

**TRANSPORT FOR LONDON
BOARD MEETING**

**TO BE HELD ON WEDNESDAY 27TH OCTOBER 2004
IN THE CHAMBER, CITY HALL, THE QUEEN'S WALK, LONDON SE1 2AA
COMMENCING AT 10.00AM**

AGENDA

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.

Procedural Business

- 1.1 Apologies for Absence
- 1.2 Minutes of the Previous Meeting held on 22nd July 2004
- 1.3 Matters Arising, not covered elsewhere

Business Items

2. Commissioner's Report
3. 2nd Quarter Finance Report
4. TfL Business Plan and Five Year Investment Programme 2005/6 – 2009/10
5. Implementation of TfL Borrowing Plan
6. 2004/5 TfL Group Budget – Proposed Changes
7. Direction from the Mayor
8. LRT Pension Fund and Trustee Company – Name Change
9. London Local Authorities & TfL Bill

Procedural Items

10. Audit Committee Report
11. Finance Committee Report
12. Report from Safety, Health and Environment Committee

Items for Noting

13. Documents Sealed on Behalf of TfL

Other Items

14. Any Other Business

Transport for London

Minutes of a meeting of the Board
held on Thursday 22 July 2004, commencing at 11.00 a.m.
in the Chamber, City Hall, the Queen's Walk, London, SE1 2AA

Present:

Board Members: Dave Wetzel (in the Chair)
David Begg (for mins 126-137/07/04)
Stephen Glaister (for mins 126-132/07/04) Kirsten Hearn
Sir Mike Hodgkinson Oli Jackson
Susan Kramer Paul Moore
Sir Gulam Noon Murziline Parchment
David Quarmby (for mins 126-137/07/04) Tony West

In attendance:

Special Advisors: Bryan Heiser Lynn Sloman

TfL Officers: Maggie Bellis Ian Brown
Stephen Critchley Isabel Dedring
Mary Hardy Peter Hendy
Robert Kiley Fiona Smith
Hugh Sumner Valerie Todd
Tim O'Toole Jay Walder

Observing: Nicky Gavron, Deputy Mayor

Secretary: Jo Chance

126/07/04 APOLOGIES FOR ABSENCE

Apologies for absence were received from Ken Livingstone.

127/07/04 MINUTES OF THE PREVIOUS MEETING HELD ON 23 JUNE 2004

The minutes of the meeting held on 29 June 2004 were **agreed** and signed as an accurate record.

128/07/04 MATTERS ARISING

There were no matters arising.

The Chair reminded members to declare any interests in the papers presented. No interests were declared.

128/07/04 COMMISSIONER'S REPORT

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

- Traffic Management – the Bill was due to receive Royal Assent that day (22 July). At a future date, Board members would be offered a detailed briefing on the Bill. TfL would work closely with the Boroughs, utility companies, and those affected by the Bill to co-ordinate work going forward;
- Congestion Charging Scheme – Peter Hendy reported that consultation on the two variation orders to the Scheme had been completed – one (blue badge registration) was confirmed and the other (including increasing pcn charges and reducing the fleet threshold) was awaiting confirmation by the Mayor. [Post meeting note – now confirmed by the Mayor]. The report on consultation regarding the western extension of the Scheme was due to be submitted to the Mayor shortly. Peter Hendy welcomed the Department for Transport's report on the Feasibility Study of Road Pricing. Until a national distance based charging scheme using satellite navigation technology was available, the interim development of road pricing in London such as with the proposed western extension would be consistent with the DfT's recommendations. Furthermore, TfL's own trials of pricing technologies has confirmed that affordable satellite systems will not be feasible for at least a decade, but that improvements to the existing scheme and any further scheme could be afforded with tag and beacon technology. A comprehensive trial for 'tag and beacon' technology is currently being planned;
- Rail – As a result of the Spending Review 2004 the Government had agreed that the Crossrail project would now be taken forward as a Hybrid Bill. The financing of the Project had yet to be finalised. The agreement with Government also included support for the extension of the East London Line. The Rail Review had been completed and initial work would be carried out on fare structures and marketing and the development of a Route Utilisation Strategy. This was seen by the Board as the single most significant structural change to TfL since it had been established. TfL now had the opportunity to consider the longer range view of improving and integrating overall transport in London; and
- Industrial Relations on LUL – Bob Kiley reported that there had been no actual dispute between LUL and the RMT during pay negotiations at the time the RMT strike took place. Tim O'Toole reported that further discussions had now been held with RMT and progress was being made; LUL stood by their pay offer. Work was being carried out to ascertain how savings could be made to justify the reduction in hours of operational staff sought by the RMT. It was hoped that an agreement would be reached soon.

The Board **noted** the Commissioner's report.

130/07/04 FINANCE AND PERFORMANCE REPORT

Jay Walder introduced the paper on Current Revenue Trends, which had also been considered by the Finance Committee. The key points arising from the discussion were:

- Bus patronage continued to increase and was currently c.6% up year on year, despite the increase in bus fares in January 2004; service and quality improvements were seen as key reasons driving this growth;
- Bus revenue in 2004/05 was forecast to be nearly £10 million above budget based on analysis of the first six periods of 2004 and this would be reflected in the first quarterly report;
- Switching of customers to off-bus ticket purchase was still quite slow but this was expected to pick up and TfL would be continually reviewing ways to motivate customers to use the service;
- Tube patronage had stayed fairly constant over the previous few years but there appeared to be a clear shift of customers from the Tube to buses following the introduction of congestion charging. The reliability and speed of buses, particularly in Zones 1 and 2 was seen as a key driver of this switch;
- Despite this switch of patronage on the tube, customer satisfaction levels for the Tube continued to increase; and
- New ticketing systems and pricing scales would look to utilise the capacity available across London's transport modes, to their best effect.

Spending Review 2004

On Tuesday the Secretary of State had announced an agreement with TfL which provided a five-year financial framework and enabled TfL to move forward on critical capital projects and the works necessary for the Olympic Bid. The onus was now on TfL to deliver; to have a clear view going forward and establish access to capital markets through a 5-year capital programme. TfL was now, for the first time, able to assess its priorities and plan revenue and spending over a 5-year period.

The Board welcomed the outcome of the Spending Review and congratulated all those teams in TfL responsible for the work involved in this.

PPP Performance Report - Period 2 2004/05

Tim O'Toole advised that the tube had put in its best performance in the previous seven years in the first three periods of 2004/05, alongside events that had shown the frailty of the system, issues that could continue to be faced in operating the system whilst the improvement programme was moved forward as quickly as possible.

Work on the Central Line had seen an increase in its performance over

the previous six periods that was more improved than any other line; Bombardier were addressing issues of rolling stock performance. Signal computer failure on the Central Line had been experienced on Tuesday 20th July but overall improvements on the Line were being made.

The Board noted that passenger facing performance indicators for both the Underground and the Buses were at an all time high. Jay Walder undertook to ensure that this information was available on the TfL website.

Jay Walder

The Board **noted** the PPP Performance paper.

131/07/04 APPROVAL OF STATEMENT OF ACCOUNTS

Stephen Critchley advised the Board that –

- (1) the accounts included LUL's results as though LUL had always been a part of TfL although LUL had only transferred to TfL on 15th July 2003. This had been agreed with TfL's auditors; and
- (2) as a local authority, TfL were required to adopt the accounting provisions of the new accounting standards in relation to pensions. The last valuation of the Fund Actuary at 31st March 2003 had revealed a deficit in the Fund of £421 million which had to be made good by additional employer contributions over a period not exceeding 10 years. Contribution rates had been increased from 3.05 to 6.1 times employees contributions with effect from 1st April 2004.

The Board **approved** the Statement of Accounts and **agreed** that the Chief Finance Officer would make any adjustments arising from the ongoing audit work prior to the auditors signing their opinion.

132/07/04 TRANSPORT STRATEGY FOR OLYMPIC BID

Jay Walder introduced the paper which set out the transport strategy and its associated challenges, for the London 2012 Olympic Bid. TfL's funding commitments to already planned transport backdrop schemes had been secured by the Spending Review 2004 agreement reached between TfL and DfT together with pre-existing agreements relating to the London Underground PPP. The key points arising from the Board discussion on the Olympics were:-

- it was essential to ensure there were adequate planning powers to push through relevant projects and these would be taken forward with all due haste; already London 2012, in conjunction with TfL, were reviewing the lessons learned from the Sydney Olympics in relation to obtaining the appropriate legislation;
- planning for the Olympics Bid would provide good additional transport in London and it was recognised that it was important to ensure these enhancements were accessible to all Londoners. The Olympic venues were designed for full accessibility by 2012; 20,000 taxis

were now fully accessible and by 2012 it was planned that 9,000 buses would also be; further planning was being undertaken around park and ride accessibility schemes;

- there would be huge differences made to East London as a result of the Olympics: providing transport in a corridor that was not historically well served. The ultimate aim was to move 100% of Olympic spectators by public transport;
- the 22 minutes travelling time from Central London to the Olympic site was achievable. A typical car journey from Hyde Park to Stratford, using 40 successive signals, achieved a journey time of 22 minutes using existing signalling systems. By 2012 improved systems would be in place and Olympic cars are likely, by that time, have GPS tracking systems, making predictive journey times easier to gauge.
- Concerns had been raised by the residents of Hackney regarding the use of Hackney marshes as a coach park. The coach park would be a temporary facility and environmental benefits that would be left behind as well as the improved transport as a consequence of the Olympic Bid would leave a great legacy to the area. The football pitches currently in place on the marshes would be fully re-instated after the Olympics and would include improved facilities such as changing rooms etc.; and
- The Olympics were planned to be as sustainable as possible and London 2012 had employed experts in this area; within that context transport played a large part and would be the most environmentally friendly form of transport. TfL would continue to drive forward the shift to public transport and would be in a better position by 2012 to procure environmentally friendly vehicles. There would also be new communities emerging around the Olympic site with new and/or improved cycleways, footpaths etc.

The Board **endorsed** the Olympic Transport Strategy as outlined in the paper and **approved** the signing of the International Olympic Committee (IOC) Transport Guarantee, associated Memoranda of Understanding and the carrying out of the terms of the delegation by the Commissioner (and in his absence the Managing Director, Finance and Planning).

133/07/04 2003/04 TfL ANNUAL REPORT

The Board **noted** that TfL were legally bound under section 161 of the GLA Act 1999 to produce an annual report.

Board members would be given a draft of the annual report for comment once Chief Officers comments had been received.

The Board **agreed** the proposed process for finalising the 2003/04 Annual Report and **delegated** authority to Jay Walder, Managing Director, Finance and Planning for final approval of the Annual Report following the submission of comments from Board members.

134/07/04 AUDIT COMMITTEE REPORT

The Board **noted** the report on the proceedings of the Audit Committee meeting held on 13 July 2004.

135/07/04 FINANCE COMMITTEE REPORT

The Board **noted** the report on the matters discussed at the Finance Committee meeting held on 13 July 2004.

136/07/04 SAFETY, HEALTH AND ENVIRONMENT COMMITTEE (SHEC) REPORT

David Quarmby introduced the paper and the first TfL Annual HSE Report for April 2003 to March 2004. In introducing it he thanked Richard Stephenson and colleagues across the business for the good work that had been done in pulling this together. The Board noted in particular –

- that road safety had improved and the continuing trend of a reduction in the number of people killed in road accidents was in line with Mayoral and Government policy in this area;
- powered two-wheelers are the biggest challenge in terms of KSI and meeting the Mayor's targets;
- Health data showed that mental ill health cases caused the largest proportion of sickness absence for all parts of TfL. This was not unusual across the industry as a whole and represented an unclear understanding of stress related illnesses at work. New packages were being introduced to provide improved information in this area.

The Board **noted** the report.

As it was David Quarmby's last meeting of the Board, he thanked his SHEC colleagues for being challenging and supportive during his time as Chair of the Committee. In response the members of SHEC thanked David for his guidance as Chair.

The Chair, on behalf of the whole Board, thanked David Quarmby and Oli Jackson, both of whom were attending their last Board meeting, for their valuable contributions during their terms as Board Members; this was endorsed by the whole Board.

137/07/04 DOCUMENTS SEALED ON BEHALF OF TfL

The Board **noted** the documents sealed on behalf of TfL between 10th June and 7th July 2004.

138/07/04 ANY OTHER BUSINESS

Board Members' on Panels and Committees

Fiona Smith thanked Board members for their responses regarding their preferred Board Panel and Committee membership. It was noted that following discussions to take place with Bob Kiley, proposals for the

membership of Board Panels and Committees would be circulated in August.

CHAIR

TRANSPORT FOR LONDON

BOARD MEETING

SUBJECT: Commissioner's Report for October 2004

DATE: 27 October 2004

1. PURPOSE

- 1.1 This is the Commissioner's written report for October 2004. This report provides an overview of major issues and developments since the last Board meeting and updates the Board on significant projects and initiatives.

2. BUSINESS PLAN AND INVESTMENT PROGRAMME

- 2.1 At this Board meeting, the proposed 2005/6 Business Plan and the proposed TfL 5 Year Investment Programme will be reviewed. These documents are designed to be the basis of a detailed budget for the financial year 2005/06, and a delivery plan for the investments that Londoners will see in the next five years. Subject to discussions and decisions at the Board meeting, the intention is to submit the Business Plan and budget to the Mayor for inclusion in the GLA budget process. The documents will be used to manage delivery of the £10 billion of investment from 05/06 to 09/10.
- 2.2 These documents presented for approval are the product of an extensive collaborative process within TfL, with the Mayor and TfL Board members, with stakeholders, such as the boroughs and the community groups, and government.
- 2.3 A paper detailing the prudential borrowing programme timetable is being presented to this Board meeting as a separate agenda item.

3. TfL OPERATIONS

- 3.1 There are some operational issues to draw to your attention.

Surface Transport

London Buses

- 3.2 Bus passenger journey numbers continue to increase strongly (7.3% year-to-date at period 6) and, once again, over 6 million passengers were carried in one day on 17 September. Service quality and mileage operated are again both at the highest levels recorded.

- 3.3 On 3 September, route 73 was converted from operation by Routemasters to operation by articulated buses and routes 9 and 390 were converted to accessible vehicles, all under Quality Incentive Contracts. 93% of the peak bus requirement is now low-floor and wheelchair accessible. From 24 July, vehicles without working ramps on low-floor routes were banned from leaving the garage.
- 3.4 Procurement of the new AVL/Countdown/Radio System continues. Two bidders have been shortlisted to move forward to the next stage. It is anticipated that project authorisation will be presented to the Board at its December meeting.

Policing and Enforcement

- 3.5 The London Local Authorities and TfL Act 2003 enabled TfL and London boroughs to enforce a number of moving traffic offences. Six London Boroughs and TfL commenced a pilot of these provisions on 21 June and TfL will be enforcing at 25 sites for the next nine months. Between the start of the pilot and 18 September, TfL have issued 5,115 Penalty Charge Notices (PCNs) with low levels of representations and appeals.
- 3.6 The Department for Transport has agreed to complete the necessary legal processes to enable parking decriminalisation on the Transport for London Road Network by 15 November 2004. Parking enforcement of red routes by the Metropolitan Police Service's Traffic Wardens using decriminalised powers will start on that date. Additional enforcement using CCTV cameras will start in early 2005.

London Underground

Customer Service and Performance

- 3.7 At the halfway point in the year, London Underground has met, or is on course to meet, all of the Government performance targets for 2004/05. This is despite a dip in performance caused by industrial action on 29/30 June and disruption to services caused by torrential rain in early August. The most recent 4-week period has seen the best train service performance results for over seven years, with 96.3% of scheduled kilometres operated, together with the lowest excess journey time for six years.
- 3.8 On 26 September a new timetable was introduced on the Northern line, the key objectives being to reduce customer journey time while improving reliability. Off peak services have been enhanced in response to increasing demand and a simplified service pattern has been introduced that will make recovery from any disruption easier.
- 3.9 Two new lifts at East Ham station entered service on 2 August, providing step-free access to both platforms.

- 3.10 Customer demand has increased and has now recovered the long decline experienced from October 2003 to Easter 2004, even though it is not yet back to the level immediately preceding the Chancery Lane derailment.
- 3.11 After showing an upward trend over the past year, the second quarter Customer Satisfaction Survey (CSS) showed reductions in scores across most aspects of the service. Given the improvement in the performance measures, the quarterly fluctuation of the CSS does not appear to be readily explicable.

Industrial Relations

- 3.12 All the trades unions have accepted London Underground's offer of a two-year pay deal. In the first year, this provides a 3½% increase in pay with effect from April 2004 and a reduction in the working week for all staff currently on a 37½ hour week to 36 hours by July 2005. In the second year, the deal provides for a pay increase of ½% above the February 2005 Retail Price Index (with a minimum of 3%), and a self-financing reduction in working time for those on a 36 hour week to a 35 hour week. The 2004 increase is being paid to staff during October.

White City Derailment

- 3.13 The final report of the investigation into the derailment at White City on 11 May was published on 19 August. The investigation revealed that the immediate causes of the derailment were:
- The rear of the train accelerating over the points. The limit of the temporary speed restriction at this location allowed the rear of the train to accelerate over the points. This contributed to the flanges of derailed wheels climbing up a new switchblade which was installed during engineering hours the night before.
 - The presence of wear in the new switch rail. This was caused by impacts from the wheels of previous trains and further contributed to the wheel flange climb.
 - The presence of a known design problem of new switch rails at locations with specific characteristics. The design problem had been discovered during the investigation into the derailment at Camden town in October 2003.
- 3.14 The report concluded that the underlying cause of the derailment was the failure by Metronet Rail BCV Ltd to fully comply with specified measures which had been prescribed by London Underground as a result of the Camden Town derailment in October 2003. These measures were clearly communicated to Metronet Rail BCV Ltd by London Underground through a Chief Engineer's Regulatory Notice (CERN). However, the report also concluded that London Underground did not adequately monitor and confirm with Metronet Rail BCV Ltd that the measures prescribed by the CERN were being adhered to on the ground. The Chief Engineer's staff had extensively briefed the Infracos' track engineers team to ensure they understood the requirements of the CERN and considered this to be adequate.

- 3.15 Since this incident, the process of surveillance and enforcement of CERN's requirements has been strengthened and London Underground is requiring corrective action from Metronet through the issue of a formal contractual Corrective Action Notice.
- 3.16 The Camden Town report made recommendations which include the development of new switch blade designs, improvements to engineering standards and further improvements to London Underground's emergency response arrangements. New switchblade designs that eliminate the weakness that led to the derailments are being developed, and should be available for the complete range of switches used by London Underground within the next year. The first of these new designs is currently on trial at Camden. While the new designs are being developed, special controls have been put in place to manage any like for like replacement of switchblades at the 42 sites on the network where switches are installed in a similar configuration to those at Camden Town and White City. These special controls include the requirement that the London Underground Permanent Way Engineer must authorise all proposed switch blade replacements at these sites in advance. Operational Managers have been briefed about the special arrangements at these sites and are kept fully informed of impending requirements for switch blade replacement.
- 3.17 The full report is available on the TfL website.

Wembley Park

- 3.18 The major project to enhance capacity at Wembley Park station moved into its main construction phase during September. This will entail various changes to weekday stopping patterns on the Jubilee and Metropolitan lines between now and May 2005, together with weekend closures. Capacity enhancements are planned to be complete by September 2005, with additional modernisation works following until May 2006.

Heathrow

- 3.19 A comprehensive programme of customer information, publicity and assistance is being implemented in conjunction with the recently announced closure of the Terminal 4 station for 20 months from 7 January 2005 to allow for construction of the Piccadilly line extension to the new BAA Terminal 5. Responsibility for building the extension lies with BAA.

Environmental Report

- 3.20 On 14 September, London Underground published its Environment Report for 2004. The report highlights several successes which include reduction of paper waste following the introduction of Oyster Cards, a reduction of more than 20% in energy consumption at stations and an increase in the amount of electricity purchased from renewable sources. The full report is available on the TfL website.

DLR

- 3.21 The DLR continues to perform extremely well, with all targets for performance and equipment achieved, and with reliability and departures continuing at high levels with scores of 97.0% and 98.4% respectively. At the 2004 National Rail Awards, Serco Docklands won London Suburban Operator of the Year for the fifth consecutive year.
- 3.22 Total DLR passenger journeys are, year-to-date, 6.4% up on last year.

Fares

- 3.23 TfL's proposals for changes to fares from January 2005 have now been announced by the Mayor. The proposals increase bus fares overall by roundly RPI + 10% and aim to continue to reduce cash use, with a greater role for Pre Pay. On the Tube, fares rise by RPI + 1% overall. The number of Tube single fares falls and there are new Pre Pay discounts in the evenings and before 6:30am to encourage peak spreading.

4. MAJOR PROJECTS AND INITIATIVES

Rail Review

- 4.1 The Government published its Rail Review White Paper in July and proposes to extend the Mayor's responsibility for rail services within the GLA boundary.
- 4.2 The Secretary of State has issued Directions and Guidance to the SRA requiring them to work closely with DfT and TfL in implementing and further developing the Rail Review proposals. In particular, the SRA should work with DfT and TfL on providing further advice to the Secretary of State by December 2004 on the arguments for and against:
- Moving to a zonalised fare structure within London, mirroring that for other modes,
 - Removing Travelcard and zonalised fares from the regulated fare basket and leaving decisions on their rates to the Mayor.
- 4.3 The SRA should use its best endeavors to facilitate TfL's aspirations to specify and fund alterations on a net cost basis to Silverlink Metro services, to explore the scope for TfL to take revenue risk and agree the specification of the new franchise for these services.
- 4.4 Notwithstanding the extension of the Silverlink Metro service on its present basis for two years, TfL will conduct a Horizon Study on the prospects for four services in London, namely:
- Euston to Watford (including options for conversion to London Underground operation),
 - Gospel Oak to Barking,
 - Richmond to Stratford (south of Stratford is to be converted to light rail), and

- The West London Line from Clapham Junction to Willesden/Harrow and Watford.

Crossrail

- 4.5 The Secretary of State's review of the Crossrail proposal concluded that the Government should take forward the Hybrid Bill to obtain powers to construct the railway and the necessary safe-guarding. The Hybrid bill will include powers for the base scheme, adjusted as follows:
- The TfL proposal to integrate the Thames Valley corridor into Crossrail providing services from Heathrow, Maidenhead and West Drayton (total maximum 12 trains per hour) should be taken forward in the Crossrail scheme.
 - The route to Richmond and Kingston would not be taken forward.
 - The routes to Shenfield and Ebbsfleet (via the Royal Docks) would be included in the scheme but would not include the following SRA requests: a) the proposal to run freight on Crossrail via Custom House, and b) the proposal to integrate the North London Line service with Crossrail also via Custom House.
- 4.6 The Minister, Tony McNulty chaired a high-level forum with the aim of establishing an on-going dialogue with London Boroughs and the business community on 1 September, on the basis that the Government is now preparing the Bill for submission.
- 4.7 The Department for Transport (DfT) has proposed new governance arrangements for Crossrail with representatives from DfT rather than the SRA. Adrian Montague is heir apparent to the Chair and will have a casting vote.
- 4.8 Discussions on funding options for Crossrail have commenced and, although they do not technically need to be complete for the submission or passing of the Hybrid Bill, there is now an apparent desire to reach a conclusion before the Hybrid Bill is submitted.

North London Line

- 4.9 Following clarification from DfT on Crossrail and its interface with the North London Line, DfT have evaluated the option of retaining the current North London Line service between Stratford and Canning Town (with closure beyond Canning Town for Crossrail) versus conversion to DLR, and the provision of four new stations. The latter would include a station at Stratford International in conjunction with regeneration and the Olympic Transport Plan. This scheme has therefore been included in the TfL Investment Programme.

East London Line

- 4.10 The Mayor has submitted plans to the Government to take responsibility for the funding and construction of the East London Line project in a phased manner.

- 4.11 Phase 1 consists of provision of a national rail service (12 trains per hour) from a transport interchange at Dalston to New Cross and onto National rail to Crystal Palace and West Croydon. The Mayor has also requested that TfL's Croydon Tramlink extension to Crystal Palace be integrated into the scheme through an effective interchange arrangement at Crystal Palace.
- 4.12 Phase 2 consists of integration of the East London Line with the North London Line at Highbury and Islington (which requires a revision to the SRA freight led scheme), together with the addition of a further route to Clapham Junction. The aim is to provide a potential heavy rail metro service around London in conjunction with the developing West London Line (with new stations) and the North London Line.
- 4.13 The transfer date for the SRA project responsibility to TfL is now agreed as 12 November. The transfer of the unspent element of the current SRA project budget (2004/5) will occur simultaneously. The scheme is being taken forward to project definition stage for authorisation by the TfL Board as part of the TfL Investment Programme.

DLR/Woolwich Extension and London City Airport Extension

- 4.14 Four bids were received on 15 September to construct the Woolwich Arsenal extension. These are currently being evaluated.
- 4.15 The London City Airport Extension remains on schedule to open on 15 December 2005.

DLR 3-Car Upgrade

- 4.16 Consultation on the DLR 3-car upgrade has resulted in 65 objections and 98 letters of support for the project. The Public Enquiry is likely to be held in January 2005.

Thameslink 2000

- 4.17 There is no progress on this scheme which remains sponsored by the SRA.

Thames Gateway Bridge

- 4.18 Planning applications were submitted to the relevant boroughs. Local exhibitions have been held and created considerable local and media interest. However, to date, only a limited number of objections have been submitted to the planners or to government in response to the Orders. Support for the bridge seems to be still increasing. The objection period concluded on 30 September.

Stratford Regional Station

- 4.19 The Mayor has confirmed Newham Borough Council's grant of planning permission for the Stratford City Development. A successful outcome was achieved with the Section 106 agreement associated with the Stratford City Development application. This included a large package of transport improvements across all modes.

Congestion Charging Scheme – Western Extension

- 4.20 TfL presented its report on the Transport Strategy Revision Consultation to the Mayor, who accepted the recommendation to publish the revised Transport Strategy (which allows for a western extension) on 11 August. Congestion Charging is now proceeding with informal discussions with key Boroughs on options highlighted by the consultation. This will be followed by preliminary consultation with key stakeholders on a draft Scheme Order in the New Year. Subject to the outcome of this, a Scheme Order would be made and public consultation held starting in Spring 2005. The earliest the Mayor could confirm the scheme would be Summer 2005, with implementation in late 2006/early 2007.

West London Tram Consultation

- 4.21 The public consultation on the proposed West London Tram commenced on 29 June and ran until 8 October. In that time, nearly 9,000 people attended TfL's 33 consultation events and more than 16,000 people completed a consultation questionnaire. The distribution of the consultation questionnaire to over 400,000 households and businesses was backed up by an intensive publicity campaign which included ads in the local press, billboards, posters in tube stations, bus shelters and on the back of buses. The consultation documents and helpline were available in eleven languages, and interpreters were on hand at six of the events in and around Southall. Traffic related issues continue to dominate the feedback.

Olympic Transport Strategy

- 4.22 The final Olympic transport strategy, which was endorsed by the TfL Board on 22 July, has been fully included in the bid and has been signed off by the government Cabinet sub-committee. This process culminated in a presentation of the bid to the full Cabinet with very positive feedback from the Prime Minister.
- 4.23 Planning permission has been granted for the Olympic Park by the four Boroughs that have responsibilities for the lower Lee Valley.

Work with Boroughs

- 4.24 Final Local Improvement Plans (LIPs) Guidance was issued to the boroughs in July. TfL has received 26 borough LIPs preparation timetables, with 21 approved. The remaining timetables are under discussion with the boroughs concerned. TfL held sub-regional workshops with all boroughs during September to consider technical issues raised during the consultation on the draft guidance.
- 4.25 The assessment of bids from boroughs and partnerships for the Borough Spending Plan (BSP) funding under Borough Programme's ten topics is underway, with a funding announcement expected in November.

Freedom of Information Act

- 4.26 The Freedom of Information Act 2000 (FOIA) comes into force on 1 January and introduces a general right of public access to recorded information held by, and on behalf of, TfL. The implementation of the Act is in recognition of public interest in the Public Sector operating in an open and transparent manner. In essence, it allows anyone access to virtually all information held by TfL subject to very tight restrictions. In certain limited circumstances, it may be possible to apply an exemption to this right of access.
- 4.27 To prepare for this, TfL is implementing a FOIA Business Transformation Programme to assist with TfL's compliance with the Act from 1 January. A request handling model is at an advanced stage of development and is being embedded across TfL. Awareness training and a TfL-wide communications strategy will be rolled out from mid-October until the end of January 2005, with areas of the business which are likely to attract heavy enquiry traffic receiving special attention. Information management and technology support systems are in place which will be further developed in 2005 once the volume of enquiries TfL receives as a result of FOIA is understood. Records management is viewed as an essential part of TfL's compliance with the FOIA.

Financial Services Centre

- 4.28 The Financial Services Centre (FSC) is a new part of the organisation providing common financial services to the whole of TfL. The project to set it up has now completed the final phase of its implementation, with all scoped work being successfully transferred from the modes to the FSC which went fully live on 27 September in line with the project timetable. Key recent activities have included the completion and go-live of the internet and intranet sites, and communications to over 6,000 suppliers advising them of changes to invoice procedures. The FSC has achieved a headcount saving of 17 on go-live and TfL is committed to subsequent efficiencies in line with the business case submission.

5. ORGANISATIONAL ISSUES

- 5.1 There are a number of changes within the organisation which I should like to mention.

- 5.2 In Surface Transport, Peter Brown has been appointed as Chief Operating Officer (Streets) and deputy to the MD, Surface Transport, Peter Hendy. The old Streets organisation will be restructured into three new Directorates, namely:
- Street Management
 - Traffic Operations
 - Road Network Performance
- 5.3 These changes are driven by the Traffic Management Act, reflecting increased expectations that demand greater visibility of and accountability for traffic management. The Director of Road Network Performance will also be TfL's Traffic Manager.
- 5.4 As part of an ongoing review of TfL Group Communications, a new Head of Group Media Relations, Paul Mylrea, has joined the organisation. Paul is highly experienced with a background as a foreign correspondent and former head of media at the charity Oxfam.
- 5.5 I am pleased to announce that Isabel Dedring has agreed to become Head of Policy Unit at TfL. Isabel's new unit will look at specific strategic policy issues of particular interest to TfL and the GLA. I am also pleased that Valerie Todd has now been formally appointed to the role of Director of Group Equality and Inclusion.
- 5.6 As of 18 October, Fiona Smith, General Counsel, has taken six months leave of absence. We are in the process of appointing an in-house General Counsel who will cover her role in the interim. Until such time, approximately 15 November, Betty Morgan, Head of Legal, will act in Fiona's place.

Robert R Kiley
Commissioner for Transport
October 2004

TRANSPORT FOR LONDON

STAFF SUMMARY

BOARD MEETING

SUBJECT: Second Quarter Finance Report

MEETING DATE: 27 October 2004

1. PURPOSE

- 1.1 To inform the TfL Board of financial performance for the second quarter of 2004/05 (27 June 2004 to 18 September 2004).
- 1.2 This paper reports results against the revised budget that is being considered elsewhere on the agenda. This revised budget reflects changes arising from significant events that have occurred since the original budget was set. The most significant of these was the announcement of the SR2004 Settlement in July. When the original budget was approved in March 2004, the Board were advised that programmes and operations in 2004/05 would be maintained in such a way that commitments into 2005/06 would not be in excess of baseline (indicative) funding levels. This revised budget has allowed an additional review to determine other significant events. Other significant events leading to the revised budget therefore include improved traffic income trends, further savings being achieved and delays in consultation and planning consents that delay the expenditure. As the budget revision was limited to the impact of the SR2004 settlement and other significant events this paper addresses the remaining budget variances.
- 1.3 This paper comes straight to the Board without passing through the Finance Committee due to short time gap between the Period end and this Board Meeting. The full Finance and Performance report will be presented to the next Board, after the results have been considered by the Finance Committee and the Advisory Panels in the next Board cycle.

2. KEY HIGHLIGHTS

- 2.1 The principal highlights arising from the second quarter of 2004/05 are as follows:
 - Gross income for the period to 18 September 2004 at £1,209m is £41m above budget, with additional income arising from London Underground non traffic income of £11m, Surface Transport of £13m and Corporate Directorates of £17m. Particularly pleasing is that London Underground's patronage appears to be recovering, with forecast passenger journeys presently standing at 949.7m, up 14.5m (1.6%) against the revised budget.
 - Bus Network income is above budget for all periods to date due primarily to higher than expected patronage, and a slower switch to discounted ticket options than planned. Bus passenger journeys have been increasing strongly year-on-year.

- Total TfL operating expenditure at £2,025m, was £10m (1%) below budget. Capital expenditure at £185m was £48m below budget, partially as a result of lower than budgeted expenditure on the externally funded East London Line extension and Channel Tunnel Rail link works at Kings Cross.
- The overall financial position is summarised as follows:

£m	Year to Date		Full Year	
	1 April to 18 Sept	Variance to Budget	Forecast	Variance to Budget
Income	(1,209)	(41)	(2,632)	(27)
Operating Expenditure	2,025	(10)	4,564	29
Cost of Operations	816	(51)	1,931	2
Capital Expenditure	185	(48)	594	37
Capital Receipts	(52)	37	(137)	31
Capital Programme	133	(11)	455	68
TfL Net Expenditure	949	(62)	2,387	70

Income above budget and expenditure below budget is shown by variances in brackets

2.2 The detailed financial results are set in **Annex 1** and the variances are discussed in section 3 below.

3 FINANCIAL PERFORMANCE REVIEW

OPERATING BUDGET

Income

3.1 Total TfL income for the period to 18 September 2004 totalled £1,209m, which is £41m (5%) above the revised budget. This variance primarily reflects additional Congestion Charging income of £7m; and 'Other' income of £34m, which includes higher than budgeted rental receipts within Corporate Services of £9m and additional property rental receipts and advertising income within London Underground of £11m.

£m	Year to Date		Full Year	
	1 April to 18 Sept	Variance to Budget	Forecast	Variance to Budget
Underground Traffic Income	554		1,202	
Bus Network Income	388		866	
Congestion Charging Income	86	(7)	178	1
Other	181	(34)	386	(28)
Total	1,209	(41)	2,632	(27)

Expenditure below budget is shown by variances in brackets

- 3.2 Traffic income in London Underground at £554m was in line with the revised budget, which is £25m lower than the budget approved by the TfL Board on 24 March 2004. The adjustment downward is based on the latest trend data which show signs of recovery from an earlier part of the year (see Revenue Trends in Section 4), which was previously showing an adverse trend that would have led to a shortfall of some £33m.
- 3.3 Congestion Charging income at £86m was £7m (9%) above budget, largely as a result of higher Penalty Charge Notice (PCN) income.
- 3.4 Full year income is expected to be £2,632m, which is £27m above the revised budget, partially as a result of other income in London Underground forecast to be £13m above budget. This includes receipt of the insurance claim of £5m for the fire at London Underground's Telstar House, advertising income, and additional receipts offset within expenditure.

Operating Expenditure

- 3.5 Total TfL operating expenditure for the period to 18 September 2004 is £2,025m, which is £10m or less than 1% below the revised budget. The additional expenditure compared to budget in London Underground of £9m is more than offset by lower than budgeted expenditure in Surface Transport of £5m, London Rail of £9m and Corporate Directorates of £5m.
- 3.6 London Underground's year to date operating expenditure of £1,025m is over budget by £9m despite savings in PPP costs of £7m and cancellation of TIMIS. These savings were offset by risk covering additional costs relating to derailments and contract claims. TIMIS in particular has resulted in real savings as its functionality is being replaced by a very much cheaper and effective system called Tracker.
- 3.7 Surface operating expenditure is £5m lower than budget mainly due to revised phasing in expenditure on market research, Prestige, road maintenance and signal and data maintenance.
- 3.8 London Rail operating expenditure is £9m lower than budget resulting mainly from a revised phasing in expenditure on fares integration initiatives following some quality issues in respect of the equipment, resulting in a delay in the implementation of Oyster Pre Pay on the North London Line.
- 3.9 Corporate Directorates are £5m below budget which includes Finance and Planning savings of £2m on the budgeted cost of the implementation of the shared services centre and a rephasing of expenditure within Borough Partnerships of £8m, as the Boroughs tend to back end their expenditure. This is offset by a £9m overspend in Corporate Services of which £4m relates to unbudgeted SAP costs.

£m	Year to Date		Full Year	
	1 April to 18 Sept	Variance to Budget	Forecast	Variance to Budget
Underground Network	214	(2)	459	
Total PPP Costs	493	(7)	1,052	(2)
Other	318	18	687	13
London Underground	1,025	9	2,198	11
Bus Network	580		1,313	
Other	275	(5)	676	16
Surface Transport	855	(5)	1,989	16
London Rail	44	(9)	123	2
Corporate Directorates	101	(5)	254	
Total	2,025	(10)	4,564	29

Expenditure below budget is shown by variances in brackets

3.10 Total TfL operating expenditure for the full year is forecast to be £4,564m, which is £29m (1%) above budget.

3.11 The London Underground variance is concentrated in 2 main areas; an overspend in Corporate Support of £10m (which includes additional costs resulting from the fire at Telstar House which are covered by an insurance claim offset in Other Income) and PFI initiatives of £4m including additional costs on the PFI Power for PPP works that are not covered by the Power PFI contract.

3.12 The Surface Transport variance of £16m includes additional spend on road maintenance, refurbishment of 200 Buckingham Palace Road, unbudgeted spend on a TfL integrated telephony system, unbudgeted spend on Centrale Tram stop and brought forward spend on TOCU vehicles.

CAPITAL BUDGET

Capital Expenditure

3.13 TfL capital expenditure for the period to 18 September 2004 totalled £185m, which was £48m (21%) below budget. The variance relates partially to lower than budgeted expenditure on London Underground East London Line Extension of £10m and the Channel Tunnel Rail Link work at Kings Cross of £9m. Both these schemes are externally funded with the lower expenditure matched by lower capital receipts and as a result have no net impact on the TfL budget.

3.14 Surface Transport is £19m underspent against the capital plan. This includes £4m due to delays by utility companies and local authorities on the safety scheme to replace the two bridges on the A406, £3m as a result of planning delays for the North Acton bus garage, £4m on technology refresh for Bus Radio, £4m on a range of Bus Priority schemes and £8m on TLRN capital maintenance works. These are all forecast to be delivered to budget, but over a longer time period.

3.15 London Rail capital expenditure is £4m lower than budget due to the number of DLR railcars that have been refurbished being lower than originally committed to by the contractor. Railcar refurbishment issues continue to be progressed towards an accelerated future programme without adversely affecting passenger service.

£m	Year to Date		Full Year	
	1 April to 18 Sept	Variance to Budget	Forecast	Variance to Budget
London Underground	96	(24)	286	(14)
Surface Transport	78	(19)	261	3
London Rail	4	(4)	14	(4)
Corporate Directorates	8	(1)	32	(3)
Overprogramming*				55
Capital Expenditure	185	(48)	594	37

*Includes contingency

Expenditure below budget is shown by variances in brackets

3.16 The forecast for the end of the year is for total capital expenditure of £594m, £37m (6%) above budget. The variance consists of lower than budget expenditure on London Underground East London Line Extension of £6m, Channel Tunnel Rail Link at Kings Cross of £6m, various Surface Transport programmes of £9m, and Bus Priority of £3m, offset by overprogramming that anticipated a greater level of underspend than this.

Capital Receipts

3.17 TfL capital receipts for the period to 18 September 2004 totalled £52m, which is £37m below budget, mainly as a result of lower capital receipts for the London Underground fully funded Channel Tunnel Rail Link works at Kings Cross of £10m and the Extension of the East London Line of £12m and lower than budgeted property receipts following the deferral of the disposal of surplus properties connected with the A406 improvements at Bounds Green by £18m.

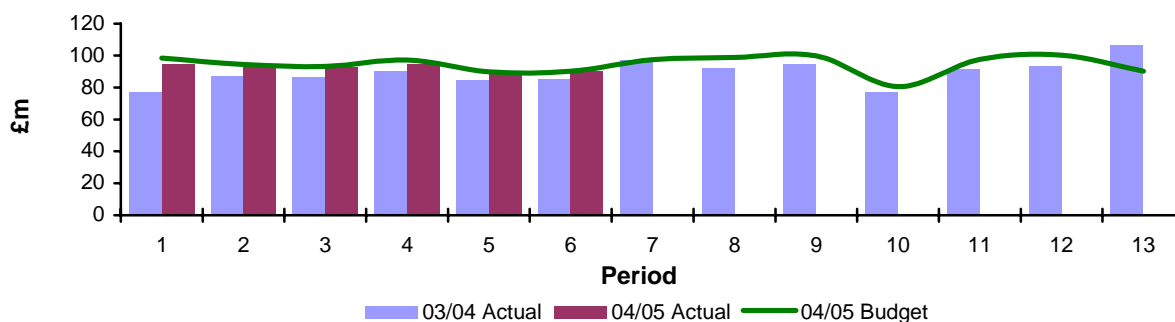
£m	Year to Date		Full Year	
	1 April to 18 Sept	Variance to Budget	Forecast	Variance to Budget
London Underground	48	20	124	15
Surface Transport	4	(2)	8	(2)
Corporate Directorates		19	6	18
Total	52	37	138	31

Receipts above budget are shown by variances in brackets

3.18 The forecast for the end of the year is for total capital receipts of £138m, £31m below budget, mainly as a result of the previously highlighted property receipts of £18m and the lower capital receipts for the East London Line Extension by £12m.

4 REVENUE TRENDS

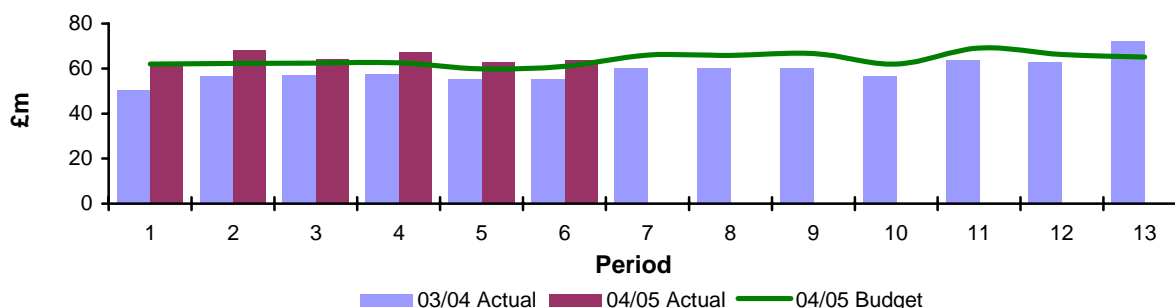
Figure 1: London Underground - Traffic Income



*The Central Line was fully open from the third week of P1 2003/04 but operating to a reduced timetable. P13 2003/04 was 4 days longer than a standard period

- 4.1 For London Underground, increases in reported passenger journeys continue to exceed revenue growth. For the first six periods the average journey has cost £1.24 against budget expectations of £1.26. This reflects shifting from Ordinary tickets to Travelcards which may ultimately dilute 'Passenger Journey per valid Travelcard' factors but survey results are not yet in. At present forecast passenger journeys stand at 949.7m, up 14.5m (1.6%) against the revised budget.

Figure 2: Bus Network Income



* P13 2003/04 was 4 days longer than a standard period

- 4.2 Bus network income is above the original budget for all periods to date due primarily to higher than expected patronage. Bus passenger journeys have been increasing strongly year-on-year due to the combination of higher Bus Pass use and improved quality of the service, including the impact of congestion charging, QIC contracts and better supervision.

5 EFFICIENCIES

- 5.1 TfL is on course to deliver the 2004/5 gross efficiencies target of £71m which is fully integrated into the budget and split by mode. This target is composed of recurring savings from 2003/4 and new planned savings in 2004/5, the majority of which are to be delivered through better procurement and headcount reduction exploiting the benefits of integration with LUL and SAP. Key developments in the last quarter have been

- The Finance Shared Services (FSC) was fully implemented in September 2004 on schedule and remains on target to deliver the planned headcount reductions and related premises and facilities savings.

- The Human Resources Shared Service (HRSC) has developed detailed cut over plans and is planned to be implemented in January 2005, with the targeted savings of £1.5m for 2004/05 to be delivered.
- Business Procurement Efficiencies Programme (BPEP) savings included in the 2004/05 Budget remains at £38m across the Group. In total £44m has been identified against the target of £38m which represents a positive variance of 17% (experience from last year shows that initiatives identified should be approximately 15% above target in order for the target to be achieved). Of the £24m in the 'acceptance' process, £20m has been 'signed off' as delivered.

6 RECOMMENDATION

- 6.1 The Board is asked to NOTE this report.

Income and Gross Expenditure Summary by Mode

	Year to Date		Full Year	
	1 April to 18 Sept £m	Variance to Budget £m	Forecast £m	Variance to Budget £m
INCOME				
London Underground				
Traffic Revenue	(554)		(1,202)	
Operations	(30)	(2)	(63)	(2)
Programmes	(4)	(4)	(2)	(2)
Central Services	(22)	(5)	(49)	(9)
	(610)	(11)	(1,316)	(13)
Surface Transport				
Bus Network	(388)		(866)	
Other London Buses	(11)	(5)	(21)	(6)
Congestion Charging	(86)	(7)	(178)	1
Road Network Operations	(6)	(1)	(12)	(1)
Transport Policing & Enforcement	(8)	(2)	(24)	(1)
Other Surface Transport	(17)	2	(47)	(1)
	(516)	(13)	(1,148)	(8)
London Rail				
Docklands Light Railway	(19)	1	(42)	2
London Rail Core	(2)	(1)	(4)	(1)
	(21)		(46)	1
Corporate Directorates	(62)	(17)	(122)	(7)
TOTAL INCOME	(1,209)	(41)	(2,632)	(27)
GROSS EXPENDITURE*				
London Underground				
Operations	283	(10)	641	
Programmes	667	(12)	1464	(8)
Central Services	122	26	255	20
	1,072	5	2,360	12
Surface Transport				
Bus Network	580		1,313	
Other London Buses	60	(5)	153	16
Congestion Charging	49	(3)	123	(4)
Road Network Operations	127	(11)	339	1
Transport Policing & Enforcement	41	(2)	110	1
Other	72	(5)	204	3
	929	(26)	2,242	17
London Rail				
Docklands Light Railway	34	(5)	94	(4)
London Rail Core	14	(7)	43	1
	48	(12)	137	(2)
Corporate Directorates	109	12	280	14
Overprogramming/Contingency				55
TOTAL GROSS EXPENDITURE	2,158	(21)	5,019	97
TOTAL NET EXPENDITURE	949	(62)	2,387	70

* net of capital receipts

Income above budget and expenditure below budget is shown by variances in brackets.

Gross Expenditure Summary by Mode

	Year to Date		Full Year	
	1 April to 18 Sept £m	Variance to Budget £m	Forecast £m	Variance to Budget £m
OPERATING EXPENDITURE				
London Underground				
Operations	268	(17)	608	
Programmes	623	1	1,327	(3)
Central Services	134	24	272	14
	1,025	9	2,198	11
Surface Transport				
Bus Network	580		1,313	
Other London Buses	49		115	6
Congestion Charging	47	(3)	114	(3)
Road Network Operations	88		209	5
Transport Policing & Enforcement	40	(2)	108	1
Other	51		130	7
	855	(5)	1,989	16
London Rail				
Docklands Light Railway	30	(2)	80	1
London Rail Core	14	(7)	43	1
	44	(9)	123	2
Corporate Directorates	101	(5)	254	
TOTAL OPERATING EXPENDITURE	2,025	(10)	4,564	29
CAPITAL EXPENDITURE*				
London Underground				
Operations	16	7	33	
Programmes	43	(13)	146	(5)
Central Services	(12)	2	(17)	6
	47	(4)	162	1
Surface Transport				
London Buses	11	(5)	39	10
Congestion Charging	2		10	(1)
Road Network Operations	39	(11)	130	(4)
Transport Policing & Enforcement	1		2	
Other	21	(4)	70	(4)
	74	(20)	251	1
London Rail				
Docklands Light Railway	4	(4)	14	(4)
Corporate Directorates	8	17	28	15
Overprogramming/Contingency				55
CAPITAL EXPENDITURE*	133	(11)	455	68
GROSS EXPENDITURE	2,158	(21)	5,019	97

* Net of Capital Receipts

Expenditure below budget is shown by variances in brackets.

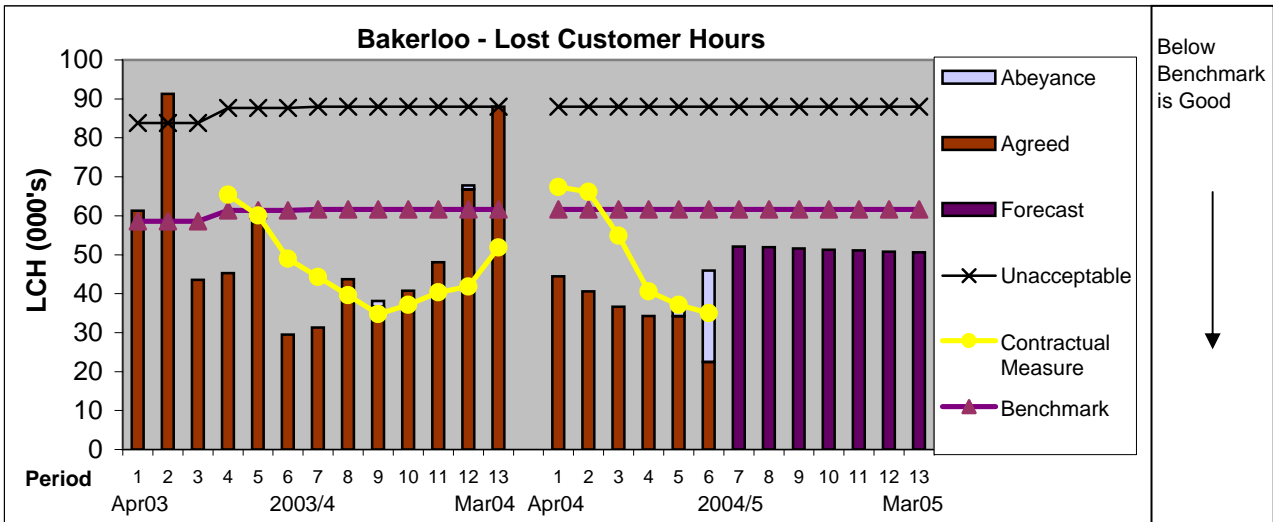
London Underground PPP Performance Report

To TfL Board
27th October 2004

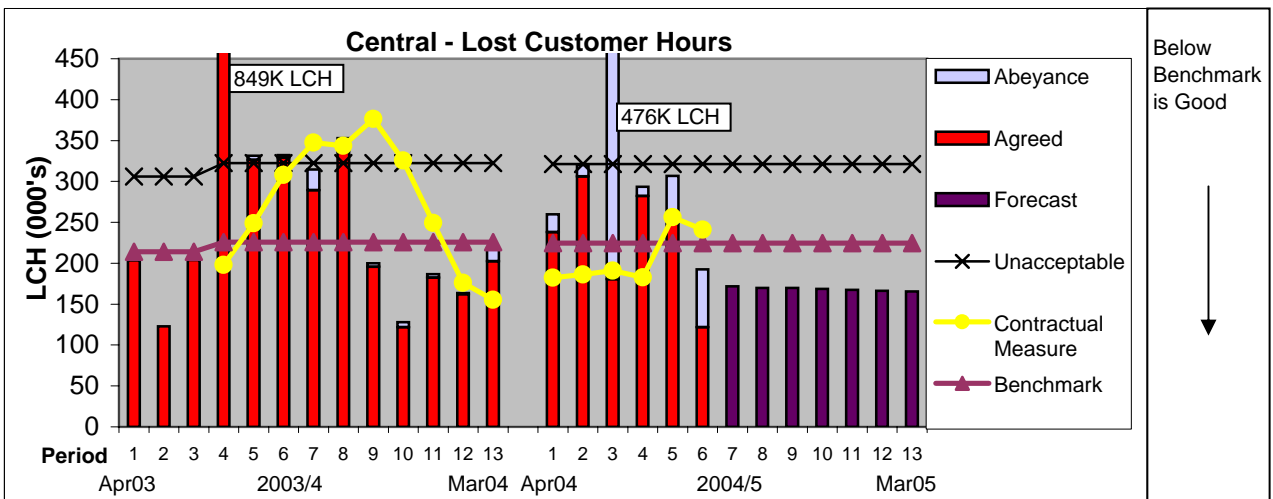
Period 6 2004/2005
(22/08/04 to 18/09/04)



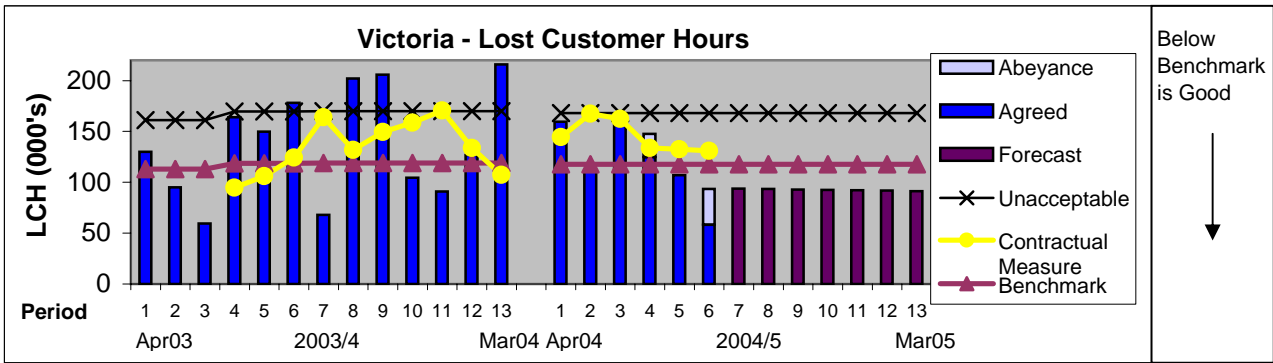
Performance figures are based on LU's reporting cycle of thirteen four week periods, starting on 1 April of each year and ending 31 March each year



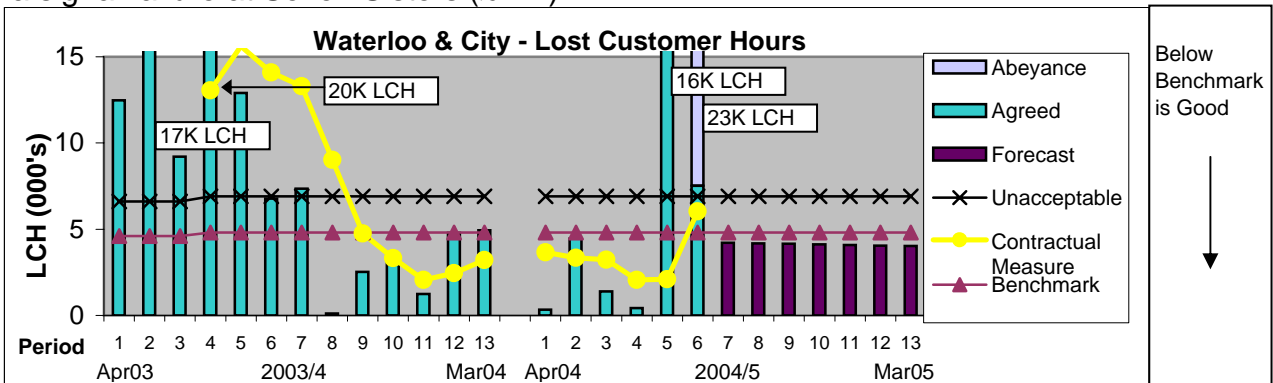
Agreed availability for 2003/04 was 14% better than benchmark. The period 2 peak was largely due to reports of smoke in a tunnel and lost air pressure on a train. The period 13 peak was due to a faulty block joint at Piccadilly Circus and reported smoke from a train at Queens Park. In 2004/05 the improvement in performance is mainly due to fewer track fires as a result of a better cleaning regime. In period 6 the largest incident in abeyance was a defective compressor at Queens Park (£20k). The largest agreed incident was a signal failure at Queens Park (£23k).



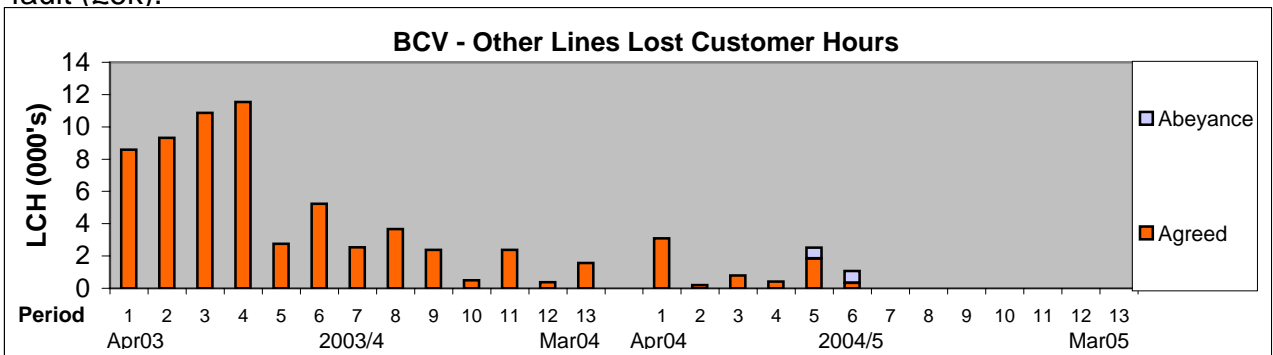
Agreed availability for 2003/04 was 21% worse than benchmark. Periods 4, 6 and 8 were worse than unacceptable due to train checks following the Chancery Lane incident. The period 4 peak was due to a delay in returning escalators to service at Bond Street. Performance improved from period 9 as a specialist resource from Bombardier was introduced. In 2004/05 the period 2 peak is due to the White City derailment (£690k). Period 3 abeyance is mainly due to a damaged traction shoe at Marble Arch (£1.6m). In period 4 a UPS failure caused loss of signalling between Bethnal Green and Woodford (£785k). In period 5 the largest incident in abeyance was a Fire Alert at Bank (£48k). The largest agreed incident was a train failure at Liverpool Street (£262k). In period 6 the largest incident in abeyance was a brake defect at East Acton (£70k). The largest incident agreed was a track circuit failure at Stratford (£79k).



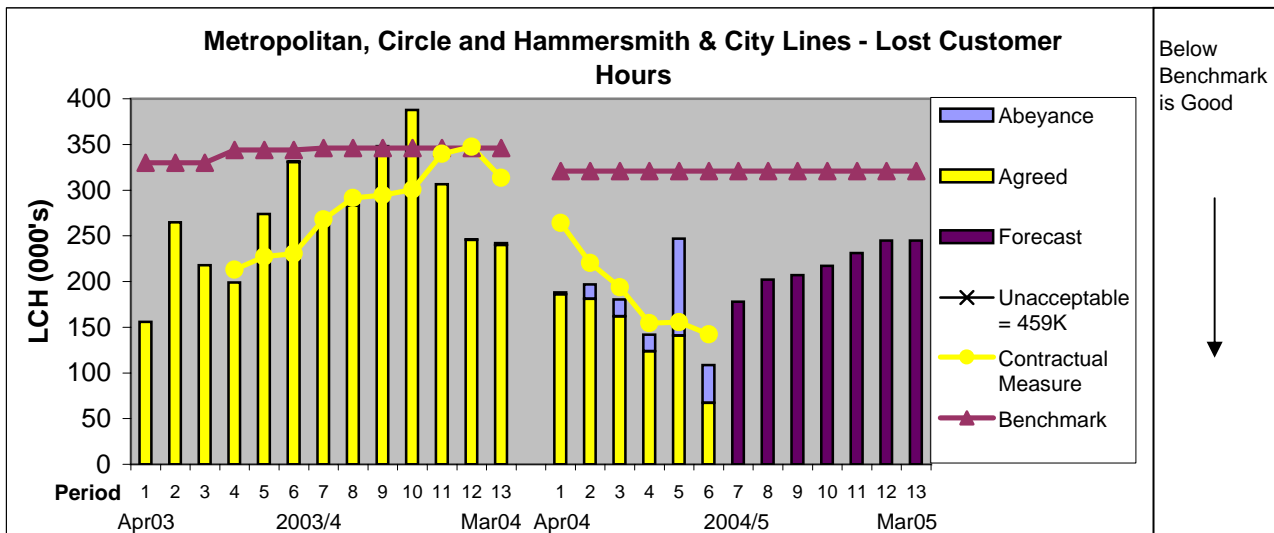
Agreed availability for 2003/04 was 17% worse than benchmark. Peaks in period 8 and 9 are largely due to track circuit failures. The period 13 peak was due to train's traction shoes being knocked off by rails left overnight at Northumberland Park Depot. In 2004/05 the period 1 peak was due to a signal failure at Seven Sisters and a broken track wire at Finsbury Park (£100k each). Period 3 agreed is largely due to a smouldering cable at Seven Sisters (£133k). Period 4 abeyance is largely due to a late surrender of possession at Walthamstow (£132k). In period 6 the largest incident in abeyance was an escalator failure at Brixton (£315k). The largest agreed incident was a signal failure at Seven Sisters (£24k).



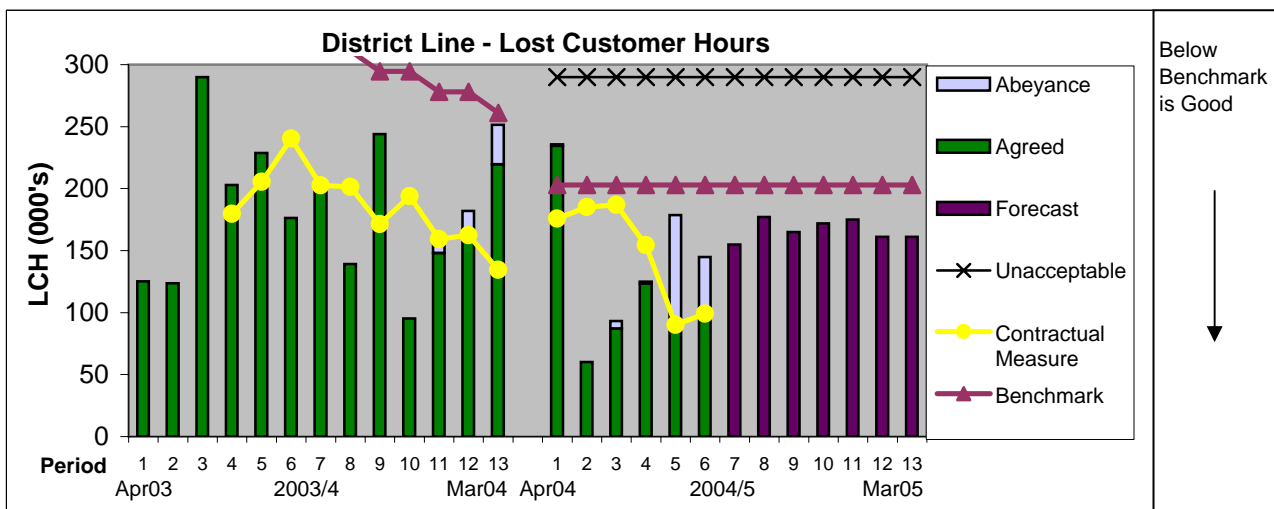
Waterloo & City is a small line with a low level of LCH. Therefore any incident tends to have a large impact on the graph above. Agreed availability for 2003/04 was 67% worse than benchmark due mainly to track defects. In 2004/05 the period 5 peak is due to a track failure (£24k). The period 6 peak is due to traction faults. The largest incident in abeyance was a drivers seat problem (£25k). The largest agreed incident was a traction fault (£6k).



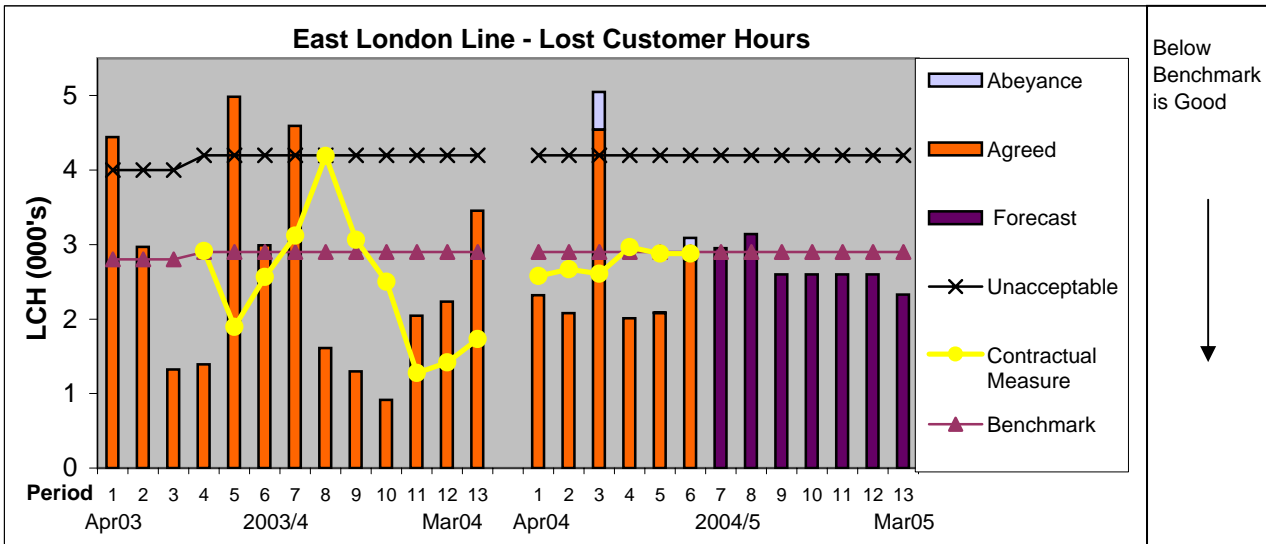
There is no benchmark or forecast for other lines as it is impossible to predict the effect on other lines of BCV incidents. Performance has seen a large improvement since period 5 2003/04. In 2004/05 the improving trend continues due to fewer BCV failures affecting Network Rail. This period there were no large incidents attributed to Metronet.



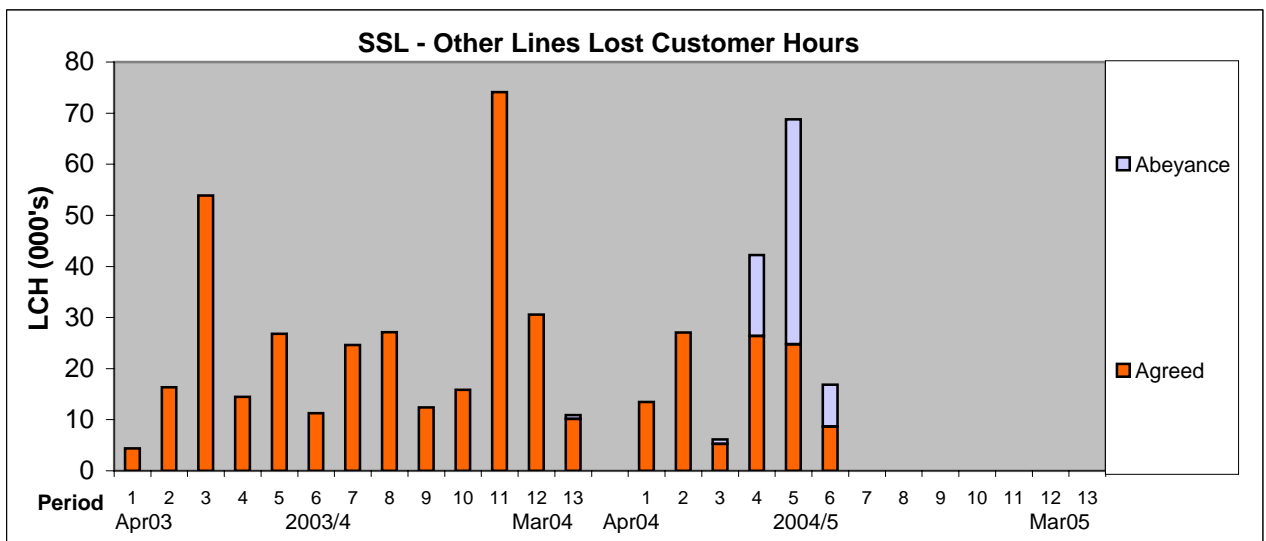
Agreed availability for 2003/04 was 20% better than benchmark due to track and signalling improvement programmes. The period 10 peak was due to a number of signal failures in the Farringdon area. In 2004/05 performance has been significantly better than benchmark mainly due to improved signal reliability. The large amount in abeyance in period 5 is due to several signal faults (£127k), expected to be agreed to MRSSL. In period 6 the largest incident in abeyance was a track fault at Barbican (£22k), expected to be agreed to MRSSL. The largest agreed incident was a train delay at Baker Street due to loss of traction current (£11k).



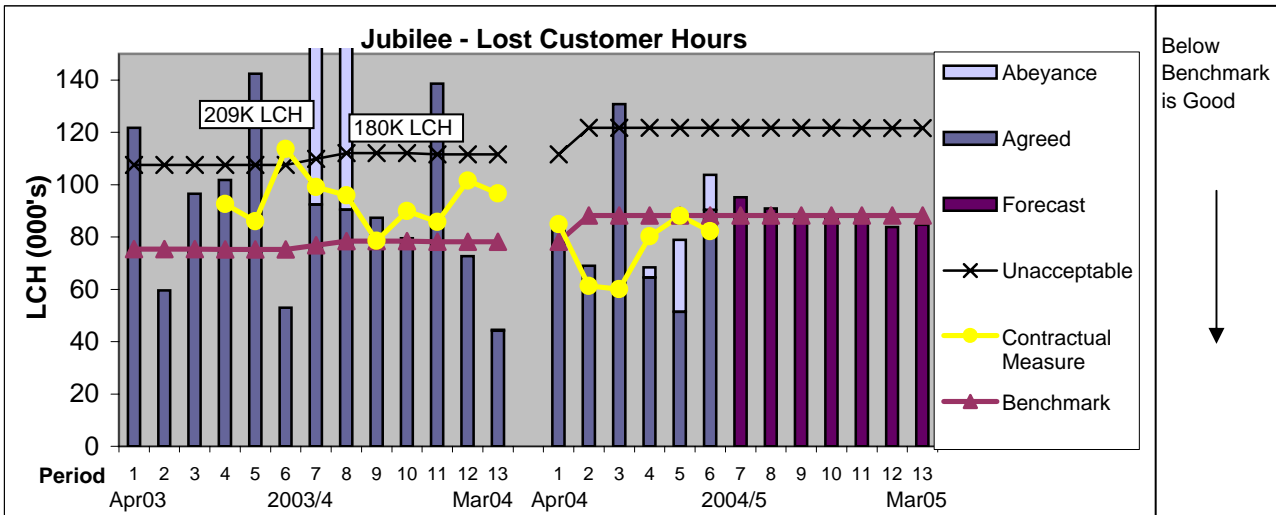
Agreed availability for 2003/04 was 45% better than benchmark due to train reliability improvements and removal of speed restrictions. The period 3, 9 and 13 peaks were due to an engineering overrun (p3), a signal failure at South Kensington (p9) and poor signalling reliability (p13). In 2003/04 benchmark and unacceptable got progressively tougher as per the contract. In 2004/05 performance has been better than benchmark due to reductions in speed restrictions and improved train reliability. The period 1 peak was due to a speed restriction at Victoria. The abeyance in period 5 is largely due to a signal failure at Temple (£127k), expected to be agreed to MRSSL. In period 6 the largest incident in abeyance was due to a defective escalator at South Kensington (£46k), expected to be agreed to MRSSL. The largest agreed incident was a signal failure at Cannon Street (£116k).



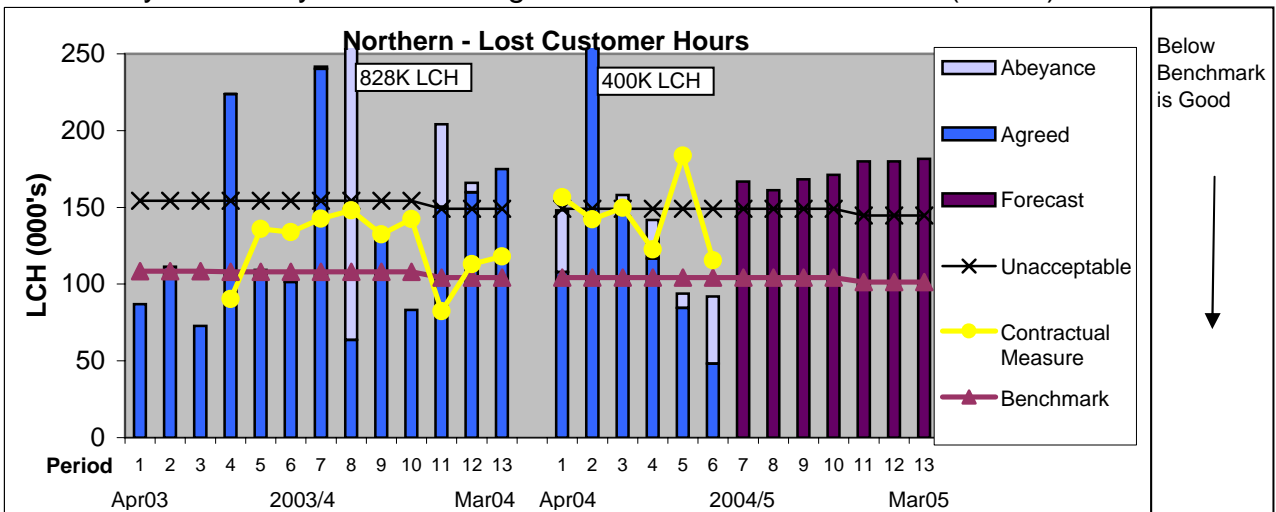
ELL is a small line with a low level of LCHs. Incidents therefore tend to have a large impact on the graph above. Agreed availability for 2003/04 was 8% better than benchmark due to good lift reliability. The period 1, 2, 5, 7 and 13 peaks were due to 2 points failures (p1), train failures (p2 and p5), 2 trackside fires (p7) and faults on insulating pots on the track (p13). Performance in 2004/05 has been variable due to train reliability. The period 3 peak was mainly due to a train delay caused by an investigation into a positive earth. In period 6 the largest incident in abeyance was a train delay caused by a signal failure at Shoreditch (£1k), expected to be agreed to MRSSL. The largest agreed incident was a train delay caused by a defective passenger alarm (£4k).



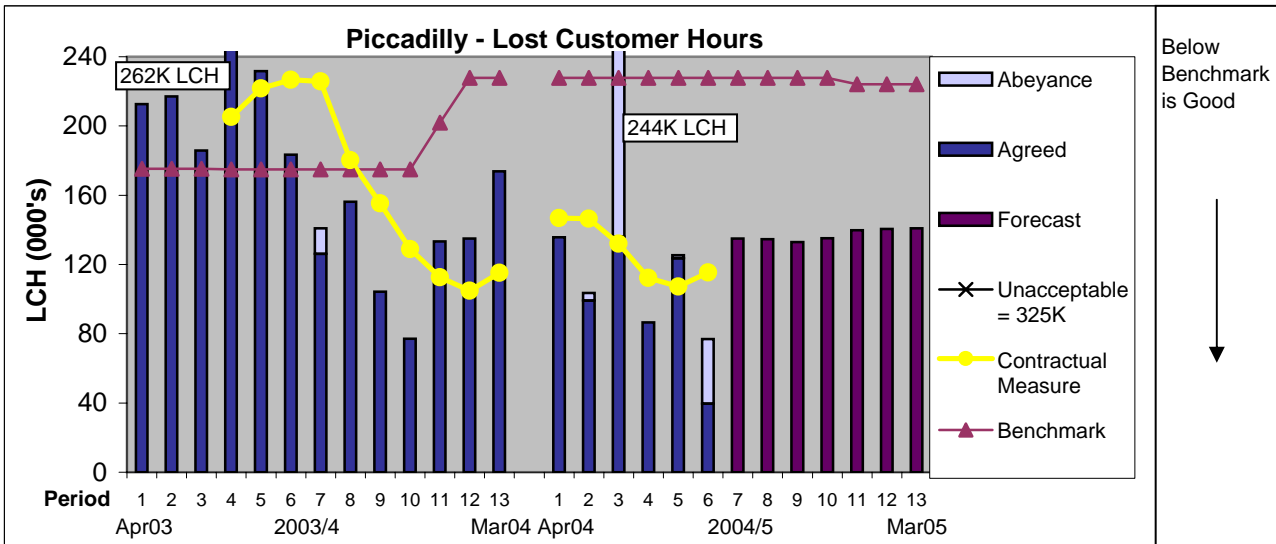
There is no benchmark or forecast for other lines as it is impossible to predict the effects on other lines of SSL incidents. In 2003/04 the period 3 and 11 peaks were due to a track fault that delayed a Piccadilly Line train (p3) and snow-fall related issues (p11). The abeyance in period 5 2004/05 relates to Piccadilly Line signal failures in the Hammersmith area (£110k). In period 6 the largest incident in abeyance was a signal failure at Hammersmith delaying the Piccadilly Line (£20k). All are expected to be agreed to MRSSL.



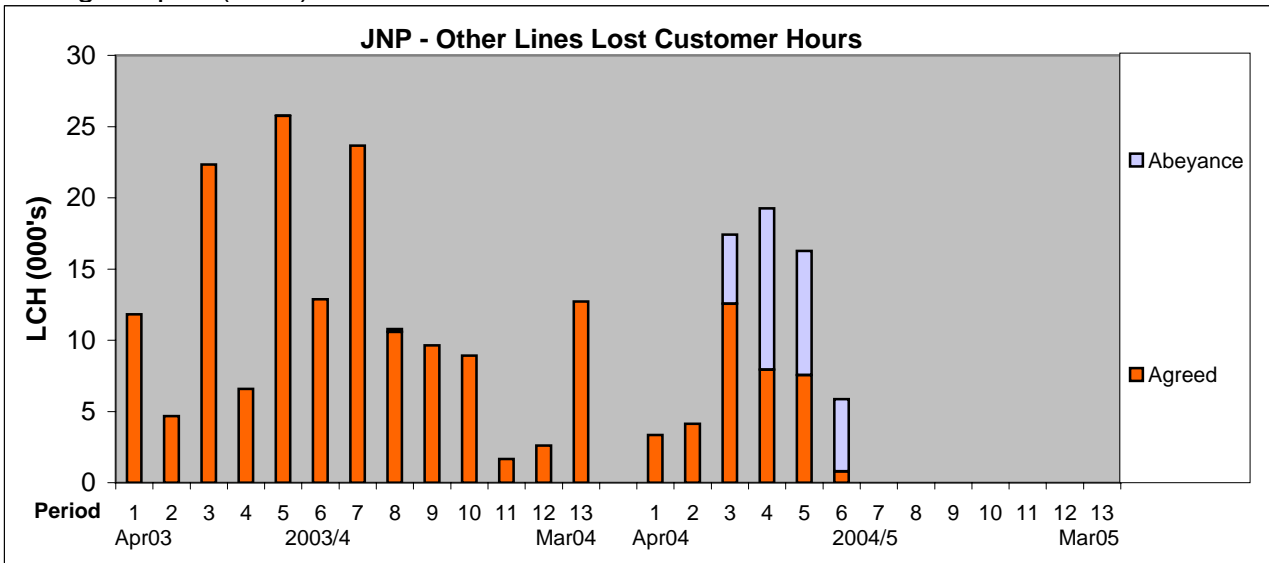
Agreed availability for 2003/04 was 18% worse than benchmark due to a number of signal system failures and winter weather disruptions. Performance in periods 7 and 8 will be worse than unacceptable if the Green Park signalling failures (currently in dispute) are accepted by Tube Lines. In 2004/05 changes to benchmark and unacceptable reflect Wembley Park adjustments. The period 3 peak is due to high levels of rolling stock delays and failures. Performance in period 6 deteriorated as a result of 3 signal failures. The largest incident in abeyance was a train delay at Green Park caused by a report of a smell of burning (£10k). The largest agreed incident was a train delay caused by a burnt out signal motor at Willesden Green (£119k).



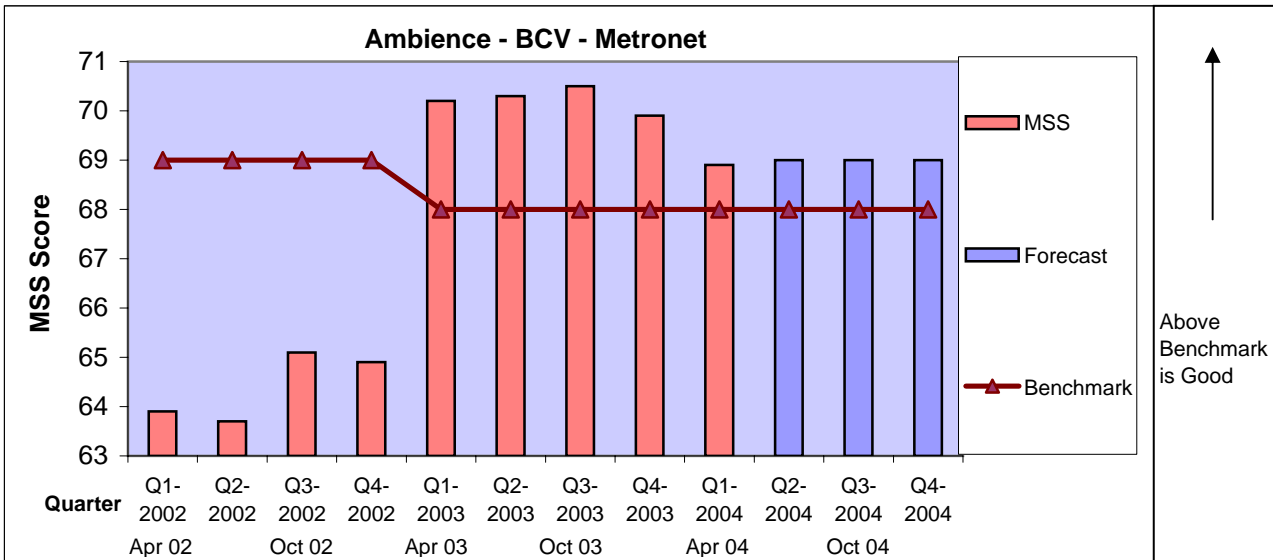
Agreed availability for 2003/04 was 19% worse than benchmark due to an increase in points failures and Tube Lines' increased time to fix defective points and signals. 2003/04 incidents in abeyance include the Camden derailment in period 8, and the Angel compressor failure in period 11. In 2004/05, period 2 has 2 significant items in abeyance at Camden involving signal/points failures (totalling £1.03m). Period 6 performance shows continuing improvement following measures taken by Tube Lines in period 2 earlier this year. In period 6 the largest incident in abeyance was a partial line suspension at Finchley Central caused by a fire on the walkboards (£63k). The largest agreed incident is a train delay at Clapham North as a result of doors failing to close (£20k).



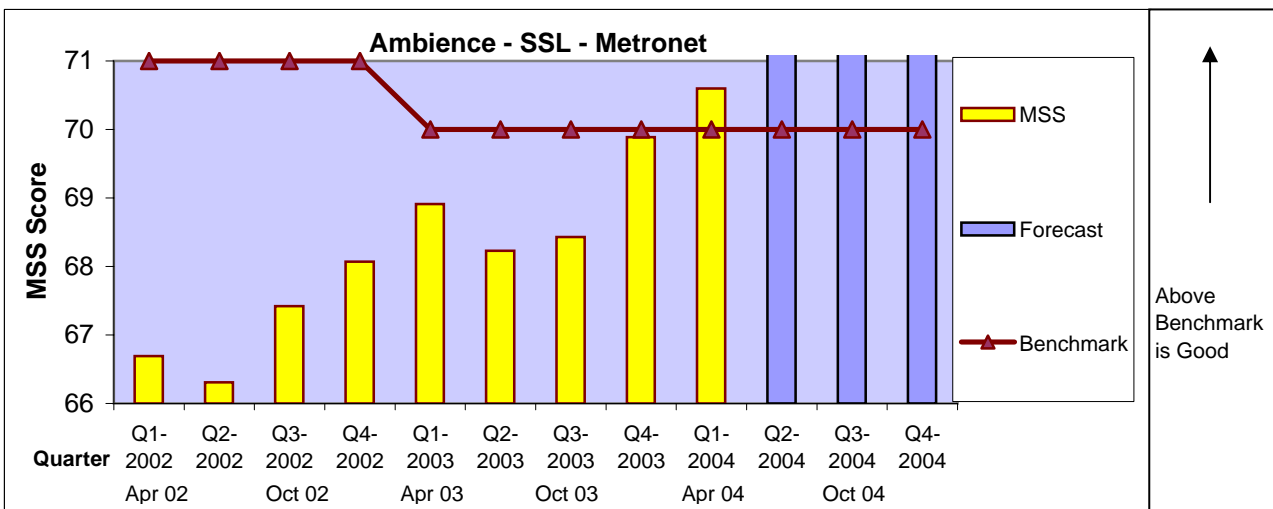
Agreed availability for 2003/04 was 9% better than benchmark due to improving reliability over the last 6 periods. In 2004/05 changes to benchmark and unacceptable reflect axle box works. In 2004/05 performance has been better than benchmark as a result of improvements to rolling stock and signals maintenance regimes. In period 3 the largest incident in abeyance was the train derailment at Hammersmith (£597k). In period 5 the largest incident in abeyance was a train delay at Bounds Green (£26k). The largest agreed incident was a train delayed at Russell Square caused by train doors failing to open (£13k).



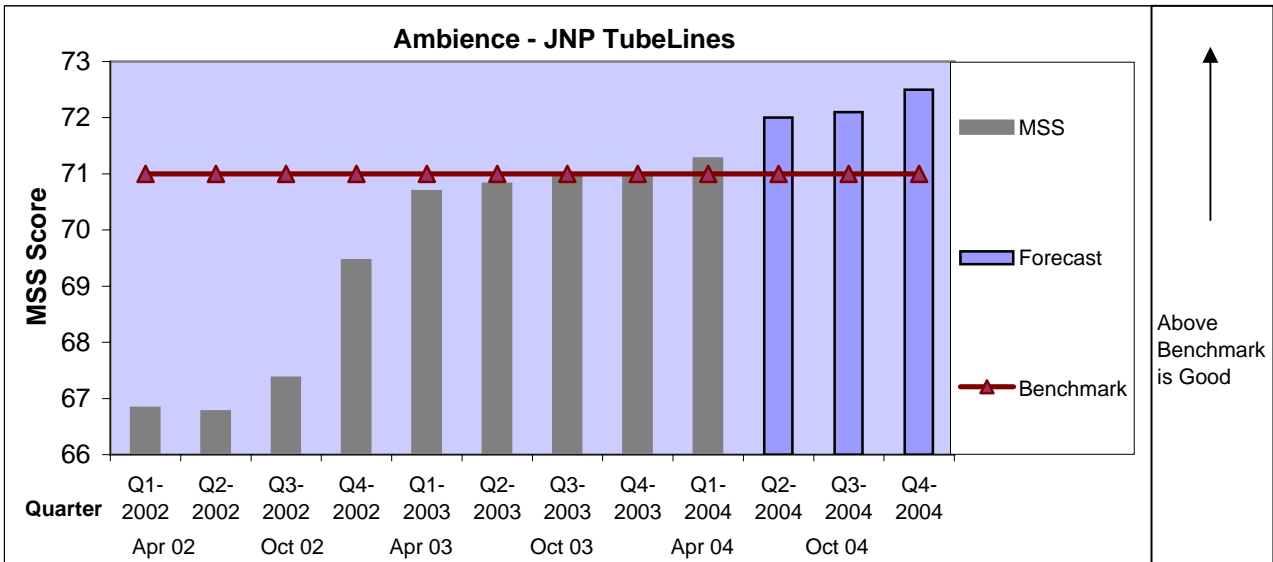
There is no benchmark or forecast as it is impossible to predict the impact of JNP incidents on other lines. In 2003/04, peaks in periods 3, 5 and 7 were due to a speed restriction on the Metropolitan Line at Wembley Park, an overrun of engineering works at Wembley Park and platform closures at Tottenham Court Road. In 2004/05 abeyance in period 3 is District Line disruption caused by the Hammersmith derailment (£31k), that in period 4 is a Metropolitan Line speed restriction at Finchley Road (£62k) and that in period 5 is the suspension of the Waterloo and City Line caused by the Control Room flooding (£28k). In period 6 the largest incident in abeyance was a Metropolitan Line speed restriction at Wembley Park (£15k). The largest agreed incident was a Metropolitan Line signal failure (£3k).



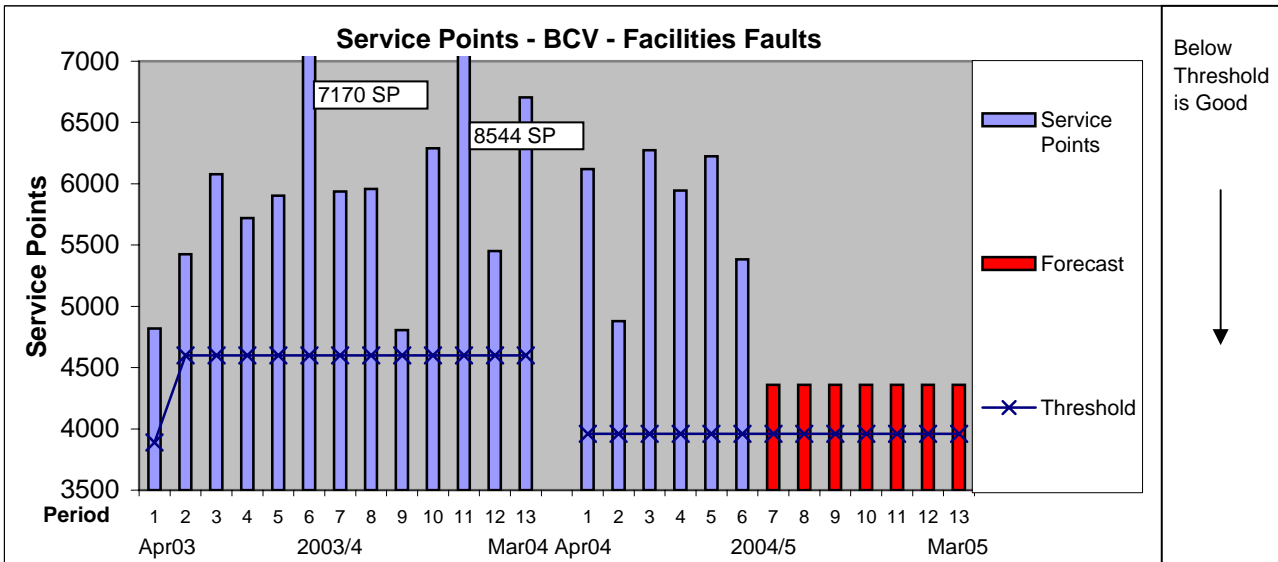
Performance for 2003/04 was better than benchmark despite the slight fall on the Bakerloo Line due to reduced cleanliness and on the Victoria Line due to signage. At contract award the benchmark was reduced based on previous actual performance. Performance in 2004/05 continues the trend of better than benchmark. The fall in Quarter 1 2004/05 results is due to lower scores on the east end of the Central Line due to reduced cleanliness.



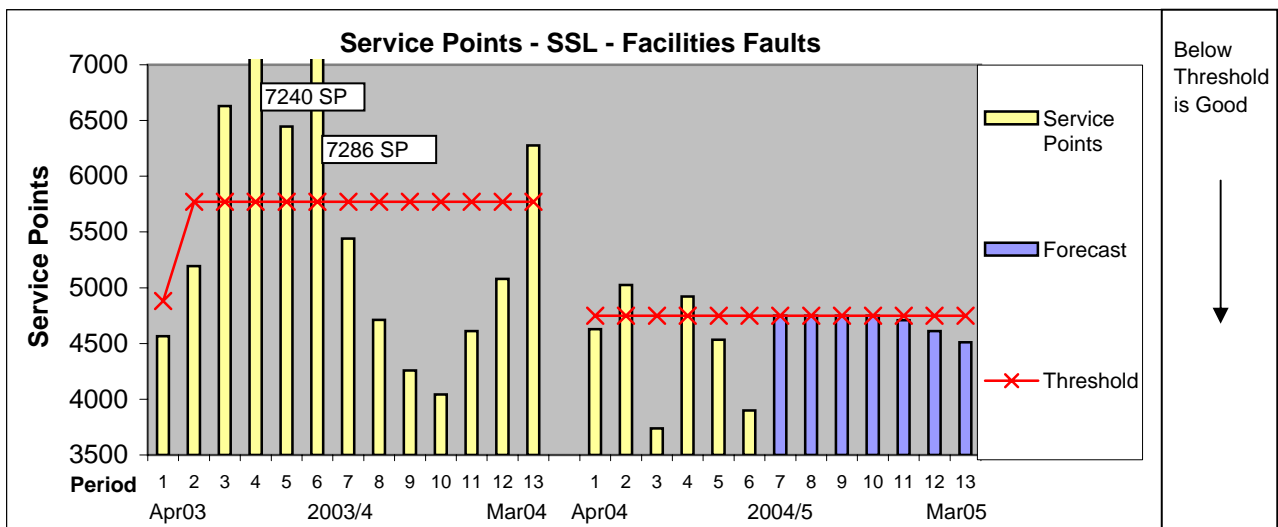
Performance for 2003/04 was worse than benchmark, largely due to graffiti on trains. At contract award the benchmark was reduced based on previous actual performance. In 2004/05 Quarter 1 has seen an improvement in performance resulting from better anti-graffiti measures. LU's forecasts for the rest of 2004/05 (72, 72, 72.5) are based on initiatives in MRSSL's annual asset management plan such as train refurbishments, more anti-graffiti measures and improved cleaning initiatives.



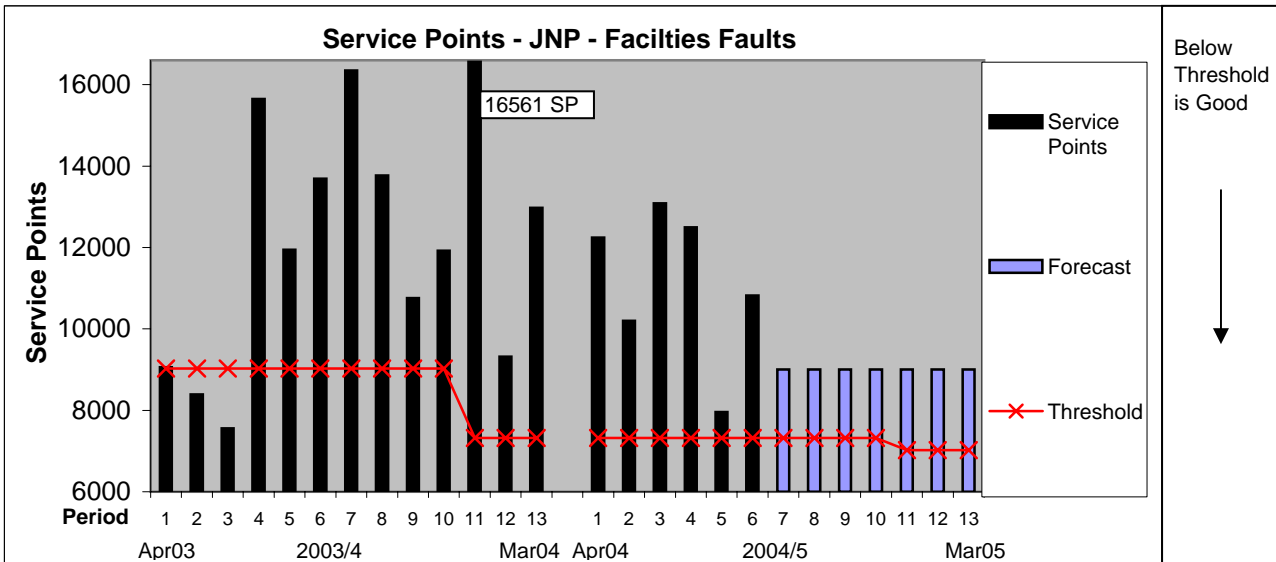
Ambience performance in 2003/04 was worse than benchmark for the whole year. Quarter 4 saw continued good performance on the Piccadilly Line while there have been reductions in scores for train cleanliness, graffiti and litter control on the Jubilee and Northern Lines. In 2004/05 Quarter 1 has seen an improvement in performance resulting from better train cleanliness and litter control as well as improved management of internal scratched graffiti on trains. There have also been improved scores for condition of train seats, arm rests and handrails for the Northern and Piccadilly Line trains. The improvement for station ambience is not as consistent as that for trains. Northern Line stations improved in the cleanliness, litter and condition of walls, ceilings and floors categories, whilst cleanliness improved on the Jubilee Line. Piccadilly Line station performance was worse overall with performance on litter and cleanliness showing reductions in scores compared to Quarter 4 2003/04.



Performance for 2003/04 was 33% worse than threshold. The period 6, 11 and 13 peaks were due to CCTV and Public Address (PA) items. In 2004/05, as per the contract, the threshold is tougher. Performance remains worse than threshold due to the high number of faults on PA, CCTV and Dot Matrix particularly in period 1. Period 3, 4 and 5 saw a deterioration in performance on CCTV, Clocks and Dot Matrix Indicators (DMI). In period 6 performance improved due to reduced PA faults and faster response to toilet faults.



Performance for 2003/04 was variable but overall 5% better than threshold. Periods 3 to 6 were worse than threshold due to Dot Matrix Indicator (DMI) and PA faults. In 2004/05, as per contract, the threshold is tougher. General performance in 2004/05 has been better than threshold due to an improvement in CCTV. The peak in period 2 was due to the level of CCTV and PA faults, and that in period 4 to DMI and CCTV faults. In period 6 performance has improved due in part to improved performance of DMIs.



Performance for 2003/04 was 40% worse than threshold. The worst performing asset areas in terms of service points were CCTV, PA systems and DMI's. The period 4, 7 and 11 peaks are due to the larger than average number of faults and longer fix times. Facilities faults performance has improved in 2004/05 relative to 2003/04, although overall performance is worse than threshold due to an increase in the number of faults for CCTV, toilets and PA with a consequent increase in service points. This has continued in period 6 although performance is better for DMI's while for other facilities assets it has remained stable.

TRANSPORT FOR LONDON

STAFF SUMMARY

BOARD MEETING

**SUBJECT: TfL Business Plan and 5-Year Investment Programme
2005/06 – 2009/10**

MEETING DATE: 27 October 2004

1. INTRODUCTION

- 1.1 Following the Board Briefing on 24 September, where the main Business Plan issues were discussed, the proposed Business Plan and Investment Programme were issued on 15 October in readiness for discussion and approval at this Board Meeting.
- 1.2 The TfL Business Plan will form the basis of the Budget submission to the Mayor and the GLA to be made on 15 November. The Budget will become part of the Mayor's consolidated Budget, which will be the subject of consultation, and then be considered by the London Assembly. The 2005/6 Budget will then be updated to reflect the GLA Budget decisions, and be presented in the March Board cycle for approval.

2. BACKGROUND

- 2.1 During the Government's 2004 Spending Review process, there was a significant engagement with TfL's key stakeholders both to engender support for increased transport investment in London and to identify stakeholder priorities. This engagement took the form of a number of meetings and presentations. This process continued following the consultation with the Board on 24 September on the major issues, how they were being addressed and the agreement of the way forward. Further discussions were held with the DfT, the London Business Board, Borough and Partnership Chief Executives, the ALG TEC, the Community and Voluntary Groups and the Disability Groups. While the priorities expressed by these different groups varied to some extent the settlement from Government enables the Business Plan to reflect many of the aspirations set out during the engagement process. (The attached Appendix sets out in more detail the stakeholder engagement process around SR2004 and the draft Business Plan.) TfL will continue to work closely with to deliver with these partners as it ensures the transport improvements in the Plan are delivered on time and in budget.

- 2.2 This year the Board is being asked to approve – the TfL Business Plan (2005/06 to 2009/10) and the first Transport for London 5 Year Investment Programme. Both will be made public so that our proposals are as transparent as possible and we can be held accountable for their delivery. This is vital since we are seeking support from the financial markets to fund many of our capital projects and they will expect to see financial discipline and project delivery in accordance with our plans.

3. EXECUTIVE SUMMARY

- 3.1 Transport for London's 5-Year Business Plan and 5-Year Investment Programme set out in comprehensive detail the route to major improvements in the transport system for all those who live in, work in or visit London.
- 3.2 In July 2004, the Government unveiled a ground breaking settlement for transport in London which allowed TfL to borrow funds to invest in infrastructure for the first time ever. This means an end finally to stop-start investment in the system.
- 3.3 To achieve this agreement, TfL had to address each element of its Business Plan
- **Income:** significant fare rises were required to provide additional income (particularly on buses); specifically to support the required investment
 - **Operating costs:** the growth in operating costs (e.g. in bus services) could not be sustained. We also needed to improve the efficiency of our own costs
 - **Capital costs:** a balanced investment programme needed priorities to be set
 - **Borrowing:** could be used to fund the capital investment required as part of a balanced plan
- 3.4 TfL has accelerated its considerable programme of efficiency savings, with planned savings of £870 million over the five-year plan, taking total savings since the project was launched in 2002/3 to £1 billion – twice the initial target.
- 3.5 The settlement and the further actions have enabled TfL to produce a Business Plan which is financially balanced and yet which allows £10 billion to be invested in the system over the next five years. On top of operating revenue and the £12.3 billion in Government grant during the five years, TfL intends to borrow £2.9 billion to fund capital projects.

Table 1 : TfL's Balanced Business Plan

£m, cash	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Total 05/6 - 9/10
Fares and Congestion Charge	2,251	2,439	2,553	2,711	2,872	3,015	13,590
Other income	298	329	360	371	391	422	1,873
Investment income	36	59	56	49	37	32	232
Income	2,585	2,827	2,969	3,131	3,299	3,468	15,695
Operating Costs (net of PFI/PPPs and support payments)	(3,636)	(3,865)	(4,146)	(4,291)	(4,565)	(4,765)	(21,632)
Net Operating Expenditure	(1,051)	(1,038)	(1,177)	(1,160)	(1,266)	(1,297)	(5,937)
Capital Projects of PFI/PPPs and support payments	(919)	(1,025)	(1,009)	(1,047)	(979)	(1,084)	(5,145)
Capital Projects (net of overprogramming)	(587)	(768)	(776)	(1,002)	(1,018)	(740)	(4,304)
Investment Programme (net of overprogramming)	(1,506)	(1,793)	(1,785)	(2,049)	(1,997)	(1,824)	(9,448)
Third Party Funding	189	140	113	95	94	68	509
Debt Service (includes repayment of principal)	(10)	(72)	(115)	(157)	(211)	(253)	(808)
Contingency	(25)	(26)	(26)	(27)	(28)	(28)	(135)
Net Expenditure	(2,402)	(2,789)	(2,990)	(3,299)	(3,408)	(3,334)	(15,819)
Adjust for Working Capital	(1)	12	(24)	(25)	(21)	(32)	(89)
Adjust for Reserve Transfers	(254)	38	53	202	172	135	602
Funding Required	(2,657)	(2,737)	(2,960)	(3,122)	(3,256)	(3,230)	(15,306)
Funded By:							
Total Transport Grant	2,231	2,161	2,383	2,544	2,528	2,651	12,267
Precept	26	26	27	28	28	29	139
Prudential Borrowing	400	550	550	550	700	550	2,900
Total Funding	2,657	2,737	2,960	3,122	3,256	3,230	15,306
Surplus/Deficit	0	0	0	0	0	0	0

3.6 Not only will the Business Plan and Investment Programme deliver a safer and more reliable transport network, it will also finance new projects to boost capacity, improve links to areas earmarked for regeneration and help cope with London's predicted growth – projects that in the past would have been stalled by a short-term approach to funding.

3.7 These plans build on TfL's achievements since 2000, including the introduction of the world's largest congestion charging scheme and the transformation of London buses. It follows in that tradition, laying out prudently costed, fully-funded and realistically deliverable transport improvements.

3.8 Highlights of the Business Plan include:

- Train, track and signal upgrades to improve Tube reliability and enable an extra 3 million train kilometres to be run each year by 2009/10
- Modernisation and refurbishment at 20 stations, including accessibility improvements, by 2009/10
- Major work to ease congestion at Covent Garden and Holloway Road (2007), Kings Cross St Pancras (2008) and Vauxhall (2010) stations, plus more congestion relief work at Camden Town, Tottenham Court Road and Bank

- Longer trains on the Jubilee line from 2006, leading – with other improvements – to a 48% capacity increase by 2009
- Refurbished District Line trains by 2009
- Reduced congestion and disruption on London's roads through real-time traffic management, a permit system for street works and the possible extension of the congestion charging zone
- Full support for the infrastructure needed for the Olympic and Paralympic bid, such as bus transit schemes and extensions to the East London Line
- Working with the Government on proposals to rationalise fares and ticketing, as well as National Rail service improvements
- A 4 per cent increase in operated kilometres on the bus network, together with accessible buses equipped with CCTV, illuminated bus stops and better real-time information for passengers
- Higher service levels on the Docklands Light Railway
- A start to construction of the Thames Gateway Bridge to connect Greenwich and Newham – subject to consultation
- Completion of the London Cycling Network to make cycling safer and easier, as well as improvements for pedestrians and more than £280 million invested in road safety initiatives
- A significant boost in funding for the Taxicard scheme
- A reduction in queues through increased take-up of Oystercard
- Better international connections through Docklands Light Railway links to City Airport and Stratford International, an underground extension to Heathrow Terminal 5 and interchanges with the Channel Tunnel Rail link at Kings Cross
- Improvements to make the congestion charging system easier to use, later Underground services on Fridays and Saturdays and the possible introduction of a Low Emission Zone – honouring Mayoral manifesto commitments
- Funds for Local Boroughs to finance local transport improvements, including regeneration schemes, safety improvements and safer routes to school groups

3.9 By 2009/10, the significant improvements in the transport system will also help tackle discrimination and exclusion by removing barriers to the use of public transport and reducing fear of crime and disorder.

3.10 Finally, the Plan will help – both directly and indirectly – reduce the environmental impact of transport in London. London is the first major city to achieve a major shift from car to public transport reducing air emissions, ambient noise and energy use. These plans seek to continue this trend and provide support to other sustainable modes.

4. RECOMMENDATIONS

4.1 The TfL Board is asked to:

- APPROVE the TfL Business Plan 2005/06 – 2009/10 and TfL 5-Year Investment Programme and to delegate their finalisation to the Managing Director, Finance and Planning, for submission to the GLA,
- NOTE that the final 2005/06 Budget will be presented for approval by the TfL Board in March 2005, following the outcome of the GLA Budget process

Stakeholder engagement

The broad and diverse range of stakeholders that supported TfL in its bid for additional Government funding played an important role in helping to secure a positive settlement from the Spending Review 2004 (SR2004). As well as campaigning for additional funding several stakeholder groups outlined what their priorities were for how money allocated to TfL should be spent. Where possible these priorities have been reflected in the revision of our Business Plan.

A summary of our engagement with, and some of the priorities identified by key stakeholder groups, is given below. Engagement with stakeholders has continued as the Business Plan is developed.

Community and Voluntary Groups

A coalition of ten community and voluntary groups (including the RNIB, Muslim Council of Britain, Age Concern London and Greater London Action on Disability) submitted a joint letter to Alistair Darling (Secretary of State for Transport) calling for additional funding. The letter highlighted the importance of improving access to public transport through local improvements to the street environment and enhanced pedestrian facilities. The group identified a key concern as being improved access to the Underground for all users (not just disabled people) and ensuring that more stations are made step-free.

Other groups have highlighted their preference for investing in small, local transport improvements and groups such as Transport 2000 and Friends of the Earth have registered their concern about certain road improvements schemes (e.g. to the A406) and the Thames Gateway Bridge. These, and other groups (e.g. London Cycling Campaign), have also stressed the need to invest in facilities for cyclists.

Senior representatives of pan-London community and voluntary groups attended a meeting on 1 October to further discuss their priorities and emerging issues in the Business Plan in the light of funding received from Government.

Business Community

Several meetings were held with representatives of the business community through the London Business Board (LBB; representing CBI London, London Chamber of Commerce and London First). In April 2004 the LBB submitted a short paper to Government supporting TfL's bid and outlining their joint priorities. The following were identified as priorities: improving the tube beyond the levels stipulated in the PPP contracts, reducing road congestion, improving access to the Thames Gateway (e.g. DLR extensions and capacity enhancements, new river crossings), maintaining the bus network, upgrading interchanges and improving the street environment for

walkers and cyclists. The LBB identified tram schemes, U18 fares, the CCS Western Extension and certain safety schemes as being of a lower priority.

At the most recent meeting on 29 September, the LBB reiterated the priorities identified in their April paper. In particular, they made clear their continued support for increased investment in transport in London and suggested bus fares could be further increased to improve VFM. The LBB also stated their support for the Silvertown crossing and voiced concern that other road improvements now no longer appeared to be a priority by TfL.

Boroughs and Strategic Partnerships

The boroughs have a critical role in delivering the projects and programmes set out in TfL's business plan. It was therefore very important to engage with boroughs to make the case for investment in London's transport system and to develop the priorities in TfL's business plan. To this end, discussions have taken place with representatives of the Boroughs throughout the SR2004 process, including regular meetings with Borough Chief Executives and the ALG TEC (Transport and Environment Committee). During the development of the SR2004 campaign and TfL's business plan, seven meetings were held between TfL Chief Officers and the Chief Executives of boroughs and sub-regional partnerships. Six meetings were held with the ALG TEC. A workshop was also held with borough officers in June 2003 to help identify priorities at a sub-regional level.

A letter of support was sent by the Chair of the ALG, Sir Robin Wales, to Gordon Brown (Chancellor of the Exchequer) calling for an increase in transport funding for London from the Government. In the context of overall support for increased funding, ten individual Boroughs and four strategic Partnerships made individual representations to Government for particular schemes projects that they support (e.g. Thames Gateway London Partnership, DLR extensions). In some cases Boroughs also raised concerns about specific aspects of our plans (e.g. Kensington and Chelsea regarding the Western Extension of the Congestion Charge). Concerns were also expressed about the potential impact of fare increases on the cost to the boroughs of the Freedom Pass concessionary fares scheme.

During the course of the meetings with the boroughs, they were asked to specify how they would like to be involved in the process of developing investment priorities within TfL's business plan. In response, the ALG TEC produced a list of strategic investment priorities, which were:

- i) Sustain existing level of transport provision (taking account of cost pressures) and identify and introduce measures to ensure more efficient operation of existing TfL transport services.
- ii) Bring London's existing transport assets into a state of good repair.
- iii) Delivery of London-wide programme of local transport improvements including pedestrian and cycling improvements, bus priority measures, town centre/Streets for People schemes, travel awareness and safe routes to school schemes.

iv) Delivery of road safety measures to meet the Government's road safety targets through full implementation of Road Safety Plan.

v) Cater for the increase in demand by expanding existing transport provision

vi) Accommodate London's projected growth through new transport infrastructure projects

These priorities have been taken into account and are largely reflected in the new business plan.

MPs

Meetings were held with MPs of all parties and a cross-party Early Day Motion was tabled calling for increased transport investment in London. On 13 May 2004 an Adjournment Debate was held on transport in London attracting 14 MPs.

As with the other local politicians, several MPs made personal representations to Government both on the general case for increased transport funding in London and the specific case for investment in their area.

London Assembly

The London Assembly have a unique role to play in scrutinising TfL's budget and regular meetings have been held to scrutinise TfL's plans. As in previous years, these will continue during the autumn and early 2005.

Other stakeholders

A wide range of stakeholder groups across London, including many local residents associations, have been kept regularly updated on developments in the Spending Review and the revision of the Business Plan, through 'Transport for London' news (sent to over 4,000 stakeholders) and other correspondence. Many of these groups participated in the campaign and wrote to Government expressing their support.

TRANSPORT FOR LONDON

STAFF SUMMARY

BOARD MEETING

SUBJECT: Implementation of TfL Borrowing Plan

MEETING DATE: 27 October 2004

1. INTRODUCTION

- 1.1 The Local Government Act 2003 came into effect on 1 April 2004, giving new powers to local authorities (including TfL) to borrow funds on a “prudential” basis. This prudential borrowing is governed by a prudential code drawn up by the Chartered Institute of Public Finance Accountants (CIPFA). As discussed with the Board in April and the Finance Committee in July, TfL intends to make full use of its borrowing powers. This will provide funding for the TfL 5-Year Investment Programme.
- 1.2 This paper sets out for the Board how we intend to implement the first borrowing under the strategy established in July. This will entail establishing a borrowing programme (known in the markets as a “Medium Term Note” programme, although there is actually no restriction on the maturity of the borrowings under the programme). Under that programme, and subject to market conditions, we intend to launch a benchmark sized bond issue as an inaugural bond issue (the "Initial Transaction"). The Initial Transaction would be within the borrowing limit of £400m agreed in April and also within the revised Prudential Indicators to be agreed by the Board in a separate paper on 27 October 2004. The Prudential Indicators are being revised to take account of the revised budget and business plan.
- 1.3 The Initial Transaction has been reviewed against the revised prudential indicators to be agreed by the TfL Board on 27 October 2004. The 5-year settlement in the Spending Review removes the major risk identified in the April Board paper while keeping the overall calculation of prudential indicators unchanged (this is discussed further in section 8). The Finance Committee at its meeting on 14 October 2004 recommended that the TfL Board approves the establishment of the borrowing programme and Initial Transaction.
- 1.4 All information contained in this paper in relation to any proposed bond issue is indicative and will depend on market conditions at the time of the launch of the bond. For this reason specific details regarding proposals for the size of the bond issue, interest rates, pricing and length of maturity dates have been omitted from this paper. However, details of current proposals can be provided to board members on a confidential basis if required.

2. SUMMARY OF WORK TO DATE

- 2.1 The Spending Review settlement with DfT for the years 05/06 to 09/10 provides greater clarity and security to support the plans previously discussed with the Board. This is discussed in greater detail in section 3 below. TfL has prepared the 5-year Investment Programme and its Business Plan based on the Spending Review settlement.
- 2.2 In line with the borrowing plans discussed with the Finance Committee in July, Corporate Finance has appointed HSBC and Morgan Stanley to arrange a borrowing programme to fund the 5-year Investment Programme. HSBC and Morgan Stanley, together with Clifford Chance, our legal advisers, are also advising on the risk issues of such a programme, the type and structure of an initial bond issue and the relevant legal documentation.
- 2.3 On the advice of HSBC and Morgan Stanley, we are working to establish a borrowing programme that will provide standardised documentation for investors, thus reducing the cost and time in making subsequent capital markets issues. The size of the programme can be linked to the total borrowing authority of £3.3 billion including £400 million approved for 2004/05. However, this does not commit TfL to undertaking all the borrowing in the capital markets nor to using the full £3.3 billion. TfL will still be able to borrow from the Public Works Loans Board (PWLB), banks or other sources.

3. FUNDING SETTLEMENT FROM DfT

- 3.1 At the end of July 2004, DfT agreed a five-year grant and borrowing settlement with TfL (SR04), supporting borrowing of £2.9 billion between 2005/06 and 2009/10. This settlement is summarised below:

<i>Cash prices (£ million)</i>	<i>05/06</i>	<i>06/07</i>	<i>07/08</i>	<i>08/09</i>	<i>09/10</i>
Non-Tube government grant	1,000	1,102	1,204	1,248	1,281
LUL Funding	1,161	1,281	1,340	1,280	1,370
TfL prudential borrowing limits	550	550	550	700	550

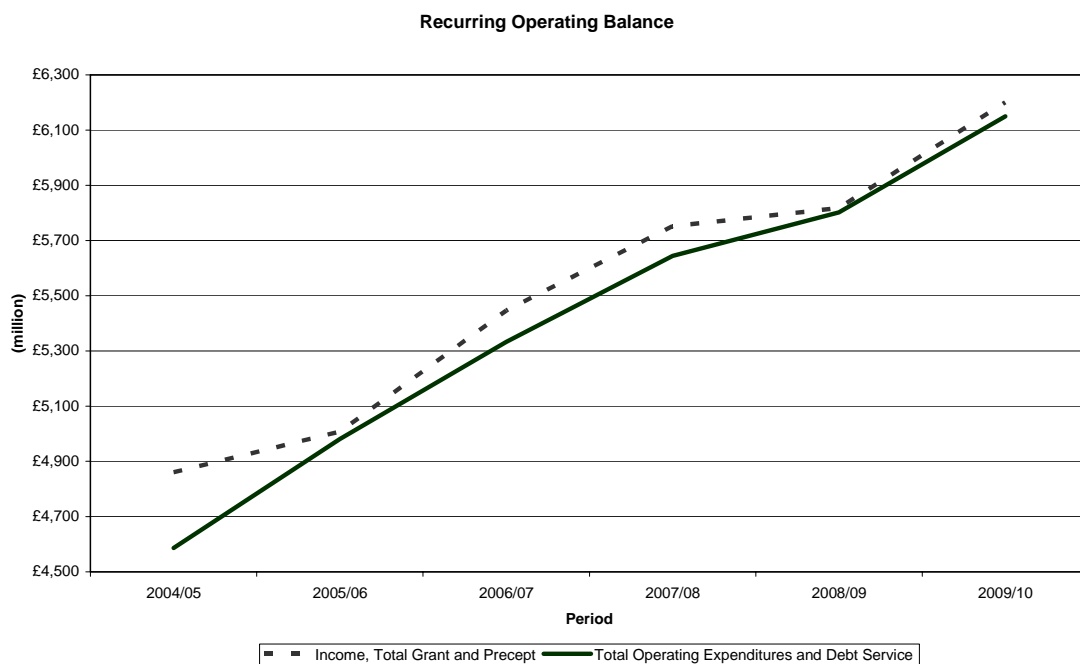
- 3.2 Consistent with the Local Government Act 2003, the Board will need to approve any borrowing as prudent and affordable (and the borrowing must fit into approved indicators). The Board recommends to the Mayor annual borrowing limits for TfL; for the purposes of developing the 5-year Investment Programme we have assumed that these are set in line with the levels agreed with Government. However, at this stage, approval is only sought for an Initial Transaction within the £400m limit set for 2004/05. In accordance with the Local Government Act 2003 approvals will be sought for borrowing limits on an annual basis.
- 3.3 This clarity on the next five years' funding provides a firm basis for the 5-Year Investment Programme and Business Plan being submitted to the Board. The Spending Review settlement enables TfL to plan its spending, both amounts and timing, with greater certainty and efficiency.

3.4 In addition to the amounts of borrowing noted in the settlement (beginning in 2005/06), in March 2004 the Mayor approved and in April 2004, the Board noted the borrowing limit of £400 million of debt for the current 2004/05 financial year.

4. REQUIREMENT OF LONG-TERM VIEW ON INVESTMENT AND FUNDING

4.1 TfL will need to demonstrate to potential investors its ability to repay any money it borrows. In order to do so, we will need to show that our Business Plan can be delivered within the funding agreed with Government and the funds raised through fares. This requires us to produce a balanced budget over the 5 years of the Investment Programme (over and above the statutory requirement to balance budgets annually). We will also need to show that our ongoing costs (including the costs of servicing the debt raised and contractually committed payments, such as the PFI and PPP contracts) can be covered by ongoing fare and grant income (i.e. they do not depend on further borrowing). Investors will rely on their own credit analysis as well as that produced by rating agencies for these judgements. These requirements are aligned with the requirements of the Prudential Code in demonstrating that any borrowing is prudent and affordable.

4.2 We have thus produced a draft Business Plan which is both balanced in cash terms over the 5 years of the Investment Programme but also balanced in terms of ongoing costs and revenues.



4.3 Further, the rating agencies and potential investors will want to see that we have established proper controls over any funds borrowed to ensure that they are spent only on investment and not on operating expenditures. They will also want to see that we are establishing professional project management to deliver the 5-Year Investment Programme.

5. DESCRIPTION OF THE INITIAL TRANSACTION

Summary

- 5.1 It is proposed that TfL borrow an amount appropriate to the capital spending requirement through a benchmark sized bond issue as part of the borrowing programme in Winter 04/05 (the Initial Transaction). The funds raised would be applied toward capital expenditures (discussed further in section 6 below), and would be within the £400 million borrowing limit. It is proposed that the bonds issued under the Initial Transaction would have a long-dated maturity in line with the profile of the useful lives of TfL's assets in the 5-Year Investment Plan. The aim of the Initial Transaction is to establish a benchmark for TfL's cost of funds and to provide external financial scrutiny of TfL's plans.

Description of issuing structure

- 5.2 The issuer of the debt will either be TfL or a specially established financial subsidiary (TfL Finance plc), discussed further in section 8 below.

Fulfilling TfL's Objectives

- 5.3 *Establish a market benchmark.* We are advised by our lead arrangers that we should establish, through our inaugural bond issue, a liquid and traded market benchmark in order to generate sufficient initial and ongoing investor interest.
- 5.4 *Minimise cost of carry.* As previously discussed, TfL is constrained to borrowing in line with the annual profile agreed with Government. However, as its cashflows are balanced in 2004/05, so the borrowing will create cash balances in the short term. The differences between the interest paid on the bonds and the interest earned on those balances is known as "negative carry". The Treasury Management team will aim to obtain the best investment rates and minimise that cost. The recognition of this cost within this budget year has to be balanced against the risk of interest rates rising if we delay an issue until later in the financial year.
- 5.5 *Conform to the Prudential Code.* An issuance of up to £400 million is within the affordability thresholds set by the Mayor for 2004/05, and the projected capital spend for the current fiscal year. Such an amount will also be within the Prudential Indicators to be approved by the Board on 27 October 2004.

Interest rates

- 5.6 Analysis has been carried out in relation to the interest rate to be paid on the bonds issued under the Initial Transaction. It may be that the bonds are structured so that a fixed rate of interest, to be priced as a margin over the relevant Government Gilt, is payable on the bonds issued under the Initial Transaction. Interest would be paid on an annual basis and would be consistent with standard practice in the market.
- 5.7 Overall, TfL will want to limit its exposure to changes in interest rates, and on this basis it may be prudent to issue fixed rate debt. TfL is investigating the main economic drivers of its business, and how its long-term financing strategy may help mitigate potential variances. Through analysis undertaken, it is believed that a proportion of the total debt should be fixed rate.

Maturity

- 5.8 A suggested approach to ensure prudential financial management is to issue debt with maturities which match the profile of useful lives of assets in the 5-Year Investment Programme. TfL is currently estimating that it will have substantial assets with long asset lives over the life of the borrowing programme.

Repayment profile

- 5.9 TfL's recurring resources and expenditure are not anticipated to change significantly from year to year. A level, annuity-style repayment profile, made up of an interest component and gradually rising principal repayments, would therefore best match our budgets. To fund the 5-Year Investment Programme efficiently, we have built the long-term projections of debt service by projecting the impact of following such a policy for the five years of the Investment Programme together with 2004/05. Thus, the amount of borrowing will increase over the next six years as the full £3.3 billion (including 2004/05) is drawn down. It declines as the debt related to shorter term assets is extinguished.
- 5.10 The financial markets, however, may price such annuity structures at a premium compared to bonds that pay no principal until their final year. This is because investors find securities with early and constant principal repayments less desirable than those that they know will have large, unchanging principal amounts outstanding for the long-term.
- 5.11 TfL and its financial advisers have considered how individual debt issues, which would appeal to the market and which thereby price efficiently, would fit within the aggregate long-term debt service profile predicted by the total £3.3 billion of borrowing. Current thinking is that the issuance of a long dated benchmark issue with appropriately structured repayments of principal, would be attractive to the market and would fit within the overall debt service profile we wish to undertake.

Key Documentation

- 5.13 As part of the borrowing programme and for each issue within it, TfL¹ will need to enter into a number of key documents. A description of the key documents and a summary of their contents is attached as Annexes 1 and 2. Set out below is a summary of the key issues relating to the documentation.
- 5.14 *Information Memorandum:* this must contain (amongst other things) information relating to TfL and its subsidiaries and the terms and conditions of the notes to be issued under the borrowing programme (key terms are discussed further below). It is important to note that although the Information Memorandum will be given to investors, the document is a liability document and not a marketing document. TfL will need to expressly take responsibility for the contents of the Information Memorandum and both civil and criminal liability can arise for the contents of the Information Memorandum. A note

¹ If TfL Finance plc is the issuer, then references to TfL should be read as TfL Finance plc as Issuer (unless the context indicates otherwise) and to TfL as Guarantor. Refer to section 8 for further detail about the issuing structure.

from TfL's legal advisers, Clifford Chance describing the liability issues in greater detail will be circulated separately to board members. However, it should be noted that liability is generally corporate rather than personal. We are establishing a thorough due diligence procedure with our lawyers to confirm the accuracy of all statements (fact and opinion) in the Information Memorandum and to ensure that all relevant or material information relating to TfL's business are disclosed to TfL's financial and legal advisers.

- 5.15 The preparation of the Information Memorandum is necessary in connection with TfL's application to list the notes to be issued within the borrowing programme on the Official List of the Financial Services Authority ("UK Listing Authority"). The UK Listing Authority will require TfL as an issuer of notes to "up-date" the programme before any issue of notes which is made more than 12 months after the first listing of the programme (or the previous update) may be listed. As part of an "up-date" TfL will need to prepare a supplementary or revised Information Memorandum and the ongoing responsibility of such updates as outlined in paragraph 5.14 above will apply.
- 5.16 The terms and conditions contained in the Information Memorandum are largely standard. However key terms and conditions that are likely to be required by investors are in respect of "Negative Pledge" and "Events of Default". The terms and conditions are still being negotiated with the lead arrangers, but the broad outline of the clauses is as described below.
- 5.17 *Negative Pledge:* is an undertaking by TfL, as issuer, limiting its rights to give security in respect of its own "Relevant Indebtedness" (which is indebtedness in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market) without TfL providing security for the notes issued under the borrowing programme. While legislation prevents TfL granting security over its assets, investors are likely to require the negative pledge clause to ensure that TfL will not grant security at a later stage should there be a change in the law.
- 5.18 *Events of Default:* current draft documentation states that TfL shall be in default under the notes issued under the borrowing programme if it: (i) fails to pay principal or interest in respect of the notes issued under the borrowing programme; (ii) fails to perform or observe material obligations under or in respect of the notes issued under the borrowing programme or the Trust Deed; and (iii) defaults on payment of any other indebtedness provided that the amount of indebtedness exceeds £25,000,000.
- 5.19 It is to be noted that TfL wishes to negotiate a position whereby for the purposes of the Negative Pledge and Events of Default, indebtedness does not include the guarantees that TfL has entered into in relation to the PPP transactions. The lead arrangers have indicated they are comfortable with this position. In the event that TfL Finance plc issues the notes under the borrowing programme, the Negative Pledge and Events of Default will be applicable to TfL Finance plc as issuer and TfL as guarantor.

6. ADVANTAGES OF BOND ISSUE

6.1 As discussed with the Finance Committee in July, it is believed that of the various capital market options, a bond issue is the most appropriate route for an initial borrowing. While the cost of borrowing from the PWLB may be lower than the bond market, the benefits to TfL that would arise through the use of the bond market (as discussed below and elsewhere in this paper) would not be realised. In addition to those advantages not discussed elsewhere in this paper, a public bond offering:

- establishes a highly public long-term financing programme, providing an enhanced reputational benefit and risk adjusted baseline analysis;
- establishes a benchmark rate for financing costs that will be useful in assessing the cost of refinancing existing PFI/PPP contracts as well as financing for new contracts. TfL already underpins debt worth several billions of pounds through the London Underground PPP and other deals, without any market mechanism to determine the commercial trading value of TfL's credit rating;
- builds up a corps of financial stakeholders providing private funds, whose interests align with TfL's goals of efficient management and delivery of our services;
- provides a borrowing mechanism independent of Government, broadening the range of the autonomous financial planning permitted to TfL under the Prudential Code.

7. USE OF FUNDS

7.1 In April, the TfL Board requested clarification on how TfL would borrow in relation to the portfolio of capital projects it would undertake for this year and its policy for the years ahead. As there is greater capital expenditure in the 5-Year Investment Programme than the funds to be borrowed, the prudential borrowing guidelines for applying funds to capital expenditure will be met by this first issue.

7.2 Projects best suited for funding by borrowing have been selected on the basis of initial suggestions produced by Parsons Brinckerhoff Consult, which has been advising on the 5-Year Investment Programme process. Debt service is not going to be applied on a budgetary basis against specific projects. It will be paid centrally as a corporate expense. Nevertheless, Key initial criteria are satisfied by the projects inclusion in the 5-Year Investment Programme and being submitted to the relevant monitoring and approval processes:

- That the project is a TfL priority,
- That the project is cost effective,
- That the project is ready to go,
- That there is high confidence that the project will complete on time and on budget.

- 7.3 Additionally, we have applied criteria that the project is not routine – i.e. that the capital spend is not recurring on an annual basis and that the effective useful life of the project is substantially longer than the period of funding settlement. This effectively serves to exclude many of the shorter-term capital works within our overall portfolio of projects.

8. RISK ISSUES

Compliance with the Prudential Indicators

- 8.1 In April, the Board were advised that a risk of Prudential Borrowing was the over-commitment to projects leading to affordability problems in later years as debt service obligations build up. Clearly an analysis of the affordability of any borrowing would be dependent on assumptions about future income and expenditure.
- 8.2 The risk of the lack of availability of borrowing in subsequent years has been effectively removed by the five-year settlement from Government. In April, the TfL Board also approved the use of various criteria under the Prudential Code to ensure that the principles underlying Prudential Borrowing would be maintained.
- 8.3 The prudential indicators are designed to give information about the affordability of the borrowing plan. The prudential indicators, based on the revised budget and new business plan will be presented to the Board in a separate paper on 27 October 2004. Any borrowing of up to £400 million for 2004/05 will be within the revised indicators to be presented to the Board for approval. For the avoidance of doubt the borrowing limit of £400m agreed in April will not change.
- Following a key specific requirement of the Prudential Code, the net borrowing for 2004/05 is less than the capital financing requirement at 31 March 2007. This is the Code's check that any borrowing is for capital purposes.
 - The potential direct borrowing would represent a small debt service commitment in comparison to annual revenues. In addition, it would be a relatively small addition to the financing already committed in the London Underground PPP and on-balance sheet PFIs. These existing commitments account for over 80% of the authorised limit of currently outstanding commitments within TfL.
- 8.4 For the Initial Transaction, the borrowing amount will not exceed the ranges agreed for the 2004/05 Prudential Indicators. It is proposed that these Indicators are reviewed at the regular meetings of the Finance Committee. We will propose threshold levels for the Indicators to give guidance to the Committee as a warning of possible over-commitment.

Credit Ratings

- 8.5 TfL currently has an AA credit rating from both Standard & Poor's (S&P) and Fitch. In the past, this has been based on TfL being a debt-free body, on our relationship with central Government and on a good understanding by the credit rating agencies of the revenues, expenditures and risks that TfL faces.
- 8.6 Following SR04, S&P issued a short note re-affirming their AA rating and noted, however, that to maintain its rating, TfL would have to present and deliver a plan which closed previously projected gaps and which demonstrated its capacity for any projected increase in debt.
- 8.7 As part of the process of issuing debt, Corporate Finance have arranged meetings with the rating agencies to present TfL's 5-Year Investment Programme and funding plans.
- 8.8 Before TfL undertakes any debt under the borrowing programme, it will enter into discussions with the relevant rating agencies to consider the impact of any borrowing on TfL's ratings.

Market rates

- 8.9 As with other governmental and corporate sterling bonds, TfL's bonds will be priced by the market in reference to UK Government Gilts with the closest maturities to TfL's proposed sale. The specific interest rate for TfL's securities will depend both on the then current interest rate for Gilts, and a substantially smaller but additional amount of interest, or "spread", related to TfL's credit rating. Thus the largest portion of risk will be based on changes in Gilt rates which can be more volatile than the credit spreads for an issuer of TfL's high credit rating. Once the bonds are issued, interest rates will be fixed, and such risk eliminated.
- 8.10 With large-scale bond sales, the market may be forced into short-term supply & demand imbalances which could increase TfL's costs of borrowing on the day of sale. TfL is investigating appropriate methods of mitigating such a risk together with minimising the effect of fluctuations in interest rates.

9. OUTSTANDING ISSUES

Issuing Structure

- 9.1 We intend to issue bonds which benefit from the "Quoted Eurobond Exemption" enabling TfL to pay gross of withholding tax on the interest payments. This will permit the issuance of securities appealing to the widest range of capital market investors, and will create the most liquid benchmark trading range for our securities.
- 9.2 We are clarifying with the Inland Revenue whether TfL as an issuer can take advantage of the Quoted Eurobond Exemption. If not, it may possible to establish a new subsidiary of TfL (TfL Finance plc) as the issuing vehicle so as to benefit from the withholding tax exemption. Special purpose vehicles as issuers of debt are very common in the capital markets (e.g. Network Rail). TfL is undertaking further work on the appropriate issuing structure and will

provide any update on feedback from the Inland Revenue at the Board meeting.

- 9.3 In the event that TfL Finance plc issues the notes, comfort as to TfL Finance plc being able to service the payments of interest and principal in respect of the notes would be obtained by a guarantee from TfL. TfL would unconditionally and irrevocably guarantee TfL Finance plc's obligations in relation to the payments of principal and interest in respect of the notes by entering into a Deed of Guarantee for the benefit of the holders of the notes issued under the borrowing programme.

Treasury management

- 9.4 Treasury Management and Corporate Finance are undertaking a review of the cash positions which TfL anticipates maintaining over the coming years. This will include the management of those amounts raised through debt. A separate competition for appointing investment advisers for this purpose is being undertaken. The Treasury Management Quarterly Report provides more information on this topic.

10. RECOMMENDATIONS

- 10.1 The Board is requested to NOTE as follows:

- (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 dated 27 October 2004 will be within the revised Prudential Indicators to be agreed by the Board on 27 October 2004;
- (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; and
- (h) that following the issuance of the Initial Transaction a post transaction report will be provided to the Finance Committee.

10.2 The Board is requested to RESOLVE as follows:

- (i) 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;
- (j) 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;
- (k) 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;
- (l) 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;
- (m) 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;

- (n) 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;
- (o) 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;
- (p) 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;
- (q) 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;

- (r) 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;
- (s) that any of the Finance Committee, the Commissioner, the Managing Director, Finance and Planning, General Counsel (or Acting 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.

Annexes

Annex 1: Summary of documentation for a Medium Term Note Programme

Annex 2: Summary of documentation for the issuance of notes under the Medium Term Note Programme

ANNEX 1

Summary of documentation for a Medium Term Note Programme (“Programme”)

As part of the borrowing programme and, in particular, the Initial Transaction, TfL or TfL Finance plc, if it is the issuer, will need to enter into a number of key documents. These are summarised below.

Information Memorandum

An information memorandum which will contain (amongst other things) information relating to TfL and its subsidiaries (the "Group"), in particular:

- (i) a description of TfL and the Group;
- (ii) an indebtedness table and financial information;
- (iii) general information (which includes statements relating to the financial and trading position (and prospects) of the Group; and
- (iv) information relating to any material litigation involving the Group.

In addition, the Information Memorandum will include the terms and conditions (the "Terms and Conditions") of the notes which can be issued under the borrowing programme (key terms are discussed further below), a form of Pricing Supplement, information as to taxes in the issuer's jurisdiction and selling restrictions.

It is important to note that although the Information Memorandum will be given to investors, the document is a liability document and not a marketing document. TfL will need expressly to take responsibility for the contents of the Information Memorandum and both civil and criminal liability can arise for the contents of the Information Memorandum. A note from Clifford Chance describing the liability issues in greater detail will be circulated separately to Board members.

The Terms and Conditions set out in the Information Memorandum are necessarily incomplete and contain many alternative provisions catering for the many different types of notes which may be issued under the borrowing programme. The Terms and Conditions contain (amongst other things) conditions regarding a "Negative Pledge" and "Events of Default". The terms and conditions are still being negotiated with the lead arrangers, but the broad outline of the clauses is as described below.

The *Negative Pledge* is an undertaking by TfL, as issuer, limiting its rights to give security in respect of its own "Relevant Indebtedness" (i.e. in this case, publicly tradeable debt), without TfL providing security for the notes issued under the borrowing programme. It is to be noted that TfL wishes to negotiate a position whereby for the purposes of the Negative Pledge, indebtedness does not include the guarantees that TfL has entered into in relation to the PPP transactions.

The current condition regarding *Events of Default* states that TfL shall be in default under the notes issued under the Programme if it:

- (i) fails to pay principal or interest in respect of the notes issued under the Programme;
- (ii) fails to perform or observe material obligations under or in respect of the notes issued under the Programme or the Trust Deed; and
- (iii) defaults on payment of any other indebtedness provided that the amount of indebtedness exceeds £25,000,000. It is to be noted that TfL wishes to negotiate a position whereby for the purposes of the Events of Default, indebtedness does not include the guarantees that TfL has entered into in relation to the PPP transactions.

The Information Memorandum will comprise the equivalent of listing particulars relating to TfL as issuer and will be prepared in accordance with the Financial Services and Markets Act 2000 (the "FSMA").

TfL is responsible for preparing the Information Memorandum as if section 80 of the FSMA is applicable to TfL. In particular, TfL is responsible for ensuring that the Information Memorandum contains the information which investors and their professional advisers would reasonably require, and reasonably expect to find there, for the purpose of making an informed assessment of:

- the assets and liabilities, financial position, profits and losses, and prospects of TfL as issuer; and
- the rights attaching to the Notes.

It is to be noted that if a significant change arises between the publication of the Information Memorandum and the issue of notes under the borrowing programme affecting any matter contained in the Information Memorandum in relation to TfL or the Group, TfL is obliged, in accordance with the listing rules of the U.K. Listing Authority, to submit to the U.K. Listing Authority for its approval and, if approved, to publish supplementary listing particulars of the change or new matter.

Dealer Agreement

A dealer agreement to be entered into by TfL as issuer, HSBC and Morgan Stanley as arrangers and dealers and the other dealers named therein in which TfL and the dealers agree that any notes which may from time to time be issued by TfL and purchased by any one or more dealers shall be issued and purchased on the basis of and in reliance upon the representations, warranties, undertakings and indemnities made in or pursuant to the Dealer Agreement.

The Dealer Agreement makes it clear that, unless a separate agreement to such effect is reached between TfL, as issuer and one or more dealers, neither TfL as issuer nor any dealer is under any obligation to issue or purchase any notes.

The representations and warranties given by TfL in the Dealer Agreement cover such matters as due incorporation, capacity and authorisation of the issuer, the obtaining of all necessary authorisations and consents, the accuracy and completeness of the Information Memorandum, the preparation of financial statements, the absence of material litigation, no significant change in the financial or trading position of the issuer since the date of the most recent accounts prepared and no events of default. Certain of the representations and warranties given in the Dealer Agreement (accuracy of the Information Memorandum, absence of material litigation and no significant change in the financial or trading position) will be repeated in respect of each issue of notes and also at the time of any variation in the programme (including change in the authorised amount of the borrowing programme) and whenever the Information Memorandum is updated. Certain of the representations, by their very nature, are only given in respect of and at the time of an issue of notes, and are drafted accordingly.

TfL, as issuer, will have ongoing obligations under the terms of the Dealer Agreement to (amongst other things) supply such information relating to TfL as issuer as reasonably requested by the dealers to the dealers and to update the Information Memorandum in the event of any material change to TfL. Other undertakings ensure that the dealers are kept informed of matters relating to the borrowing programme, for example, the aggregate principal amount of outstanding notes and any changes in the programme documentation.

TfL will give an indemnity to each dealer and the dealers' related parties in respect of any loss suffered by them arising out of, in connection with or based on any misrepresentation by TfL or breach by TfL of the Dealer Agreement or any agreement entered into by TfL in respect of an issuance of notes under the borrowing programme. Subject to limited exceptions, each dealer will give an indemnity to TfL and its related parties in respect of any loss suffered by TfL arising out of breach by a dealer of the Dealer Agreement or any agreement entered into by TfL and that dealer in respect of an issuance of notes under the Programme.

Trust Deed

A Trust Deed to be entered into by TfL and a Trustee (yet to be selected) in which the Trustee agrees to act as trustee in connection with the Programme and which contains (amongst other things) the Terms and Conditions and draft forms of temporary global note, permanent global note and definitive note which evidence the issuance of notes under the borrowing programme.

The Trustee is a representative of the noteholders and may in certain circumstances exercise the noteholders' rights on behalf of the noteholders. The Trustee has certain duties and responsibilities pursuant to law and the terms of the Trust Deed.

The role of the trustee is that it is the representative of the noteholders. Although it is necessary to pay a fee to the trustee, the advantages to an issuer of having a trustee are as follows:

- only the trustee may accelerate the notes on the occurrence of an event of default although the noteholders may, by extraordinary resolution, or if a specified percentage of noteholders so direct, require the trustee to accelerate the notes. This protects the issuer from individual noteholders accelerating the notes for what may be, in reality, a technical default;
- it is also usual to provide that certain of the events of default should not be capable of accelerating the notes unless the trustee shall first have certified that such event is materially prejudicial to the noteholders. In addition, the trustee has power to waive breaches which are not materially prejudicial to the noteholders. A trustee will, however, be cautious to waive and will convene a meeting of noteholders if in doubt;
- provisions may be included allowing the issuer to substitute another group company in place of itself as issuer under the notes since the trustee can monitor the substitution (the terms and conditions of the Notes to be issued under the Initial Transaction currently provide that the issuer may be substituted by "a subsidiary or certain other entities"). Furthermore, the trustee can approve restructurings which might otherwise cause an event of default

Agency Agreement

An Agency Agreement to be entered into by TfL as issuer, a bank (yet to be selected) acting as Principal Paying Agent and one or more Paying Agents (Agents) in which TfL appoints the Agents in connection with the borrowing programme.

The Agency Agreement is an administrative document which sets out the provisions for payment of interest and principal, keeping records of issue, payment, redemption, destruction of notes and coupons, exchange of global notes for definitive notes and the fees, expenses, appointment and resignation of the Agents.

The Agents are agents for the issuer and carry out administrative functions in accordance with the provisions of the Agency Agreement. Typically, the Agents will:

- (i) administer payments of principal and interest to the holders of bonds, receipts and coupons;
- (ii) authenticate the temporary and/or permanent global bond and definitive bonds when or if they are issued in relation to an issue of notes under the Programme;
- (iii) oversee the exchange of the temporary global note issued in respect of an issuance of notes under the Programme for definitive bonds or a permanent global bond;
- (iv) issue replacement definitive bonds in the case of theft, loss, destruction, mutilation or defacement; and
- (v) keep records of issue, payment, redemption and destruction of bonds, receipts and coupons.

Deed of Guarantee

If TfL Finance plc is to be the issuer, TfL will also enter into a Deed of Guarantee.

TfL would unconditionally and irrevocably guarantee TfL Finance plc's obligations in relation to the payments of principal and interest in respect of the notes by entering into a Deed of Guarantee for the benefit of the holders of the notes issued under the borrowing programme.

ANNEX 2

Summary of documentation for the issuance of notes under the Medium Term Note Programme

Subscription Agreement

In respect of any issue of notes under the borrowing programme, a subscription agreement (the "Subscription Agreement") in the form set out in a Schedule to the Dealer Agreement will be entered into between TfL as issuer and the dealer or dealers mentioned therein in which the dealer(s) agree to subscribe for and TfL agrees to issue notes on the basis of the representations, warranties, undertaking and indemnity given by TfL, as issuer in the Dealer Agreement.

Pricing Supplement

The Pricing Supplement in the form set out in the Information Memorandum is to be signed by and on behalf of TfL. The form of the Pricing Supplement will follow the pro forma pricing supplement recommended by International Primary Markets Association. The Pricing Supplement sets out the specific terms of the notes to be issued.

The Terms and Conditions set out in the Information Memorandum are necessarily incomplete and contain many alternative provisions catering for the many different types of notes which may be issued under the borrowing programme. For each issue of notes, the Terms and Conditions will be supplemented and completed by a pricing supplement. The Pricing Supplement will supply the missing details, for example, the interest rate and will select which of the alternative provisions contained in the Terms and Conditions actually apply to the issue of notes.

TRANSPORT FOR LONDON

STAFF SUMMARY

BOARD MEETING

SUBJECT: 2004/05 TfL Group Budget – Proposed Changes

MEETING DATE: 27 October 2004

1. PURPOSE

- 1.1 To inform the Board of proposed changes to TfL's 2004/05 budget, arising as a consequence of the announcement of future Transport Grant allocations following the Government's 2004 Spending Review.

2. BACKGROUND

- 2.1 TfL's 2004/05 budget approved by the Board on 24 March 2004 consisted of levels of net expenditure consistent with the TfL Business Plan published in November 2003. The Board were advised at the time that until the results of the Government's SR2004 were known, TfL would manage expenditure within the indicative funding levels from 2005/06 onwards, which were substantially lower than the "aspirational" Business Plan adopted by the Board last November. Since the SR 2004 Settlement was not known until late July and the full impacts until September some services, projects and programmes were curtailed or deferred during 2004/05 to ensure the indicative levels in 2005/06 were not exceeded. Consequently, a review was carried to determine which movements in expenditure were driven by changed circumstances including items such as the SR 2004 Settlement, improving income trends, further savings being achieved and delays from consultation/planning consents.
- 2.2 TfL is now seeking Board Approval for changes to the 2004/5 Budget which are set out in Paragraph 3 below. This revised budget is now consistent with both the confirmed funding arrangements from the SR2004 Settlement and the updated Business Plan that will be proposed for approval at the Board Meeting on 27th October.

3. BUDGET CHANGES BY MODE

Surface Transport

- 3.1 Surface Transport are proposing a reduction of £100.7m to their activity budget in 2004/05 with the intention of carrying over these funds to support revised planned expenditure in 2005/06 and beyond. This represents a larger reduction from that shown at the Finance Committee (£87.5m) following a review by the Managing Director, Surface Transport, of the period 6 position, which has subsequently become available. Details of the proposed reduction are:

Surface activity budget £m	1184.9	
Bus Network income	(36.0)	Improved income due to fares increase 1% higher than budget, higher than expected patronage and lower take up of pre-pay.
Bus Network costs	(29.0)	Lower contract costs as services held to 'restore bus service' levels, lower commission paid as percentage of off-bus fares lower than budgeted
TLRN improvements	(17.2)	Delays to Hangar Lane and Coulsdon and other slippage
Bus Garages and Stations	(6.8)	Delays to Hanworth Road and Walworth bus garages and Edmonton Green bus station
Congestion Charging – Western Extension	(11.7)	Revised profile to allow for formal consultation process
Revised Surface budget	1084.2	
Net Reduction	100.7	

London Underground

- 3.2 London Underground are seeking to reduce their total activity budget by some £196.5m. The table below details, by activity, the key changes:

LUL activity budget £m	1240.8	
Traffic Revenue	25.0	Consistent with P6 forecast and better than expected. Now reflects 01/2005 RPI+1% increase and upward trends in patronage.
PPP ISC	(37.2)	Largest element is for reduced costs following cancellation of TIMIS, replaced with TRACKER which supplies the vast majority of functionality sooner and more cost effectively.
PPP Specials	18.4	Reflects the current state of negotiations for costs of special projects including Brixton and Earl's Court
Corporate Expenses	(8.2)	Improved ticket selling commission and lower bank charges
Property rental income	(3.9)	Higher occupancy of Canary Wharf
Property sale proceeds	(9.8)	Sales completed in 2004/5 instead of 2003/4
Risk	(107.4)	Reduction in risk to offset income shortfall above and following the first annual review of PPP contracts
Project Expenditure	(73.4)	See Annex 1
Revised LUL budget	1044.3	
Net Reduction	196.5	

Corporate Directorates

- 3.3 Proposed reductions to the Corporate Centre's budgets are as follows:

Centre's activity budget £m	155.5	
Facilities	6.4	Windsor House and Empress House refurbishment not anticipated in original budget
IT Support Costs	7.8	Common IM infrastructure project costs omitted from budget
Group Treasury	(29.8)	Revised interest receivable resulting from re-budget exercise
Group Treasury	9.8	Prudential Borrowing debt service
Group Finance	1.2	Cost of consultancy for Prudential Borrowing & Momentum Project
Revised activity budget	150.9	
Net Reduction	4.6	

4. SUMMARY FINANCIAL POSITION

4.1 A summary of the group's overall budget position is shown below:

	£m	£m
Board agreed TfL activity budget as at March 2004		2618.4
Reduction to Underground budget	(196.5)	
Reduction to Surface budget	(100.7)	
Reduction to Corporate Directorates budget	(4.6)	
Proposed revised TfL activity budget		2316.6

5. RECOMMENDATIONS

5.1 The Board is asked to AGREE the proposed changes to TfL's 2004/05 Budget as outlined in this paper.

LONDON UNDERGROUND PROJECT EXPENDITURE REDUCTION

	£m	£m
Savings made		
Jubilee line works related projects - decrease in overall budget to £125m	(22.7)	
TIMIS Cancelled	<u>(10.6)</u>	(33.3)
De-scoped and cancelled items	<u>(33.6)</u>	(33.6)
Additional costs		
Wembley Park	13.1	
Connect Enabling Works	<u>21.0</u>	34.1
Change method of procurement from PFI to direct purchase		
leading to reduced financing charges in future years in Connect and Power projects	<u>58.8</u>	58.8
Overprogramming provision		(8.2)
Deferred items included in future year budgets		
Tottenham Court Road - Crossrail Dependant	(6.3)	
Camden Town (Awaiting Powers)	(19.3)	
Power for connect (delayed requirement)	(5.6)	
Annex II works (later than anticipated requirements by the InfraCos) owing to delayed PFI works for PPP	(29.0)	
Planning and accessibility programme (deferred due to 05/06 commitments)	<u>(31.0)</u>	(91.2)
Total decrease in projects budget for 04/05		<u><u>(73.4)</u></u>

TRANSPORT FOR LONDON

STAFF SUMMARY

BOARD MEETING

SUBJECT: Direction from the Mayor

MEETING DATE: 27 October 2004

1. PURPOSE

- 1.1 On 16 July 2004 the Mayor issued a Direction to TfL in relation to equality of opportunity, the elimination of unlawful discrimination and the need to promote good relations between specified groups. The purpose of this paper is to notify the Board of that Direction.

2. BACKGROUND

- 2.1 Pursuant to the Direction TfL must have, when exercising its functions, regard to the need:
- (a) to promote equality of opportunity for all persons irrespective of their race, sex, disability, age, sexual orientation or religion;
 - (b) to eliminate unlawful discrimination; and
 - (c) to promote good relations between persons of different racial groups, religious beliefs and sexual orientation.
- 2.2 This Direction means that TfL has to consider the same issues when exercising its functions as the Greater London Authority, the Metropolitan Police Authority and the London Fire and Emergency Planning Authority are required to consider pursuant to section 404 of the Greater London Authority Act 1999 ("the GLA Act").
- 2.3 Under the GLA Act, TfL must comply with Directions of the Mayor when exercising its functions. Standing Orders require that Directions and Guidance of the Mayor are notified to the Board.
- 2.4 TfL Legal, in conjunction with the Equality and Inclusion Team, are currently preparing on Guidelines which will assist the organisation in fulfilling the requirements of the Direction.
- 2.5 A copy of the Direction is attached.

3. RECOMMENDATIONS

3.1 The Board is asked to NOTE this Paper.

RECITALS

- (1) Under section 404(1) of the Greater London Authority Act 1999 (the 'Act'), in exercising their functions, it shall be the duty of the Greater London Authority (whether acting by the Mayor, the Assembly or the Mayor and Assembly jointly), to comply with the requirement in section 404(2).
- (2) The requirement is to have regard to the need
 - (a) to promote equality of opportunity for all persons irrespective of their race, sex, disability, age, sexual orientation or religion;
 - (b) to eliminate unlawful discrimination; and
 - (c) to promote good relations between persons of different racial groups, religious beliefs and sexual orientation.
- (3) In practice, Transport for London (TfL) has sought to implement the requirements in section 404(2) of the Act, in response to the Mayors policy priorities to promote these matters.
- (4) By clarifying the legal position of TfL with regard to the requirements identified in section 404(2) of the Act, the proposed direction will strengthen the practice of equalities being a cross-cutting approach across all areas of TfL operations.
- (5) By strengthening the current legal context that determines equality policy and practice in public authorities and to ensure there is greater consistency across the GLA Group it would be appropriate for the Mayor to issue a direction to TfL requiring them to have regard to the matters listed in section 404(2) of the Act, just as other parts of the GLA Group are already required to do.

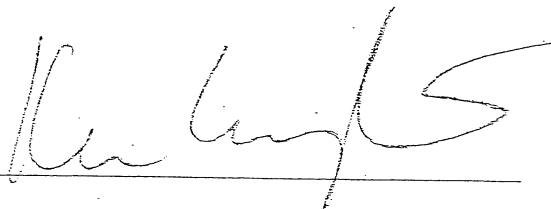
DIRECTION

In accordance with sections 154-155 of the Act, I, Ken Livingstone, Mayor of London, hereby direct that, until further direction on this matter, TfL shall in exercising their functions comply with the requirement in section 404(2) of the Act.

DATED this

16th day of July 2004

Signed:



KEN LIVINGSTONE
MAYOR OF LONDON

THE MAYOR OF LONDON

And

TRANSPORT FOR LONDON

DIRECTION

TRANSPORT FOR LONDON

STAFF SUMMARY

BOARD MEETING

SUBJECT: LRT Pensions Fund and Trustee Company – Name Change

MEETING DATE: 27 October 2004

1. PURPOSE

- 1.1 This paper seeks approval from the Board to change the name of the LRT Pension Fund to TfL Pension Fund and the LRT Pension Fund Trustee Company Limited to TfL Trustee Company Limited.

2. BACKGROUND

- 2.1 Following transfer to TfL last year now would be an appropriate time to change these names to reflect this.
- 2.2 The LRT Trustee Board formally agreed to the name changes at its last meeting held on 15th September 2004.

3. RECOMMENDATIONS

The Board is asked to:-

- 3.1 APPROVE that the name of the LRT Pension Fund be changed to the TfL Pension Fund.
- 3.2 AGREE 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.
- 3.3 AGREE that the name of the LRT Pension Fund Trustee Company Limited be changed to the 'TfL Trustee Company Limited'.
- 3.4 APPROVE the associated amendments to the Articles of Association to reflect the change in name of the LRT Pension Fund Trustee Company Limited, to TfL Trustee Company Limited and the deletion of all references to 'LRT', to be replaced with 'TfL'.

TRANSPORT FOR LONDON

STAFF SUMMARY

BOARD MEETING

SUBJECT: London Local Authorities and Transport for London Bill

MEETING DATE: 27 October 2004

1. PURPOSE

- 1.1 TfL and the London boroughs are in the process of preparing a joint bill to be deposited in Parliament on 27 November 2004 (“the joint Bill”). Pursuant to TfL’s Standing Orders promotion of a bill is a matter reserved to the Board, subject to obtaining the consent of the Mayor in accordance with the Greater London Authority Act 1999 (“GLA Act”). The Board is asked to approve in principle the promotion by TfL of the joint Bill with London boroughs.

2. BACKGROUND

- 2.1 The Association of London Government (“the ALG”) is in the process of co-ordinating the promotion of a ninth London Local Authorities Bill by all London boroughs. The ALG recently advised TfL that the proposals for inclusion in the borough bill included transport issues that are equally applicable to TfL. In order for TfL to get the benefit of these transport provisions they must be jointly promoted in a separate bill by the London boroughs and TfL. Jointly promoting such a bill also provides an opportunity for TfL to ensure provisions which it believes are particularly beneficial are included.
- 2.2 In summary the joint Bill provides further powers to highway and traffic authorities in London and a summary of the current proposed provisions is attached as Appendix one. The scope of the joint Bill is limited to provisions that relate to the functions of both TfL and the London boroughs and both parties as joint promoters must agree the provisions. TfL will be discussing further with the ALG the content and detail of the provisions. There will also be further consultation on the draft proposals in accordance with the process set out below.

3. PROCESS

- 3.1 When promoting a bill TfL must comply with the procedures set out in the GLA Act, including consultation. TfL must consult with the Mayor, the Assembly, every London local borough and the Common Council.

- 3.2 TfL must also obtain the written consent of the Mayor before depositing the joint Bill in Parliament. Amendments may be made to the joint Bill as a result of the consultation process. The Mayor's written consent to the joint Bill is then required as soon as practicable after the expiration of 14 days after the joint Bill has been deposited in Parliament.

4. FINANCIAL IMPLICATIONS

- 4.1 The cost of pursuing the joint Bill will be shared between the ALG and Transport for London. The total cost is estimated at £200-300,000. TfL's maximum exposure will be £75,000 which will be funded out of the Enforcement Task Force budget in the Transport Policing & Enforcement Directorate.
- 4.2 The provisions, as currently drafted, will enable significant operational improvements to London's transport system. The latter arise primarily through enabling persistent evaders of Penalty Charge Notices to be pursued more effectively for their outstanding debt. Based on current bus lane enforcement, there are around 3,670 persistent evaders accounting for a total debt of £1,787,300. The provisions in the Bill would enable a significant proportion of this debt to be recovered.
- 4.3 The provisions around highway maintenance and removal will enable better maintenance of the TLRN and Borough principal roads.

5. RECOMMENDATIONS

- 5.1 The Board is asked to APPROVE in principle that TfL promote the joint Bill in accordance with the process set out above and delegate to the Managing Director, Surface Transport the authority to agree the contents of the joint Bill on behalf of TfL.

APPENDIX 1

Summary of London Local Authorities and Transport for London Bill

The joint Bill aims to confer further powers upon local authorities in London and upon Transport for London in relation to highways and road traffic, filming, fixed penalties and various miscellaneous and supplemental issues. In summary the current proposed provisions cover the following:

- Powers to deal with persistent non-payment of penalty charges, similar to those that currently exist for persistent evaders of congestion charges. This includes the power to fix an immobilisation device on vehicles, to remove vehicles, to dispose of removed vehicles and contents, recover penalty charges in relation to removed vehicles and the power to take possession of vehicles. It also addresses claims by the owner of a vehicle after its disposal.
- A general exemption from traffic restrictions for vehicles engaged in waste collection. However, a traffic authority would still be able to override the exemption with a traffic order applying the traffic restrictions to these vehicles.
- Where an immobilisation device has been fixed to a vehicle the enforcing authority currently has powers to require a charge for the release of the device. It is proposed to introduce a provision requiring payment of such a release charge where the device has been unlawfully removed.
- Currently the legislation provides for the service of notices to owners in relation to unpaid penalty charges in respect of bus lanes and parking and certain moving traffic contraventions, subject to certain time limitations. It is proposed to amend the relevant legislation to address the situation where payments of the penalty charge are made or have been purportedly made and then cancelled or withdrawn after the time limit has expired.
- An amendment to existing enforcement legislation in order to close a loophole in that legislation ensuring that all vehicles parked unlawfully on footways are caught.
- New provisions to regulate specified goods vehicles from waiting in controlled areas. Whilst overnight parking of goods vehicles is already banned in most places throughout London, the purpose of the proposed provisions is to reduce existing onerous traffic signing requirements.
- New powers to remove overhanging vegetation which obstruct views of traffic signs.
- New powers to enforce cycling on footways by fixed penalty notice and powers to stop cyclists.

- New powers to remove abandoned apparatus from streets. This provision is intended to address the problem of disused telephone booths on the street.
- It is proposed to apply parking and traffic contraventions to pedicabs, which are currently not caught. In order to enable enforcement of these contraventions a simple registration scheme will also be introduced.
- The power to restrict or prohibit traffic on roads for the purpose of filming, including notices for enforcing this power and the power to grant permission to any person making a film to place temporarily on the highway any object or thing required for the purpose of making a film.
- The existing fixed penalty notice regime is amended to allow a reduction in the penalty charge for fixed penalty notices, if it is paid within 14 days beginning with the date of the notice. This relates to various offences under the Highways Act 1980 such as obstruction of the highway, failure to remove builders' skips, depositing material on the highway and causing a danger on the highway.
- The decriminalisation of three offences relating to driving on the footway/footpath. The penalty charge provisions in the London Local Authorities and Transport for London Act 2003 will apply to these offences.
- A new power to remove cycles and trailers that are abandoned, causing a nuisance or unlawfully chained to the highway.
- A new power for parking attendants to remove anything which obscures a registration mark or plate.
- Supplemental provisions such as obstruction of an authorised officer and the defence of due diligence.
- The joint Bill also proposes to make some minor amendments to certain legislation to rectify errors.

TRANSPORT FOR LONDON

STAFF SUMMARY

BOARD MEETING

SUBJECT: Audit Committee Report

MEETING DATE: 27 October 2004

1. PURPOSE

1.1 To update the Board on the meeting of the Audit Committee meeting held on 14 October 2004.

2. BACKGROUND

2.1 The Audit Committee met, as planned, on the 14 October to consider routine agenda items. This included reviewing Internal Audit final reports issued in the second quarter for 2004-5, the report on management actions in implementing internal audit recommendations, and the six monthly report from the external auditors on fees charged for non-audit services.

2.2 The Committee considered a high level paper setting out the actions being taken to manage capacity in line management, finance and audit to ensure that TfL is able to manage the volume and complexity of issues it now faces in respect of existing contracts and the investment programme. It was agreed that a paper would be brought to the next committee meeting on 8 December reporting on the further progress in these areas as management's plans continue to be developed.

2.3 The Committee also considered the Draft Code of Conduct which is to be rolled out in TfL once the current consultation rounds have been completed.

2.4 The Chief Finance Officer updated the Committee on the draft Initial Performance Assessment receive from the Audit Commission which had been discussed with them at a round table meeting the day prior to the Audit Committee. TfL was to return responses to the Audit Commission before the 25 October for them to consider whether any amendment was needed to the provisional score. The final report is due to be published on the 25 November and will be tabled at the Board Meeting on 1 December assuming it is published on time.

- 2.5 Finally the Committee received a presentation on the HR shared service centre which is due to be implemented in January 2005. The Committee reviewed the objectives for establishing the centre, the proposed efficiencies that will be achieved with its implementation and the project plan to achieve the implementation date.
- 2.6 The next scheduled meeting of the Audit Committee is 8 December 2004.

3. RECOMMENDATIONS

- 3.1 The Board is asked to NOTE the contents of this report.

TRANSPORT FOR LONDON

STAFF SUMMARY

BOARD MEETING

SUBJECT: Finance Committee Report

MEETING DATE: 27 October 2004

1. PURPOSE

- 1.1 To report to the Board on matters discussed at the Finance Committee on 14 October 2004.

2. BACKGROUND

- 2.1 The majority of the time of the Committee was devoted to consideration of the implementation of the TfL Borrowing Programme. The Committee was particularly keen to assure itself of the affordability of the full Plan but accepted that the proposed initial bond issue would not be a problem in this respect. A paper seeking the Board's approval to the Borrowing Programme and the initial bond issue has been considered earlier in the agenda.
- 2.2 The Committee received a revised budget for 2004/5 and recommended it for approval by the Board. The reasons for the revision of this year's budget are set out in a paper earlier in the agenda which formally seeks this approval and, accordingly, are not repeated here.
- 2.3 The second quarterly Treasury Management report for 2004/5 was considered by the Committee. TfL's investments continue to perform well above benchmark and the Committee asked for its thanks to be passed to the Treasury Management team on this success. Work is under way to develop a process that clearly accounts for resources (reserves and borrowing) held for capital requirements, operational contingencies etc and a full report on this will be considered at the Committee's next meeting.
- 2.4 The Committee received a report on TfL's revised efficiency plans to support the delivery of the new Business Plan and how they relate to the targets given to TfL by DfT as part of the Gershon review of public sector efficiency. These matters are dealt with in the efficiencies section of the draft Business Plan which is considered elsewhere in the agenda and, again, are not repeated here. The report also updated the Committee on the status of TfL's Efficiencies programme for 2004/5. This remains on track to deliver the overall savings target for the year.

- 2.5 Finally, the Finance Committee noted a report which is submitted to each of its meetings informing it of any project approvals given since its last meeting by the Commissioner (or in his absence, the Managing Director, Finance and Planning) for projects budgeted to cost between £25m and £100m. Two such projects were approved since the last meeting in July – an enhancement to Shepherds Bush Central Line station in conjunction with the White City development and the acquisition of property for the extension to the East London Line (the costs of the latter will be funded by the Strategic Rail Authority).
- 2.6 The next meeting of the Finance Committee will take place on 12 November 2004.

3. RECOMMENDATION

- 3.1 The Board is asked to NOTE the contents of this report.

TRANSPORT FOR LONDON

STAFF SUMMARY

BOARD MEETING

SUBJECT: Report from Safety Health and Environment Committee Meeting – 6th October 2004

MEETING DATE: 27th Oct 2004

1. PURPOSE / INTRODUCTION

1.1 To update the Board on Health, Safety and Environmental (HSE) matters and resilience (security, emergency plans and business recovery plans).

2. BACKGROUND

2.1 The meeting addressed the Quarter 1 performance of the businesses, the HSE plans as incorporated into the draft Business Plan and reviewed resilience matters within TfL, as discussed at the Safety, Health and Environment Committee held on 6th October 2004.

3. IMPACT ON FUNDING

3.1 All related funding matters are addressed within the draft Business Plan.

4. RECOMMENDATIONS

4.1 The Board is asked to NOTE the contents of the report.

Further details on the content of the report can be obtained from:
Richard Stephenson (Tel: 0207 941 4905)
Director Group HSE

REPORT TO TFL BOARD FROM 6 OCTOBER 2004 SHEC MEETING

Quarter 1 HSE reports from the businesses were reviewed.

Rail:

The safety implications arising from proposed expansion of responsibilities in relation to rail was raised and it was noted that this would be addressed in a presentation/briefing to the Board in Nov/Dec.

Surface Transport:

In addition to the matters in the report the meeting was updated on:

- impact of road safety actions in terms of casualty reductions that have been seen over recent years;
- a recently published detailed report from the Road Safety Unit on powered two wheeler (P2W) accidents was submitted;
- a plan to increase spending by £750,000 on public awareness of the P2W road safety issues;
- consultation that is taking place to update the 2001 Road safety Plan which continues to focus effort and expenditure where best results are expected; and
- a proposal to increase the rate of introduction of safety cameras.

LUL:

It was noted that the report on the investigation into the White City derailment is now available. Also, the problems with extracting the sickness absence data for 2003/04 from SAP have been resolved and the data are now available. Further analysis is to be undertaken with the hope of confirming the benefits of intervention on lower back pain and mental illness/stress, the two principal causes of sickness absence.

It was noted that as the volume of improvement works on the Underground increases there is an increase in noise, despite efforts to minimise this.

Communication with the public and particularly those who may be affected in advance of works is an important aspect of how LUL and the Infracos seek to ensure understanding, and acceptance of any residual noise nuisance following use of appropriate control measures.

Corporate directorates:

No issues of note.

HSE in the Business Plan 2005/06

[NB. HSE elements of the business plan are not attached here as the Business Plan, including HSE elements, is available under another TfL Board Agenda Item No. 4]

Richard Stephenson introduced the HSE input for the Group Business Plan and members were invited to review and comment on it.

There was broad support for the Safety aspects of the plan proposals.

With regard to Health there was discussion on sickness absence performance and the need to address this in a structured manner. It was noted that now that 2003/04 data are available these will be analysed to provide the basis for action to improve health and sickness absence. A plan outlining proposals will be taken to SHEC.

The question was raised as whether the level of detail on environmental matters was appropriate for SHEC but there was a view that the level of detail was suitable for the business plan given stakeholder interest in this important area. RS agreed to review environmental plan inputs to SHEC in future.

Resilience – Security, emergency planning and business recovery

Richard Stephenson gave an oral update on resilience matters in TfL. He reminded the SHEC that ‘security’ was addressed in the Terms of Reference of SHEC and that the interpretation that had been placed on this was that SHEC should address resilience matters as this is the currently used ‘umbrella’ term rather than ‘security’.

A working definition of ‘resilience’ has been agreed:

“Resilience means having the capability to appropriately minimise the likelihood of, and impact from, operational and/or non-operational disruptions, from whatever cause, and in so doing minimise harm to people and the environment, damage to property, financial impacts and damage to reputation.”

RS reported that, as a result of the recognition that there had been significant changes internally in TfL (e.g. LUL joining TfL; reorganisation in Surface Transport and corporate directorates) and externally (e.g. profile of terrorist threat; creation of London Resilience) a pan TfL review of resilience matters had commenced earlier in the year.

This review has two aims.

Firstly, to ensure that TfL is adequately resilient. To this end a review of emergency and business recovery plans, individually and collectively, is being carried out and our capability to provide other services if necessary is being assessed.

Secondly, to put in place structures and processes to maintain adequate resilience, and to provide assurance to the Commissioner, SHEC and the TfL Board that this is the case. To these ends a resilience steering team, at Chief Officer level, and a resilience working group, at direct report level, have been set up. A draft Terms of Reference for each has been prepared. And, initial proposals for improved formal assurance processes have been outlined.

A number of ‘cross-business issues’ have been identified and are being addressed. Amongst these are:

- security contacts and information flow;
- communications at the time of a major incident;
- leveraging of capital resources needed for recovery; and

- managing our interfaces with London Resilience optimally.

The chair asked that the review of resilience be conducted thoroughly but with all speed and that remedial actions identified be addressed in a timely manner. It was agreed that SHEC would be updated on the progress of the review at the next meeting.

SHEC supported the provision of another opportunity for TfL Board members to be briefed on HSE processes and matters. It was proposed to seek dates to do this before year-end.

It was agreed that a date would be sought for SHEC members to make a site visit so that they might be directly acquainted with the management of HSE matters in the field.

**DOCUMENTS SEALED ON BEHALF OF TRANSPORT FOR LONDON FROM
8th July 2004 – 12th October 2004**

Property Transactions

- 1 Lease
- 2 TR1 Land Registry Form
- 9 DSI Land Registry Form – Cancellation if entries
- 1 Deed of Covenant and Release
- 1 CN1 Land Registry form
- 1 TP3 Land Registry form
- 1 TP1 Land Registry form
- 1 Deed of Variation
- 1 Section 38 Agreement
- 1 Collateral Warranty
- 1 Deed of Release
- 3 Deed's of Variation
- 1 Licence to Assign

Highway Agreements

- 3 Agreements, Section 278 of the Highway Act 1980
- 2 Agreements, Section 8 of the Highway Act 1980

Bus Lane Enforcement

- 1 Joint Agreement in connection with the enforcement of bus lane contraventions

Thames Gateway

3 Highway Orders

1 Compulsory Purchase Order 2004

LRT Pension Fund

1 Deed of Withdrawal

The TfL Seal Register will be available for inspection by Board Members at the meeting.