

# **TRANSPORT FOR LONDON**

## **AGENDA**

### **BOARD MEETING**

TO BE HELD ON TUESDAY, 30 JULY 2002, IN THE CHAMBER, CITY HALL, THE QUEEN'S WALK, LONDON SE1 2AA, COMMENCING AT 10.00 A.M.

A meeting of the Board will be held to deal with the following business. The public are welcome to attend this meeting, which has disabled access.

1. Apologies for absence
2. Minutes of the previous meeting held on 11 June 2002
3. Matters arising, not covered elsewhere
4. Commissioner's Report
5. TfL's Group Statement of Accounts for the Year Ended 31<sup>st</sup> March 2002
6. TfL Annual Report 2001/2
7. Disposal policy for surplus TfL properties
8. Safety, Health and Environment Committee Report
9. Item for endorsement
10. Any Other Business

# **Transport *for* London**

Minutes of a meeting of the Board  
held on Tuesday 11<sup>th</sup> June 2002, commencing at 10 a.m.  
in Room AG16, Romney House, Marsham Street, London SW1P 3PY

---

**Present:** Ken Livingstone (Chair)  
**Board Members:** Professor David Begg  
Professor Stephen Glaister  
Noël Harwerth  
Kirsten Hearn  
Mike Hodgkinson  
Oli Jackson  
Paul Moore  
Murziline Parchment  
David Quarmby  
Tony West  
Dave Wetzel (Vice Chair)

**Special Advisors  
in attendance:** Bryan Heiser  
Lynn Sloman

**Others  
in attendance:** Robert Kiley  
Ian Brown  
Stephen Critchley  
Mary Hardy  
Peter Hendy  
Betty Morgan  
Lesley McLeod  
Maureen Nolan  
Derek Turner  
Jay Walder  
Jeroen Weimar

---

## **33/02 APOLOGIES FOR ABSENCE**

Apologies for absence had been received from Susan Kramer.

## **34/02 DECLARATION OF INTERESTS**

The Chair reminded Board Members of the requirement to declare any interests in matters under discussion. No interests were declared.

## **35/02 MINUTES OF PREVIOUS MEETINGS**

The minutes of the meetings held on 12<sup>th</sup> April 2002 were **agreed** as a true record.

### 36/02 MATTERS ARISING

There were no matters arising, not covered elsewhere.

### 37/02 COMMISSIONER'S REPORT

There were no questions on the Commissioner's report, and the report was **noted**.

### 38/02 FINANCE AND PERFORMANCE REPORT

Jay Walder gave a presentation supporting and updating his written Finance and Performance Report to cover the year ended 31 March 2002, and other significant items discussed at the Finance and Audit Committee meeting held on 21<sup>st</sup> May 2002. Key financial issues during 2001/02 included a substantial increase in spend rate, improvements in monitoring and forecasting and a recognised need to secure a better understanding of work completed by the Boroughs.

During discussion, it was **noted** that:

- Whilst tourist visitor nights were down in March, there had been an increase in tourism figures in April. It was anticipated that by May the recovery would match the figures for Summer 2001;
- TfL had put in place a programme to reduce the number of agency staff and consultants employed throughout the TfL Group, although it was recognised that it would not be possible to achieve a reduction across all areas;
- There was no progress to report on the future funding of London Underground Ltd (LUL). There would be a shortfall of £1.5 billion over the 7.5 year period, which could be increased dramatically if Government will not take full responsibility for certain risks inherent with PPP contracts and the pre-existing obligations of LU that will be transferred to TfL;
- Income for buses was £12m below budget, mainly due to a shift in the types of travel products purchased. Future products such as Prestige or smartcards, which will automatically optimise travel options for the customer, might have an adverse impact on future revenue.

The report was **noted**.

### 39/02 BEST VALUE PERFORMANCE PLAN

Jay Walder introduced a paper updating the Board on TfL's Best Value Performance Plan (BVPP). It was noted that a copy of the Plan would be provided to TfL's external auditors by 30 June, in line with Government guidelines. The Plan was due to be published as part of the Business Plan and will be posted on the TfL website.

The Board:

- (i) **agreed** the revisions to TfL's Best Value Performance Plan (BVPP), as outlined in the Board paper Agenda Item 6; and

- (ii) **delegated** to the Managing Director, Finance & Planning, the authority to make the final changes to the BVPP prior to its publication on 30 June 2002.

#### 40/02 **SOCIAL INCLUSION ACTION PLAN**

The Commissioner introduced a paper updating the Board on TfL's Social Inclusion Action Plan, which had been considered by the three Advisory Panels at their meetings in May 2002. It was anticipated that an offer for the post of Head of Social Inclusion would be made shortly and the post filled in the near future.

The Board **agreed** the final Social Inclusion Action Plan.

#### 41/02 **REVIEW OF BOARD ARRANGEMENTS AND STANDING ORDERS**

The Commissioner introduced a paper outlining the recommendations arising from his recent review of the arrangements supporting the work of the TfL Board, and also setting out the revised Standing Orders. The review of the Standing Orders had been undertaken as a requirement arising out of the Board's approval of the Standing Orders in March 2001. It was **noted** that the majority of the amendments made to the Standing Orders were minor in nature. These had been effected in order to eliminate ambiguities and inconsistencies, and to reflect organisational changes made since March 2001.

It was proposed that the Finance and Audit Committee be split into two separate committees. A list of proposed members of all the Committees and Advisory Panels had been circulated to Board Members.

During discussion, the following points were **noted**:

- Kirsten Hearn expressed concern at the proposed reduction in the distribution period for the agenda and papers for meetings from 5 to 3 working days, and requested an assurance that officers will meet deadlines for the despatch of papers in future. The Commissioner assured Kirsten Hearn that officers would endeavour to make papers brief and succinct in future and that the situation would be monitored closely;
- It was confirmed that the new meetings cycle would take effect from September 2002;
- Concern was expressed by some Board Members that the new arrangements did not provide a formal mechanism for the consideration of cross-modal issues (for example, fares, marketing or transport planning). It was noted that an Awayday and several additional informal meetings for Board Members had been proposed, at which specific topics could be discussed in more depth. However, some Board Members considered the proposed Panel and other arrangements to be deficient in this respect and the Commissioner agreed to keep the matter under review;
- The suggestion was made that any outstanding items not considered at Board meetings could be referred to the Commissioner for action and a report made to the next Board meeting on any actions taken;
- The Board meeting on 30 July would be held in the Mayor's new offices in City Hall. The new location was expected to be more spacious and provide improved facilities for members of the public.

Following discussion, the Board:

- (i) **agreed** the adjustment of the timing of the cycle of Board, Panel and Committee meetings to accommodate TfL's management processes;
- (ii) **agreed** the revised Standing Orders;
- (iii) **agreed** the membership of the new Audit Committee and Finance Committee, the Advisory Panels and the Executive Management Group, and confirmed the membership of the other Committees, as outlined in the Appendix C of Agenda Item 8.1;
- (iv) **delegated** to the Commissioner the power to make minor drafting amendments to the revised Standing Orders;
- (v) **delegated** the power to make appointments of members and officers to the subordinate bodies as described in Appendices 1-8 of Standing Order 1 to the Chair, in consultation with the Commissioner, such appointments to be endorsed by the Board at the next meeting following the appointment;
- (vi) **noted** that a more comprehensive review of the Standing Orders in the context of the integration of London Underground Limited will be undertaken and will be put to the Board at the appropriate time.

#### 42/02 CORPORATE GOVERNANCE REPORTING

TfL's Internal Audit Director presented a paper outlining the proposed corporate governance disclosures in the March 2002 accounts. It was anticipated that such a code would be made mandatory by March 2003.

The following points were **noted**:

- The senior manager responsible for the operation of the Code of Corporate Governance on an interim basis would be Richard Meads;
- The CIPFA/SOLACE code did not address a complaints procedures, but this would be included within the Ombudsman complaints procedure.

Following discussion, the Code of Corporate Governance, the note on corporate governance and the Statement of Corporate Governance Assurance, revised to reflect minor amendments such as the existence of the new Finance and Audit Committees, were **agreed**.

#### 43/02 SAFETY, HEALTH AND ENVIRONMENT COMMITTEE REPORT

David Quarmby introduced a report of the meeting of the Committee held on 15 May 2002. Board Members welcomed the more informative report from the Committee.

The report was **noted**.

#### 44/02 DLR EXTENSION TO WOOLWICH ARSENAL

The Managing Director, Rail Services, introduced a report outlining the proposed extension of the DLR network from the proposed station at North Woolwich to a new

station at Woolwich Arsenal. An application under the Transport and Works Act was a formal and long process and the preparation had already been carried out.

It was **noted** that:

- A poll of ten thousand local people in the area indicated that 95% supported a rail extension into Woolwich;
- Consideration had been given to interchanges with national rail, and also with buses and town centres;
- Care had been taken over the design of the scheme with respect to Crossrail, which was aligned to cover the same area, though at a later date.

Board Members discussed the relationship of this project with the City Airport Scheme and it was noted that the decision had been made not to combine the schemes. The Chair expressed delight over the project, which he expected would open up employment opportunities in South East London and he was optimistic that the funding issue with Government would shortly be resolved.

Following discussion, the Board **agreed** the submission of an application under the Transport and Works Act for powers to build an extension of the DLR to Woolwich Arsenal.

#### 45/02 **TREASURY MANAGEMENT POLICY STATEMENT**

The Managing Director, Finance & Planning, introduced a paper recommending the Treasury Management Policy Statement, which had been considered by the Finance and Audit Committee on 21 May 2002. The revised Statement updated the Policy agreed by the Board in September 2001.

It was **noted** that:

- The Policy Statement had been amended in line with the new relevant CIPFA code;
- The Audit Committee would receive regular Treasury management reports in future;
- A provision to deter money laundering had been included in the Policy Statement;
- The Policy had been amended to allow a maximum of £20m in total as approved investments;

The Board agreed the revised Treasury management Policy Statement.

#### 46/02 **ANY OTHER BUSINESS**

##### 46.1/02 Chair's Actions

The Managing Director, Surface Transport, reported that two Chair's Actions had been taken as follows:

- Agreement with the Metropolitan Police Association;
- Transport Policing Initiative.

The Board **endorsed** the Chair's Actions.

46.2/02 Directorship of TTL

The resignation of Michael Swiggs as a director of Transport Trading Limited (TTL) and his departure from TfL were noted. The Commissioner and the Board wished him well and thanked him for his valued assistance during the transition and setting up of TfL.

46.3/02 Trafalgar Square

Kirsten Hearn expressed concerns raised by the disabled community over safety issues and inclusiveness of the new design for Trafalgar Square. The design included a proposed lift and staircase (with ramps) from Trafalgar Square to the level of the National Gallery, with a retail outlet at lower level. Negotiations were underway with Westminster Council and it was noted that the development of the staircase was conditional on the provision of disabled access.

It was noted that the key principles of access for the disabled were that access should be: safe; public; open 24 hours a day; and direct, not indirect. It was also noted that the new Disability Discrimination Act required public buildings to ensure that the disabled have reasonable access.

The Chair **agreed** to monitor the development with these points in mind. Bryan Heiser and Kirsten Hearn were invited to provide input on access issues to Derek Turner. The possibility of utilising the warden service in this area to provide 24 hour access to the lift and public conveniences was discussed.

46.4/02 SRA Appointment

It was **noted** that David Quarmby had been appointed Deputy Chair of the SRA with effect from 5 June 2002 and the Board extended congratulations on the appointment.

There being no further business, the meeting closed at 11.10 a.m.

---

Chair

---

Date

## **AGENDA ITEM 4**

### **COMMISSIONER'S REPORT FOR JULY 2002**

#### **1. PURPOSE**

This is the Commissioner's written report for July 2002. This report:

- Provides an overview of issues and developments since the June Board meeting;
- Informs the Board of major projects and initiatives being undertaken by TfL; and
- Updates the Board on actions that the management team is taking.

#### **2. INTRODUCTION**

We have now started the annual business planning process for 2003/04. The Chief Officers and a small number of their direct reports will have met just before the Board meeting (25-26 July) to discuss overall direction and priorities for the business plan. This discussion will include Paul Godier, who will be taking part from the LUL side. We will be engaging the Board in this process, which will make the autumn months particularly busy. We will bring the draft Business Plan and Budget for 2003/04 to the Board for approval in November.

I would also like to welcome Bob Crow, General Secretary of the RMT, the newest member of the TfL Board.

#### **3. TfL OPERATIONS**

Due to the previously-discussed transition to the new Board cycle, which will be starting with the September meetings, we have not included a separate finance and performance report. However, there are some particular issues to draw to your attention.

##### ***3.1 Transport policing initiative***

The Transport Policing Initiative (TPI) was formally launched by the Mayor on 2 July 2002 with the opening of an integrated control room, bringing together the MPS Transport Operations Control Unit Control Room and London Buses CentreComm.

Statistics available in the first weeks of operation indicate that the project is already starting to deliver the intended results. Cab enforcement operations alone over a 3-week period resulted in 9 arrests, over 20 vehicles removed due to serious defects rendering them unroadworthy, and 3 vehicles seized for unpaid fines. There have been a number of arrests for serious crimes uncovered in the process of the TPI operations, including illegal possession of firearms and drugs.



### **3.2 *LUL strike***

A 24-hour industrial action from 20:00 on Wednesday, July 17 caused stoppage on the Underground. The action was called over safety concerns relating to the proposed part-privatisation of the Underground.

TfL provided 300 extra staff to provide information to the travelling public at key locations and put on the few extra buses available. Bus drivers, conductors and DLR staff worked very hard to handle the increased volume of passengers. The Metropolitan Police response was much better than it has been in the past on certain fronts, including greater public order support. However, there were specific instances of extreme overcrowding at bus stops and around stations, with potentially dangerous results such as large crowds of pedestrians crossing major traffic interchanges aboveground rather than via the subways. These instances demonstrate that coordination problems remain when part of the transport network shuts down, and TfL needs to continue working with the Metropolitan Police and National Rail, as well as across TfL's own businesses, to better plan for and respond to these issues.

### **3.3 *Bus performance***

Excluding the impact of the Golden Jubilee, baseline journeys in June continued to be up 8% year on year. Cash journeys were down compared to a similar period last year, reflecting switching into both period and daily bus passes. This has led to a decline in base revenue, despite an increase in passengers.

Year on year improvement in mileage losses due to staff shortage continued, but losses attributable to traffic delays were worse than last year. Despite these delays, however, QSI results were better than a year ago, suggesting that the various quality initiatives are having a positive impact.

### **3.4 *Borough relationships***

TfL is engaged in a series of initiatives to build on existing relationships between TfL and the boroughs. We have established new processes with the businesses for appraising borough bids for funding. Jay Walder and I had a productive meeting with the ALG on July 1 at which these initiatives were well-received.

The appointment of Ben Plowden as TfL's Director of Borough Partnerships should further facilitate our ongoing work with the London boroughs, and he is in the process of reviewing the two-way relationship between TfL and the boroughs.

### **3.5 *Smartcard introduction***

Underground and Bus Smartcard readers are being activated and tested. Employees will begin receiving Smartcards in mid- to late August as part of the process of testing the new systems.

### **3.6 *Woolwich Arsenal Extension***

A submission to the Secretary of State for a Transport and Works Act application to build the extension to Woolwich Arsenal was submitted on 10 July. This followed approval at the last Board meeting.

### **3.7 DLR: London City Airport**

We are still awaiting Treasury approval for the proposed credit arrangements for London City Airport. We will inform the Board when additional information regarding the approval becomes available. This delay demonstrates again the limitations which existing local authority finance laws and regulations place on TfL's ability to implement projects.

## **4. TfL PRIORITIES**

I would like to draw your attention to the following.

### **4.1 PPP**

The PPP judicial review was heard by Mr. Justice Sullivan at the High Court beginning Tuesday, 23 July 2002. The main grounds for challenge are:

- the procurement process is unlawful because it breaches public procurement rules;
- because the contracts have not been properly procured the best deal has not been obtained from the private sector and the contracts therefore cannot satisfy the value-for-money test; and
- based on current funding promises from Government, London does not have assurance of sufficient funds to support the PPP.

The current expectation is that the judicial review should be concluded before the Board meeting. We will provide an update to the Board at that time.

There has been a lot of interest in the European Commission clearances by senior MEPs from 7 EU countries, including 2 committee chairs who have written to the relevant commissioners asking for an in-depth review of the state aid and EU procurement rules as they apply to the PPP. The Government had hoped to receive State Aid clearance on July 17<sup>th</sup>. However, the Commissioner dealing with State Aid, Mrs. De Palacio from Spain, said the PPP was so 'horribly complex' that no decision would be possible before the summer recess.

### **4.2 Congestion charging**

Intensive work is ongoing to deliver the congestion charging scheme. Installation of cameras and telecommunications systems are broadly on schedule; there have been some delays in software development but steps have been taken to bring this workstream back on schedule.

The hearing of Westminster City Council's application for judicial review of the congestion charging scheme started in the High Court on 15 July 2002. The review took place before Mr Justice Maurice Kay, with Charles George QC appearing for the Mayor of London and TfL. The outcome of that review is expected on 31 July 2002.

A public information strategy has been agreed and detailed planning is in place. This will include campaigns both explaining how the congestion charging scheme will work and supporting travelers shifting to other forms of travel. The current Travel Information number (020 7222 1234) will be used for CCS as well to facilitate presenting a range of options to travelers. Work is ongoing to make sure the telecommunications network and call centre operations are ready for the expected volume of calls.

To support the anticipated increased ridership on public transport, I have asked London Buses to investigate every possible means of improving bus boarding speeds prior to CCS; this will ultimately be supported by the introduction of Smartcards, which will dramatically expand off-buss ticketing options.

Boroughs have been and continue to be consulted for input on aspects of the scheme such as monitoring, enforcement, and registration of those eligible for discounts.

#### **4.3 *Bus priority measures***

Implementing bus priority measures related to CCS and World Squares, largely in Westminster, is proving difficult. Every effort is being made to prioritise these projects.

#### **4.4 *East London Line Extension***

Preparatory works continue with SRA funding whilst the project is being reviewed against a number of concerns. These include cost escalation from £0.6b in April 2001 to £1.3b in April 2002, interaction with other projects that are being changed in scale or deferred (Thameslink 2000 and South Central replacement), and project focus shifting to relieving South London overcrowding.

The key challenge is to ensure a project definition that both 1) reduces independence with other rail projects yet 2) provides metro services on the national rail network both to the north and south of the existing East London Line.

The review of the project should be complete by September for review by the Board and, ultimately, submission to the Secretary of State.

#### **4.5 *Media response to traffic light changes***

Introduction of national standards for signal timings and management of the World Squares changes to the design of Trafalgar Square have resulted in several seconds less green time at certain traffic junctions. This generated a series of very negative reports in the media on the traffic light timing changes, including accusations that the changes were an attempt to smooth the way for congestion charging.

We are working with press offices across the GLA group to improve the way these changes are being communicated. Street Management will continue to provide monthly reports to the Mayor to support an informed response to the media.

#### **4.6 *Commuter Rail Authority***

The Mayor's Directions and Guidance for the provision of commuter services in London has been issued to the SRA. This includes a requirement to enter into discussions regarding the setting up of a Commuter Rail Authority for London. The Commuter Rail Authority would be designed to increase the quantity, quality and integration of commuter rail services with the remaining transportation facilities serving London.

Two consultancies are due to conclude their work on this project by September. At this point the proposal on the proposed format of such an authority should be reviewed by the Board Rail Services Panel and issued.

#### **4.7 *Review of arrangements for Board papers***

As previously discussed with Board members, we are working on reducing the volume of printed information which goes to the Board. At the same time, we are beginning to work on developing a system whereby Board members would be able to access a broad range of additional information electronically.

We anticipate reducing the paper load for the September board cycle. However, the information formerly provided will be provided in electronic format for those Board members interested in specific pieces of information.

#### **4.8 *Social inclusion***

We are pulling together our work on equality and diversity in the TfL workforce. This builds on the Social Inclusion Action Plan and will also incorporate the recommendations of the GLA Group's Best Value Review on equalities. We intend to discuss this with the Board during the September cycle.

#### **4.8 *Business Improvements Programme (BIP)***

The redesign and streamlining of major IT systems at TfL and LUL encompassed by BIP was discussed and reviewed by the Finance Committee. The BIP contract was awarded on 25 July 2002.

### **5. STRATEGIC ISSUES**

#### **5.1 *Integration of LUL***

The LUL integration workstreams have been progressing during the last month. The Marketing, Communications and HR workstreams are up and running, with detailed organisational designs developed and being tested. The Finance workstream has just launched its work. Board members had an informal briefing on progress of the integration project on 15 July 2002.

The first joint meeting of senior managers from both LUL and TfL was held on 10 July 2002. The purpose of the meeting was for managers from both sides to get to know each other as well as to begin acquainting themselves with what activities different parts of the business are engaged in. The response from attendees was very positive. A series of these meetings will take place in future, with the next one planned for early autumn.

#### **5.2 *Senior management appointments***

We have recently made a significant number of senior appointments. These include:

- Ben Plowden as Director of Borough Partnerships
- Barry Broe as Director of Transport Planning
- Lesley Davie as Director of Pensions
- Pip Hesketh as Head of Social Inclusion (starting 1 August 2002)

We have also strengthened the Press function by transferring Public Affairs into the Press area and focused the Director of Communications role on customer relations and marketing, advertising and

design. In this context, Charles Monheim has been appointed Director of Customer Relations and Lesley McLeod has been appointed Director of Media and Public Affairs. Charles will also continue as Director of Ticketing Systems and Fares Policy within the Finance and Planning department.

Robert R. Kiley  
Commissioner for Transport  
July 2002

**TRANSPORT *for* LONDON**

**STAFF SUMMARY  
BOARD**

**SUBJECT: TfL GROUP STATEMENT OF ACCOUNTS FOR THE  
YEAR ENDED 31 MARCH 2002**

**MEETING DATE: 30 JULY 2002**

---

**1. PURPOSE**

To present the TfL Group Statement of Accounts for the year ended 31 March 2002 to the TfL Board, accompanied by supporting explanations on key features of the accounts and to advise the Board of the formal process for final approval.

**2. BACKGROUND**

The attached Statement of Accounts has been prepared in accordance with the provisions of the Audit Commission Act 1998 and the Accounts and Audit Regulations 1996 ('the Regulations'), which formally apply to TfL for the first time following a change in the law during the year. TfL voluntarily chose to comply with the Regulations for the 2000/1 accounts. The form, content and accounting policies followed in preparing the Statement are as prescribed in the Regulations and by the Code of Practice on Local Authority Accounting published by CIPFA.

As well as prescribing the format of the Statement of Accounts, the Regulations require that the income and expenditure account and balance sheet shall be approved by a resolution of a committee of the Board, or otherwise by a resolution of the members of TfL meeting as a whole, such approval to take place as soon as reasonably practicable and in any event within six months after the end of the period to which it relates. This approval is planned to be sought at the Board meeting on 17 September 2002, assuming any matters that arise from the public inspection (see below) can be promptly dealt with.

Prior to the approval, the Regulations further require that the responsible financial officer (in the case of TfL, the Chief Finance Officer) shall sign and date the statement of accounts and shall certify that it presents fairly the financial position of TfL at the end of the year to which it relates and its income and expenditure for the year.

Before this can occur the draft Statement of Accounts must be made available for public inspection for a period of 3 weeks following advertisement of the inspection period. This public inspection period commenced on 8 July 2002. Following this, the auditors may receive questions or objections to the accounts from local government electors in London. Should any such questions or objections be raised, these will be reported to the Finance Committee and Board at their meetings in September. There were no questions or objections on the 2000/1 accounts.

A draft version of the Statement of Accounts was submitted to both the Finance Committee and the Audit Committee on 11 July 2002. Amendments have been incorporated into the attached Statement of Accounts to reflect discussions at the Finance Committee.

The accounts also remain subject to audit.

### **3. KEY FEATURES OF THE ACCOUNTS**

#### **Basis of preparation**

The principal difference between local authority accounting and that used in company accounts and elsewhere in the public sector is the treatment of capital expenditure. Instead of charging the cost of capital assets to revenue account by way of depreciation over their useful lives, the actual cost of those assets is charged in the year in which the asset is paid for, to the extent that this cost is not funded from other sources such as the proceeds of capital assets sold or contributions from third parties. This applies only to the capital assets of the local authority itself (TfL Corporation) and thus to the business units that comprise it (principally Street Management) and not to TTL or its subsidiary companies. This accounting treatment results in the line "Capital expenditure financed from revenue" below Net operating expenditure in the Revenue Account.

#### **Reconciliation to 31 March 2002 management accounts**

There is a surplus for the year of £11 million for the TfL Group, of which £9.2 million has been transferred to an earmarked reserve resulting in a reported surplus of £1.8 million, being surplus which has had to be retained in subsidiary companies. The earmarked reserve has been created to assist in funding work carried forward to 2002/3, particularly in respect of underspend on the Borough ITP programme in 2001/2.

The headline surplus of £11 million compares with a surplus reported to the Finance and Audit Committee on 21 May 2002 of £15 million, which related to TfL Corporation alone (the equivalent figure for the TfL Group was £16.8 million). The reduction of surplus for the TfL Group of £5.8 million has arisen principally from a reassessment of the amount of creditors/provisions relating to capital works at 31 March 2002. These have reduced compared with the management accounts estimate, resulting in an increased charge for capital expenditure financed from revenue.

One other major change has occurred - £63 million of capital expenditure has been reallocated to revenue expenditure in the statutory accounts. £23million of this relates to capital expenditure on third parties' assets (principally the Boroughs) which is treated as "deferred charges" in local authority accounts. It is our policy to write these off in the year in which they are incurred. In the statutory accounts these deferred charges have to be written off as revenue expenditure.

Secondly, £40 million of expenditure on infrastructure (primarily roads and bridges) has been reallocated as, due to the lack of detail in inherited fixed assets records, we cannot identify the cost/value of the capital asset we have replaced. We are reviewing the treatment of this expenditure with the external auditors to see if we can estimate more accurate figures in the absence of the detailed records. The results of this further work will be reported to the Finance Committee's September meeting. Should this result in

changes to the Statement of Accounts then this will be reported to the Board in seeking final approval.

### **Changes from last year's accounts**

The Statement of Accounts is required to comply for the first time with the provisions of the accounting standard FRS17 "Retirement Benefits". These provisions are being introduced progressively. For this year the only requirement is the disclosure of an actuarial valuation of the principal defined benefit pension schemes to which the TfL Group contributes (for this year only one scheme, the LRT Pension Fund) on a basis defined by FRS17. This essentially requires the assets of the funds to be valued at market value at 31 March 2002 and the liabilities to be discounted at the AA rated Corporate bond rate at that date. The surplus or deficit shown by such a valuation is highly volatile due to the variation in the market value in the Fund's assets (principally equities and bonds) from one year to the next.

This basis of valuation is, however, different from the basis used by the Fund Actuary in the triennial valuations which determine the level of contributions that TfL Group is required to make to the Fund. The last such valuation was performed as at 31 March 2000 and the next valuation is therefore due at 31 March 2003 with the results available later in 2003. However, the Fund Actuary is required to report annually on the adequacy of the fund's resources to meet in full the liabilities of the fund as they fall due. The Fund Actuary has recently reported that, "on the basis of approximate calculations made as at 31 March 2002 which indicate a slight deterioration in the fund's overall financial position (primarily because of investment market conditions) I am pleased to confirm that, in my opinion, it nevertheless remained appropriate for the employer contributions payable to the fund to continue (*at the existing rates*)"

A more detailed report on the financial position of the LRT Pension Fund will be received by the September Finance Committee.

It should be noted that the disclosure (in Note 5 to the accounts on page 16) relates to the public sector section of the fund, which includes London Transport and London Underground. It is not possible to identify the deficit that relates specifically to TfL Group as currently constituted.

## **4. RECOMMENDATIONS**

The Board is asked to NOTE the draft Statement of Accounts and that the Chief Finance Officer will make any adjustments arising from the ongoing audit work, prior to submission of the final Statement of Accounts to the September meeting of the Board for approval. Any material adjustments will be reported at that time.



TRANSPORT FOR LONDON

TfL BOARD MEETING

SUBJECT: 2001/02 TfL ANNUAL REPORT

MEETING DATE: 30 JULY 2002

---

**1. PURPOSE**

The purpose of this paper is to agree the proposed approach to publication of the 2001/02 TfL Annual Report.

**2. BACKGROUND**

TfL is legally bound to produce a report on its achievements and the performance of its functions during the year.

**3. PROPOSED APPROACH**

3.1 The 2001/02 TfL Annual Report will be prepared by the Director of Media and Public Affairs with assistance from the Managing Director Finance and Planning, and will be made available to meet the requirements of section 161 of the GLA Act 1999.

3.2 It is proposed that the Annual Report will demonstrate that slowly, but surely, improvements are being put in place to effect a real transformation in London's Transport system. The report, will have professional high production values, whilst remaining low cost. At approximately 40 pages long, with a limited print run, it will feature the new corporate typeface and logo. A small number of hard copies will be produced for distribution to key stakeholders and the principal offices of the Greater London Authority. The document will also be placed on the TfL website to allow for greater audience reach.

**4. PROPOSED DOCUMENT STRUCTURE**

4.1 It is proposed that the TfL Annual Report follows the overall theme of "Transforming London's Transport System". The suggested structure for the Annual Report is given in **Appendix B**, and adopts a format based on TfL's key activities and achievements.

4.2 A summary of TfL's achievements against the Mayoral priorities identified in the Transport Strategy will be included.

## 5. ALTERNATIVES

Production of the report is a statutory requirement, so has to be produced, however the selected format and profile of the approach is a matter for TfL.

The GLA Act 1999 (section 161) places a statutory duty upon TfL to produce an Annual Report on the exercise and performance of its functions, including the contribution made towards the achievement of the Mayor's Transport Strategy. There is a requirement to provide certain financial information, such as grants given to other bodies. **Appendix A** details section 161 of the GLA Act and its requirements in full.

The Mayor's Office has been asked to advise on whether there is any specific information (under section 161(3)) that the Mayor may wish to include in relation to the Annual Report. A formal response is currently awaited.

## 6. IMPACT ON FUNDING

The estimated cost for the production and print of the report is £10,000. Funds are available within the 2002/03 TfL budget.

## 7. RECOMMENDATIONS

The TfL Board is asked to:

- (a) **APPROVE** the proposed approach for the outline Annual Report; and
- (b) **COMMENT**, by a date to be specified, on a full version of the Annual Report which will be circulated to them; and
- (c) **DELEGATE** to the Director of Media and Public Affairs and the Managing Director Finance and Planning authority to finalise the Annual Report (in consultation with the Chair of TfL) having considered any comments received from Board members.

**Lesley McLeod**  
**Director of Media and Public Affairs**

### **Appendices:**

Appendix A GLA Act requirements for the Annual Report

Appendix B Annual Report – proposed structure

**For detailed enquiries on the content of this paper, please contact:**

Lesley McLeod, Director of Media and Public Affairs (ext. 4190)

**GLA Act 1999 requirements for the Annual Report**

**Section 161**

- (1) Transport for London shall, as soon as possible after the end of each financial year, make to the Authority a report on the exercise and performance by Transport for London of its functions during the year.
- (2) The report shall deal with-
  - (a) the contribution made by Transport for London towards the implementation of the transport strategy;
  - (b) the activities of any subsidiaries of Transport for London, so far as relevant to the performance of the functions of Transport for London during the year in question;
  - (c) any financial assistance given under section 159 above;
  - (d) any guarantees given under section 160(1) or (2) above;
  - (e) any arrangements entered into under section 160(4) above; and
  - (f) any indemnities given by virtue of section 160(5) above.
- (3) The report made under this section in respect of any financial year shall include such information as the Mayor may from time to time specify in writing with respect to any matter the report is required to deal with by virtue of subsection (1) or (2) above.
- (4) Transport for London shall publish any report made under this section.
- (5) A copy of any report made under this section shall be kept available for the appropriate period by the Mayor for inspection by any person on request free of charge at the principal offices of the Authority at reasonable hours.
- (6) A copy of any report made under this section, or any part of any such report, shall be supplied to any person on request during the appropriate period for such reasonable fee as the Mayor may determine.
- (7) In this section "the appropriate period" in the case of a report under this section is the period of six years beginning with the date of publication of the report pursuant to this section.

**2001/02 Annual Report – Outline structure**

- Theme:** Transforming London’s transport system
- Tone:** Reassuring, clearly demonstrating that slowly but surely, real improvements are being put in place to effect a forthcoming transformation in London’s transport system
- Length:** 44 pages
- Visual Feel:** Clean, modern, progressive, using new type face and logo. Photography used to demonstrate TfL services in inner and outer London in sections 1-4

**1. Message from the Mayor (Chair of TfL)**

- Continuing expansion of London as a major capital city dependent on new offices, housing and leisure, requires support of better transport infrastructure
- Work getting underway. Transport Strategy, CCS preparations, PPP/LU and their role in aiding and maintaining World City status
- Looking to the future – new cross rail links, Thames River Crossings and consultation on four Light Transit schemes

**2. Commissioner’s review**

- Introduction - TfL’s role, key challenges, preparing the groundwork for delivering the Mayor’s Transport Strategy
- Brief highlights of progress in specific areas e.g. business plan development, bus initiatives, reducing congestion and preparation for congestion charging, accessibility improvements, simplifying ticket purchase, better integration
- Looking forward - commitment to working with others to transform transport in London

**3. 2001/02 at a glance – Summary of key events/achievements April-March**

**4. Brief outline of roles and achievements of TfL subsidiaries**

- Buses
- Tramlink
- DLR
- London River Services
- Victoria Coach Services
- Public Carriage Office
- Street Management
- Museum
- Environment
- Accessibility
- Working with the boroughs
- Interchanges

- Working with National Rail
- Extending the transport network
- Best Value
- Equality and diversity
- Employees

5. **Brief financial review** – overview of TfL’s financial resources (income, expenditure and investment) including details required by the GLA Act 1999 e.g. financial assistance given under section 159 (to be shown in an Appendix)\*

**Appendices**

Appendix 1	Transport for London’s role
Appendix 2	Boards, committees and panels
Appendix 3	Progress against the Transport Strategy priorities*⊕
Appendix 4	Financial assistance*
Appendix 5	Guarantees, arrangements and indemnities*
Appendix 6	Group assets*
Appendix 7	Peak travel to central London*
Appendix 8	Employee numbers
Appendix 9	Sales revenue and operating expenditure*
Appendix 10	Safety statistics**
Appendix 11	Performance summary*
Appendix 12	Operating statistics*

6. **Statement of Accounts** – Extracts from the Audited Accounts will form a separate section supporting the brief financial review noted above

Key:

- \* Input needed from Finance and Performance.
- \*\* Input needed from LAAU, and operating divisions
- ⊕ Key element of GLA Act requirement. Could be integrated in to the body of the report – but it is likely to be best as a bullet-pointed list in view of the large range of initiatives TfL needs to report progress on.

**TRANSPORT FOR LONDON  
TfL BOARD**

**SUBJECT: DISPOSAL POLICY FOR SURPLUS TfL PROPERTIES**

**MEETING DATE: 30 JULY 2002**

---

**1.0 PURPOSE**

To seek approval to a disposal policy in respect of the Transport for London group's properties which are no longer needed for the discharge of its functions after consultation throughout Transport for London ("TfL").

**2.0 BACKGROUND**

General Issues

- 2.1 TfL can only dispose of its properties if, in the Mayor's opinion, they are not required by TfL for the discharge of its functions. There are current proposals to delegate this function to TfL in order to streamline both sales and short term lettings of the properties. In addition to this, there are other legal issues which need to be taken into account in formulating a disposal policy. The first is the question of whether TfL can sell its property at an undervalue. The second is whether TfL is legally obliged first to offer the properties back to former owners or to sitting tenants before it can put the properties on the open market.
- 2.2 TfL could face a legal challenge in some circumstances if it were to sell its property at an undervalue, for example, by offering the properties for sale at a discount.
- 2.3 Where properties have been compulsorily purchased, TfL is obliged first to offer properties back to former owners (or to sitting tenants in the case of house sales) before selling the properties on the open market. The sales to former owners or tenants would be at market value and if they do not want to buy the property back, TfL would be free to sell the properties in the open market. These are known as the Crichel Down rules. Although the

rules are not statutory, public bodies are normally expected to follow them and failure to do so could lead to a legal challenge.

- 2.4 There are however, certain exceptions to the rules. For example, if complying with the rules would result in a fragmented sale which would realise substantially less than the sale of a larger site or where the property has materially changed, the rules do not apply.
- 2.5 Consideration has been given to whether TfL can ensure that its surplus residential properties are used for social or affordable housing. Apart from a limited power to provide housing for employees of TfL or its subsidiaries, TfL has no legal power to provide housing. However, this would not prevent TfL from agreeing to sell its residential properties for those purposes so long as it complied with its obligation to offer the property back to former owners and also met its duty not to sell at an undervalue
- 2.6 This could be achieved by offering surplus houses to Housing Associations or Councils after tenants and former owners had been given the opportunity to buy them.
- 2.7 In order to satisfy the obligation to offer properties back to former owners, to affordable housing providers or to sell on the open market with vacant possession, it will be necessary in some cases to obtain possession orders against the current occupiers. In practice this may need to be phased so that the local housing authority can rehouse the occupiers in appropriate cases.

#### Street Management Portfolio

- 2.8 A large number of properties were transferred from the Highways Agency to TfL for road schemes which have since either been abandoned or are likely to go ahead on a smaller scale. The number of properties concerned totals 685, of which there are 546 houses, 80 commercial properties and 59 parcels of land.
- 2.9 Approximately 70 properties have been declared surplus of which 4 have been sold in this financial year. It is prudent now to establish a policy for the disposal of these properties and also for others that become surplus in future following revisions to road schemes. Many of the properties are in a poor state of repair because maintenance has been minimal due to

pending demolition for the road schemes. Currently 67 houses are vacant and many are beyond economic repair in the short term.

- 2.10 The Highways Agency's previous practice was to sell surplus houses to sitting tenants at a discount and it is possible that some of the current occupiers were led to believe that they would be given the opportunity to buy the properties at a discount. TfL does not consider that it is bound by such assurances and would resist any such claims but there is the possibility that some of those occupiers could try to challenge any open market sales if they were not first offered the chance to buy the property.
- 2.11 Another issue that impacts on TfL's ability to dispose of these properties is the fact that various statutory orders and formal safeguarding for the original road schemes are still in force. This can cause delays and can have the effect of depressing the value of the properties as theoretically, the properties could still be required for the original road schemes. TfL is in discussions with the Government Office for London as to how these orders can be formally revoked, although this can only be done once there is certainty about the revised schemes. In the meantime, TfL may be required to give assurances to purchasers that the schemes will not be implemented in relation to those particular properties. Although these assurances may help, the continued existence of the current orders is still likely to have a depressing effect on sale proceeds.
- 2.12 Property Owned By Other Divisions within the TfL group  
These may have been originally acquired either by Agreement or under Compulsory Powers, but in many cases, due to effluxion of time, or other factors, Crichton Down will not apply. Any surplus property sales would follow the recommended option in paragraph 3.4 and Appendix 1.

### **3.0 ALTERNATIVES**

#### **3.1 Retain surplus properties in TfL management**

TfL is legally responsible for the condition of property within its ownership unless responsibility rests with a tenant or leaseholder. This option could lead to increased risk and expenditure for TfL where the property is in need of repair whilst not releasing asset value for investment elsewhere in public transport. It is not therefore generally recommended



unless there is a business case for retention through, for example, future development or asset enhancement.

3.2. Offer discounts in the sale price

This could help individuals enter the property market but as it is not related to TfL's transport functions, TfL may expose itself to the risk of legal challenge and it is not therefore recommended.

3.3 Sell surplus property in the open market without following the Crichel Down Rules

This would leave TfL open to legal challenges if it did not first offer surplus property back to sitting tenants or former owners in accordance with the Crichel Down rules where these rules apply and this is not recommended.

3.4 Sell surplus property in the open market following the Crichel Down Rules

TfL are obliged under the Crichel Down rules to offer properties back to former owners and sitting tenants as mentioned above, unless specific exceptions to the rules apply. However, even where the rules do not strictly apply, there may be cases where TfL would want first to offer surplus property to those people anyway (for example, if there would be a saving on marketing costs or where they had expressed an interest in buying). In either case, should the former owners or tenants not want to buy surplus property, TfL would then offer it to either the local housing authority or to one of the authority's preferred affordable housing providers before going to the market generally. This would in all cases be subject to TfL being satisfied that it was not selling the properties at an undervalue and would be conditional on the buyer progressing the sale in a reasonable timescale, otherwise the properties would be sold on the open market with vacant possession. In the case of commercial properties or vacant development sites, these would be offered to the former owners if the Crichel Down rules applied otherwise they would be sold on the open market (but again, that could in appropriate cases include offering it voluntarily to any existing tenants or former owners. The degree of interest in the property and the ability of the interested person to pay the market value price will be a significant factor in TfL deciding whether to sell to one particular party). A summary of this is attached at Appendix 1. It is recommended that this option is chosen as a strategy for future disposals of surplus TfL property except where TfL's Property Consultant (nominated from time to time by the

Managing Director, Finance and Planning) is satisfied that there are circumstances in particular cases which justify departing from this strategy.

#### **4.0 IMPACT ON FUNDING ON SALE OF STREET MANAGEMENT PROPERTY**

4.1 The first properties to fall within the proposed TfL disposal policy are the surplus Street Management properties. These are believed to have been valued on transfer to TfL at a gross value of £120m. Although a few properties have been sold, the total value today is likely to be in excess of this figure. A revaluation is underway and will be reported separately.

4.2 At the present time, the impact on the Street Management revenue account from these properties is neutral in that income of broadly £2m per annum which equates to annual running costs of £2m per annum. Income and costs will reduce as sales progress and this is initially forecast to remain financially neutral. There is always an increasing risk with past low maintenance, that additional backlog maintenance may have to be met by TfL the longer the properties are held.

4.3 The speed of sales will largely be driven by the Street Management programme of design, publication and agreement to alternative highway schemes replacing the schemes for which the properties were originally acquired. It is also estimated that, should TfL adopt the disposal policy outlined in this paper, £9.5m can be raised from sales in 2002/03.

4.4 Assuming a steady roll out of schemes over the next few years a likely capital income stream arising will be:

2002/03	2003/04	2004/05	2005/06	2006/07	2006/07 onwards
£9.5m	£20m	£30m	£30m	£20m	£10m

These figures are net of sales costs and an initial likely spread of income. A more detailed budget and business plan will be developed for 2003/04 onwards, when programmes are clarified.

## **5.0 RECOMMENDATION**

That the TfL Board **note** the various aspects influencing a disposal policy for TfL properties which are no longer needed for the discharge of its functions and approve the recommendation contained in Paragraph 3.4.

**Jay Walder**  
**Managing Director, Finance & Planning**

## **Appendix 1**

### **Order in which properties will be offered for sale**

#### **House with a sitting tenant where Crichel Down rules apply**

1. Sitting tenant
2. Former owner
3. Affordable housing provider
4. Open market

#### **House with no sitting tenant where Crichel Down rules apply**

1. Former owner
2. Tenant
3. Affordable housing provider
4. Open market

#### **House where Crichel Down rules do not apply**

1. Tenant
2. Affordable housing provider
3. Open market (which could include former owners in appropriate cases)

#### **Commercial properties and vacant sites where Crichel Down rules apply**

1. Former owner
2. Open market (which could include tenants in appropriate cases)

#### **Commercial properties and vacant sites where Crichel Down rules do not apply**

1. Open market (which could include former owners or tenants in appropriate cases)

**TRANSPORT *for* LONDON**

**TfL BOARD**

**SUBJECT: SAFETY, HEALTH AND ENVIRONMENT COMMITTEE REPORT**

**MEETING DATE: 23 JULY, 2002**

---

**1. PURPOSE**

This report provides a summary of the SHEC meeting held on 12 July, 2002.

**2. BACKGROUND**

The Committee (which meets not less than six times a year) is required under its terms of reference to report to the TfL Board.

**3. REPORT ON JULY 2002 MEETING**

The agenda for the July meeting called for Safety Performance Reports for Quarter 4, as well as reports from within the business that focused on specific issues. In particular, the Committee discussed the following items:

**3.1 Safety Performance Reports (Quarter 4)**

**3.1.1 Docklands Light Railway**

Progress against Plan, with an audit programmed for Autumn 2002.

**3.1.2 London Underground Ltd**

Action taken to ensure formal Incident Report (FIR) recommendations relate to most causes was discussed. **NOTED** that a presentation on London Underground risk assessment methodology would be provided at the September meeting.

**3.1.3 Street Management**

My last report referred to the paper to be submitted to the November Board on improving safety for vulnerable rides – Powered Two-Wheelers and cyclists. The Quarter 4 report gave details of measures being taken prior to that paper being submitted, including three pilot schemes to allow motorcyclists to use bus lanes, the promotion of rider training and more responsible behaviour through the Despatch Association and support for the “Bike Safe” project run by the City Police. The importance of quality training schemes is clear, but I have also asked that a review of the opportunities for TfL to influence deterrent and enforcement regimes be undertaken.

**3.1.4 Surface Transport**

The issue (rather than the problem) of bus and taxi drivers using mobile phones whilst driving was reviewed and confirmation obtained that this issue was being addressed at Managing Director level with bus contractors. Again, the scope for TfL

to be more influential in Government policy on this issue was discussed. Progress with the review of the Safety Management System in Surface Transport was reviewed, together with the proposed role of London River Services in determining the consistent use of personal safety equipment by boat operators' staff when using TfL piers.

### **3.1.5 Corporate Services**

Progress made in ensuring the basic foundation of the safety management system for TfL Corporate departments was reviewed, together with the content of the annual review against Plan for 2001/2.

## **3.2 Golden Jubilee Weekend**

The Committee received a report summarising the work that has led to the safe transportation of over one million people to and from events over the June event period. The outcome had results in commendations from a range of organisations and agencies, but more important were the "lessons learned" in planning and running the transport process associated with future major London events.

## **3.3 Jenny Jones, London Assembly Member and the Mayor's Road Safety Ambassador**

Jenny Jones made a welcome guest appearance at the meeting, to give an overview of her role, both in terms of a campaigning dimension and in working with agencies such as the Police, in order to reduce danger to vulnerable road users and so improve the quality of life for Londoners.

## **4. RECOMMENDATION**

The Board is asked to **NOTE** the report from the Committee.

The next meeting will be held on 4 September, 2002