

Transport for London

Minutes of the Finance and Policy Committee

Committee Rooms 1 and 2, Ground Floor, Palestra,
197 Blackfriars Road, London, SE1 8NJ
11.00am, Wednesday 11 July 2012

Members

Daniel Moylan	Vice Chairman
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
Mike Binnington	Senior Principal, Commercial Finance
Andrea Clarke	Director of Legal
Nicola Cox	Senior Associate, Commercial Finance (for part)
Stephen Critchley	Chief Finance Officer
Simon Kilonback	Group Treasurer
Richard Jones	Head of Network Operations and Control, London Underground (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

26/07/12 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. Howard Carter, General Counsel, was also unable to attend the meeting.

27/07/12 Declarations of Interests

Daniel Moylan declared an interest as a Councillor for the Royal Borough of Kensington and Chelsea, as Chairman of the London Legacy Development Corporation and as Chairman of Urban Design London. Christopher Garnett declared an interest as a member of the Olympic Delivery Authority and a non-executive director of Aggregate Industries Limited.

28/07/12 Minutes of the Meeting held on 31 May 2012

The minutes of the meeting held on 31 May 2012 were approved as a correct record and signed by the Chairman.

29/07/12 Matters Arising and Actions List

The Committee noted the Actions List.

30/07/12 Renewal of TfL's Medium Term Note Programme

Steve Allen and Simon Kilonback introduced the paper, which sought approval to update TfL's existing Euro Medium Term Note (MTN) Programme, including the Prospectus and other related documentation. TfL was required to keep this information up to date in order to borrow from the bond markets. The Committee was also asked to agree specific delegations to Officers to make further changes to the documentation, the issuance and content of any Supplemental Prospectus and the issuance of Notes under the MTN Programme between 11 July and 17 October 2012. The paper on Part 2 of the agenda contained exempt supplemental information and documentation (see Minute 35/07/12).

The Committee:

- 1 noted the paper;**
- 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 or the Chief Finance Officer may approve further to the delegation specified in paragraph 6 below;**
- 4 noted that the Prospectus needed to be in a form satisfactory to the UK Listing Authority (UKLA) in its capacity as competent authority for the purposes of 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 had been undertaken by senior TfL officers to ensure the accuracy of the information contained in the Prospectus;**
- 6 delegated authority to the Commissioner, the Managing Director, Finance, General Counsel and the Chief Finance Officer such that any one of them may approve:**
 - (a) any further amendments to the Prospectus; and**
 - (b) the issuance and content of any Supplemental Prospectus, whether required by the UKLA, driven by legislation or otherwise;**

- 7 delegated authority to the Commissioner, the Managing Director, Finance, General Counsel and the Chief Finance Officer such that either one of them may:**
- (a) 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 and the Programme Manual); and**
 - (b) 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 amended and restated Trust Deed, 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 therein;**
- 8 in relation to the Borrowing Strategy 2012/13, contained within the Treasury Management Strategy 2012/13, approved the issuance by TfL of Notes under its MTN Programme during the period between the meeting of the Committee held on 11 July 2012 and the Committee meeting in October 2012, provided that:**
- (a) the Managing Director, Finance had approved such issuance;**
 - (b) such issuance was otherwise in accordance with any relevant parameters set out in the Borrowing Strategy 2012/13; and**
 - (c) the Managing Director, Finance discussed the proposed term and amount of any such Note issuance and the issue and content of any Supplemental Prospectus which may be required with the members of the Committee who were available by conference call in advance of such Note issuance;**
- 9 subject to the terms of the approval of the Committee referred to in paragraph 8 above, having been complied with, delegate authority to and authorise the Commissioner, Managing Director, Finance, General Counsel, the Chief Finance Officer and the Group Treasurer so that each one of them may:**
- (a) approve, authorise and agree on behalf of TfL the final terms and conditions of any such Note issuance(s) and all documentation relating thereto, 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 therewith;**
 - (b) sign, execute (if necessary, by authorising the fixing of the TfL seal) and deliver on behalf of TfL and 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 therein; and**
- 10 noted that the Committee will be notified of any issuance under the MTN Programme at the meeting following such issuance.**

31/07/12 A4 Hammersmith Flyover Further Strengthening Works

Dana Skelley introduced the paper, which sought Project Authority for the Hammersmith Flyover Further Strengthening Works, to complete the early design activity. As the Estimated Final Cost of the works was over £50m, further authority would be sought from the Committee following the completion of the early design activity.

On 11 July 2012, the Projects and Planning Panel had considered a detailed report on the Corporate Gateway Approval Process Gate A review. The Panel had no issues of significance to bring to the attention of the Committee.

Dana Skelley confirmed that a key driver to the design, project and procurement exercise would be to explore all activities to reduce any impact on the travelling public, subject to nothing being discovered that required substantive safety critical work.

The Committee:

- 1 noted the current status and scope of the Hammersmith Flyover Further Strengthening Works;**
- 2 approved Project Authority of £1.5m for early design activity for the Hammersmith Flyover Further Strengthening Works; and**
- 3 noted that further authority will be sought from the Committee, following the completion of the early design activity.**

32/07/12 Deep Tube Programme – Feasibility Phase

Gareth Powell introduced the paper, which asked the Committee to approve additional project authority, until December 2012, for the continuation of the Deep Tube Programme Foundation phase beyond the current Outcome Definition stage into a further, more detailed Feasibility stage during 2012/13.

On 11 July 2012, the Projects and Planning Panel had considered a detailed report on the Corporate Gateway Approval Process Gate A++ review. The Panel had no issues of significance to bring to the attention of the Committee.

Under the authority to approve projects or transactions over £100m, delegated by the Board to the Committee on 15 March 2012, the Committee:

- 1 noted the current status and outline scope of the Deep Tube Programme;**
- 2 granted additional project authority of £6.167m until December 2012 for the continuation of the Deep Tube Programme Foundation phase beyond the current Outcome Definition stage into a further, more detailed Feasibility stage during 2012/13; and**
- 3 noted that further authority would be sought from the Board in due course following the outcome of the detailed Feasibility stage.**

33/07/12 Any Other Business the Chair Considers Urgent

Stephen Critchley

This was the last scheduled meeting of the Finance and Policy Committee before Stephen Critchley retired as TfL's Chief Finance Officer on 27 July 2012. Members expressed their thanks to Stephen Critchley for his support to them as individual Members, as well as his contribution to the work of TfL, and wished him well in his retirement.

34/07/12 Exclusion of Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3, 5 and 6 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.

35/07/12 Renewal of TfL's Medium Term Note Programme – Prospectus Update

Steve Allen and Simon Kilonback introduced the paper, which contained supplementary information to the Renewal of TfL's Medium Term Note (MTN) Programme paper considered on Part 1 of the agenda (see Minute 30/07/12). In particular, it contained proposed updates to the draft prospectus.

The Committee requested that advice be taken on adding statements on: Libor, in the section on Risk relating to the structure of a particular issue of Notes – Inverse Floating Rate Notes; and the risks associated with Euros and the need for HM Treasury approval to issue Euro Notes, in the section on Risks Relating to Notes Generally – European Monetary Union: redenomination of Notes into Euros. **[Action: Steve Allen]**

On 10 July 2012, the banks had confirmed that conditions were good for TfL to issue a 30 year benchmarking bond to raise a minimum of £300m. TfL had already negotiated a rate better than the Public Works Loan Board rate and would continue to negotiate for a better price before issuance.

The Committee noted the paper.

36/07/12 London Underground Power Public Finance Initiative

Steve Allen, Mike Binnington and Richard Jones introduced the paper, which described the financial and operational benefits to TfL of terminating the Power Services Contract that London Underground (LU) had with the Powerlink and PADCo Project companies for the operation, maintenance and renewal services for LU's high voltage power network.

Members requested that papers to the Committee recommending a change to a contract or a way of working should always include an aspiration in long term strategies to set a better performance level. For the operation, maintenance and renewal services for LU's high voltage power network, Members requested further information on the impact of power

failure, how greater LU control would improve reliability on the network over the next five to 10 years and what different levels of investment could achieve. The information provided should also include details of what could not be improved and why (for example in areas where the power was supplied by Network Rail). This would help Members take informed decisions on the level of investment required and to determine targets, aspirations and milestones. A further paper would be submitted to the next meeting of the Rail and Underground Panel, for forward submission to the Committee. **[Action: Mike Brown]**

Under the authority to approve projects or transactions over £100m, delegated by the Board to the Committee on 15 March 2012, the Committee:

- 1 approved the discretionary termination of the Power Services Contract by service of a notice on 16 August 2012;**
- 2 delegated to TfL Officers and Subsidiaries (defined 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 discretionary termination; and**
- 3 authorised TfL Officers and Subsidiaries to do all such things as they consider necessary or desirable to facilitate the proposed discretionary termination.**

The following TfL Officers and Subsidiaries have delegated authority:

- 1 TfL Officers: the Commissioner, Managing Director, Finance, General Counsel and the Managing Director, London Underground; and**
- 2 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.**

37/07/12 DLR Lewisham Concession

Steve Allen introduced the paper, which sought approval on matters relating to the DLR Lewisham Concession.

As the matters discussed contained information relating to the financial affairs of TfL they were exempt from publication to the public or press by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.

The meeting closed at 11.40am.

The next meeting would be held on 17 October 2012 at 9.30am.

Chair: _____

Date: _____