

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 18 July 2013**

Members

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

Also in Attendance

Brian Cooke	Member
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Staff

Alan Bristow	Director of Traffic Operations, Surface Transport (for part)
Andrea Clarke	Director of Legal
Tanya Coff	Head of Capital Projects Finance, Rail and Underground
Jonathan Cornelius	Senior Property Development Manager, Finance (for part)
Graeme Craig	Director of Commercial Development, Finance (for Part)
Leon Daniels	Managing Director, Surface Transport
Michèle Dix	Managing Director, Planning
David Goldstone	Chief Finance Officer
David Hendry	Director of Finance, Surface Transport
Simon Kilonback	Group Treasurer
Terry Morgan	Chairman, Crossrail Limited
Clive Walker	Director of Internal Audit
Shamus Kenny	Head of Secretariat

49/07/13 Apologies for Absence and Chair's Announcements

Apologies for absence were received from Peter Anderson and Eva Lindholm. In the absence of the Committee Chairman, Daniel Moylan chaired the meeting.

Steve Allen, Managing Director Finance, Howard Carter, General Counsel and Andrew Pollins, Director of Finance, Rail and Underground also gave their apologies for absence.

50/07/13 Declarations of Interests

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. Isabel Dedring declared an interest as Deputy Mayor in relation to the item on Earls Court Development – Heads of Terms. 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.

51/07/13 Minutes of the Meeting held on 23 May 2013

The minutes of the meeting held on 23 May 2013 were approved as a correct record and signed by the Chairman.

52/07/13 Matters Arising and Actions List

The Committee noted the Actions List, including the information requested on the Crossrail Paddington Station Bakerloo Line Link.

53/07/13 Savings and Efficiencies Programme Review

David Goldstone introduced the paper, which outlined the findings of a review by PricewaterhouseCoopers (PwC) of the Savings and Efficiencies Programme, which was commissioned in May 2013.

The review was focussed on governance controls and confirmed the overall effective management and robust reporting of the Programme. It cited a number of examples of positive governance, controls and processes, indicated significant advances made in the period between the Deloitte review commissioned in October 2011 and the PwC review and made a number of recommendations for further improvements. A detailed action plan would be developed to address the key recommendations.

A paper would be submitted to a future meeting on the governance, controls and processes in place to ensure new initiatives (revenue or capital) were set up to be delivered as efficiently as possible. **[Action: David Goldstone]**

For the informal Business Planning discussion in September 2013, Members would be provided with: an updated schedule showing the efficiencies in the current Business Plan and the impact of the Government's Spending Review; a table showing the present value of future savings weighted by probability; and an explanation of the steps being taken to embed and institutionalise a culture of efficiency and cost consciousness into the whole organisation. **[Action: David Goldstone]**

A paper would be submitted to a future meeting on bus service operation. The paper would cover the action taken to drive down costs (including but not exclusive to the tendering programme), bus operator margins and service priorities and trade-offs based on achieving a hypothetical 20 per cent saving or accommodating growth in different parts of London within the existing budget. **[Action: Leon Daniels]**

The Committee noted the paper.

54/07/13 TfL Headcount

David Goldstone introduced the paper, which set out the key headcount variances from the 2012/13 Budget to the end of the financial year.

Plans were in place to better integrate financial and headcount planning. Improvements would be evident in 2014/15 and the full effects of improved processes would be in place for 2015/16.

David Goldstone confirmed that there were clear procedures in place across the organisation to manage the level and use of non-permanent labour (NPL). The current levels of NPL were considered appropriate and provided the organisation with sufficient flexibility to enable it to manage service delivery efficiently.

The Committee noted the paper.

55/07/13 Renewal of TfL's Medium Term Note Programme

David Goldstone introduced the paper, which sought approval to update the Euro Medium Term Note (MTN) Programme documentation and the substantive terms of the Prospectus (included as Appendix 1 in the paper on Part 2 of the agenda). Under TfL Standing Orders, the Board had delegated the approval of the MTN Programme documentation to the Finance and Policy Committee.

The Committee:

- 1 noted the paper and the related paper on Part 2 of the agenda;**
- 2 approved the update of the Euro Medium Term Note (MTN) Programme documentation;**
- 3 approved the substantive terms of the Prospectus (included as Appendix 1 in the paper on Part 2 of the agenda), subject to any further amendments that the Commissioner, the Managing Director Finance, General Counsel, the Chief Finance Officer or the Group Treasurer may approve further to the delegation specified in paragraph 6(a) below;**
- 4 noted that the Prospectus needed to be in a form satisfactory to the UK Financial Conduct Authority (FCA) as the authority responsible for the exercise of the functions set out in Part VI of the Financial Services and Markets Act 2000 and that it was important that the Prospectus was complete and accurate and not misleading as it could give rise to legal liability for TfL;**
- 5 noted that a verification process was being undertaken by senior TfL officers to ensure the accuracy of the information contained in the Prospectus; and**
- 6 delegated authority to the Commissioner, the Managing Director Finance, General Counsel, the Chief Finance Officer and the Group Treasurer such that any one of them may:**
 - (a) approve any further amendments to the Prospectus and the issuance and content of any Supplemental Prospectus:**
 - (i) without further reference to the Committee where required by the FCA, driven by legislation or where such amendments or content are non-substantive; and**
 - (ii) in relation to any substantive amendments or content not covered by the delegation in (a)(i) above, subject to consultation with as many Members of the Committee that are available;**

- (b) approve, authorise and agree on behalf of TfL the final terms and conditions of any and all documentation relating to the MTN Programme, including the Prospectus, and any amended and restated documentation (including the Trust Deed, Dealer Agreement and the Programme Manual);**
- (c) sign, execute (if necessary, by authorising the fixing of the TfL seal) and deliver on behalf of TfL any and all documentation (including the Prospectus, the Trust Deed, the Dealer Agreement, the Programme Manual, any notes issued under the MTN Programme (Notes) and any agreements, deeds, guarantees, announcements, notices, contracts, certificates, letters or other documents) to be entered into by TfL relating to the MTN Programme and to perform the obligations set out within them; and**
- (d) subject to the provisions of the Borrowing Strategy for 2013/14 relating to the approval of any new debt issuance having been complied with:**
 - (i) approve, authorise and agree on behalf of TfL the final terms and conditions of any such Note issuance(s) and all documentation relating to them, including the form of the final terms relating to any Notes, any subscription agreement or other agreement, any Supplemental Prospectus, deed, document, or certificate in connection with them; and**
 - (ii) approve sign, execute (if necessary, by authorising the fixing of the TfL seal) and deliver on behalf of TfL any and all documentation (including the final terms of any Notes, any subscription agreement, any Supplemental Prospectus and any other agreements, deeds, guarantees, announcements, notices, contracts, certificates, letters or other documents) to be entered into by TfL relating to such Note issuance(s) and to perform the obligations set out within them.**

56/07/13 Exchange Rate and Interest Rate Derivative Programmes

Simon Kilonback introduced the paper, which sought approval for derivative programmes proposed to mitigate TfL's exposure to exchange rate risk when that risk was encountered in the ordinary course of business and to interest rate risk on future borrowings. He confirmed the Committee had agreed the governance around the level of TfL's exposure, which included within the Euro Medium Term Note a cap per counterparty and a total cap.

Angela Knight would be invited to visit the Treasury team to see how its governance processes worked in practice. Michael Liebreich would be informed of the proposed date when set. **[Action: Simon Kilonback]**

The Committee:

- 1 noted the paper and the related paper on Part 2 of the agenda;**
- 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 2013/14, Transport for London Finance Limited (as a qualifying TfL subsidiary for the purposes of the Act) entering into derivative investment(s) in relation to:**
 - (a) mitigating exchange rate risk related to specific currency exposures arising from the procurement of goods or services by any member of the TfL Group in the ordinary course of business as soon as practicable once the quantum**

of exchange rate risk to any member of the TfL group was established, such approval to be effective until 31 March 2014;

(b) mitigating interest rate risk related to any imminent TfL borrowing, once the borrowing has become certain and authorised according to relevant Treasury Management Strategy 2013/14 provisions, such approval to be effective until 31 March 2014; and

(c) mitigating interest rate risk related to any other planned future TfL borrowing in accordance with Transport for London's Treasury Management Strategy and the TfL Group Policy on the Use of Derivatives Investments for 2013/14, once a strategy for planned future borrowing had been discussed with the Committee, such approval to be effective up to the next meeting of the Committee, provided that Managing Director Finance or the Group Treasurer consult with as many Members of the Committee that were available, on the terms of the derivative investment in advance;

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 or interest rates as applicable; and

3 delegated authority to any of the Commissioner, Managing Director Finance, General Counsel, Chief Finance Officer and Group Treasurer 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.

57/07/13 Earls Court Development – Heads of Terms

Isabel Dedring had not received the supplemental paper on Part 2 of the agenda and left the meeting during the discussion of this item.

Graeme Craig and Jonathan Cornelius introduced the paper and the supplemental paper on Part 2 of the agenda, which updated the Committee on the proposed development that involved London Underground's interest in the Earls Court and West Kensington Opportunity Area.

On 27 March 2013, the Board delegated to the Finance and Policy Committee authority to approve any project or transaction over £100m, from 4 July until 24 September 2013. Under that authority, the paper sought approval to enter into non binding heads of terms for a joint venture with Capital and Counties Properties PLC with regard to the development of the current exhibition centres known as Earls Court 1 and 2 and to enter into a Section 106 Agreement, both as described in the paper and the supplemental paper on Part 2 of the agenda.

Following the dispatch of papers for the meeting, TfL's General Counsel had received an email from a local resident and freeholder on the proposed development. Copies of the email and attachment were circulated to Members.

The Chairman also advised Members that the Chairman of the Committee, who was not present, had indicated his support for the paper.

The Committee considered the proposed approach and commercial terms as set out in the papers. Officers considered there was greater value for TfL and greater protection for its operational needs in entering into a commercial joint venture rather than selling its freehold interests.

Members supported the thrust of the paper and the recommendations but would require further information before the final joint venture arrangements were submitted for approval.

A further paper would be submitted to the Board in due course. That paper would set out the freehold and existing use valuations and rationale that supported the proposed joint venture share allocation. The paper would also set out the funding proposals for the redevelopment and the protections in place for TfL. A clearer map showing the land proposed to be covered in the joint venture and their current ownership would also be provided. **[Action: Steve Allen]**

The Committee:

- 1 noted the paper and the related supplemental paper on Part 2 of the agenda;**
- 2 in accordance with the authority delegated from the Board, authorised:**
 - (a) Transport for London and/or London Underground Limited or any other of the Subsidiaries (as defined in paragraph 5 below) to enter into non binding Heads of Terms to pursue a joint venture with Capital and Counties Properties PLC or a wholly owned subsidiary of Capital and Counties Properties PLC with regard to the development of Earls Court 1 and 2 which included proposals for the grant of a long leasehold interest in Earls Court 1 and 2 as described in the paper and the supplemental paper on Part 2 of the agenda; and**
 - (b) London Underground Limited to enter into a Section 106 Agreement as described in the paper;**
- 3 delegated to the Subsidiaries and TfL Officers (as described in 5 below) to approve and finalise:**
 - (a) the non binding Head of Terms to pursue a joint venture with Capital and Counties Properties PLC or a wholly owned subsidiary of Capital and Counties Properties PLC and authorise the agreement and execution (whether by deed or otherwise on behalf of TfL or any Subsidiary, as appropriate) of such Heads of Terms; and**
 - (b) the Section 106 Agreement and authorise its execution by deed; and**
- 4 noted that further authority would be sought from the Board prior to entering into any joint venture arrangements contemplated under the Heads of Terms.**
- 5 The following Officers and Subsidiaries shall have delegated authority:**
 - (a) TfL Officers: the Commissioner, Managing Director Finance, Managing Director Rail and Underground, General Counsel and Director of Commercial Development.**

- (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 of the directors of the relevant company shall be authorised to act for and on behalf of that company.**

58/07/13 Road Space Management: SCOOT

Leon Daniels and Alan Bristow introduced the paper, which set out proposals for additional traffic management technology and sought approval of project authority of £57.088m, with an initial limit of £21.1m to undertake the first two years of the Road Space Management Split Cycle Offset Optimisation Technique (SCOOT) delivery portfolio. This would enable the installation of SCOOT technology at an initial 600 traffic signal sites (from the planned total of 1,500).

SCOOT was an urban traffic control system that automatically optimised traffic signal timings based upon traffic demand. It was a key technology used to manage the road network in real time and had a significant impact on improving journey time reliability. There was an ongoing development programme for SCOOT, which specifically considered pedestrians and cyclists to ensure a better balance for all road users.

The Committee:

- 1 noted the paper;**
- 2 approved project authority of £57.088m to deliver Split Cycle Offset Optimisation Technique (SCOOT) traffic signalling technology, as described in the paper, provided that no more than £21.1m was spent on installation at an initial 600 sites; and**
- 3 noted that the approval of the Committee would be sought for further expenditure, in due course, following review of the installation at the initial 600 sites.**

59/07/13 Barclays Cycle Hire Usage

Leon Daniels introduced the paper, which outlined the early impact of the tariff changes applied to Barclays Cycle Hire (BCH). The data provided was necessarily in outline only, given the limited time that had elapsed since tariffs were changed, the alterations to the scheme size and unusual weather during the period. Rates of use had increased in recent weeks with the change to the weather. Usage rates were traditionally at their highest in the summer months, which generated half of the scheme's annual income.

The contractor was working hard to deliver efficiencies. The use of elastic pricing to encourage customers to redistribute bikes was being considered, as manual distribution was a major cost to the scheme.

A further paper on BCH would be submitted to the Committee. The paper would draw out any pertinent lessons from cycle hire schemes in other cities and provide unit cost data.

[Action: Leon Daniels]

The Committee noted the paper.

60/07/13 Garden Bridge

Michèle Dix introduced the paper, which introduced the Garden Bridge project, a new footbridge and public open space proposed to be built across the River Thames in central London. TfL had been asked to help in the feasibility and planning stages of the bridge.

There was no funding allocated to this project in the Business Plan, and TfL was proceeding on the basis that the cost of construction and future operations would be covered by third party funding. Michèle Dix confirmed that there had been considerable interest shown in the project from potential funders.

TfL's role also included assisting with the establishment of an independent charitable entity which, under the proposed delivery structure, would act as the scheme promoter. The charitable object would be to build and maintain the bridge with gardens for public benefit.

The Committee:

- 1 noted the paper;**
- 2 noted that TfL intended to progress with the feasibility and planning stages for the Garden Bridge;**
- 3 noted that TfL intended to assist in the establishment of an independent charitable entity, and to provide project management expertise;**
- 4 granted financial and project authority of up to £4m for project development costs for the feasibility and planning stage, provided that further approvals would be sought at the appropriate level if the substance of the proposed delivery structure for the Garden Bridge changed; and**
- 5 noted that although TfL would seek to recover all expenditure on the project, there remained a risk that it would not be possible to recover all costs incurred at this stage.**

61/07/13 Any Other Business the Chair Considers Urgent

There were no other additional items of business raised.

62/07/13 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 Renewal of TfL's Medium Term Note Programme, the Exchange Rate and Interest Rate Derivative Programmes and the Earls Court Development – Heads of Terms. 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 exempt paper on the Put Options Litigation Update, as it contained information relating to the financial or business affairs of a person or authority and issues where a claim to legal professional privilege could be made.

63/07/13 Put Options Litigation Update

The paper updated the Committee on the progress of the claims against advisers in relation to recovery of part of the Put Option Price paid to the former lenders to Metronet Rail BCV Limited and Metronet Rail SSL Limited ("the Metronet Companies") in relation to the Bonds' early redemption premium ("Spens"). The Put Option Price became payable following the administration of the Metronet Companies in July 2007.

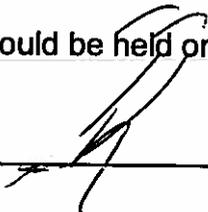
The Committee:

- 1 noted the paper;**
- 2 delegated to any of the TfL Officers and Subsidiaries (as defined in paragraph 3 below) authority to:**
 - (a) approve any settlement with Freshfields and Herbert Smith and/or any Part 36 Offer (as described in the paper) provided that the TfL Officers shall consult with the Chair and as many Members of the Committee as are available on the terms of any settlement and/or Part 36 Offer; and**
 - (b) agree and execute any documentation to be entered into in connection with any settlement and/or Part 36 Offer.**
- 3 The following Officers and Subsidiaries shall have delegated authority:**
 - (a) TfL Officers: the Commissioner, 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 of the directors of the relevant company shall be authorised to act for and on behalf of that company.**

The meeting closed at 11.45am.

The next meeting would be held on Thursday 17 October 2013 at 9.30am.

Chair:



Date:
