

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, Wednesday 17 October 2012**

Members

Peter Anderson	Chair
Daniel Moylan	Vice Chairman (for part)
Isabel Dedring	Deputy Chair of TfL
Christopher Garnett	Member
Eva Lindholm	Member

In Attendance

Charles Belcher	Board Member
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Staff

Steve Allen	Managing Director, Finance
Sarah Bradley	Head of Group Financial Accounting (for part)
Howard Carter	General Counsel
David Hendry	Director of Finance, Surface Transport
David Hughes	Director, Crossrail Joint Sponsor Team, London Rail (for part)
Simon Kilonback	Group Treasurer
Terry Morgan	Chairman, Crossrail Limited (for part)
Andrew Pollins	Director of Finance, Rail and Underground
Gareth Powell	Director of Strategy and Service Development, Rail and Underground (for part)
Dana Skelley	Director of Roads, Surface Transport (for part)
Clive Walker	Director, Internal Audit
Shamus Kenny	Head of Secretariat

38/10/12 Apologies for Absence and Chair's Announcements

Apologies for lateness were received from Daniel Moylan.

39/10/12 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 and as Chairman of Urban Design London. Christopher Garnett declared an interest as a member of the Olympic Delivery Authority and as a non-executive director of Aggregate Industries Limited.

40/10/12 Minutes of the Meeting held on 11 July 2012

The minutes of the meeting held on 11 July 2012 were approved as a correct record and signed by the Chairman.

41/10/12 Matters Arising and Actions List

The Committee noted the Actions List.

42/10/12 Local Government Resource Review Update

Steve Allen introduced the paper, which provided a further update to the Committee on the Local Government Resource Review reforms, their impact on TfL's future funding arrangements and the key outstanding issues that needed to be resolved.

On 18 May 2012, the then Secretary of State, Justine Greening, wrote to the Mayor confirming that the changes to the arrangements for payment of Transport Grant should not be construed as any weakening of the Government's support. TfL expected the amount of business rate income replacing the Transport Grant to be paid over directly from the GLA, at the same quantum and for the same period as set out in Comprehensive Spending Review funding settlements. Members also supported the proposition that the Department for Transport should devolve the Bus Service Operators Grant directly to TfL via a grant.

The Committee requested that an update paper on the Local Government Resource Review, including the Bus Service Operators Grant, be submitted to the next meeting of the Board. **[Action: Steve Allen]**

The Committee noted the updates on the proposed reforms, their likely impact on TfL's future funding arrangements and the key outstanding issues to resolve.

43/10/12 Prudential Indicators – Outturn for the Year Ended 31 March 2012

Steve Allen introduced the paper, which reported TfL's performance against the final revised indicators for the Financial Year 2011/12. 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.

44/10/12 Group Treasury Activities

Steve Allen introduced the paper, which updated the Committee on Group Treasury activities between 1 April and 30 September 2012 and the proposed plans to implement the agreed Treasury Management Strategy 2012/13. The paper sought approval for new issuance under TfL's Medium Term Note Programme, and also for financial derivative investment transactions to hedge against the effects of movements in underlying market interest rates on the cost of TfL's planned borrowing.

Simon Kilonback confirmed the Repurchase Agreements would be used for the purposes of investment, where the collateral accepted by TfL would be exclusively UK Government gilts. Any Repurchase Agreement activity would count towards the approved counterparty limit for each bank. Transactions would typically be for three or six months, with longer term transactions subject to the limits in place under the approved Investment Strategy.

The paper on Part 2 of the agenda contained exempt supplemental information (see Minute 50/10/12).

The Committee:

- 1 noted the paper; and**
- 2 in relation to the Borrowing Strategy 2012/13 (included in the Treasury Management Strategy 2012/13) approved:**
 - (a) the issuance by TfL of Notes under its Medium Term Note (MTN) Programme between the meeting of the Committee held on 17 October 2012 up to 31 March 2013; and**
 - (b) pursuant to section 49 of the Transport for London Act 2008 ("the Act") and the TfL Group Policy relating to the Use of Derivative Investments, Transport for London Finance Limited (as a qualifying TfL subsidiary for the purposes of the Act) entering into derivative investments in the form of gilt locks or interest rate swaps to fix the reference Gilt rate for any planned borrowing, for the purposes of the prudent management of the financial affairs of TfL and its subsidiaries, and limiting the extent to which one or more TfL bodies will be affected by changes in interest rates;**

provided that:

 - (i) the Managing Director, Finance has approved such issuance and/or derivative investment;**
 - (ii) such issuance and/or derivative investment were otherwise in accordance with any relevant parameters set out in the Treasury Management Strategy 2012/13, the TfL Group Policy relating to Derivative Investments, and in the paper;**
 - (iii) the Managing Director, Finance, consulted with as many Members of the Committee that were available, on:**
 - 1 the proposed term and amount of such Note issuance and/or derivative investment in advance of such Note issuance and/or derivative investment; and**
 - 2 the need for any Supplemental Prospectus prior to the proposed Note issuance;**
- 3 in relation to the Investment Strategy 2012/13 (included in the Treasury Management Strategy 2012/13) approved the entry by TfL into Repurchase Agreements with one or more counterparties on TfL's Approved Investment List;**
- 4 subject to the approvals being given in paragraph 2 and/or 3 above, delegated authority to the Commissioner, Managing Director, Finance, General Counsel, the Chief Finance Officer and the Group Treasurer and Subsidiaries so that any one of them may:**

- (a) approve, authorise and agree the final terms of the transactions relating to such Note issuance(s), Repurchase Agreements and/or derivative investment(s) and or other documentation relating thereto (including, without limitation, all agreements, deeds, announcements, notices, contracts, certificates, letters, subscription agreements, supplemental prospectuses, or other documents);
- (b) authorise the agreement and execution (whether by deed or otherwise on behalf of TfL or any Subsidiary (as appropriate) of any documentation to be entered into in connection with the completion and implementation of such Note issuance(s), Repurchase Agreements or derivative investment(s) (including, without limitation, all agreements, deeds, announcements, notices, contracts, certificates, letters, subscription agreements, supplemental prospectuses, or other documents); and
- (c) do all such other things as they consider necessary or desirable to facilitate the execution and implementation of such Note issuance(s), Repurchase Agreements and/or derivative investment(s); and

5 noted that the Committee would be notified of any issuance under the MTN Programme and/or derivative transaction at the meeting following such issuance and/or derivative transaction.

45/10/12 Crossrail: Paddington Transport and Works Act Order

Steve Allen introduced the paper, which sought the recommendation of the Committee that the Board approve Crossrail Limited making an application for a Transport and Works Act Order authorising the construction of a passenger subway between the new Crossrail Paddington station and the London Underground Bakerloo line.

Terry Morgan confirmed that the need to acquire the land had been identified as the plans for the tunnel had been developed. The costs would be contained within the budget and the revised proposal was favoured by Network Rail.

The Committee:

- 1** noted the paper;
- 2** recommended that the Board approve the submission of an application for an Order under the Transport and Works Act 1992 (TWAO) that provided all the necessary land rights and planning permissions required to implement works in connection with the Bakerloo Line Link; and
- 3** recommended that the Board delegate authority to the Chief Executive of Crossrail Limited (or in his absence, TfL General Counsel) to:
 - (a) agree the final terms of the application (including land interests, environmental scoping and deemed planning permission to be subject to the order) for the TWAO required in relation to the works;
 - (b) continue to consult with London Underground to ensure the TWAO in no way hindered London Underground's proposals for future works at Paddington station;

(c) obtain the Mayor's written consent to apply for the TWAO (as required by the Greater London Authority Act 1999); and

(d) do everything else necessary or desirable to facilitate the making of the TWAO, including:

(i) signing and/or sealing any documents, agreements or notices required in connection with the submission of the application; and

(ii) promoting the TWAO including responding to any objections and dealing with any public inquiry that may be held in relation to the proposals.

46/10/12 London Highways Alliance Contract

Dana Skelley introduced the paper, which sought a recommendation from the Committee that the Board approve four framework agreements, collectively referred to as the London Highways Alliance Contract and four call-off contracts to deliver highways maintenance and related services on and around the TfL Route Network from 1 April 2013 to 31 March 2021.

The framework agreements and contracts would consolidate a range of existing contracts, resulting in significant immediate savings and further savings as other boroughs joined.

Members congratulated Dana Skelley on getting the various organisations to work together collaboratively. A forum had now been established to benchmark data across the different contracts and to share best practice and discuss innovative solutions. The longer term goals from greater collaborative working would be discussed by the Surface Transport Panel.

[Action: Leon Daniels]

The paper on Part 2 of the agenda contained exempt supplemental information (see Minute 51/10/12).

The Committee recommended that the Board:

- 1 note the paper;**
- 2 approve entering into four framework agreements for highways maintenance and improvement schemes, as described in the paper and approved procurement authority to enter into four contracts with an aggregate value of £1,185m, as described in the corresponding paper on Part 2 of the agenda;**
- 3 delegate to the TfL Officers and the Subsidiaries (as described in paragraph 6 below) the authority to finalise the terms of the framework agreements and contracts referred to in paragraph 2 above;**
- 4 authorise the agreement and execution (whether by deed or otherwise on behalf of TfL or any Subsidiary (as appropriate)) any documentation to be entered into in connection with the completion and implementation of the framework agreements and contracts referred to in paragraph 2 above and any of the matters referred to in any of them (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**

- 5 **authorise TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate the execution and implementation of the framework agreements and contracts referred to in paragraph 2 above.**
- 6 **The following Officers and Subsidiaries shall have delegated authority:**
 - (a) **TfL Officers: the Commissioner, Managing Director Finance, Managing Director Surface Transport, General Counsel and the Chief Finance Officer.**
 - (b) **Subsidiaries: Subsidiaries of TfL including Transport Trading Limited and any other subsidiary (whether existing presently or to be forms) of Transport Trading Limited and any of the directors of the relevant company shall be authorised to act for and on behalf of that company.**

47/10/12 Any Other Business the Chair Considers Urgent

There were no additional items of business raised.

48/10/12 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 following items of business, which contained information relating to the financial or business affairs of a person or authority and contained issues where a claim to legal professional privilege could be made.

49/10/12 Minutes of the Meeting held on 11 July 2012

The minutes of the meeting held on 11 July 2012 were approved as a correct record and signed by the Chairman.

50/10/12 Group Treasury Activities

Steve Allen and Simon Kilonback introduced the paper, which contained supplementary information to the Group Treasury Activities paper considered on Part 1 of the agenda (see Minute 44/10/12). In particular, it contained information on TfL's borrowing plans and an update on risk management.

51/10/12 London Highways Alliance Contract

Dana Skelley introduced the paper, which contained supplementary information to the London Highways Alliance Contract paper considered on Part 1 of the agenda (see Minute 46/10/12). In particular, it contained information on the tender evaluation results.

The meeting closed at 11.40am.

The next meeting would be held on 27 November 2012 at 9.30am.

Chair:

David Moxley

Date:

27th November, 2012