



Date: 6 November 2013

Item 15: Report of the meeting of the Finance and Policy Committee held on 17 October 2013

This paper will be considered in public

1 Summary

- 1.1 To report to the Board on the meeting of the Finance and Policy Committee held on 17 October 2013.

2 Recommendation

- 2.1 **That the Board note the report.**

3 Background

- 3.1 The main matters considered by the Committee were:
- (a) Prudential Indicators for the Year Ended 31 March 2013;
 - (b) Group Treasury Activities;
 - (c) Borrowing Strategy;
 - (d) European Investment Bank Corporate Loan;
 - (e) Northern Line Extension to Battersea;
 - (f) Victoria Station Upgrade – District and Circle Lines Refurbishment;
 - (g) Victoria Station Upgrade – Additional Procurement Authority;
 - (h) Sub-Surface Railway Upgrade Programme Contingency Request;
 - (i) Hammersmith Flyover Strengthening Phase 2; and
 - (j) Safety Camera Replacement Project.

4 Issues Discussed

Prudential Indicators – Outturn for the Year Ended 31 March 2013

- 4.1 The Committee noted TfL's performance against the indicators for the Financial Year 2012/13. The indicators demonstrated that TfL exercised prudence in assessing the affordability of the capital expenditure and borrowing necessary to support the budget outputs.

Group Treasury Activities

- 4.2 The Committee noted the paper, which provided an update on the Group Treasury activities for the six month period between 1 April and 30 September 2013 and provided an update on the proposed plans to implement the agreed Treasury Management Strategy for 2013/14.

Borrowing Strategy

- 4.3 The Committee noted information on the framework regulating TfL's borrowing activities and the key principles underpinning TfL's Borrowing Strategy.
- 4.4 The Committee supported the efforts of officers to convince Her Majesty's Treasury to allow TfL to issue bonds in other currencies. It recognized the desire of banks to have benchmarks against each maturity in the bonds market but encouraged officers to go for longer bond maturity periods wherever possible. Members discussed the use of hedging and gilt locks when issuing bonds and agreed that this would be given further consideration.

European Investment Bank Corporate Loan

- 4.5 The Committee approved TfL entering into a corporate loan facility agreement with the European Investment Bank (EIB).
- 4.6 Members suggested that TfL explore other opportunities to secure funding from EIB on similar terms. Planning and Finance would explore the opportunities, including projects outside of both the DfT's list of Comprehensive Spending Review milestones and the current Business Plan.

Northern Line Extension to Battersea

- 4.7 The Committee noted the progress of the Northern Line Extension (NLE) to Battersea project, including obtaining an Order under the Transport and Works Act, and the procurement of the design and construction of the NLE.
- 4.8 Under authority delegated by the Board, the Committee approved TfL entering into certain advance land acquisitions in relation to the NLE. The Committee recommended that the Board approve an increase in the Project Authority, the implementation of the funding strategy and the entry into a funding and delivery agreement between TfL and the developer of Battersea Power Station (BPS).
- 4.9 The Committee noted that discussions were ongoing with the Greater London Authority on the borrowing arrangements for the project. Further information was requested on how TfL would mitigate against the risk of the developer not completing phases 2 and 3 of the BPS development.
- 4.10 The Committee was informed that Crossrail Limited was sharing its knowledge and lessons learned on how to incentivise contractors to reduce costs. A paper would be submitted to a future meeting setting out how contractors would be incentivised to deliver on time and on or below budget.

- 4.11 Officers were encouraged to think ahead about how TfL could maximise third party contributions and land value for future projects, such as Crossrail 2.
- 4.12 A paper on the NLE appears elsewhere on the agenda.

Victoria Station Upgrade – District and Circle Line Refurbishment

- 4.13 The Committee recommended that the Board grant project authority to undertake refurbishment of the District and Circle line parts of Victoria station as part of the Victoria Station Upgrade (VSU) programme.
- 4.14 A paper on the VSU District and Circle Line Refurbishment appears elsewhere on the agenda.

Victoria Station Upgrade – Additional Procurement Authority

- 4.15 The Committee recommended that the Board grant the VSU project additional procurement authority of £50m. The Procurement Authority requested was within the current VSU project authority, with the exception of the District and Circle line refurbishment, project authority for which had been sought under a separate paper on the agenda.
- 4.16 The Committee requested that lessons learnt from the Cooling the Tube project and the pilot of energy efficiency initiatives at Leicester Square be considered as part of this project and further information on the project management costs.
- 4.17 The Independent Investment Programme Advisory Group would be asked to look at the level of Project Management costs across projects in general.
- 4.18 A paper on the VSU Additional Procurement Authority appears elsewhere on the agenda.

Sub-Surface Railway Upgrade Programme Contingency Request

- 4.19 The Committee recommended that the Board approve an increase in project authority for the Sub-Surface Railway Upgrade Programme (SUP) in order to undertake additional emerging works outside the agreed SUP defined scope.
- 4.20 The Committee requested further information on the Programme Engineering and Management Costs.
- 4.21 A paper on the SUP Contingency Request appears elsewhere on the agenda.

Hammersmith Flyover Strengthening Phase 2

- 4.22 The Committee approved an increase in Project Authority of £72.879m to a total project authority of £76.779m to undertake the design and construction phase of the Hammersmith Flyover strengthening.

- 4.23 Members were informed that the procurement process had focussed on keeping disruption from the work to a minimum, with some night time closures and, in the summer of 2014, a number of weekend closures.
- 4.24 TfL was providing information on traffic modelling as part of the London Borough of Hammersmith and Fulham's commissioned research into the financing of a proposal to replace the flyover with a tunnel.

Safety Camera Replacement Project

- 4.25 On 13 March 2013, the Committee approved the Safety Camera Replacement Project (SCRIP), which sought to replace wet film safety cameras that would soon be obsolete with new digital technology. However, the Committee had deferred a decision on the implementation of average speed cameras as part of the project. The Committee considered further information on TfL's policy on the use of average speed cameras, user acceptance of such technology, and the use of alternate technologies (such as speed warning signs) in reducing speed and Killed or Seriously Injured collisions (KSIs). It also considered the overall approach to the installation and deployment of safety cameras in London.
- 4.26 The Committee considered the evidence for the effectiveness of the different methods of reducing vehicle speed on different types of road.
- 4.27 Members requested that consideration be given to the use of mobile speed indicator devices on appropriate roads as part of the approach to reduce speeds and KSIs.
- 4.28 A paper would be submitted to a future meeting of the Committee on the operation of the London Traffic Control Centre. The paper would identify which roads were covered by cameras to monitor traffic flow and the plans to plug the gaps, including the potential to combine cameras with sites used for Safety Cameras. The paper would set out how TfL responded to different types of incident to ensure the minimum disruption for road users.

List of appendices to this report:

None

List of Background Papers:

Papers for the meeting of the Finance and Policy Committee held on 17 October 2013.

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