

TfL Board Decisions Approved by Chair's Action 29 March 2020

On 18 March 2020, the Members of TfL were consulted on the exercise of Chair's Action for several decisions that would have been taken by the Board on that date, if it had been able to meet. The note below summarises the discussion on each item, the reason why Chair's Action was appropriate as none of the decisions could wait until the next meeting of the Board and the recommendations of Members to the Chair of TfL.

On 29 March 2020, the Chair of TfL exercised Chair's Action to approve the matters set out in the note below.

TfL Board Decisions – Consultation on Use of Chair's Action: 18 March 2020

Attendance

Members: Heidi Alexander (Deputy Chair), Cllr Julian Bell, Kay Carberry CBE, Prof Greg Clark CBE, Bronwen Handyside, Ron Kalifa OBE, Dr Alice Maynard CBE, Anne McMeel, Dr Mee Ling Ng OBE, Dr Nelson Ogunshakin OBE, Mark Phillips, Dr Nina Skorupska CBE and Dr Lynn Sloman.

Executive Committee: Mike Brown MVO (Commissioner), Howard Carter (General Counsel), Simon Kilonback (Chief Finance Officer), Andy Lord (Managing Director London Underground and TfL Engineering) and Alex Williams (Director of City Planning).

Also in attendance: Sarah Gasson (Interim Head of Corporate and Public Affairs), Shamus Kenny (Head of Secretariat), Tony King (Interim Group Finance Director and Statutory Chief Finance Officer) and Will Norman (Walking and Cycling Commissioner).

Introduction and Issues deferred

A meeting of the Board was scheduled for 18 March 2020, with the agenda and papers published on 10 March 2020.

On 16 March 2020, the Government issued advice for everyone to limit non-essential travel to help control the spread of the COVID-19 virus. As it was known that the meeting of the Board would not be quorate, a notice was included on tfl.gov.uk to advise the press and public that the meeting would not go ahead. It also advised that Board Members would be consulted on the issues that required decision on the published agenda and that the Chair would then be asked to exercise Chair's Action to approve those decisions, which would be reported to the next meeting of the Board.

In lieu of the Board meeting, a conference call briefing was held from 10am on 18 March 2020. The issues raised in the call and the recommendations of Members are recorded below.

Julian Bell was welcomed to his first discussion on Board decisions following his appointment to the Board.

Mike Brown provided a briefing and answered questions from the Board on TfL's contingency planning and the impact of the virus. Members were informed that he had agreed to defer his departure as Commissioner, in May 2020, to help see TfL through this difficult period over the coming months. Members commended Mike Brown on his leadership, now and throughout his time as Commissioner, and thanked him for agreeing to stay on for a short period.

Members noted that decision-making contingency plans were being developed for the coming months, if the Board and its Committees were not able to meet. Further details would be provided to Members in due course.

The Secretariat would also investigate means of facilitating attendance at meetings and informal briefing by video conference and how to maintain transparency in decision making for the public and key stakeholders.

The agenda for the meeting of the Board on 18 March 2020 included a proposal to delegate authority to the Finance Committee to approve the Treasury Management Strategy and related Treasury Management Policies for 2020/21 and future years. While Members supported this in principle, it was agreed that the decision would be limited to 2020/21 as approval for future years could be taken when the Board was again meeting.

2020/21 TfL Scorecard

As the 2020/21 TfL Scorecard was an internal measure, which would need to be substantially rewritten to focus on the new priorities arising from the management of the COVID-19 virus, Members agreed that no decision would be recommended under Chair's Action. Approval for the Scorecard would be sought once the new priorities and a revised Budget had been agreed.

Members noted the consideration of the draft Scorecard by the Finance Committee including the changes to the Carbon and Housing targets. The Committee and Members discussed the new Healthy Streets measures on people killed and seriously injured, which now included buses. When the Scorecard was brought back for approval, the 2019/20 comparator figures would be amended to reflect the new definition to support the monitoring process. While Members were keen to ensure that the Scorecard and Risk Registers continued to provide them with assurance on TfL's performance, it was agreed that special measures would be required for 2020/21 given the COVID-19 situation, to enable staff to focus on providing key services, safety and TfL's finances. The revised Scorecard would therefore be simplified.

Approval of Treasury Management Strategy (TMS), Treasury Management Policies and the TfL Group Policy Relating to the Use of Derivative Investments

Item 4 (Matters Arising) of the agenda for the meeting of the Board on 18 March 2020, proposed that the Board delegate to the Finance Committee the approval of the Treasury Management Strategy (TMS), the Treasury Management Policies and the TfL Group Policy Relating to the Use of Derivative Investments for 2020/21 and future years.

Each year, the Finance Committee considered the TMS and the related policies in detail, using its expertise and knowledge, before making a recommendation to the Board. The Board currently delegated authority to the Committee to make any changes to the TMS in-year. In line with the delegation of other matters to Committees to take decisions within their area of expertise, it was proposed that these matters now be delegated to the Finance Committee.

On 11 March 2020, the Finance Committee considered the strategy and policies and supported their approval and the proposed delegation of authority by the Board.

A decision was required by Chair's Action as TfL was required to approve the TMS, TM Policies and the policy on the use of Derivative Investments before 1 April 2020.

Members supported the proposal but recommended that the Chair only approve the delegation for 2020/21 as that was time critical, with a view to approving the authority for future years when the Board was able to meet again in public.

Members agreed that the Chair of TfL be recommended to delegate to the Finance Committee by Chair's action the approval of the following strategies and policies for 2020/21:

- 1 the Treasury Management Strategy (TMS) including the Investment Strategy, the Borrowing Strategy, the Liquidity Strategy, the Risk Management Strategy and the Counterparty Exposure Limits;**
- 2 any changes to the TMS during the year;**
- 3 the Treasury Management Policies; and**
- 4 the TfL Group Policy Relating to the Use of Derivative Investments.**

TfL Budget 2020/21

Item 8 of the agenda for the meeting of the Board on 18 March 2020 sought approval of the TfL Budget 2020/21. Members of the Board had informally reviewed the financial summaries and analysis on 26 February 2020.

The draft TfL Budget 2020/21 set out in detail the strategies outlined in the December 2019 Business Plan to deliver the Mayor's plans for improving transport and remaining on track to achieve operational breakeven by 2022/23. It highlighted the programmes and milestones that would see the most significant developments or progress over the next year. The financial schedules and key performance indicators were based on the forecast outturn position for 2019/20 as at period 11.

A decision was required by Chair's Action as TfL was required to set a Budget before 1 April 2020.

Members recognised that TfL's Business Plan and Budget would be severely impacted by the need to manage the spread of the COVID-19 virus. A full review of the Budget would be undertaken in Quarter 1 2020/21, once the impact of the COVID-19 situation was better understood. Members would be regularly updated and given the opportunity to input into the review process.

Members agreed to recommend to the Chair of TfL that by Chair's action he:

- 1 approve the TfL Budget 2020/21, as set out on the appendix to the paper; and**
- 2 authorise the Chief Finance Officer to make any editorial or other minor changes he considered appropriate prior to its publication.**

TfL Prudential Indicators 2021/22 to 2022/23

Item 9 of the agenda for the meeting of the Board on 18 March 2020, set out the proposed TfL borrowing limits and other Prudential Indicators under the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code (the Code), which were consistent with the proposed Treasury Management Strategy for 2020/21 and the principles underpinning the proposed long-term TfL Capital Strategy. These limits and indicators were based on figures in the draft 2020/21 TfL Budget.

Under the Prudential Code, TfL was required to adopt Prudential Indicators which support decision making on planned capital expenditure, borrowing and treasury management activities. The proposed Prudential Indicators for 2020/21 and the following two years were attached to the paper as Appendix 1. In line with guidance from CIPFA, Treasury Management Indicators were shown separately in Appendix 3.

Under Capital Finance regulations, local authorities were also required each year to set aside some of their revenues as provision for debt. TfL had a statutory duty to make an annual statement as to its policy for the calculation of this provision. The paper on the agenda set out and sought approve of the TfL Policy Statement on Minimum Revenue Provision.

Members noted that, in light of the current situation, a change was proposed to increase the authorised debt limit for 2020/21 from £14,445.2m to £14,945m to preserve TfL's liquidity. Further changes would be required once agreement was

reached with the Department for Transport on the financing of the additional resource required by the Crossrail project.

The proposed Prudential Indicators had been prepared based on existing accounting standards. However, TfL would be required to apply the new lease accounting standard, IFRS 16 Leases, which superseded IAS 17 Leases, in 2020/21. The impact of the application of this standard was expected to be the recognition of an additional £2.4bn of lease liabilities and related right-of-use assets on the Balance Sheet as at 31 March 2021. The expected impact of the implementation of IFRS 16 on the Prudential Indicators and Debt Limits was set out in Appendix 2 of the paper. The figures in Appendix 2 were based on the budgeted IFRS 16 figures included in the Financial tables presented in the appendices of the 2020/21 TfL Budget. TfL's rating agencies had been updated with the expected impact of IFRS 16 on TfL's financial statements as preparation work had progressed. Final indicators prepared on an IFRS 16 basis would be submitted for approval by the Board during the 2020/21 financial year.

A decision was required by Chair's Action, regardless of the necessity for review in Quarter 1 2020/21, as TfL was required to agree its Prudential Indicators before 1 April 2020.

A full review of the Budget would be undertaken from Quarter 1 2020/21, as the impact of the COVID-19 pandemic situation was better understood. This would also necessitate a review of the Prudential Indicators and further approval would be sought in due course.

Members recommended to the Chair of TfL that he exercise Chair's action to:

- 1 approve the TfL Prudential Indicators as set out in Appendix 1 of the Board paper for 2020/21 and the following two years, subject to an amendment to reflect an increase in the authorised debt limit for 2020/21 from £14,445.2m to £14,945m;**
- 2 approve the Treasury Management Indicators as set out in Appendix 3 of the Board paper for 2020/21 and the following two years; and**
- 3 approve the Annual TfL Policy Statement on Minimum Revenue Provision set out in section 7 of the Board paper.**

HGV Safety Permit Scheme - Approval of Joint Arrangements for administration and enforcement

Cllr Julian Bell, as the Chair of the London Council's Transport and Environment Committee (TEC) declared an interest in this item and took no part in the discussion, other than to advise that the meeting of the TEC scheduled for 19 March 2020 would not be held but the decision was likely to be taken outside of a formal meeting.

Item 11 of the agenda for the meeting of the Board on 18 March 2020, sought

approval for TfL to enter into joint arrangements with London Councils' TEC for TfL to administer and enforce the London HGV Safety Permit Scheme (the Scheme) on its behalf.

The Scheme was the implementation mechanism for the world's first Direct Vision Standard (DVS), which TfL had created to improve the safety of all road users. It was a key measure supporting the Mayor's Vision Zero goal of eliminating all deaths and serious injuries from London's streets by 2041.

The HGV Safety Permit Scheme launched on 28 October 2019 with a 12-month pre-compliance period, within which hauliers/operators could apply for a permit.

A decision was required by Chair's Action to enable TfL to prepare for enforcement of the Scheme from 26 October 2020.

TfL expected the enforcement and administration of the HGV Safety Permit Scheme to be cost neutral over the life of the scheme. The net operational costs would be covered by the enforcement income that TfL collected, and no surplus was expected.

Members recommended to the Chair of TfL that he exercise Chair's Action to approve TfL entering into joint arrangements with the London Councils' Transport and Environment Committee (TEC) for TfL's administration and enforcement of the HGV Safety Permit Scheme by means of the delegation by the TEC of its functions to TfL, as set out in Appendix 1 of the Board paper.

Appointment of the Commissioner of Transport for London

Item 12 of the agenda for the meeting of the Board on 18 March 2020 provided details of the recruitment and selection process being undertaken to support the appointment of a Commissioner of Transport for London.

Mike Brown, at the request of the Mayor, had willingly agreed to defer his departure as Commissioner to help lead TfL through the unprecedented COVID-19 virus situation. As that situation was ongoing and the recruitment process would still be required, Members agreed that it was still appropriate for a delegation to be approved.

Members noted that interviews had been scheduled for the end of March 2020 but this was subject to review in the current situation. Members would be updated on changes to the timetable.

Members recommended to the Chair of TfL that he exercise Chair's action to approve a delegation to the Chair of TfL, in consultation with the Interview Panel, to appoint a Commissioner of Transport for London and, should it prove necessary, the appointment of an interim Commissioner.