TRANSPORT FOR LONDON

AGENDA

BOARD MEETING

TO BE HELD ON WEDNESDAY 3 DECEMBER 2003
IN THE CHAMBER, CITY HALL, THE QUEEN’S WALK, LONDON SE1 2AA
COMMENCING AT 10.00AM

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 29 October 2003
1.3 Matters arising, not covered elsewhere

Business Items
2. Commissioner’s Report
3. Finance and Performance Report
4. Limits for Bank Deposits
5. PPP Contract Performance (oral)

Procedural Items
6. Report from the Audit Committee

Items for Noting
7. The Olympic Transport Bid (oral)
8. Documents Sealed on behalf of TfL

Other Items
9. Any Other Business

Date of next meeting: Wednesday 11 February 2004 at 10.00am
Minutes of a meeting of the Board
held on Wednesday 29 October 2003, commencing at 10.30 a.m.
in the Chamber, City Hall, the Queen’s Walk, London, SE1 2AA

Present:
Board Members:  Dave Wetzel (in the Chair)
                 David Begg
                 Stephen Glaister
                 Kirsten Hearn
                 Sir Mike Hodgkinson
                 Oli Jackson
                 Susan Kramer
                 Paul Moore
                 Murziline Parchment
                 David Quarmby
                 Tony West

In attendance:
Special Advisors: Bryan Heiser
                 Lynn Sloman

TfL Officers:  Maggie Bellis
               Ian Brown
               Stephen Critchley
               Isabel Dedring
               Peter Hendy
               Pip Hesketh
               Betty Morgan
               Locksley Ryan
               Fiona Smith
               Tim O’Toole
               Jay Walder

Secretary:  Jacqui Gregory

51/10/03  APOLOGIES FOR ABSENCE

Apologies for absence were received from Ken Livingstone, Bob Crow
and Robert Kiley.
Emma Sawyer

The Chair noted that Emma Sawyer would be commencing maternity leave the following day (30 October 2003). Board Members thanked Emma for the support she had given to them and the TfL Board over the past three years and conveyed their best wishes to her in the future.

Charter from Users of London Dial-a-Ride

Tony West presented the Chair with a charter from DaRT representing users of London Dial-a-Ride, which set out ten major user requirements up to the year 2008. The Chair accepted the charter and undertook to pass this on to the Mayor.

52/10/03 MINUTES OF THE PREVIOUS MEETING HELD ON 29 JULY 2003

The minutes of the meeting held on 29 July 2003 were agreed and signed as a true record.

53/10/03 MATTERS ARISING

Declaration of Interests

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

Matters Arising

Noted that with the exception of the item on PPP Performance, all actions agreed at the last meeting had been completed; the Chair advised that TfL was not yet in a position to provide a written report on PPP Performance, but that Tim O’Toole would give an oral presentation on this at the meeting and update the Board on the recent rail incidents.

PPP Performance

Tim O’Toole gave a presentation on financial performance and measures used to assess performance of the PPP contracts and highlighted the following in particular: -

- PPP Infrastructure Service Charge as at period 6 (ending 13 September 2003) indicated a favourable total budget variance for the year of £66 million when compared with forecast; Tim O’Toole explained that the budget had assumed higher penalties against LUL for engineering hours, although it was acknowledged that LUL had implemented a disciplined process for access during engineering hours and therefore claims by the infrastructure companies were lower than anticipated;

- PPP Performance as at period 6 indicated the following: -
  - availability – BCV were below benchmark performance, which was attributable to the Circle line being taken out of service. JNP and SSL were above benchmark performance;
- capability – all three infrastructure companies were at or above benchmark performance;
- service points – faults – all three infrastructure companies were on target, although there was a downward trend in performance for BCV;
- service points – facilities – JNP was at benchmark performance and BCV and SSL were below benchmark performance, which was mainly attributable to the condition of staff toilets;
- ambience – BCV was above benchmark performance, mainly due to the Central line trains having been cleaned during the closure of the Central line, JNP was a fraction below benchmark performance and SSL was achieving benchmark performance;
- minor works – BCV and JNP were delivering by the agreed target dates and SSL was below benchmark performance;
- access – all three infrastructure companies were below benchmark, mainly as a result of unnecessary booking of track time. Tim O'Toole advised that discussions were taking place with the infrastructure companies to resolve this matter;
- maintenance – a series of monthly meetings were being held with the infrastructure companies, according to asset class, to establish maintenance programmes and quantify appropriate performance measures; and
- projects – the PPP programme assurances for the capital works programme were still being progressed with the infrastructure companies.

In response to a question raised, Tim O'Toole advised that the infrastructure companies were assessed on service points for a specific asset and therefore they were unlikely to be heavily penalised for a lift being out of service; Tim O'Toole assured Board Members that currently, lift availability was better than it had been for some time.

The Board noted Tim O'Toole’s oral report on PPP performance.

Rail Incidents

Tim O'Toole updated the Board on the recent rail derailments and highlighted the following, in particular:

- the derailment on the Piccadilly line at Hammersmith station on Friday 17 October 2003, was caused by a broken rail. The line was repaired overnight and services restored by the following morning. A visual inspection had taken place on the evening of the derailment, although the position of the crack would have meant it was not visible. The earlier scheduled ultrasound test would not have picked up the crack since it had started at the bottom of the rail. The track maintenance regime for this section of track had not changed since the infrastructure companies had taken over maintenance, with the people undertaking this work being virtually the same people previously employed by LUL. LUL was currently looking into the need to increase the frequency of ultrasonic detection or use a more comprehensive detection system;
initial investigations into the derailment on the Northern line at Camden Town on Sunday 19 October 2003 had found no single immediately obvious feature causing the derailment. Inspection of the points at the derailment site had found no obvious defects with replacement parts or the way that they had been fitted. Elaborate modelling was being undertaken to represent the dynamic interaction between the train and track to try to establish causation. Service on the Northern line between Edgware and Charing Cross stations had been restored that morning and it was hoped that services would be restored on the High Barnet branch shortly. It was proposed that services would run initially from High Barnet via Charing Cross and Edgware via Bank; and

a train had broken down on the Victoria line during peak hours on the morning of Wednesday 22 October 2003, which was attributed to a mainline burst of the air line that powers the brakes. Some 2,000 passengers were evacuated from trains following the incident.

Tim O’Toole advised that formal reports would be published on the outcome of the investigations into the above-mentioned incidents, although it was expected that the report on the Northern line derailment would not be available until the end of November 2003.

In response to questions raised by Board Members, Tim O’Toole advised the Board of the following: -

• a constructive meeting had been held on 28 October 2003 with the trades unions, when trades union leaders’ views had been sought on their specific concerns; the majority had indicated communication as being a particular concern. Tim O’Toole advised that he would be working with the trades unions to create more transparency in communications; and

• during closure of parts of the Northern line, Tube Lines had undertaken some maintenance works, although it was acknowledged that for some major works a longer lead-in period was required to schedule the works.

The Board noted Tim O’Toole’s oral report on the recent rail incidents.

In response to questions raised by Board Members on the Commissioner’s report the following matters were noted: -

• Crossrail – Ian Brown advised that the consultation process on Crossrail had only commenced that week (week commencing 27 October 2003). As part of the consultation process, he would give consideration to the following: -
  - a detailed survey being carried out of where users in Richmond and Kingston were travelling from and to and of the potential impact of the proposed reduction in trains at Turnham Green;
  - an analysis being carried out on the impact of the proposed reduction in trains on the District line, to include customers who
interchanged on the District line, as opposed to just those for whom the District line was their final destination;
- a comparison being carried out between the proposed fare charges for Crossrail and the fares currently being paid by customers using the Piccadilly line;
- an analysis being undertaken of the anticipated growth in the community and customers for the next ten years, with a view to capacity being maximised to meet expected demand;
- bus services fare collection – Peter Hendy advised that less than 20% of total bus passengers now paid cash. In the ‘pay before you board’ area in the West End, drivers were still inspecting passes on boarding in the normal way and public and media perceptions had been positive. There were some issues with deliberate interference with pavement ticket machines, and these were being addressed by a combination of machine modification at the contractor’s expense and police action. There were four articulated bus routes with open boarding and fraud levels were being monitored. Peter Hendy undertook to report to a future meeting of the Surface Advisory Panel on the rates and levels of fare evasion on the bus network.

The Commissioner’s report was noted by the Board.

55/10/03  FINANCE AND PERFORMANCE REPORT

Jay Walder reported on operating, project and financial performance for the second quarter of 2003/04 and highlighted the following in particular:-

• Key Achievements
  - there had been increased patronage, service quality and kilometres operated on London buses;
  - the congestion charge scheme continued to be a success;
  - implementation of the Business Improvement Programme was on schedule; the first three stages of the Business Improvement Programme had now been completed, resulting in common procurement software being operated across the TfL Group. Jay Walder undertook to report to the Finance Committee on the benefits arising from implementation of the Business Improvement Programme;
  - safety on roads continued to improve;

• Key Concerns
  - LU derailments at Camden Town and Hammersmith stations;
  - reduction in passenger numbers on LUL;
  - delays on overall projects;
  - delay on DLR rail car refurbishment;
  - uncertainty over Crossrail;

• Group Financial Performance
  - income in the TfL Group (excluding LUL) was up slightly from forecast, with expenditure a little below forecast. For LUL, income was lower than expected, mainly as a result of patronage falling by 2% compared with the equivalent period in 2002/03;
  - TfL’s net expenditure for the first six periods (1 April to 13 September 2003), including LUL, totalled £1008 million which was
some £116 million (10%) below budget. This was expected to be partially recovered by the year end with a forecast for total net expenditure of £2,349 million, which was £50 million below budget;

- **Income and Receipts**
  - following integration of LUL into TfL in July 2003, a greater percentage of TfL’s income emanated from fares, there was increased volatility in this area than had previously been the case for TfL without LUL;

- **Passenger Income**
  - income for London buses was slightly above budget for the first six periods of 2003/04, whereas for LUL, income was lower than budget, mainly attributable to service disruption, an exceptionally hot summer and improved bus performance, which had resulted in customers switching modes. Jay Walder advised that he intended to submit a comprehensive report on passenger income to a future Finance Committee meeting;

- **Operational Performance**
  - the bus network was achieving record levels of service quality;
  - reliability improvements were assisted by the introduction of congestion charging;
  - there had been a slight improvement of LUL’s service reliability compared with the same period in 2002/03;

- **LUL Deliverables**
  - all decommissioning work at Lots Road had been completed;
  - demolition on the East London Line Extension had commenced on 14 July 2003, following the appeal court judgement;
  - Elephant & Castle underground station works had been completed;
  - there had been delays to the Train Identification and Management Information System (TIMIS). Jay Walder indicated that this matter would be the subject of a future discussion with Board Members;

- **Surface Transport Deliverables**
  - “Pay-before-you-Board” had been introduced in the west end of London;
  - Trafalgar Square pedestrianisation had been completed;
  - the Hammersmith flyover (A4) had been re-opened early;
  - Moorbank Pier had opened;
  - there had been delays on bus station projects.

In response to a question raised by a Board Member, Tim O’Toole advised that the full cost of the recent rail derailments was not yet known, and that a number of factors needed to be taken into account, such as lost revenue, the cost of repairs, performance abatements and the cost of replacement bus services. Tim O’Toole undertook to report to Board Members on the cost of the derailments once these were known.

In response to requests made by Board Members, Jay Walder undertook to give consideration to the following: -

- to include in future reports, measures on safety; and
- preparing for discussion at a Board Members meeting an item to discuss the figures on the modal split (to include walking and cycling),
how this compared with figures when the Mayor first came into office, the forecast modal split for the next 10 years and the pricing strategy and target income.

Peter Hendy undertook to report to a future meeting of the Surface Advisory Panel on the feasibility of TfL working more closely with the Boroughs on cycling schemes.

The Board: -

(1) noted the second quarter 2003/04 Financial and Performance Report, covering the period from 22 June 2003 to 13 September 2003; and
(2) agreed that Board Members would contact Jay Walder in the event of their being able to offer any assistance in progressing the Greenwich Waterfront Transit project.

56/10/03 TfL BUSINESS PLAN

Jay Walder reported that the Business Plan had been updated to take account of issues raised and comments made by Board Members at the TfL Board Away Day event on 12 September 2003, and at the private Board Members' briefing on 20 October 2003. In addition to the Business Plan, Operating and Capital Plans had been produced in support of the Business Plan. Board Members noted that Table 1 entitled "TfL Summary of the Business Plan", which summarised the overall financial position, had been amended to reflect the impact of income at each stage of the build up to TfL's programmes.

Jay Walder advised that TfL’s Business Plan provided a step-by-step picture of how TfL could meet London’s transport needs, starting from the current funding position. He advised, however, that working within existing funding levels would not allow TfL to meet the needs of London’s growth. Board Members noted that it had been acknowledged at the meeting between representatives of Government, the Secretary of State and the Mayor in February 2003, that the funding settlement for London Underground was unlikely to be adequate to meet the needs of London Underground, due to revenue issues, complex PPP and PFI arrangements and a deficit in the Pension Fund.

Jay Walder reported that the TfL Business Plan would form the basis of the budget submission to the Mayor and GLA on 10 November 2003. The budget would become part of the Mayor’s consolidated budget, which would be the subject of consultation and then be considered by the GLA Assembly, with the final budget being approved in February 2004. TfL’s proposals would then be updated to reflect the GLA budget decisions and be presented to the March 2004 Board cycle for approval of the final 2004/05 budget.

The Board noted that the Business Plan would form part of the Spending Review 2004 submission to the Department for Transport; it was
expected that the Treasury would report on the outcome of the spending review by early summer 2004. Jay Walder undertook to keep Board Members informed as to progress on the spending review 2004 through the Panels and Finance Committee and other means, including circular letters.

In response to comments made by Board Members, Jay Walder undertook: -

- to report back to Board Members on planned expenditure on the Greenwich Waterfront Transit project and, in particular, the timing of this;
- to clarify in the Business Plan that baseline expenditure assumed current levels of activity would be maintained on such matters as walking and cycling; and
- to consider including in the Business Plan documentation, a formal assessment of the value created by increased Government grant on an incremental basis and expanding paragraph 8.2 entitled “Revenues” to present in more detail the case for the Mayor’s fares policy.

The Board: -

1. approved the TfL Business Plan 2004/05 – 2009/10 and delegated its finalisation to the Managing Director, Finance and Planning, for submission to the GLA; and
2. noted that the final 2004/05 budget would be presented for approval by the TfL Board in March 2004, following the outcome of the GLA budget process.

**57/10/03 TFL FARE PROPOSALS**

Jay Walder reported that since the launch of the Oyster card, over 2,000 customers had now purchased Oyster cards. The Board: -

1. noted the final proposals for fare changes in January 2004, as set out in the written report;
2. noted that the Mayor’s final decision and direction would be notified to the Board in due course;
3. noted the proposed changes to TfL penalty fares;
4. noted that following completion of the final legal review, the Secretary of State for Transport would be consulted by the Mayor in November 2003; the views of the London Transport Users’ Committee and other key stakeholders would also be sought on the proposals and these views would be reviewed and submitted to the Mayor prior to his making any orders or directions to implement the proposals; and
5. noted that the Mayor’s decisions and the views of stakeholders would be reported to a future meeting of the Board.

**58/10/03 A406 NORTH CIRCULAR ROAD IMPROVEMENT SCHEMES**
Peter Hendy introduced the paper and referred to letters received querying the conclusions reached in the Faber Maunsell report and requesting that TfL work with the Boroughs in respect of anti-rat running measures.

Some Board Members raised concerns as to the conclusions of the Faber Maunsell report. One Board Member stated that a full appraisal had previously been done, but would need to be carried out again. A Board Member also believed that the total project capital cost of £600 million was too low. Peter Hendy agreed that an up to date business case, reflecting current costs was necessary and that this was in hand. Concerns were raised by some Board Members regarding rat-running issues. Peter Hendy stated that the recommendation set out in paragraph 7.1(i) of this written report would enable rat-running and environmental issues to be addressed.

Peter Hendy stressed that any decision of the Board on the improvement schemes must comply with the criteria in the Transport Strategy, and that the assessment carried out by Faber Maunsell was compatible with the criteria. Peter Hendy stated that a further report would be made to the Board once a decision had been made by the Government on funding.

The Board endorsed the following:

1) applying to Government for additional funding on the inherited schemes and to commence work on (i) appropriate environmental measures and (ii) other worthwhile short term work in Bounds Green, Regents Park Road and Golders Green Road, which could be progressed irrespective of which improvement scheme was ultimately implemented, or which would offer value for money if superseded by any other option. Useful progress could then be made in the area on appropriate traffic management, safety and environmental measures at minimal abortive cost.
2) taking steps to retain the necessary safeguarding lines for the construction of the inherited schemes.
3) the disposal of only such properties that would not be required for any of the improvement schemes, subject to the Mayor’s approval (pursuant to paragraph 12(1) of Schedule 11 of the GLA Act 1999).
4) receiving a further report in due course on the results of the bid to Government.
5) making any necessary amendments to the Business Plan (min No 56/10/03 of these minutes refer) to ensure consistency with the option endorsed by the Board.

59/10/03 VARIATION OF THE ALG TEC AGREEMENT

The Board:

(1) approved the variation to the ALG TEC Agreement, as set out in the written report, and authorised the Managing Director, Surface
Transport, to sign the variation; and
(2) agreed that the Managing Director, Surface Transport, be authorised
to approve and sign future changes to the Agreement, provided that
changes which would fundamentally alter the nature of the ALG TEC
continued to be reserved to the Board.

60/10/03 FUTURE OF THE SAFETY, HEALTH AND ENVIRONMENT
COMMITTEE

The Board: -

(1) noted the steps taken to improve the functioning of health, safety and
environment assurance processes and the principle items considered
at the first Safety, Heath and Environment Committee Meeting held in
its revised form on 6 October 2003;
(2) agreed that the Board’s thanks be conveyed to David Quarmby and
TfL Officers for their work on the review of the Safety, Health and
Environment Committee and for the positive way in which they had
approached improving the functioning of health, safety and
environment assurance processes; and
(3) agreed that David Quarmby would discuss with relevant Board
Members, outside of the meeting, the membership of the Safety,
Health and Environment Committee.

61/10/03 PROPOSED REVISIONS TO TfL STANDING ORDERS

The Board approved the revised TfL Standing Orders as set out in
Appendix 2 of the written report.

62/10/03 SCHEME OF DELEGATION FOR THE LONDON TRANSPORT STAFF
WELFARE FUND

The Board approved the delegation of payment-making powers (under
clauses 3(a) and (b) of the amended London Transport Staff Welfare
Fund Principle Deed) to the following individuals: -

• Dr Olivia Carlton, Head of Occupational Health, London Underground
  Limited
• Liz Barrett, Group HR Director, TfL
• Louella Johnson, HR Director, London Underground Limited

63/10/03 TfL COMPANY SECRETARY

The Board approved Fiona Smith’s appointment as Company Secretary
of TfL.

64/10/03 DOCUMENTS SEALED ON BEHALF OF TfL

The Board: -

(1) noted the documents sealed on behalf of TfL between 15 July 2003
and 13 October 2003; and
(2) noted that General Counsel would be reviewing the level of detail to be included in future reports submitted to the Board on documents sealed on behalf of TfL.

65/10/03 ANY OTHER BUSINESS

Board, Panel and Committee Meetings for 2004

The Board: -

(1) noted that the 2004 Year Planner containing future dates of Board, Panel and Committee meetings would be circulated to Board Members at the end of that week, following confirmation of final Board dates from the Mayor’s office; and
(2) agreed that Board Members would notify Jacqui Gregory of any difficulties with the dates of meetings scheduled for 2004.

There being no further business, the meeting closed at 13.15 hours.
COMMISSIONER’S REPORT FOR DECEMBER 2003

1. PURPOSE

This is the Commissioner’s written report for December 2003. 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/ SPENDING REVIEW 2004

As you know, the TfL Board reviewed and approved the proposed 2004/5 Business Plan on 29 October. We have now formally submitted TfL’s proposed budget for the next three years to the GLA.

The Business Plan will also serve as the foundation for TfL’s bid to the Government as part of their Spending Review 2004, although it is worth noting that the Business Plan covers the period to 2009/10 while the Spending Review will only cover the period to 2007/08. To build on and help communicate the Business Plan, we are in the process of preparing a detailed and quantified description of TfL’s achievements over the last three years. We are also beginning work on the supporting documentation that demonstrates the Plan offers value for money.

The proposed Business Plan document itself is now publicly available and has been sent to a range of stakeholders, including the Government. Since the last TfL Board meeting, TfL Officers have continued to present and answer questions on the Plan to stakeholders, the media, Assembly members, boroughs, GLA staff, Department for Transport (DfT) and Government Office for London staff. Of particular importance are sessions TfL has held on specific issues with DfT staff to enable them to understand TfL’s funding needs as fully as possible, so they can make TfL’s case to the Treasury.

We have also focussed on communicating the main messages in the Business Plan to our own staff. This has been done in part through a Senior Managers’ Forum held for TfL’s top 200 managers on 14 November, which was very well-received. Tony McNulty and Ken Livingstone were guest speakers at the event.

TfL’s bid for funding in the impending Spending Review clearly cannot be seen as separate from the wider case for London. We are therefore also contributing to the GLA’s preparation of Regional Emphasis Documents (REDs) for the Treasury for the end of December. TfL’s business plan will also feature in the GLA’s ‘Case for London’ conference on 29 November.

3. TfL OPERATIONS

There are some operational issues to draw to your attention.
3.1 Surface Transport

**Bus services**

Bus service reliability in the most recent period continued to show year-on-year improvements, with significant reductions in unreliability on both high and low frequency routes. Mileage losses due to traffic delays were somewhat above forecast, but were down by almost a half compared with a year ago. The expansions of Quality Incentive Contracts, combined with the impact of Congestion Charging, are the main contributory causes of these trends.

Following the disruption of the Northern Line service, London Buses assisted in organising 150 vehicles to provide emergency bus replacement services. In addition TOCU police officers were deployed to maintain traffic flow at key junctions and Revenue Protection Inspectors were also deployed to help passengers.

The results of the sixth fleet-wide wheelchair ramp audit have indicated a failure rate of 5.7%, down from 32% in June 2001. A daily reporting system is now in place for garages showing a ramp failure rate of 8% or greater, and we are expecting to move to zero-tolerance by April 2004. Eighty-four percent of London’s buses are now accessible.

The Victoria bus station refurbishment has been concluded and the station was fully reopened in September 2003, as planned.

**Congestion charging**

TfL granted conditional approval for Capita to pass Milestone 1 under the supplemental agreement to the congestion charging contract. Final approval is subject to a 20-day work-off plan for a number of items. Aspects of Capita’s performance remain to be improved, but Capita have made management changes and are employing more call centre and enforcement policy staff. The most obvious impact of Milestone 1 is the increase in the issue of PCNs issued to some additional 10,500 per week and the start of the new Quality Performance Regime, which has put in place new KPIs to drive improvements in the quality of customer service.

Consultation on the extension of the congestion charging zone to the west (and the associated amendment to the Mayor’s Transport Strategy) has begun, following the Mayor’s approval. Consultation with the GLA Assembly and Functional Bodies will run from 29 October to 7 December 2003.

A three-year programme of work is underway to consider new technologies that might provide cost savings in an extended scheme as well as longer-term opportunities for better ways of charging. The first phase of the technology trials will take place from December 2003 to April 2004.

TfL’s 6-month congestion charging monitoring report was released on 23 October 2003. The report concludes that the levels of traffic reduction continue to be maintained. It also concludes that claims that congestion charging has had a substantial effect on businesses in central London are unfounded. The first annual report, issued in the new year, will include wider coverage of business, social and environmental effects.

**Traffic Management**
The “Time for Change” Road and Street Works Conference, jointly sponsored by TfL, GoL, DfT and the ALG and organised by TfL’s Directorate of Traffic Management, was held on 7 November and received positive feedback. Tony McNulty gave the keynote speech.

We expect that the Government will bring forward enabling legislation in December 2003 to place traffic management duties on highway authorities and to provide for permitting by highway authorities of road and street works. We hope this will ultimately have the effect of improving traffic flow on the TLRN and the borough principal roads. The key to whether these new powers will assist in traffic management will lie in the follow-up regulations that will be written by the DfT.

In the meantime, the Traffic Management directorate is developing a permitting system and process that can be used for TfL’s own works in the first instance but that can be extended to any road or street works. Trials of the system within TfL began on 15 September and will gradually be extended – a first trial with Transco was launched 20 October.

**Walking and cycling**

The walking, cycling and accessibility programmes are all on course to achieve a full spend at year-end. A comprehensive review of the value of initiatives funded through the cycling programme is currently being undertaken to ensure that future investment is as effective as possible. A similar review of walking will follow.

**Taxi and private hire**

There is a risk of a serious short-term shortage of private hire drivers resulting from the implementation of the new licensing regime. In conjunction with the DfT, an interim measure to provide applicants with temporary permits to drive has been proposed. This approach has been endorsed by the Mayor and is currently under consideration by Government.

**US Presidential state visit**

President Bush’s state visit on 19-21 November caused significant bus service disruption, traffic problems, and one or two station closures, although there were no major incidents. I would like to join with Peter Hendy in thanking all the TfL staff whose hard work enabled public transport and the road network to function as normally as possible.

3.2 London Underground

**Safety issues**

LUL published its initial report into Camden Town derailment on 24 October. The key findings of the investigation so far are that there were no driver errors, in that the train was being driven correctly and the driver tested negative for drugs and alcohol. It also found no single immediately obvious aspect of the track infrastructure that would be expected to lead to a derailment, including no errors with the installation of replacement parts. The work done since the interim report has focused on getting a
more detailed understanding of how the wheel derailed, including modelling the
dynamic interaction between the wheel and the track.

The second Camden Town interim report will be issued on 28 November, as will the
final report on the Hammersmith derailment. The final report on Camden Town is
expected to be issued shortly thereafter.

I keynoted a special LUL health and safety conference on 28 October attended by
over 200 people, including health and safety representatives, union leaders and the
Infracos. All actions suggested (both in the plenary discussion and in smaller
discussions at each table) were responded to individually by LUL and circulated to
the attendees. LUL has also set up a Safety Forum with the Infracos to ensure that
safety concerns are given the right level of attention.

**Customer service and performance**

Passenger journeys are still below budget but showing improvement; this appears to
correspond to an upturn in London’s economy. The year-to-date average excess
journey time of 6.76 minutes represents the best level of performance since 1999/00.

The LUL customer satisfaction indices, including the overall customer satisfaction
evaluation, have fallen into line with prior scores. Scores in the previous quarter had
been inflated due to the return of the Central Line.

The percentage of peak trains operated has improved somewhat, due to a reduction
in the number of operator not available (ONA) cancellations (from 101 in the previous
period to 72 in this period), particularly due to improvements on the Victoria line.
ONA cancellations remain a problem on the Circle line; a programme of actions has
been put in place to reduce ONA cancellations from the Edgware Road depot, which
consistently has the poorest attendance record of the 22 LUL depots.

The main reason for peak cancellations, however, has been poor rolling stock
availability on the Central and Circle lines. The Central line had by far the largest
number of rolling stock cancellations (304), although the Circle line was hardest hit in
terms of percentage of scheduled trains, with 12% cancelled due to rolling stock.
Work is continuing to improve the Central line fleet, and LUL is putting pressure on
Metronet SSL to resolve the Circle line rolling stock issues (more details are available
in the LUL Panel papers).

New timetables have been introduced on the Jubilee, Piccadilly and Sub-Surface
lines. Among other things, these provide enhanced services on the Jubilee line
(extension of the 24 trains per hour peak service by 2 hours) and greater reliability on
the Metropolitan line.

Escalator and lift availability both fell slightly in the recent period. LUL is actively
engaged with the Infracos to ensure that these issues are addressed.

**Strike action**

RMT drivers at the Edgware Road depot took 24-hour strike action from late evening
on 13 November over what the union claimed was the unfair dismissal of a driver
seen leaving his squash club when he was off sick. Only limited Hammersmith and
City line service was available on 14 November and there was no Circle line service all day.

The RMT has also balloted for industrial action over safety concerns arising from the recent derailments. The action to be taken as a result of that ballot has not yet been determined; I will be able to update you on this at our meeting.

**Oyster cards**

The most recent period was the first full period of Oyster card availability on the system. Oyster card sales accounted for over half of all on-system monthly and annual ticket sales and this percentage was rising through the period. Trips with Oyster cards now account for 1 in 19 trips on the Underground.

Oyster Weekly Travelcards were made available from LU ticket offices as of 11 November.

**Asbestos removal**

Brixton station will be closed for 3 weeks over the holiday period for asbestos removal. This will not only remove a potential health risk for our own employees and passengers, but will allow us to avoid delays with contractors caused by the presence of asbestos.

**New Year’s Eve**

Rostering for New Year’s Eve all-night Tube service has begun, following a successful conclusion to station staff overtime pay negotiations.

3.3 DLR

All the franchise performance targets were exceeded with the exception of the on-time departure standard, which was narrowly missed due to damage to the third rail near South Quay station. Ridership was up 5.7% across the DLR network.

Customer satisfaction remained unchanged in the quarter, continuing at very high levels.

4. MAJOR PROJECTS AND INITIATIVES

4.1 Crossrail

The Government has reaffirmed its commitment to receiving the report from the Adrian Montague review group on the business case for Crossrail by Christmas, with a view to advising on the overall project scope and definition by the end of January 2004. This would meet the timescale for deposit of the Hybrid Bill in Autumn 2004. It is likely that the review team will carefully examine the overall affordability of the project, including whether the Richmond corridor should go ahead as part of the Crossrail scheme.

4.2 East London Line
Work is now roughly 70% complete on preparation of the Bishopsgate Goods Yard site. The project – now under unified management arrangements – was re-approved by the SRA Investment Committee on 5th November and by the SRA Executive on 12th November. SRA have asked for Government re-authorisation of the scheme and the full SRA Board meets on 5th December to determine whether the scheme will go ahead as defined.

4.3 Docklands Light Railway extensions

The project for extending the DLR to London City Airport remains on schedule. The procurement stage of the Woolwich Arsenal project has begun and the DfT have been requested to respond with the Transport and Works Order in February 2004. We expect that the full team for the concession competition will be in place during December.

4.4 London Olympics bid

A dedicated project team under the leadership of TfL (including staff from the Underground, Buses, SRA, BAA and Highways Agency) is currently developing the Olympic Transport Strategy. The team is pulling together the information required for the initial IOC Host City Questionnaire response due January 2004, and subsequently for a much more detailed London bid due November 2004.

The transport part of the draft IOC Questionnaire has been refined and supplied to London 2012 (the Bid Company). The IOC prequalification submission will be in final draft by December 1st for the meeting of the Cabinet Committee (Miscellaneous 25) that will agree the prequalification.

A key challenge is securing strong government commitment to both the already planned schemes (e.g. East London Line extension) and additional Olympic schemes such as the Stratford station upgrade.

4.5 Final London Plan

The GLA Spatial Development Strategy team delivered the London Plan to Government Office for London on 11 November. GOL now have 6 weeks to respond to this. Assuming GOL’s report contains no major policy change recommendations, the final version of the London Plan will be ready for publication in late January at the earliest. TfL are currently updating the January 2003 Analysis of the Transport Programme to support the final version of the London Plan.

4.6 Thames Gateway Bridge

The results of the public consultation held May-August 2003 were released at the Mayor’s press conference on 11 November. Strong support for the bridge emerged in the consultation (85% in favor); this was backed up by the market research carried out at the end of consultation. The project team will complete the project documentation before Christmas 2003 enabling decisions to be made on the final scheme to enter the powers stage.

Following discussions with Transport Minister Tony McNulty, a response from Government on the project has been promised by the end of November 2003. A
positive response from Government on support and funding would enable the project to be presented to the TfL board in March 2004, seeking approval to submit an application for powers in May 2004.

4.7 West London Tram Project

Plans continue to be progressed for the development of the West London Tram. The project team continues to work on design, traffic modelling and environmental issues and is working very closely with residents, businesses and transport users to enhance awareness and get the views of the local community and stakeholders. The feedback we have received from these groups indicates that our efforts to improve the consultation process have been effective. Preliminary funding options identified by TfL include PFI, prudential borrowing, leasing and other sources such as commercial banks, EIB, the bond markets and EU funding.

Robert R. Kiley
Commissioner for Transport
December 2003
1. PURPOSE

There was a substantial discussion in respect of the half year performance of the Group at the last meeting and a paper for the third quarter results will be submitted to the next Board meeting in February 2004. Accordingly it is appropriate to focus on one of the main issues to arise this year, that of the marked change in revenue trends.

This paper, therefore, presents a summary of an analysis of recent bus and tube traffic trends which was presented to the TfL Finance Committee on 19 November. Copies of the full paper are available to Board Members on request.

For much of the current year, Tube demand has been some 4% below expectation, while bus travel has been up some 10% year-on-year. This paper seeks to come to a balanced view of the causes of the downturn in tube use and the contribution of transfers to bus.

2. KEY FINDINGS

Key conclusions of the analysis are that:

- About half of this year’s shortfall in tube demand reflects the aftermath of the Central Line closure and the on-going service and safety concerns.

- Special factors such as the heat-wave and visitor traffic trends also played a part in depressing tube use over the summer months.

- When major shocks have occurred in the past, it has often taken a year for tube traffic to recover fully. This is particularly the case if the original shock is followed by a period of intense bad publicity.

- The remaining half of the shortfall in tube use appears to reflect transfers to bus.

- While bus use is up some 10% overall this year, bus use in and around Zone 1 is up 20% - or some 200 thousand trips a day.

- Away from Zone 1, bus use is up around 7%, a similar rate of growth to that of the last two to three years.
• Taking this 7% growth away from Zone 1 as a baseline implies that most of the 20% growth in bus use around Zone 1 represents a once-off effect associated with Congestion Charging.

• Of this once-off growth in bus use in and around Zone 1 as a result of the Congestion Charge, a half is estimated to reflect transfers from the tube; and a half transfers from car.

• This is consistent with around 50 thousand tube trips per day having transferred to bus, implying a loss in tube revenue of around £25m pa.

• The resulting revenue gain by bus is put at around £10m, implying a net revenue loss to TfL as a whole of £15m per annum.

Much of the analysis summarised above was completed in October 2003. Since then, short term Tube traffic trends have been distorted by the problems on the Northern Line and elsewhere. Nonetheless, the underlying trends identified in the paper appear intact, with a gradual recovery from the Central Line shock. Bus traffic remains extremely buoyant with bus journeys in October/November up some 11% year on year.

3. SUMMING UP

For 2003/04 as a whole, the tube revenue shortfall against the budget is put at around £50m (Period 7). The analysis presented here indicates that:

• about half the traffic shortfall this year represents transient effects that will fade out over the coming months. Major incidents on the tube that generate intense adverse publicity – IRA bombing campaigns; the Kings Cross Fire etc – typically require a year or so for traffic to recover.

• the other half of the shortfall represents a permanent loss – a transfer from tube to bus brought about by the improved quality of the bus service in and around the Congestion Charging area.

This assessment is consistent with the assumptions underlying London Underground’s revenue outturn forecast for 2003/04.

4. FUTURE DEMAND TRENDS

The projected shortfall in tube revenue for 2003/04 is recognised in the revenue projections for the tube being made for SR 2004. In later years, projected tube use grows only as a result of expected increases in employment etc. This may be a cautious view. However, with the recovery projected for this year not guaranteed, and in the light of the recent problems on the Northern Line, such an approach seems only prudent.
On the bus side, this year’s once-off increase in bus use has also been allowed for. In later years, the projected growth in bus use is much less. In particular, the year-on-year growth is expected to moderate sharply once the Congestion Charging anniversary is past.

Significant tube to bus transfers as a result of the January fare changes are not expected. Bus Pass prices will increase significantly in and around Zone 1 in January while Travelcard prices will increase only in line with inflation – and actually fall for some price sensitive groups. Oyster Pre Pay will enable tube users to avoid the single fare increases. Overall, little further change in the relative attractiveness of the bus and tube is projected.
1. BACKGROUND

At its meeting of 11 June 2002 the Board approved ‘The Treasury Management Policy Statement’, which sets out, amongst other matters, investment limits for deposits with approved banks. Banks are approved according to their short-term credit rating with Moodys rating agency.

Since the limits were approved, TfL has received increased grant to fund its activities and those of the London Underground. This has resulted in TfL having larger amounts to invest with approved banks.

The present number of banks (14) is no longer sufficient with their present investment limits to give TfL the flexibility to place its surplus funds with the most competitive banks. To address this the Finance Committee has endorsed Group Treasury’s recommendation that the limit for each clearing bank be increased by £10 million to £40 million and the limit for other banks rated by Moodys as Prime 1 (the best short-term rating) be increased by £10 million to £35 million. These limits will embrace deposits made independently by managers looking after the affairs of TfL’s Guernsey insurance company.

2. RECOMMENDATION

The Board is asked to:

APPROVE increases in the investment limits for banks: an increase of £10 million to £40 million for each clearing bank and £10 million to £35 million for other banks rated by Moodys as Prime 1.
1. PURPOSE

The purpose of this paper is to report to the Board on the Audit Committee meeting which took place on 23 September and also put forward for approval the Anti-Fraud and Corruption policy.

2. BACKGROUND

The Committee considered its usual business at the meeting including a review of internal audit and external audit matters. Under its review of corporate governance issues, it also reviewed the Standing Orders revisions which were approved subject to some minor amendments which have been included in the versions approved by the Board at its last meeting. The Committee also received an update on the proposed initial performance assessment (‘IPA’) by the Audit Commission which is due to take place during 2004.

The Committee was asked to review and recommend for approval by the Board the Anti-Fraud and Corruption policy proposed to be established for TfL. The Committee discussed the draft policy and, subject to one minor amendment, agreed that it should be put forward to the Board for approval. The policy is attached to this note.

Following the transfer of LUL to TfL, the Committee received papers discussed at the last LUL Audit Committee meeting held on 30 June, 2003, and a briefing from the external auditors on accounting and auditing issues in LUL which will be brought forward into TfL’s accounts for the year ended 31 March 2004. It is apparent that there are significant risks in the PPP and PFI contracts which will affect the external audit and presentation of TfL’s accounts and also impact the internal audit programme and focus. Accordingly, the next Audit Committee meeting, scheduled for 9 December, has been given over to a briefing for all Board members on PPP and PFI contracts, with a view to ensuring the Board understands the risks, how they are managed and how they are dealt with in the accounts. The meeting will also establish the roles of Committees and Panels of the Board in reviewing these issues.

The next regular meeting of the Audit Committee will take place on 28 January 2004.
3. RECOMMENDATIONS

The Board is requested to NOTE this report on the proceedings of the meeting of the Audit Committee held on 23 September and also to APPROVE the Anti-Fraud and Corruption policy as attached.
Anti-Fraud and Corruption Policy

Introduction

Transport for London is responsible for providing an integrated safe, high quality and efficient transport system for London. To achieve this TfL expects the highest standards of conduct, performance and integrity from its employees, consultants and agents. The standards required are set out in the Code of Conduct and Business Ethics policies which are published to all staff both permanent and temporary and equally apply to anyone engaged through a third party or otherwise working on TfL’s behalf and on TfL premises.

Because of TfL’s public sector status, there is also a constant requirement to ensure the appropriate use and safeguarding of public funds.

All TfL employees, consultants and agents must at all times safeguard the resources for which they are responsible. Fraud and corruption are ever present threats to these resources which may include material, property, plant, equipment, cash, staff time, software, trade secrets, confidential information and intellectual property.

The purpose of this policy is to outline the responsibilities of both senior management and staff for ensuring that appropriate actions are taken for the prevention and detection of fraud and corruption and to set out the procedures to be followed where fraud or corruption is detected or suspected.

Definitions

“Fraud” is a general term used in this policy to refer to the use of deception with the purpose of obtaining some kind of monetary or other advantage, avoiding an obligation or causing loss to another party. Fraud does not only relate to personal gain or advantage, but also to the misrepresentation of TfL’s position to achieve similar ends. Attempted fraud is treated as seriously as accomplished fraud.

“Corruption” is the seeking, receiving or agreeing to receive gifts, loans, fees, rewards or advantage as an inducement to or reward for any member of staff for themselves or another person in connection with the performance of their duty. It also includes the person giving, providing or offering the inducement or reward.

Managing the Risk of Fraud and Corruption

As with any risk faced by the organisation, it is the responsibility of managers to ensure that fraud risk is adequately considered when preparing risk assessments in support of business plans, projects and other activities. In making this assessment it is important to consider the risk of fraud occurring rather than the actual incidence of fraud having occurred in the past. Once the fraud risk has been evaluated appropriate action should be taken to mitigate those risks on an ongoing basis.
Any changes in operations or the business environment must also be assessed to ensure any impacts which might increase or otherwise change the risk of fraud and corruption are properly taken into account.

Risk mitigation may include the preparation and dissemination of staff awareness packages. Input from the Director of Internal Audit, or Head of Fraud & Security should be sought in preparing such material.

Good corporate governance procedures are a strong safeguard against fraud and corruption. Adequate supervision, scrutiny and healthy scepticism must not be seen as distrust but simply as good management practice shaping attitudes and creating an environment opposed to fraudulent activity.

Directors and management must set an example by refusing to endorse improper behaviour or “sharp practice” and are expected to deal swiftly and robustly with those who (attempt to) defraud the organisation or who are corrupt.

**Dealing with Suspected Fraud and Corruption**

Every member of staff has a responsibility to report details immediately to their employing manager if they suspect that fraud or corruption has been, is being or may be committed.

Directors, management or members of staff may become aware of the possibility of (attempted) fraud or corruption through the incidence of unusual events or transactions as a result of specific management checks, or through notification from a third party. Where anyone becomes aware of evidence or suspicion of fraud or corruption from whatever source he or she must immediately inform the manager to whom he or she directly reports and the relevant Chief Officer must be made aware of the situation.

In exceptional circumstances members of staff may not consider it appropriate to communicate concerns through normal reporting channels. In such cases the individual should make their concerns known to a level of management above those to whom they would normally report. In circumstances where, for any particular reason, members of staff believe that they are unable to report their concerns even to the highest level of line management they should contact another member of the senior management team, the Chief Finance Officer or the Director of Internal Audit. Reference should also be made to TfL’s “Whistleblowing; Public Interest Disclosure policy”.

Under no circumstances should any member of management or staff attempt to deal with the suspected fraud themselves. Nor should they attempt to interview implicated staff as this may jeopardise collection of evidence and subsequent opportunities for
prosecution or recovery of assets. Once sufficient facts have been gathered to confirm the concern is valid, an immediate report must be made to either the Director of Internal Audit or the Head of Fraud & Security. A special investigation will then be mounted by the Fraud & Security (‘F&S’) section of Internal Audit to investigate the allegations and suspicions.

It is recognised that, on occasion, suspicions of fraud or corruption may be groundless due to misunderstanding or circumstances. Accordingly initial inquiries carried out by F&S will be on a discreet basis. Conversely, should the suspicions be justified then this approach will help to minimise the risk of loss of evidence. In any case the number of individuals who have knowledge of the circumstances should be kept to the minimum on a ‘need to know’ basis.

Where investigations reveal evidence of fraudulent or dishonest behaviour, corrupt practice or other culpable acts, TfL will take appropriate steps, including disciplinary and/or legal action, whether the persons are members of staff or external to TfL. Steps will also be taken to recover losses resulting from the fraud and a civil action against the perpetrator may be appropriate. Investigations will also consider whether there has been any culpable failure of supervision. Where this has occurred appropriate disciplinary action will be taken against those responsible.

**Reporting**

At the conclusion of the investigation, F&S will produce a report addressed to the Chief Officer of the directorate involved and copied to the management who were closely involved with the incident. This report will give as much detail as possible surrounding the incident, in particular focussing on how the fraud occurred and what improvements need to be made to the control environment. Any significant failure of supervision or breakdown of stipulated controls must be rectified promptly. Any lessons learnt that have a wider application to other parts of TfL will be communicated to the Chief Officers Group by the Director of Internal Audit in order to mitigate the risk of similar occurrences elsewhere.

The Head of Fraud & Security will prepare a periodic report for the Director of Internal Audit summarising investigation activity. The Director of Internal Audit will periodically report to the Chief Officer Group and the Audit Committee.

Throughout this reporting process, confidentiality will be paramount and most reporting will be at a summary level only.
AGENDA ITEM : 8

DOCUMENTS SEALED ON BEHALF OF TRANSPORT FOR LONDON FROM 21st October – 19th November 2003

Property Transactions

4 Deeds
1 Supplemental Agreement
5 Leases
3 Land Registry forms TP1
1 Deed Poll
2 Licences to occupy land to carry out work

Highway Agreements

1 Joint Agreement Under the 1996 London Local Authorities Act
4 Section 278 Highways Act 1980 Agreements

Agreements with London Boroughs

1 Agreement relating to financial assistance

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