

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 23 May 2013

Members

Daniel Moylan	Vice Chairman (in the Chair)
Isabel Dedring	Deputy Chair of TfL (for part)
Angela Knight	Member (for part)
Michael Liebreich	Member
Eva Lindholm	Member

Staff

Simon Addyman	Project Manager, Stations and Accommodation, London Underground (for part)
Steve Allen	Managing Director, Finance
Sarah Atkins	Commercial Director, London Rail and Underground (for part)
Howard Carter	General Counsel
David Goldstone	Chief Finance Officer
David Hendry	Director of Finance, Surface Transport
Simon Kilonback	Group Treasurer
Roy Millard	Senior Audit Manager, Internal Audit
Terry Morgan	Chairman, Crossrail Limited
Andrew Pollins	Director of Finance, Rail and Underground
Gareth Powell	Director of Strategy and Service Development, London Underground
Trevor Sandford	Associate, Commercial Finance (for part)
Julian Ware	Senior Principal, Commercial Finance (for part)

Also in Attendance

Nigel Quick	Member of the Independent Investment Programme Advisory Group
Shamus Kenny	Head of Secretariat

39/05/13 Apologies for Absence and Chair's Announcements

Apologies for absence were received from the Committee Chairman, Peter Anderson. In his absence, Daniel Moylan chaired the meeting. Apologies for lateness were received from Isabel Dedring and Angela Knight.

40/05/13 Declarations of Interests

Daniel Moylan declared an interest as a Councillor for the Royal Borough of Kensington and Chelsea 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.

41/05/13 Minutes of the Meeting held on 13 March 2013

The minutes of the meeting held on 13 March 2013 were approved as a correct record and signed by the Chairman.

42/05/13 Matters Arising and Actions List

Treasury Management Strategy – Bond Issuance

Steve Allen reported that on 3 May 2013, in accordance with the TfL Treasury Management Strategy, TfL had successfully issued a £400m Bond for 32 years at a fixed rate coupon of 3.625 per cent. This was believed to be a record low coupon for a long-dated Sterling corporate issuance. The deal built upon the success of the three transactions issued in the previous financial year.

The proposed issuance had been discussed with Members of the Committee on 2 May 2013 and all Members of TfL had been informed of the issuance, by email on 3 May 2013.

Future communications on Bond Issuances would confirm if it was issued at par or at a discount.

Members congratulated staff on the issuance and the favourable rates achieved.

Crossrail Paddington Station Bakerloo Line Link

Prior to discussion at the next meeting, a note would be circulated to Members showing the costs and benefits of providing a travelator. Members were informed that the Sponsors were examining the business case for the link and initial indications were that it remained strong. As a Sponsor requirement, any proposal to omit the link would require TfL Board approval.

The Committee noted the Bond Issuance and the Actions List.

43/05/13 Operational and Financial Performance Report – Fourth Quarter 2012/13

Steve Allen introduced the report, which set out TfL's Operational and Financial Performance during the fourth quarter of 2012/13.

Members discussed the variance from budget of Full Time Equivalent (FTE) staff numbers. A paper would be submitted to the next meeting explaining the variance and the systems and controls in place across TfL to manage staff numbers. The paper would also provide an analysis of trends in staff numbers (including the rationale for using non-permanent labour or internal secondments for permanent staff) and TfL's contractual commitments when contractors or consultants were brought in house. **[Action: Steve Allen]**

Members were informed that the Projects and Planning Panel had discussed reporting improvements to the Quarterly Investment Programme Report which would make it clearer if rephrasing or reprofiling of projects would affect the overall timetable for delivery.

A note would be provided to Members explaining what the customer satisfaction measures were and how they were calculated. **[Action: Gareth Powell]**

A paper would be submitted to the next meeting on Barclays Cycle Hire usage and income following the increase in charges in January 2013, including any data on the number of customer satisfaction comments that related specifically to price. **[Action: David Hendry]**

Future reports would separate out Barclays Cycle Hire and Congestion Charging from 'other operating income' within Surface Transport. **[Action: David Hendry]**

The Committee noted the report.

44/05/13 Bank Station Capacity Upgrade Project

Gareth Powell introduced the paper, and the related paper on Part 2 of the agenda, which provided an update on the Innovative Contractor Engagement procurement process for the Bank Station Capacity Upgrade Project. The paper sought a recommendation from the Committee to the Board that it approve additional budgeted project authority and procurement authority for this project.

The Independent Investment Programme Advisory Group had reviewed the project. It would endorse the lowest tenderer but had raised issues on the level of risk allowance and internal project management costs.

Members were informed that TfL generally sought contributions from local stakeholders when station capacity was being increased to deal with a proposed development. In the case of Bank station, the project was required to meet existing capacity demands.

The paper to be submitted to the Board would address any outstanding issues raised by the Projects and Planning Panel and confirm if any stakeholders were approached for contributions to the project. **[Action: Gareth Powell]**

The Board would consider the recommendations in light of the outcome of the Comprehensive Spending Review, which was due to be announced on 26 June 2013.

1 The Committee:

- (a) noted the paper and the supplemental paper on Part 2 of the agenda; and**
- (b) recommended that the Board:**
 - (i) grant Project and Procurement Authority in respect of the Bank Station Capacity Upgrade Project, as detailed in the supplemental paper included on Part 2 of the agenda;**
 - (ii) delegate to the Subsidiaries and TfL Officers (as described in paragraph 2 below) authority to award the contract to the bidder offering the most economically advantageous offer and to approve and finalise the terms of the contract and to authorise any documentation to be entered into in connection with the contract (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents);**

(iii) authorise the TfL Officers and Subsidiaries to do all such other things as they consider necessary or desirable to facilitate such documentation; and

(iv) note that the contract will comprise two stages (where Stage 1 is the work required up until the granting of the Transport and Works Act Order and Stage 2 is all subsequent work) and that London Underground will have the right not to proceed to Stage 2 and approval will be sought from the Board if it is proposed that the work proceeds beyond Stage 1.

2 The following Officers and Subsidiaries shall have delegated authority:

- (a) TfL Officers: the Commissioner, Managing Director Rail and Underground, 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 formed) 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.**

45/05/13 Crossrail: Woolwich Station Fit-out

Steve Allen introduced the paper, and the related paper on Part 2 of the agenda, which sought a recommendation from the Committee to the Board that it grant authority to TfL's Sponsor Board members to agree a change to the Crossrail Sponsors Requirements to enable the fit-out of the Crossrail Woolwich station.

Changes to the Crossrail Sponsors Requirements of a value greater than £50m and the approval of agreements associated with the fit-out of Woolwich station were matters reserved to the Board. The Department for Transport, as joint Crossrail sponsor, was also required to approve the change.

Members raised questions on the source of funds for the proposed fit-out, the costs and proposed delivery. Terry Morgan confirmed that the Crossrail Limited (CRL) contribution was equivalent to the additional costs that it would still be required to fund for ventilation and an emergency exit if the station was not operational. CRL would be undertaking the works at a fixed cost. While TfL was being asked to make a financial contribution to the station fit-out up front, it would receive the fare box income from the station.

Members expected the negotiations with both funding partners to be robust and to be completed before a paper was submitted to the Board for decision in July 2013. The final agreement with the Royal Borough of Greenwich should ensure that its contribution was recoverable by other means if it did not introduce a Community Infrastructure Levy (CIL) and that there were provisions to protect TfL if the CIL rate was significantly lower than expected.

The Committee:

1 noted the paper and the related paper on Part 2 of the agenda; and

2 recommended that the Board:

- (a) approve the funding arrangements as detailed in the supplemental paper on part 2 of the agenda;**
- (b) authorise TfL entering into the funding agreements with Berkeley Homes and Royal Borough of Greenwich and any other documentation in connection with the fit-out of Woolwich station;**
- (c) authorise the TfL representatives on the Crossrail Sponsor Board (being the Managing Director, Finance and Director, Major Programme Sponsorship) to agree the proposed change in Sponsors Requirements, so as to enable CRL to implement the fit-out of Crossrail Woolwich station; and**
- (d) authorise the TfL Representatives on the Crossrail Sponsor Board to do all such other things as they consider necessary or desirable to facilitate the above arrangements including finalising the terms of and entering into any documentation relating to the arrangements.**

46/05/13 Any Other Business the Chair Considers Urgent

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chairman of the Committee was of the opinion that an item on Tube Lines Finance should be considered as a matter of urgency. The reason for urgency was that the item related to a specific market opportunity which might not be available by the time of the next meeting of the Board. Copies of the paper had been circulated to Members in advance of the meeting. The item was also considered to be exempt from publication.

There were no other additional items of business raised.

47/05/13 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 the Bank Station Capacity Upgrade Project and the Crossrail Woolwich Station Fit-out as well as the urgent item on Tube Lines Finance. Each of these papers contained information relating to the financial or business affairs of a person or authority.

48/05/13 Tube Lines Finance

Steve Allen and Simon Kilonback introduced the paper, which sought authority to purchase up to 100 per cent of the £70m of Class B notes issued by Tube Lines Finance Plc. The Committee was informed of the current discussions with regard to the majority of the notes and strongly supported the aim to purchase all of the notes. The Committee would be kept informed of progress and any purchases made.

The Committee:

- 1 noted the paper;**

- 2 approved the purchase by TfL (or a TfL subsidiary as appropriate) of up to 100 per cent of the 7.4547 per cent Tube Lines Finance Plc B notes at a price equal to Gilts plus 55 basis points or better;
- 3 delegated to the Managing Director, Finance and/or the Chief Finance Officer the authority to approve the final price and terms of the note purchase;
- 4 delegated to any one of the TfL Officers and the Subsidiaries as may be appropriate (TfL Officers and Subsidiaries as described in paragraph 5 below) the authority to:
 - (a) agree the final terms of the transactions described in the paper;
 - (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 the transactions described in the paper (including, without limitation, all agreements, deeds, guarantees, indemnities, announcements, notices, contracts, certificates, letters or other documents); and
 - (c) 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 transactions described in the paper.
- 5 The following Officers and Subsidiaries shall have delegated authority:
 - (a) TfL Officers: the Commissioner, Managing Director Finance, General Counsel, Group Treasurer and the Chief Finance Officer; and
 - (b) Subsidiaries: Subsidiaries of TfL including Transport Trading Limited and any other subsidiary 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.

The meeting closed at 11.05am.

The next meeting would be held on 18 July 2013 at 9.30am.

Chair:

A. M. H. H. H.

Date:

18th July, 2013