

## Transport for London

Minutes of a meeting of the Board  
held on Wednesday 27 October 2004, commencing at 10.00am  
in the Chamber, City Hall, the Queen's Walk, London, SE1 2AA

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### **Present:**

**Board Members:** Ken Livingstone, Chair      David Begg  
Honor Chapman      Stephen Glaister  
Kirsten Hearn      Meg Hillier  
Sir Mike Hodgkinson      Susan Kramer (min nos. 139-146/10/04)  
Paul Moore      Sir Gulam Noon  
Patrick O'Keeffe      John Ormerod  
Tony West      Dave Wetzel

**Special Advisers:** Lord Toby Harris      Bryan Heiser  
Murziline Parchment      Lynn Sloman

**TfL Officers:** Stephen Allen, Director of Corporate Finance  
Maggie Bellis, Managing Director, Corporate Services  
Luke Blair, Interim Managing Director, Group Communications  
Ian Brown, Managing Director, London Rail  
Andrea Clarke, Commercial Law Team Manager  
Stephen Critchley, Chief Finance Officer  
Karen Ferguson, Interim Chief of Staff, Commissioner's Office  
Mary Hardy, Director of Internal Audit  
Peter Hendy, Managing Director, Surface Transport  
Ellen Howard, Public Law Team Manager  
Betty Morgan, Head of TfL Legal  
Tim O'Toole, Managing Director, London Underground  
Valerie Todd, Director, Group Equality and Inclusion  
Jay Walder, Managing Director, Finance and Planning

**Observing:** Nicky Gavron, Deputy Mayor

**Secretary:** Louisa Sherry

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### **ACTION**

#### **139/10/04 APOLOGIES FOR ABSENCE**

The Mayor welcomed new Board members Honor Chapman, Meg Hillier, Patrick O'Keeffe and John Ormerod to their first meeting, along with Lord Toby Harris a newly appointed Special Adviser.

Apologies for absence were received from Robert Kiley, Commissioner.

**140/10/04 MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 22 July 2004 were AGREED and signed by the Chair as an accurate record.

**141/10/04 MATTERS ARISING**

There were no matters arising.

**142/10/04 COMMISSIONER'S REPORT**

The Board considered the Commissioner's Report for October 2004. The key points arising from the discussion were:

London Buses

The achievement of 94% accessible buses was welcomed. Peter Hendy said further monitoring would be carried out in the autumn.

A proposal to proceed with the replacement Radio / AVL / Countdown / Radio system project will be presented to the Board at its December meeting. If agreed, implementation will be progressive over a period of 3 ½ years by which the existing systems will be replaced.

London Underground

Despite improved performance on London Underground, results from the last customer survey indicated a decrease in customer satisfaction. This is mainly due to the fact that the survey was conducted during the summer when the Tube was excessively hot and was subject to RMT strike action.

Discussions are ongoing with the Trades Unions on the two year pay deal which has now been agreed and is being paid to staff during October. Members NOTED that a briefing on industrial relations is being planned.

**Maggie  
Bellis**

The Underground Advisory Panel has analysed passenger models to assure itself that the Piccadilly Line will be able to cope with increased passenger numbers from the new Terminal 5 at Heathrow Airport. During the closure of Terminal Four's station, a substitute bus service will be implemented. Louisa Sherry will send Patrick O'Keeffe the paper presented to the Board in June 2004 on the Piccadilly Line Extension to Heathrow Terminal Five.

**Louisa  
Sherry**

## Fares

The new fares announced by the Mayor will be introduced in January 2005 and will be accompanied by a major marketing campaign to inform passengers. The fare increases will be monitored and their impact assessed prior to any further changes being made. The capping of Oyster cards will be introduced in early 2005.

Following discussion, the Board NOTED the report.

## **143/10/04 2<sup>ND</sup> QUARTER FINANCE REPORT**

Jay Walder introduced the paper which reports results against the revised budget (considered elsewhere on the agenda). He reported that for this fiscal year the budget is generally being met.

Following discussion, the Board NOTED the report.

## **144/10/04 TfL BUSINESS PLAN AND 5 YEAR INVESTMENT PROGRAMME 2005/6 – 2009/10**

Jay Walder advised the Board that the Business Plan being presented for approval is very different from previous plans. It is a fully balanced plan over a five year period. Establishing and maintaining a balanced plan is critical to our plans to access the capital markets for approximately £3bn of long-term debt.

The 5-year Investment Programme is a very significant document which provides a clear definition of all of TfL's projects, scopes and budgets. It gives clear accountability for achievement of objectives and ownership of that accountability throughout the organisation.

Officers have positively engaged in consultation with a large number of stakeholders during the Spending Review process. These include Borough Chief Executives, the London Business Board, trades unions, community, voluntary and disability groups and the ALG Transport and Environment Committee.

The ALG TEC had written to TfL expressing views about the proposed western extension to the Central London Congestion Charge Zone and the cost of Freedom Passes. Board members had been sent a copy of that letter and TfL's response.

The Royal Borough of Kensington and Chelsea had also expressed concerns about the proposed western extension to the Central London Congestion Charge Zone. Board members had been sent a copy of their letter and TfL's response. It was reiterated that there will be numerous opportunities to be further consulted.

Peter Hendy asked the Board to note that the plans contained sufficient funding to allow the Centrale tramstop in Croydon to be completed and opened, subject to completion of commercial negotiations.

Jay Walder reminded Board members that their approval of the Business Plan is not approval for the individual projects specified in it. These will be subject to other processes, including consultation, TWA Orders, planning approvals or approval in line with standing orders.

The Board discussed both documents at length, the main points of which were:

- the Investment Programme provides opportunities to explore rail projects that were not previously open to TfL and these opportunities should be fully considered. The Mayor has been raising with Government the need for a dedicated London Rail Budget;
- many of TfL's current achievements have been funded through revenue income and further expenditure on these areas should still be considered important.

Following this discussion, the Board were content to APPROVE the TfL Business Plan 2005/6 – 2009/10 and the TfL 5-Year Investment Programme and to DELEGATE their finalisation to the Managing Director, Finance and Planning, for submission to the GLA.

The Board also NOTED that the final 2005/6 budget will be presented for approval in March 2005, following the outcome of the GLA budget process.

**Jay  
Walder**

#### **145/10/04 IMPLEMENTATION OF TfL BORROWING PLAN**

The Board were advised that this matter had been the subject of extensive discussions within the Finance Committee. Sir Mike Hodgkinson, Chair of the Finance Committee said that the Committee were happy to recommend approval of the first tranche of borrowing of up to £400m. He said that the Finance Committee had asked for a post-transaction report to be prepared. The Committee would regularly review the affordability of the debt obligations using the Prudential Indicators as a monitoring tool.

Members felt that the affordability of the borrowing programme should be reviewed regularly as the Business Plan developed.

Following discussion, the Board NOTED:

- (a) that issuance of notes by TfL as an inaugural bond issue (the "Initial Transaction") on the basis of the information set out in the Board Paper will be within the existing Prudential Indicators;
- (b) that in relation to the establishment of a Medium Term Note Programme (the "Programme"), an Information Memorandum (the "Information Memorandum") will need to be produced by TfL which will contain information relating to TfL and its subsidiaries (the "Group"), in particular (i) a description of TfL and the Group; (ii) financial information; (iii) general information (which includes statements relating to the financial and trading position (and its prospects)) of the Group; and (iv) information relating to any material litigation involving the Group;
- (c) that the Information Memorandum will need to be prepared so as to be in a form satisfactory to the Financial Services Authority (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets 2000 (the "FSMA"), the "UK Listing Authority") and so as to comply with the requirements of the listing rules (the "Listing Rules") made by the UK Listing Authority and the applicable provisions of the FSMA;
- (d) that the vehicle used to issue the bonds under the Initial Transaction may be a new subsidiary of TfL (or TTL) rather than TfL itself;
- (e) that the UK Listing Authority will require TfL to update the Programme from time to time. As part of an "update" TfL will need to: (i) prepare a supplementary or revised Information Memorandum; and (ii) update certain other documents entered into by TfL in connection with the Programme so as to reflect any amendments;
- (f) that further approval will be sought for any future issuances outside the Initial Transaction;
- (g) that the Finance Committee at its meeting on 14 October 2004 recommended that the Board approve the Programme and the Initial Transaction as described below;
- (h) that following the issuance of the Initial Transaction a post transaction report will be provided to the Finance Committee; and

- (i) that it was important that the Information Memorandum was complete and accurate as it can give rise to legal liability for TfL.

The Board RESOLVED:

- (j) that following the full and careful consideration of the Board Paper and the matters mentioned therein to approve: (i) the establishment of the Programme to be arranged by HSBC Bank plc ("HSBC") and Morgan Stanley & Co. International Limited ("Morgan Stanley") for TfL; (ii) the issuance of notes as part of the Initial Transaction under the Programme; and (iii) the delegation of certain powers of the Board to the Finance Committee, the Commissioner or the Managing Director of Finance and Planning and other officers of TfL as set out below;
- (k) that there be delegated to the Finance Committee the power to agree the substantive terms of the Information Memorandum and that the Finance Committee be and is hereby authorised to negotiate, approve and agree on behalf of TfL the Information Memorandum such that it is in a form satisfactory to the UK Listing Authority and compliant with the requirements of the Listing Rules and the applicable provisions of the FSMA and that the Finance Committee be and is hereby appointed with full power, authority and discretion to act on behalf of TfL;
- (l) that the Finance Committee be and is hereby appointed with full power, authority and discretion to agree and authorise on behalf of TfL the amount of bonds to be issued under the Initial Transaction provided that such inaugural bond issue shall not be in excess of £400 million;
- (m) that the Finance Committee be and is hereby appointed with full power and discretion to consider on behalf of TfL the Risk Issues set out in section 8 of the Board Paper and any other risks regarding the establishment of the Programme and the Initial Transaction as the Finance Committee may think fit;
- (n) that following full and careful consideration of paragraphs 9.1 to 9.3 of the Board Paper, the incorporation of a subsidiary (the "Subsidiary") of TfL (or TTL) to issue the bonds under the Initial Transaction (rather than TfL itself) be and is hereby approved provided that prior to the establishment of the Programme the Commissioner or the Managing Director, Finance and Planning shall receive legal advice that it is prudent for the bonds issued under the Initial Transaction to

be issued by the Subsidiary and not TfL itself. The Board hereby grants its approval that the Subsidiary be a "public company" (as defined in the Companies Act 1985) and be named TfL Finance plc (or such other name as agreed by the Finance Committee). The Board further resolves that the approval of: (i) the adoption of the memorandum and articles of the Subsidiary; (ii) the individuals to comprise the board of directors of the Subsidiary; (iii) the individuals to be appointed officers of the Subsidiary; and (iv) the name of the Subsidiary, be and is hereby delegated to the Finance Committee and that the Finance Committee be and is hereby authorised to negotiate, approve, authorise and agree any documentation to be entered into by TfL in connection with the incorporation of the Subsidiary and shall have full authority to take such other action as the Finance Committee considers necessary or desirable in relation to the establishment of the Subsidiary;

*[Post Meeting Note – the Finance Committee were subsequently advised that it is not necessary to establish a subsidiary]*

- (o) that the Finance Committee be and is hereby authorised to negotiate, approve, authorise and agree on behalf of TfL any supplementary or revised Information Memorandum necessary in relation to the UK Listing Authority's requirement for the Programme to be updated or supplemented from time to time and that such supplementary or revised Information Memorandum shall be in a form satisfactory to the UK Listing Authority and compliant with the requirements of the Listing Rules and the applicable provisions of the FSMA and that the Finance Committee be and is hereby appointed with full power, authority and discretion to act on behalf of TfL;
- (p) that each meeting of the Finance Committee at which these issues will be discussed will require a quorum of at least three members of the Finance Committee (one of whom being be the Chair of the Finance Committee or the Chair of the Audit Committee) Unless all members of the Finance Committee are in agreement, decisions on these issues shall be taken by the Finance Committee by majority vote and in the event of deadlock the Chair of the Finance Committee (or in his absence the Chair of the Audit Committee) shall have the casting vote;
- (q) that there be delegated to the Commissioner or the Managing Director, Finance and Planning the ability to agree the final terms and conditions of all documentation related to the Programme and the Initial Transaction and to authorise entry into such documentation on behalf of TfL such that the Commissioner or the Managing Director, Finance and Planning be and is hereby authorised to negotiate, approve,

authorise and agree on behalf of TfL any documentation to be entered into by TfL in connection with the Programme and the Initial Transaction and each of the Commissioner or the Managing Director, Finance and Planning be and is hereby appointed with full power, authority and discretion to act on behalf of TfL;

- (r) that there be delegated to the Commissioner or the Managing Director, Finance and Planning the ability to agree any amendments to the documentation related to the Programme other than the Information Memorandum pursuant to the UK Listing Authority's requirement for the Programme to be updated or supplemented from time to time and that the Commissioner or the Managing Director, Finance and Planning be and is hereby authorised to negotiate, approve, authorise and agree on behalf of TfL any supplemental or amended and restated documentation (so as to reflect any amendments) on behalf of TfL and each of the Commissioner or the Managing Director, Finance and Planning be and is hereby appointed with full power, authority and discretion to act on behalf of TfL and execute the transactions contemplated therein;
- (s) to the extent that any of the documents in connection with the Programme, the Initial Transaction, the Information Memorandum or the incorporation of the Subsidiary requires executing as a deed, the affixing of the seal by and the delivery thereof by TfL, be and is hereby approved;
- (t) subject to obtaining the necessary approvals in accordance with the above resolutions, that any of the Finance Committee, the Commissioner, the Managing Director, Finance and Planning, General Counsel (or Interim General Counsel), the Head of TfL Legal, the Director of Corporate Finance or the Chief Finance Officer be and is hereby authorised to sign, execute (if necessary, by the affixing of the TfL seal) and deliver on behalf of TfL any documentation (including the Information Memorandum), agreements, deeds, guarantees, announcements, notices, contracts, certificates, letters or other documents to be entered into by TfL (or the Subsidiary as the case may be) in connection with the establishment of the Programme, the Initial Transaction, the preparation of the Information Memorandum, the incorporation of the Subsidiary, the update of the Programme or the preparation of any supplementary or revised Information Memorandum or other documents in connection with the update of the Programme and shall have full authority to execute the transactions contemplated therein and to take such other action as the Finance Committee, the Commissioner or the Managing Director, Finance and



Planning considers necessary or desirable in relation to the establishment of the Programme, the Initial Transaction, the preparation of the Information Memorandum, the incorporation of the Subsidiary, the update of the Programme or the preparation of any supplementary or revised Information Memorandum or other documents in connection with the update of the Programme.

**146/10/04 2004/5 TfL GROUP BUDGET – PROPOSED CHANGES**

The Board AGREED the changes to TfL's 2004/5 budget, arising as a consequence of the announcement of future Transport Grant allocations following the Government's Spending Review 2004, outlined in the paper. Members NOTED that the revised budget is now consistent with both the confirmed funding arrangements from the SR2004 Settlement and the updated Business Plan approved earlier.

**147/10/04 DIRECTION FROM THE MAYOR**

Board members welcomed and NOTED the Direction which relates to equality of opportunity, the elimination of unlawful discrimination and the need to promote good relations between specified groups.

In particular, members were keen to ensure that the Direction is fulfilled by staff at all levels throughout the organisation and its contractors.

**148/10/04 LRT PENSION FUND AND TRUSTEE COMPANY – NAME CHANGE**

Stephen Critchley advised members that the paper seeks approval to change the name of the LRT Pension Fund and Trustee Company. This reflects the fact that TfL is the principal employer. There is no impact of the name change on members of the Pension Fund.

The Board:

- APPROVED that the name of the LRT Pension Fund be changed to the TfL Pension Fund,
- AGREED that the deed of variation to the LRT Pension Fund Trust Deed to effect the proposed change of name be approved and be executed under seal by those authorised to do so,

- AGREED that the name of the LRT Pension Fund Trustee Company Limited be changed to the TfL Trustee Company Limited, and
- APPROVED the associated amendments to the Articles of Association to reflect the change in name of the LRT Pension Fund Trustee Company Limited to the TfL Trustee Company Limited and the deletion of all references to LRT to be replaced with TfL.

**149/10/04 LONDON LOCAL AUTHORITIES AND TRANSPORT FOR LONDON BILL**

Peter Hendy introduced the paper.

The Board APPROVED in principle that TfL should promote the joint Bill in accordance with the process set out in the paper and DELEGATED to the Managing Director, Surface Transport the authority to agree the contents of the joint Bill on behalf of TfL.

**150/10/04 AUDIT COMMITTEE REPORT**

The Board NOTED the contents of the report which set out the main issues arising from the Audit Committee meeting held on 14 October 2004 and, in particular, the discussion on resource planning and the available skills for managing the Investment Programme.

**151/10/04 FINANCE COMMITTEE REPORT**

The Board NOTED the report which set out the main points of discussion at the Finance Committee meeting held on 14 October 2004.

**152/10/04 REPORT FROM SAFETY, HEALTH AND ENVIRONMENT COMMITTEE**

The Board NOTED the contents of the report which updated members on health, safety and environmental matters discussed at the last meeting of the Committee held on 6 October 2004. In particular, the Chair of the Committee drew members' attention to matters of resilience, the possibility of a Board briefing on health and safety and the Committee's intention to carry out an effectiveness review of its procedures.

**153/10/04 DOCUMENTS SEALED ON BEHALF OF TfL**

The Board NOTED the documents which had been sealed on behalf of TfL between 8 July and 12 October 2004.

**154/10/04 ANY OTHER BUSINESS**

There was no other business.

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CHAIR