

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 13 March 2013

Members

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| Peter Anderson | Chairman |
| Daniel Moylan | Vice Chairman |
| Isabel Dedring | Deputy Chair of TfL |
| Eva Lindholm | Member |

In Attendance

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| Brian Cooke | Board Member |
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Staff

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| Steve Allen | Managing Director, Finance |
| Sarah Bradley | Head of Group Financial Accounting (for part) |
| Howard Carter | General Counsel |
| Richard De Cani | Director of Transport Strategy and Policy, Planning (for part) |
| Michèle Dix | Managing Director, Planning (for part) |
| Garrett Emmerson | Chief Operating Officer, Surface Transport (for part) |
| David Goldstone | Chief Finance Officer |
| David Hendry | Director of Finance, Surface Transport |
| Simon Kilonback | Group Treasurer |
| Terry Morgan | Chairman, Crossrail Limited |
| Ben Plowden | Director of Surface Planning, Surface Transport (for part) |
| Andrew Pollins | Director of Finance, Rail and Underground |
| Gareth Powell | Director of Strategy and Service Development, Rail and Underground |
| Howard Smith | Chief Operating Officer, London Rail (for part) |
| Clive Walker | Director, Internal Audit |

Also in Attendance

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| David James | Chair, Independent Investment Programme Advisory Group |
| Ian Fugeman | Member of the Independent Investment Programme Advisory Group |
| Shamus Kenny | Head of Secretariat |

16/03/13 Apologies for Absence and Chair's Announcements

Apologies for absence were received from Angela Knight and Michael Liebrich.

17/03/13 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 and as Chairman of Urban Design London.

18/03/13 Minutes of the Meeting held on 27 November 2012

The minutes of the meeting held on 27 November 2012 were approved as a correct record and signed by the Chairman. The notes of the meeting held on 23 January 2013 were adopted and approved as a correct record and signed by the Chairman.

19/03/13 Matters Arising and Actions List

The Committee noted the Actions List.

20/03/13 TfL Budget 2013/14

Steve Allen introduced the report, which set out TfL's Budget for 2013/14 and outlined the key changes since the latest Business Plan published in December 2012. The Business Plan had been used by the Greater London Authority as part of its budgetary process.

Members were informed that the paper to the Board would be updated to reflect a change to the Crossrail Limited (CRL) expenditure figures, as CRL had agreed its budget after the paper had been published and that an error in paragraph 5.1 of the paper would be corrected: to show that TfL's net forecast expenditure levels for 2013/14 had reduced by £70m, from £4,948m in the Business Plan to £4,878m in the Budget.

The Committee:

- 1 noted the draft Budget for 2013/14;**
- 2 noted that the document may be revised and updated prior to submission to the Board, for consideration on 27 March 2013; and**
- 3 recommended that the Board:**
 - (a) approve the draft TfL Budget for 2013/14; and**
 - (b) delegate to the Managing Director, Finance, the authority to make any editorial or other minor changes prior to its publication.**

21/03/13 Group Treasury Activities

Simon Kilonback introduced the paper, and the related paper on Part 2 of the agenda, which provided an update on Group Treasury activities for the period from 1 April 2012 to date.

Members congratulated Group Treasury on its outstanding achievements, which had been recognised by the team winning the International Finance Review Sterling Bond of the Year, in January 2013 and receiving a "highly commended" award as runner-up in the Association of Corporate Treasurers Treasury Team of the Year Awards, in February 2013. The Special Recognition Award in the Treasurer magazine stated that "a world-class business is being served by a world-class treasury team".

The Committee was provided with information on the resettlement process for Repurchase Agreements and the checks on the daily reports produced by CREST and HSBC.

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

22/03/13 Treasury Management and Derivative Investments Policies 2013/14

Simon Kilonback introduced the paper, which sought a recommendation from the Committee that the Board approve the proposed TfL Treasury Management Policy Statement and Treasury Management Practices, and the proposed TfL Group Policy relating to the use of Derivative Investments for 2013/14.

The Committee:

- 1 noted the paper; and**
- 2 recommended that the Board:**
 - (a) approve the proposed TfL Treasury Management Policy Statement and Treasury Management Practices in Appendix 1 of the paper; and**
 - (b) Approve the proposed TfL Group Policy Relating to the use of Derivative Investments in Appendix 2 of the paper.**

23/03/13 Treasury Management Strategy for 2013/14

Simon Kilonback introduced the paper, which sought a recommendation from the Committee that the Board approve the proposed TfL Treasury Management Strategy (TMS) for 2013/14, which comprised the Investment Strategy 2013/14, the Borrowing Strategy 2013/14 and the Risk Management Strategy 2013/14.

Members discussed and supported the proposed changes from 2012/13 and noted that the case continued to be made to HM Treasury to allow TfL to borrow in currencies other than sterling.

The paper also asked the Committee to recommend to the Board that it ratify the approval and execution of a guarantee by TfL to HSBC plc in respect of Crossrail Limited in connection with the TfL Group banking arrangements. Members were advised that although the current Board resolution was valid and did not need to be reapproved annually, HSBC had requested the revised resolution so that it was consistent with the standard form of resolution that it required from other clients.

The Committee:

- 1 noted the paper;**
- 2 recommended that the Board:**
 - (a) approve the Treasury Management Strategy for 2013/14, including the Investment Strategy, Borrowing Strategy and the Risk Management Strategy and the TfL Policy on Minimum Revenue Provision included as Appendix 1**

to the paper; and

- (b) ratify the approval and execution of a guarantee by TfL to HSBC plc dated 25 June 2010 in respect of Crossrail Limited in connection with the TfL Group banking arrangements.**

24/03/13 Prudential Indicators

David Goldstone and Sarah Bradley introduced the paper, which set out the proposed TfL borrowing limits and other Prudential Indicators under the CIPFA Prudential Code (the Prudential Code), which were consistent with the proposed Treasury Management Strategy for 2013/14. The limits and indicators were based on figures in the 2013/14 TfL Budget, to be submitted for approval by the Board.

Members were informed that the Prudential Indicator for Prudence and Affordability – Estimate of ratio of financing costs to net revenue stream was designed to be a useful indicator of affordability for the majority of local authorities. However, because of the unique nature of TfL and the way that it is funded, the indicator was not particularly useful for TfL. Accordingly, the significant change in the indicator for TfL in 2014/15 was not of concern as it reflected both a reduction in overall levels of government grant but also that a larger proportion of the grant had been allocated for capital rather than revenue costs in the Business Plan. Notwithstanding the indicator, TfL remained confident that its Business Plan was affordable.

The Committee:

- 1 noted the paper; and**
- 2 recommended that the Board approve:**
 - (a) the TfL Prudential Indicators as set out in Appendix 1 of the paper for 2013/14 and the following two years; and**
 - (b) the Treasury Indicators as set out in Appendix 2 of the paper for 2013/14 and the following two years.**

25/03/13 Crossrail: Plumstead Transport and Works Act Order

Terry Morgan and David Hughes 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 (TWAo) authorising the construction and operation of a depot to provide infrastructure maintenance facilities and passenger train stabling at Plumstead.

The TWAo was required as detailed operational modelling had not been worked up at the time that the Crossrail Act was approved.

The Committee:

- 1 noted the paper; and**
- 2 recommended that the Board:**

- (a) approve the submission of an application for an Order under the Transport and Works Act 1992 (TWAO) by Crossrail Limited (CRL) that provides all the necessary land rights and planning permissions required to construct and operate a railway stabling and maintenance facility by CRL at Plumstead; and
- (b) delegate authority to the Chief Executive of CRL (or in his absence, TfL General Counsel) to:
 - (i) agree the final terms of the application (including the land and interests, environmental scoping and deemed planning permission to be subject to the order) for the TWAO required in relation to the works;
 - (ii) obtain the Mayor's written consent to apply for the TWAO (as required by the Greater London Authority Act 1999); and
 - (iii) do everything else necessary or desirable to facilitate the making of the TWAO, including:
 - (1) signing and/or sealing any documents, agreements or notices required in connection with the submission of the application; and
 - (2) promoting the TWAO including responding to any objections and dealing with any public inquiry that may be held in relation to the proposals.

26/03/13 Crossrail: Paddington Station Bakerloo Line Link Transport and Works Act Order

Terry Morgan and David Hughes 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 relating to the Paddington Station Bakerloo Line Link. On 7 November 2012, the Board had agreed a similar application but revised authority was required as an alternate construction method, including the temporary possession of the Royal Mail building at 31 London Street, was now proposed.

The Committee enquired whether the provision of a travelator had been considered for the underground link. A paper would be submitted to the next meeting of the Committee showing the costs and benefits of providing a travelator or of ensuring that the link had sufficient capacity to allow the provision of a travelator in the future, in the light of operational experience.

[Action: Terry Morgan]

The Committee:

- 1 noted the paper; and
- 2 recommended that the Board approve the alternative construction proposals to be included in the application for an Order under the Transport and Works Act 1992 that provided all the necessary land rights and planning permissions required to implement works in connection with the Bakerloo Line Link.

27/03/13 Safety Camera Replacement Project

Ben Plowden and Garrett Emmerson introduced the paper, and the related paper on Part 2 of the agenda, which sought approval of the Project Authority required to enable the implementation of the Safety Camera Replacement Project in line with the policies set out in the draft Road Safety Action Plan.

The Committee discussed the proposals and the most effective way to manage speed to reduce the number of people killed and seriously injured (KSIs). It supported the implementation of the Safety Camera Replacement Project, in line with the policies set out in the draft Road Safety Action Plan but would limit the approval to replacing wet film cameras with red light cameras and spot speed digital cameras. Further use of average speed cameras was deferred until a future Committee discussion on the broader Safety Camera strategy, enforcement policy and the use of alternate technologies in reducing speed and KSIs, such as speed warning signs. A paper would be submitted to a future meeting. **[Action: Leon Daniels]**

The Committee requested that the local highway authority also be consulted where it was intended not to replace an existing camera.

The Committee:

- 1 noted the paper and the related paper on Part 2 of the agenda;**
- 2 approved the project authority required to enable the implementation of the project, as set out in the related paper on Part 2 of the Agenda, subject to this being limited to the replacement of wet film cameras with red light cameras and spot speed digital cameras;**
- 3 noted that, following the conclusion of the current procurement exercise, Procurement Authority would be sought from the Commissioner (or, in his absence the Acting Commissioner or, in the absence of both, the Managing Director, Finance); and**
- 4 noted the proposed contracts had full Financial Authority to 2021/22 as currently set aside in the TfL Business Plan. However, as the contracts had an option to be extended to 20 years, future TfL Business Plans would need to provide for the remaining years of operation up to 2031/32.**

28/03/13 Structures and Tunnels Investment Programme

Garrett Emmerson introduced the paper, and the related paper on Part 2 of the agenda, which introduced the Structures and Tunnels Investment Programme (STIP). The objective of the STIP was to replace, strengthen and refurbish key bridges, tunnels and other structures on the Transport for London Road Network (TLRN) to ensure network safety and reliability, while considering the needs of other transport modes.

The paper sought an increase in project authority to allow the Early Contractor Involvement phase to be undertaken and a recommendation to the Board that it approve the award of a Framework Agreement for Early Contractor Involvement and Construction.

Members discussed the current asset conditions of structures and tunnels. They were informed that while maintenance had been considered in the budget process each year, it

had received less funding than desired due to higher priority competing requests. Members were assured that this had been addressed in the current Business Plan and Budget, where the provision for roads had been substantially increased.

The Committee requested that the next paper requesting authority for this programme articulate the criteria used to assess the different standards of asset condition. That paper should also provide a high level assessment of the asset condition of structures and tunnels across the TfL Road Network and confirm if current Budget provision was sufficient to bring all assets up to a minimum condition.

Members were informed that while the use of consultants was proposed, this was to provide time limited specialist advice that could not be done by an in-house team.

The Committee:

- 1 noted the paper and the related paper on Part 2 of the agenda;**
- 2 approved an increase in project authority to allow the Early Contractor Involvement phase to be undertaken, as set out in the supplemental paper on Part 2 of the Agenda.**
- 3 recommend that the Board:**
 - (a) approve the award of a Framework Agreement for Early Contractor Involvement and Construction with four suppliers for refurbishment or replacement of bridges, tunnels and other structures (the Framework Agreement);**
 - (b) delegate to the Subsidiaries and TfL Officers (as described in paragraph 2.2 below) authority to approve and finalise the terms of the Framework Agreement and 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 Framework Agreement (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and**
 - (c) authorise the TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate such agreements.**
- 4 The following Officers and Subsidiaries shall have delegated authority:**
 - (a) TfL Officers: the Commissioner, Managing Director Surface Transport, Managing Director Finance and General Counsel.**
 - (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.**

29/03/13 Cycle Superhighways

Garrett Emmerson introduced the paper, and the related paper on Part 2 of the agenda, which outlined proposals to deliver a new Cycle Superhighway route 5 between New Cross Gate and Victoria and an extension to route 2 between Bow Roundabout and Stratford Town Centre in 2013. It sought the recommendation of the Committee that the Board approve additional Project Authority of £15.73m to cover implementation of these routes.

The Committee was informed that both schemes had been consulted on and were consistent with the Mayor's cycling vision. The consultation on cycling schemes would include the impact on other road users and active travel management.

Members would seek an early meeting with the Mayor's new Cycling Commissioner, Andrew Gilligan, to discuss in more detail the Mayor's cycling vision.

Members requested that the information in the paper on Part 2 of the agenda be included in the published paper to the Board.

The Committee:

- 1 note the paper and the related paper on part 2 of the agenda; and**
- 2 recommend that the Board:**
 - (a) approve additional Project Authority of £15.73m to cover implementation of Cycle Superhighways (CS) Programme Route 5 (CS5) and an extension to Route 2 (CS2x) as a further pair of 'pilot' routes. This would bring total project authority to £53.6m, which is within the CS budgeted authority; and**
 - (b) note that Procurement Authority of £9.6m for construction work to be undertaken through the London Highways Alliance Contracts would be approved in accordance with Standing Orders.**

30/03/13 Transport for London Road Network Capital Renewals 2013/14

Garrett Emmerson introduced the paper, which provided an overview of the 2013/14 capital renewals programme for the Transport for London Road Network. The Independent Investment Programme Advisory Group regarded this as a well managed mature business-as-usual programme. The Committee was asked to approve Project Authority of £54.9m in the financial year 2013/14 to deliver the programme.

The Committee:

- 1 noted the paper; and**
- 2 approved Project Authority of £54.9m in financial year 2013/14 to deliver the Transport for London Road Network Capital Renewals Programme.**

31/03/13 Crossrail 2

Michèle Dix introduced the paper, which sought £2.6m of Financial and Project Authority to progress the response to the Department for Transport (DfT) on the current Safeguarding for the Chelsea Hackney Line (also known as Crossrail 2).

The Committee recognised the clear need for additional capacity identified in the Mayor's Transport Strategy and London Plan and that TfL had undertaken an extensive optioneering exercise to determine the best alignment for Crossrail 2.

TfL would hold a public consultation on two shortlisted alignment options in April 2013, prior to recommending a safeguarded alignment to the DfT in 2014. London First had launched a report supporting the London Regional option (one of the two which would be consulted upon).

The Committee:

- 1 noted the paper; and**
- 2 approved £2.6m of Financial and Project Authority to progress the response to the Department for Transport on the current Safeguarding, which was budgeted for in the current Business Plan.**

32/03/13 Northern Line Extension to Battersea Transport and Works Act Order

Michèle Dix introduced the paper, and the related paper on Part 2 of the agenda, which sought the recommendation of the Committee that the Board approve TfL submitting an application for a Transport and Works Act Order (TWAO) to obtain powers to construct, operate and maintain the Northern Line Extension to Battersea and the required Financial and Project Authority to progress the project through the TWAO process.

The Committee discussed the viability of the current commercial proposition and the potential for over-site or in-site development as part of the intermediate station design. While the costs of the NLE were within the funding envelope for the scheme, TfL would not progress the extension without assurances on the building of the commercial development as this was critical to generating the income stream to pay for the extension. The main risk then would be any delay in the building of the development.

The Committee:

- 1 noted the paper and the related paper on Part 2 of the agenda;**
- 2 recommended that the Board:**
 - (a) approves the submission by TfL or any subsidiary of an application for an Order under the Transport and Works Act 1992 (TWAO) and for related consents to provide all the necessary rights in respect of the construction, operation and maintenance of the Northern Line Extension to Battersea, including associated use and compulsory acquisition of land;**
 - (b) delegates authority to the Managing Director, TfL Planning (or in her absence, the Managing Director, London Rail and Underground) to:**

- (i) **agree the final terms of the application (including the land and interests, environmental scoping and deemed permission to be subject of the order) for the TWAO and related consents;**
- (ii) **obtain the Mayor's written consent to apply for the TWAO (as required by the Greater London Authority Act 1999); and**
- (iii) **do everything else necessary or desirable to facilitate the making of the TWAO including:**
 - (1) **signing and/or sealing any documents, agreements or notices required in connection with the submission of the application and related consents;**
 - (2) **promoting the TWAO including responding to any objections and dealing with any public inquiry that may be held in relation to the proposals; and**
 - (3) **agreeing and executing any related land agreements with the Battersea Power Station (BPS) developer and other third party landowners along the route including without limitation any advance acquisition of land up to a maximum of £10m and any arrangements for accommodation works for affected owners.**
- (c) **grants £13.1m of Financial and Project Authority to progress the project through the TWAO process, including any public inquiry and up to the decision by the Secretary of State; secure the formal funding arrangements, and undertake the necessary design and procurement activities in readiness for commencing delivery once powers are granted. The majority of this is expected to be reclaimed via the BPS section 106 agreement, resulting in no net cost to TfL. The section 106 payment is triggered on the start of Phase 1 works, expected late in 2013/14 or early in 2014/15. Any shortfall can be reclaimed in later years through the Enterprise Zone funding.**

33/03/13 Stations Stabilisation Programme

Gareth Powell introduced the paper, which set out the proposal for a programme of station stabilisation works at London Underground stations on the Sub-Surface Railway and the Bakerloo, Central and Victoria lines. The paper sought the recommendation of the Committee that the Board grant total budgeted Project Authority of £163.6m at outturn for the programme.

The Committee recognised that the aim of the programme was to return and maintain all station assets to a level described as 'fair' but requested that the aspiration should be to reach the level described as 'good', wherever possible, within budget. The Committee was informed that work on each of the 74 stations would include a deep clean and that LU would look at all opportunities to bring assets up to as high a standard as possible, within budget.

The Committee:

- 1 noted the paper;**

- 2 recommended that the Board grant total budgeted Project Authority of £163.6m at outturn; and
- 3 noted that the authority to be requested included £43.8m relating to 10 stations that already had full or partial individual project authorities. The submission concerned additional budgeted Project Authority of £119.8m to develop an encompassing programme of stations and include the remaining stations which did not have full project authority alongside these individual projects. The authority requested was budgeted within the recently approved Business Plan.

34/03/13 Any Other Business the Chair Considers Urgent

There were no additional items of business raised.

35/03/13 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 papers on Approved Investments List and Foreign Exchange Risk Management and the exempt appendices to the papers on: Group Treasury Activities; Safety Cameras Replacement Programme; Structures and Tunnels Investment Programme; Cycle Superhighways; and Northern Line Extension to Battersea Transport and Works Act Order. Each of these papers contained information relating to the financial or business affairs of a person or authority.

The Committee also agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the paper on the East London Line Main Works Contract. This paper 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.

36/03/13 Approved Investments List

Simon Kilonback introduced the paper which sought approval for changes to the Approved Investments List pursuant to the Treasury Management Strategy.

The Committee noted the rationale for the proposed changes to and expansion of the Approved Investments List. The Committee discussed TfL's investment options and how these were limited as TfL could only invest in sterling. Subject to three changes, the Committee approved the Approved Investments List

The Committee:

- 1 noted the paper; and
- 2 approved the proposed Approved Investments List as set out in Appendix 2 of the paper, subject to the omission of the Agencies and Other Issuers listed as 29, 31 and 42.

36/03/13 Foreign Exchange Risk Management

Simon Kilonback introduced the paper, which sought approval in relation to the forward fixing of exchange rates to mitigate the specific exchange rate risk arising from the Tube Lines Limited signalling upgrade contract with Thales Rail Signalling Solutions Limited.

The Committee:

- 1 noted the paper;**
- 2 approved, 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 for 2012/13, Transport for London Finance Limited (as a qualifying TfL subsidiary for the purposes of the Act) entering into derivative investment(s) in relation to mitigating some or all (as appropriate) of the Canadian Dollar exchange rate risk under the Tube Lines Limited signalling contract with Thales Rail Signalling Solutions Limited as soon as practicable once the quantum of exchange rate risk to Tube Lines Limited (or any other member of the TfL group) was established; 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 would be affected by changes in exchange rates; and**
- 3 noted that the Board had delegated authority to any of the Commissioner, Managing Director Finance, General Counsel and Chief Finance Officer to agree and execute any documentation (including without limitation all agreements, deeds, guarantees, announcements, notices, contracts, certificates, letters or other documents) to be entered into in connection with the derivative investments referred to in paragraph 2 above.**

36/03/13 East London Line Main Works Contract

Howard Smith introduced the paper, which sought the recommendation of the Committee that the Board approve additional Project Authority to fund the anticipated increase in the East London Line Project to 31 December 2013 and to delegate authority to the Committee to approve additional Project and Procurement Authority that may be required to resolve the issues described in the paper.

The Committee was updated on the outstanding issues on the contract. It recommended that the Board be asked to approve additional Project Authority and delegate to the Committee authority to agree the final authority required in relation to the contract.

The Committee:

- 1 noted the paper; and**
- 2 recommended that the Board:**
 - (a) approve sufficient Project Authority to meet current commitments; and**
 - (b) delegate to the Committee authority to agree the final Project Authority required in relation to the contract.**

The meeting closed at 11.45am.

The next meeting would be held on 23 May 2013 at 9.30am.

Chair: _____

Date: _____