formed); any of the directors shall be authorised to act for or on behalf of any such subsidiary.

73/10/13 Victoria Station Upgrade – District and Circle Lines Refurbishment

Gareth Powell introduced the paper, and the related paper on Part 2 of the agenda, which sought a recommendation that the Board grant project authority to undertake refurbishment of the District & Circle lines parts of Victoria station as part of the Victoria Station Upgrade programme.

The Committee:

- 1 noted the paper and the supplemental paper on Part 2 of the agenda; and
- 2 recommended that the Board grant Project Authority in respect of the Victoria Station Upgrade Project, as detailed in the supplemental paper included on Part 2 of the agenda.

74/10/13 Victoria Station Upgrade – Additional Procurement Authority

Gareth Powell introduced the paper, and the related paper on Part 2 of the agenda, which sought a recommendation that the Board grant the Victoria Station Upgrade (VSU) project additional procurement authority.

The Procurement Authority requested was within the current VSU project authority, with the exception of the District and Circle lines refurbishment, project authority for which had been sought under a separate paper on the agenda.

The Committee requested that lessons learnt from the Cooling the Tube project and the pilot of energy efficiency initiatives at Leicester Square be considered as part of this project and sought further information on the project management costs. This information would be provided in the paper to be submitted to the Board. **[Action: Mike Brown]**

The Independent Investment Programme Advisory Group would be asked to look at the level of Project Management costs across projects in general. **[Action: Steve Allen]**

The Committee:

- 1 noted the paper and the supplemental paper on Part 2 of the agenda; and**
- 2 recommended that the Board grant additional Procurement Authority of £50m in respect of the Victoria Station Upgrade Project, as detailed in the supplemental paper included on Part 2 of the agenda.**

75/10/13 Sub-Surface Railway Upgrade Programme Contingency Request

Gareth Powell and David Hughes introduced the paper, and the related paper on Part 2 of the agenda, which sought a recommendation that the Board approve an increase in project authority for the Sub-Surface Railway Upgrade Programme (SUP) in order to undertake additional emerging works outside the agreed SUP defined scope.

The Committee requested that further information on the Programme Engineering and Management Costs be provided in the paper to be submitted to the Board.

[Action: Mike Brown]

The Committee:

- 1 noted the paper and the supplemental paper on Part 2 of the agenda; and**
- 2 recommended that the Board approve:**
 - (a) an increase in SUP Project Authority of £15.3m to £4259.1m to deliver the additional works detailed in section 4; and**
 - (b) funding of these works from contingency.**

76/10/13 Hammersmith Flyover Strengthening Phase 2

Dana Skelley introduced the paper, which sought approval for an increase in Project Authority to undertake the design and construction phase of the Hammersmith Flyover strengthening.

Members were informed that the procurement process had focussed on keeping disruption from the work to a minimum, with some night time closures and, in the summer of 2014, a number of weekend closures.

TfL was providing information on traffic modelling as part of the London Borough of Hammersmith and Fulham's commissioned research into the financing of a proposal to replace the flyover with a tunnel.

The Committee approved an increase in Project Authority of £72.879m, to a total project authority of £76.779m, to undertake the design and construction phase of the Hammersmith Flyover strengthening.

77/10/13 Safety Camera Replacement Project

Ben Plowden introduced the paper. On 13 March 2013, the Committee approved the Safety Camera Replacement Project (SCRCP), which sought to replace wet film safety cameras that would soon be obsolete with new digital technology. However, the Committee had deferred a decision on the implementation of average speed cameras as part of the project. As requested by the Committee, the paper provided further information on TfL's policy on the use of average speed cameras, user acceptance of such technology, and the use of alternate technologies (such as speed warning signs) in reducing speed and Killed or Seriously Injured collisions (KSIs). The paper also set out the overall approach to the installation and deployment of safety cameras in London.

The Committee considered the evidence for the effectiveness of the different methods of reducing vehicle speed on different types of road. The Mayor would be asked for his view on the inclusion of average speed cameras as part of the SCRCP, either on all four roads identified or as a phased introduction to gather more evidence on their effectiveness.

Members requested that consideration be given to the use of mobile speed indicator devices on appropriate roads, as part of the approach to reduce speeds and KSIs.

A paper would be submitted to a future meeting of the Committee on the operation of the London Traffic Control Centre. The paper would identify which roads were covered by cameras to monitor traffic flow and the plans to plug the gaps, including the potential to combine cameras with sites used for Safety Cameras. The paper would set out how TfL responded to different types of incident to ensure the minimum disruption for road users.

[Action: Leon Daniels]

The Committee noted the paper.

78/10/13 Any Other Business the Chair Considers Urgent

There were no other additional items of business raised.

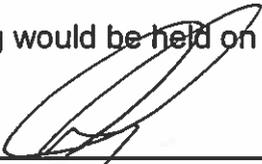
79/10/13 Exclusion of Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the exempt appendices to the papers on Group Treasury Activities, Borrowing Strategy, European Investment Bank Corporate Loan, Northern Line Extension to Battersea, Victoria Station Upgrade – Additional Procurement Authority, Victoria Station Upgrade – District and Circle Lines Refurbishment and the Sub-Surface Railway Upgrade Programme Contingency Request. Each of these papers contained information relating to the financial or business affairs of a person or authority.

The meeting closed at 11.30am.

The next meeting would be held on Wednesday 27 November 2013 at 9.30am.

Chair:



Date:

27 November 2013