

Agenda - Supplementary

Meeting: Board

Date: Tuesday 2 June 2020

Time: 10.00am

Place: Teams Videoconference

Members

Sadiq Khan (Chair)

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

Dr Lynn Sloman

Ben Story

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chair is of the opinion that these items should be considered as late items as information in relation to the papers were not available at the time that the agenda and papers were published. The reason for urgency is that the Board needs to consider TfL's response to the impact of Covid-19 and the emergency budget.

Copies of the papers and any attachments are available on [tfl.gov.uk How We Are Governed](https://www.tfl.gov.uk/How-We-Are-Governed).

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Shamus Kenny, Head of Secretariat; telephone: 020 7983 4913; email: ShamusKenny@tfl.gov.uk.

For media enquiries please contact the TfL Press Office; telephone: 0343 222 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Friday 29 May 2020

**Agenda
Board
Tuesday 2 June 2020**

5 Commissioner's Report (Pages 1 - 28)

Commissioner

The Board is asked to note the Commissioner's Report, which provides an overview of TfL's response to Covid-19.

7 Finance Update - TfL Funding Agreement and Emergency Budget
(Pages 29 - 68)

Chief Finance Officer

The Chair, following consultation with the Board, is asked to note the terms of the funding arrangements from Government and approve an Emergency Budget as set out in the paper.

Board



Date: 2 June 2020

Item: Commissioner's Report

This paper will be considered in public

1 Summary

- 1.1 The last Commissioner's Report to the meeting of the Board provided an overview of major issues and developments since the meeting of the Board held on 22 January 2020, focused on significant projects and initiatives.
- 1.2 This report covers our response to the coronavirus pandemic, our ongoing restart and recovery work along with a brief update on our finances.

2 Recommendation

- 2.1 **The Board is asked to note the report.**

List of appendices to this report:

Commissioner's Report – 2 June 2020

List of Background Papers:

None

Mike Brown MVO

Commissioner

Transport for London

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Commissioner's report

2 June 2020

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This paper will be considered in public

I Introduction

This report provides a review of major issues and developments since the Board meeting of 18 March.

These have been unprecedented times for London, the United Kingdom and the world. To fight the spread of coronavirus, save lives and protect the NHS, the Government and the Mayor instructed people in London to stay at home and not travel.

Sadly, we believe that 43 of our colleagues have died from coronavirus since the pandemic began. This includes six who worked directly for us, 33 who worked for our bus operators and four who worked for other partner organisations. We are also sadly aware of some deaths amongst taxi and private hire drivers. They are in our thoughts, as are their families, and we are doing everything we can to support them during this difficult time

We initially reduced our Tube services but have since been operating at about 80 per cent of peak Tube services, and over 85 per cent of bus services. This has been while many of our staff themselves have of course been ill, shielding or in self-isolation.

To maintain social distancing wherever possible, the transport network needs to operate differently during this extraordinary period. In line with advice from the Government and the Mayor, we

are encouraging people who can work from home to continue to do so and enable the people who must travel by public transport to do so safely. We are asking everyone to try and avoid the busiest times, maintain social distancing wherever possible, wear face coverings when they do need to use public transport, and to walk and cycle whenever possible. We are providing extensive new cycling and walking facilities to support journeys by these means.

We temporarily paused all TfL and Crossrail construction work to reduce the number of construction workers needing to travel into central London. In May, work resumed on some Crossrail sites. Crossrail Ltd is making sure that social distancing is always being adhered to on sites.

In a short time, with the full support of travelling Londoners, we changed from encouraging as many people as possible to use public transport, to asking them to only travel for essential journeys. While this was the right thing to do to help prevent the spread of the virus, it has had a huge impact on our income. To help alleviate the financial challenge of this, we used the Government's Coronavirus Job Retention Scheme to furlough a large number of our back-office colleagues whose work was reduced or paused as a

result of the pandemic. The furloughed workers remained on our payroll and we accessed the Government scheme to claim a reimbursement of 80 per cent of their salaries. This saved us an estimated £15.8m every four weeks. To ensure our staff were not financially impacted, we paid the remaining 20 per cent of their salaries, so they received full pay during their furlough period.

As we have significantly improved our underlying financial position over the last four years, we have been able to draw down on our resources to keep operating for several weeks. However, government support was vital, and we reached a funding and financing settlement with the Government on 14 May. This agreement allows us to continue to deliver critical services for London over the coming months.

2 Our response to coronavirus

Deaths in service

Sadly, we believe that 43 of our colleagues have died from coronavirus since the pandemic began. This includes six who worked directly for us, 33 who worked for our bus operators and four who worked for our partner organisations. We are also sadly aware of a number of taxi and private hire drivers who have tragically died from coronavirus.

We will always remember the vital role they all had in helping to tackle the coronavirus and save people's lives. It is hard to imagine the pain and suffering that their families and friends are going through, but our thoughts and condolences are with them all and we are doing everything we can to support them during this difficult time and will continue to do so. Our Employee Assistance Programme is a service available to all employees and their dependents which provides emotional support, guidance and information for a range of topics, including bereavement. This service includes telephone access to emotional support from a qualified counsellor via a 24/7 telephone service, bereavement counselling services and access to the dedicated bereavement support charity Cruse. Our Sarah Hope Line is also available to provide support to anyone impacted by the loss of a colleague or

family member during these challenging times.

We are working with our trade unions, bus companies and other partners to ensure the safety of the people who work on our network. Our operators are also liaising closely with affected families over death-in-service support and contributing sickness data on the cultural backgrounds of drivers to assist Public Health England with its wider exploratory work on the groups of people most at risk of coronavirus.

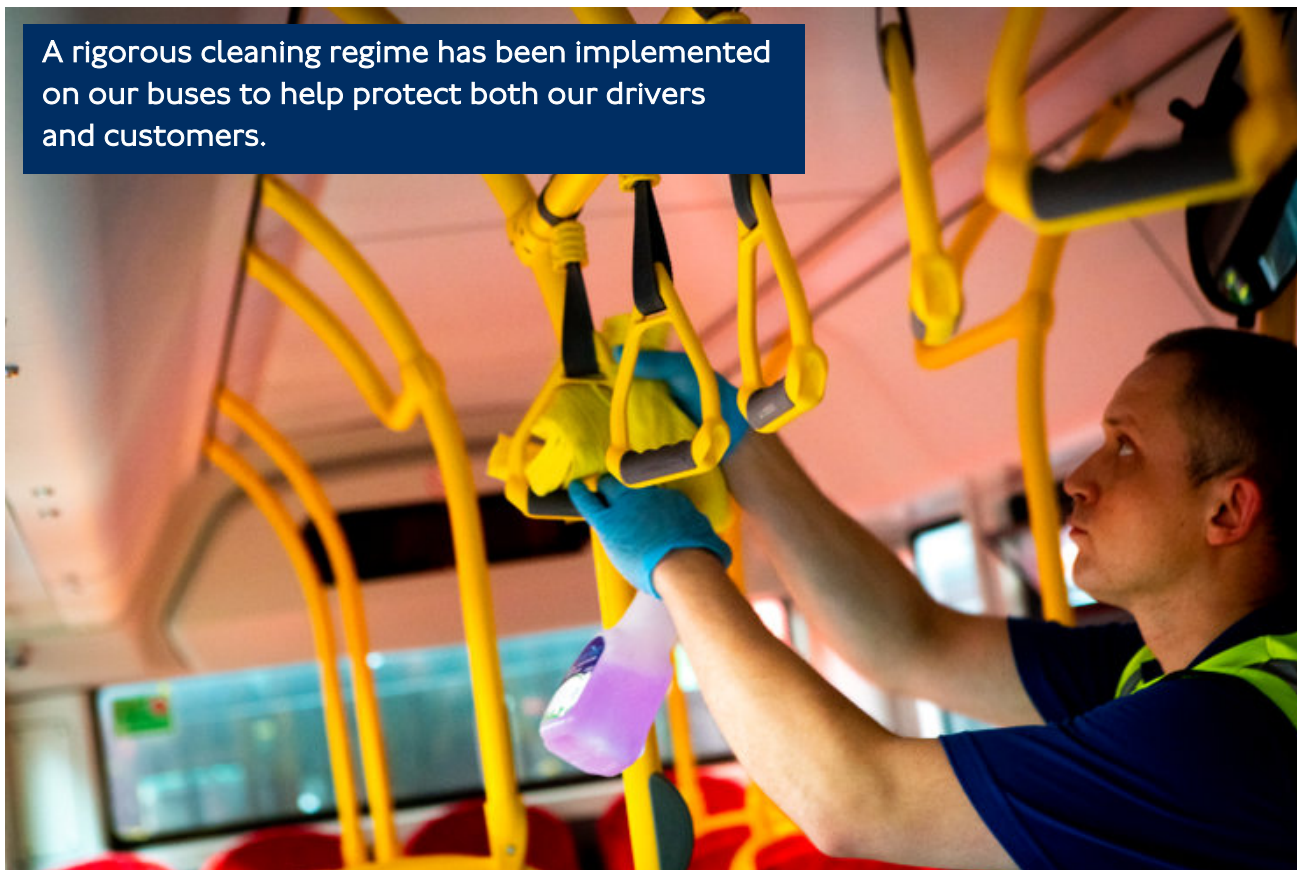
Bus driver death review

We have asked the University College London (UCL) Institute of Health Equity to provide independent advice as part of a forthcoming two-part study to better understand the pattern of coronavirus infections and deaths among London's bus workers.

The studies are being commissioned following the tragic deaths of 33 bus colleagues, including 29 drivers, to ensure that we are taking all possible measures to protect the health, safety and wellbeing of those working to keep the bus network moving.

The first part of the study, which the Institute is advising on, will review and offer recommendations on our operational response during the pandemic. It will examine the range of measures that have been introduced to

A rigorous cleaning regime has been implemented on our buses to help protect both our drivers and customers.



protect bus workers, including the rigorous cleaning regime in place across the network and social distancing measures for both members of staff and customers. This work will take place within a matter of weeks and will enable us to quickly undertake any improvements to current measures, as necessary.

The second part of the study, which will be commissioned shortly, will examine the potential contribution that occupational exposure plays in differences in infection and death rates between London's frontline transport workers and the city's overall population by adjusting for a range of risk factors including age, gender, ethnicity, economic status and non-occupational exposure. The study will take three to four months to complete and will help inform recommendations on any additional

measures that should be put in place to protect these key workers.

Bus driver safety

London's bus drivers are playing a vital role in taking key workers to and from hospitals, police stations, pharmacies and care homes. Bus drivers' safety is our absolute priority and we continue to work closely with our trade unions and bus operators to put the right safeguards in place and adhere to the latest medical advice.

On 20 April, we temporarily changed the way our customers board. Customers are currently only able to board and alight buses from the middle doors. We have also sealed the holes in the protective screens of the drivers' cabs and put signs on the nearest seats telling passengers to sit further back in order to shield drivers further. We have also updated the iBus next-stop announcement system to play

To help protect our drivers, we changed the way customers board buses, enabling middle-door boarding only.



social distancing messages to customers to reinforce strict government health advice. In bus garages, social distancing signage and measures are being applied in driver canteens and rest areas.

From 30 May, customers on 124 bus routes will need to touch in on the card reader by the front doors as they board as part of a phased re-introduction of contactless and Oyster card payments. This is the first step to returning all of London's buses to being able to accept payments. Front-door boarding will be reinstated on further bus routes as soon as possible, and it is anticipated that all London buses will have returned to front-door boarding by mid-June. There will be announcements on buses and signage in place on bus doors to inform passengers of this update. On buses where these changes apply, all protective screens have now had the openings through which cash

was previously accepted sealed off, in addition to the vinyl screen that was fitted a number of weeks ago to close communication holes.

To further ensure the safety of customers and bus drivers, new limits to the number of customers on board at any one time will be introduced. This will help customers to observe the national guidance to maintain a two-metre distance between them and others wherever possible. Double-decker buses will be able to carry 20 customers and single-decker buses, depending on the size of the bus, will carry between six and 10 customers. The driver will have discretion to allow more customers on board if they are travelling in households or groups.

Extensive daily cleaning will continue across the network but with more focus on touch points such as the steering



We have provided face masks to our frontline staff in line with the Government advice issued on 11 May.

wheel, grab poles, doors and handles. These are treated with the most hygienic anti-viral agents every night, after regular cleaning has been completed.

To avoid drivers feeling they must work for financial reasons, we have been funding enhanced sick pay for those with coronavirus symptoms or self-isolating.

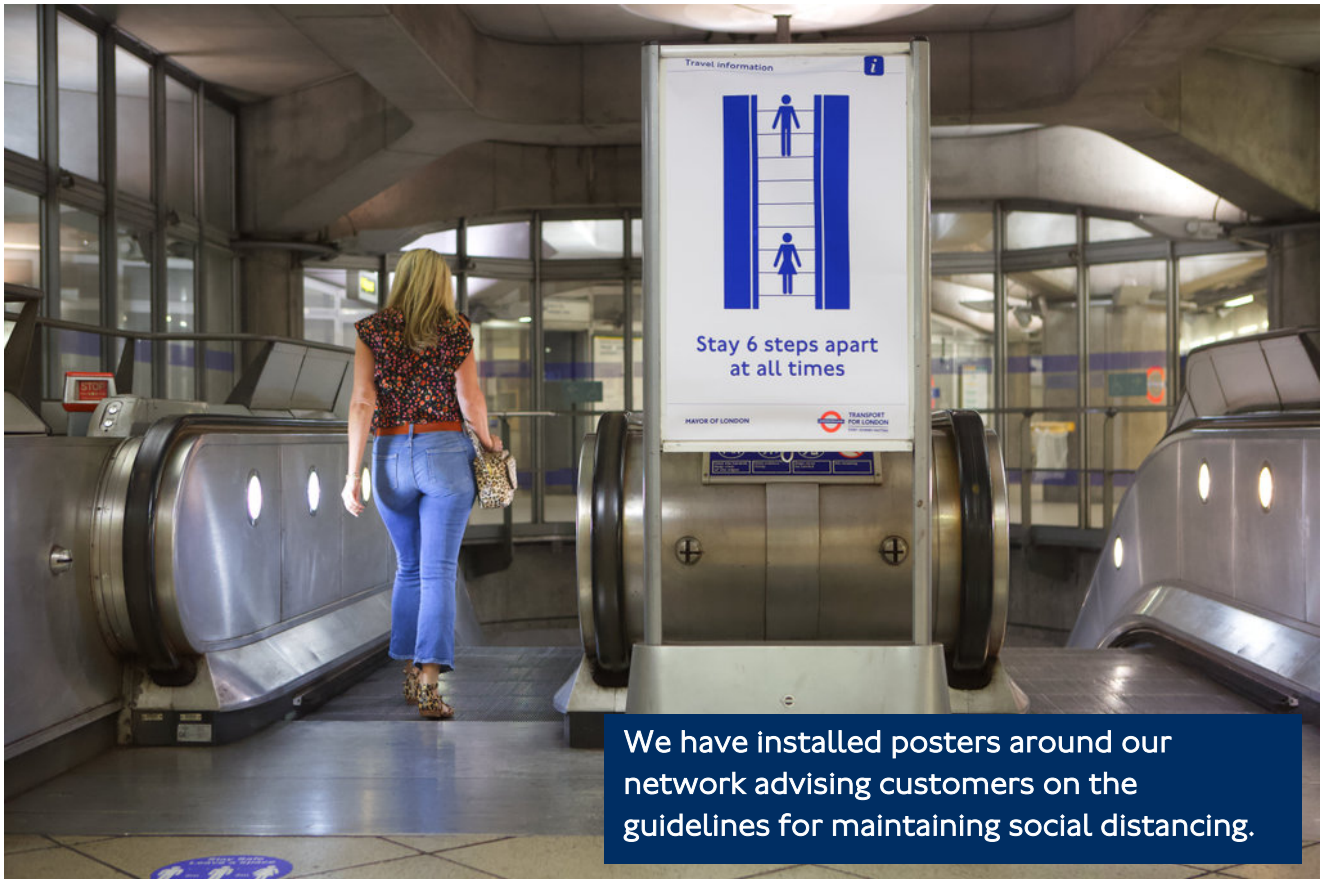
Furloughing vulnerable bus drivers

To protect the most vulnerable bus drivers from risk of infection, our bus operators have furloughed staff confirmed to be shielding or vulnerable. At the end of May around 2,700 bus operator staff were estimated to be unavailable, either as a result of being furloughed, through sickness or as they had identified themselves or a relative as being vulnerable. It has not been necessary to furlough bus drivers due to a lack of work, as the network has

continued to operate at around 85 per cent of normal weekday capacity.

Workplace violence and aggression

There has been a concerning increase in spitting incidents against bus drivers during this pandemic. Spitting is classed as an offence of common assault, however with coronavirus and the serious nature of the threat it poses to bus drivers, these investigations are being prioritised by the Roads Traffic Policing Command (RTPC), and our workplace violence team. There have been a total of 60 reports of spitting at bus drivers since the start of lockdown. The RTPC have provided additional resources and we are using CCTV, Oyster card data and DNA spit kits to quickly identify, catch and charge offenders.



Use of Personal Protective Equipment

On 11 May, the Government updated its guidance asking people to wear face coverings in places where social distancing may not be possible, such as on the public transport network. On 13 May, we made face masks available for all frontline staff. Face masks can help prevent the wearer from passing on the virus to someone else, as opposed to stopping the wearer from getting the virus.

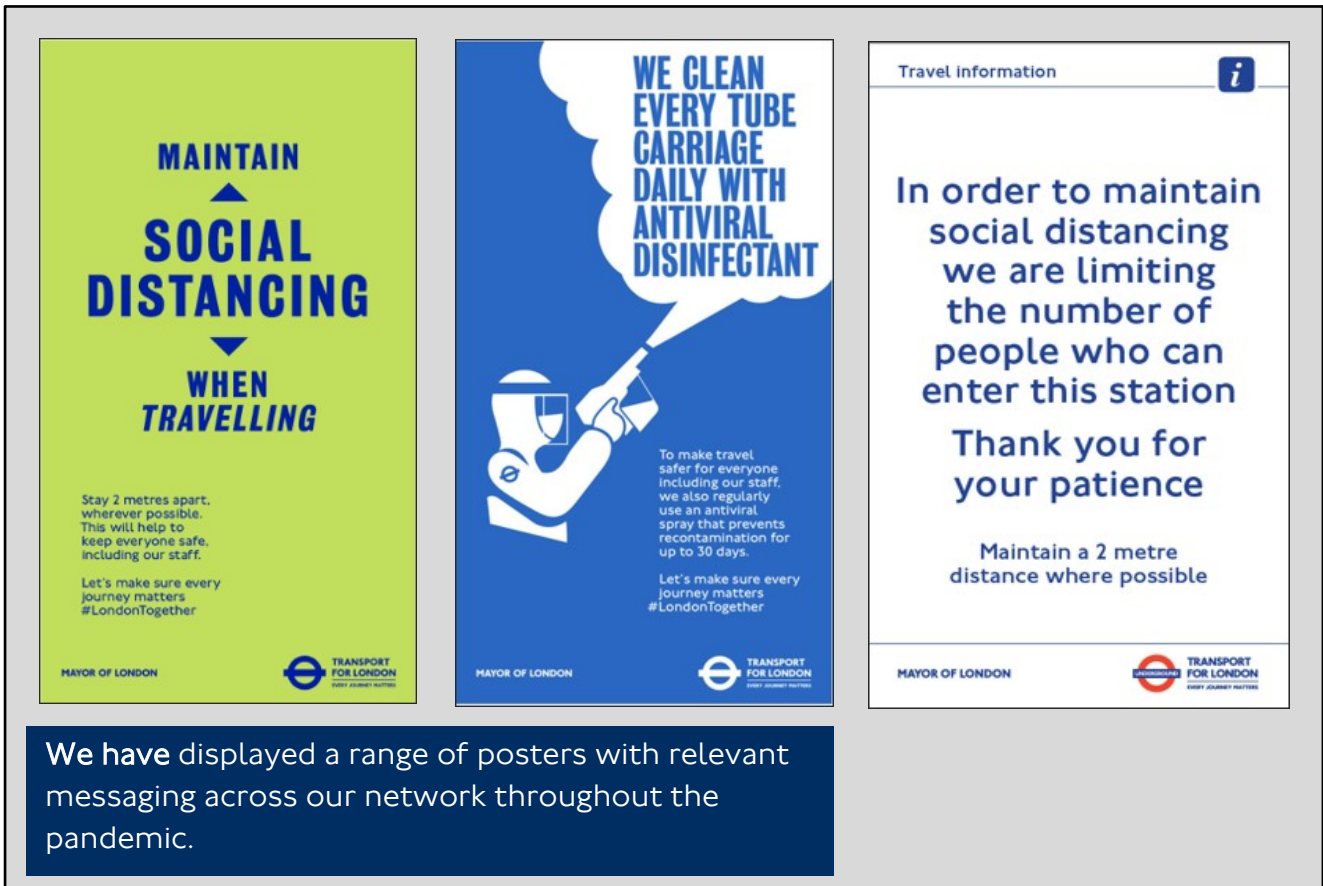
Guidance has been issued on how to use and dispose of the face masks. This includes handling the masks, fitting the mask correctly to the face and changing the masks. We have published a series of Frequently Asked Questions on our Coronavirus intranet so that staff can refer to it, should they need more information.

When bus and coach services return to a more regular service, face masks and gloves may be provided in the mobility suite at Victoria Coach Station and to controllers at our bus stations, where they may need to help passengers with visual or mobility impairments.

In addition, we have provided emergency intervention kits to our Dial-a-Ride depots, our supervised bus stations and Victoria Coach Station and deployed them on Dial-a-Ride buses and network traffic control vans. This will enable employees with first-aid training to wear face masks and gloves if they aid a critically ill person before the emergency services arrive.

Public transport safety campaigns

On 21 March, we launched a new radio advert to raise awareness of the reduced service on the network and, on 30 March, we changed this message to 'stay at home



We have displayed a range of posters with relevant messaging across our network throughout the pandemic.

(unless making an absolutely essential journey)' in line with government advice.

On 24 March, we launched 'do not travel' and 'stay at home' posters, translated into thirteen languages, on station whiteboards and poster sites across the network. This was in addition to the use of posters with social distancing messaging, reminding customers to keep two metres apart, and posters informing people that we are running a reduced service for essential journeys only. Other information posters are being used at relevant locations advising customers of the need to limit the number of people in a station, or that a station is closed. These posters will be displayed until further notice. We are running this same message on social media, in PA announcements, on our websites, on journey planner and across external journey planning apps.

In addition, we are running the Public Health England 'wash your hands' and 'isolate your household' messaging across London Underground, London Overground, DLR, TfL Rail, the Woolwich Ferry and London Buses. We are also running an 'If you're arriving from abroad' message at key entrance points to the city at Kings Cross St Pancras, the Heathrow stations and Victoria Coach Station.

We are continuing to communicate coronavirus-related messaging across our digital platforms: from new digital displays at Tube stations in east London, to improved messaging on our website and apps. This is running in parallel with the development of our future digital platforms, which has continued apace in readiness for London's recovery from this pandemic.



We are also supporting GLA communications, including the #LondonTogether campaign, in our own communications, and Thrive LDN mental health campaign in our media space.

Since mid-March we have issued more than 38 million emails regarding the latest coronavirus travel advice, communicated with more than 1,000 journalists, installed more than 27,000 posters across our network, received more than 192,000 calls to our contact centre and engaged with more than 500 stakeholders. We have also had more than a quarter of a million visits to our website and have kept Londoners up to date with daily social media posts, radio adverts and messaging on paid media sites across the capital.

Keeping our premises and assets safe

We have been working to make sure that we are doing everything we can to keep our staff and network safe for all the key

workers using it. This includes a 30-day anti-viral spray of surface premises and vehicles; distributing Personal Protective Equipment to staff; stocking and supplying hand sanitiser and installing 18 temporary bus driver facilities around London while permanent ones are closed. We have also installed platform markings on the Tube network instructing people to stay at least two metres apart. Stations with high customer numbers were the first to have these social distancing stickers installed.

We also installed stickers inside some of our bus stations, Custom House DLR station, at bus stops and inside buses. The stickers are fully compliant with our stringent materials requirements and have a non-slip surface. By early May, we had installed floor markings at 268 locations on the Tube.



We suspended the Congestion Charge and Ultra Low Emission Zone schemes at the height of the pandemic but reintroduced these on 18 May to help with the restart and recovery in London.

Road user charging

On 20 March, we announced that our three main road user charging schemes – the Congestion Charge, Ultra Low Emission Zone and Low Emission Zone would be suspended from 23 March.

The suspension sought to ensure that London's critical workers were able to travel around London as easily as possible during this national emergency, and also to support the supply chain and help keep supermarkets fully stocked.

We have been working closely with our suppliers, including Capita, to continue to deliver our road user charging operations throughout the pandemic, to support customer account enquiries and follow up on charges paid and Penalty Charge Notices incurred prior to the suspension. We temporarily closed phone lines in our customer contact centre while we moved all our and supplier staff to a home-based solution. Phone lines were re-opened on

14 April with a limited number of agents handling calls remotely.

On 18 May, we reintroduced the Congestion Charge and Ultra Low Emission Zone (ULEZ) to help limit the number of journeys made by car and to encourage more active and sustainable options for those who need to travel.

On 15 May, we also announced our proposal to increase the congestion charge from £11.50 to £15 daily, extend the hours of operations to include evenings (up to 10pm) and weekends, temporarily close the residents' discount to new applicants and make other consequential changes. These changes are being considered in the context of TfL's continuing response to the Covid-19 pandemic and the safe restart of the transport system. The decision making process, including assessing the impacts of these proposed changes, is being progressed. It is proposed these changes will be introduced from 22 June.

We provided dedicated shuttle buses to take hospital staff from Nightingale Hospital to nearby car parks and hotels.



The Congestion Charge reimbursement scheme has been temporarily extended to continue to support NHS, care home workers and London Ambulance Service staff, who are at the heart of the national effort to combat coronavirus. People in these groups who work in the Congestion Charge zone will be reimbursed for journeys relating to coronavirus, including their journeys to and from work.

Nightingale Hospital at ExCeL London

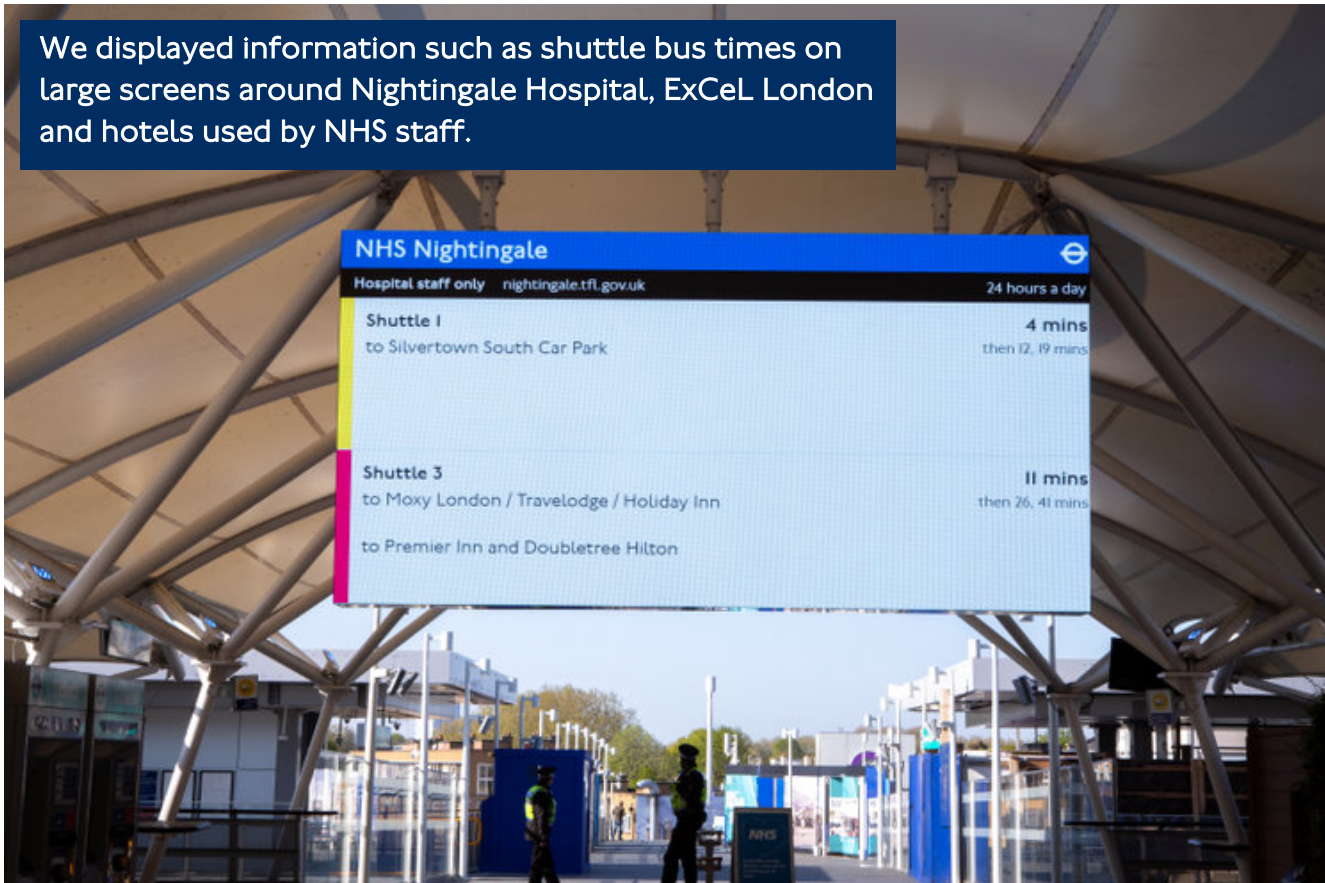
On 3 April, the NHS Nightingale Hospital London opened providing extra hospital bed capacity in London to help manage the coronavirus outbreak. We worked closely with the NHS before the opening, to ensure hospital staff were able to travel safely and reliably to work, while other customers making essential journeys were also able to do so.

To support this work, we closely monitored all modes of transport being

used by staff to access the hospital. We ensured that the surrounding road network was kept clear and observed passenger numbers at key interchanges on the Tube and on the DLR. Dedicated shuttle bus services were provided to take staff to and from nearby car parks and hotels. These services were supported by the deployment of our ambassadors, who encouraged social distancing and provided information to staff travelling to the hospital site.

We installed wayfinding signage to assist those walking or driving to the hospital. We also had a dedicated Nightingale Hospital desk, operating 24/7 in the Network Management Control Centre. This provided operational oversight of the hospital and enabled us to respond to queries from Nightingale Hospital staff or our own ambassadors.

We displayed information such as shuttle bus times on large screens around Nightingale Hospital, ExCeL London and hotels used by NHS staff.



Understanding future demand was key to providing safe and reliable services to the hospital and on our wider network. We engaged with the Nightingale Hospital workforce planning team to ensure we remained informed of the longer-term planning for the hospital and were able to manage the impact of any increases in staff and patient numbers.

In addition to this, we also produced a local area map, a staff travel options leaflet, as well as posters and information at temporary bus stops.

We also delivered a website that displayed shuttle bus times and related public transport information. As part of this solution, real-time arrival information was fed directly to the website via a system of mobile phones on shuttle buses. The website also scaled up for display on big screens around ExCeL London, where the Nightingale Hospital is

located, and in the surrounding hotels used by critical NHS staff.

Since the hospital was closed on 15 May, we have stopped the shuttle bus services and other measures introduced to specifically support the site. We will continue to work with the NHS to ensure we are ready to respond, should the hospital be required again in the future.

Safe roadworks during the pandemic

Together with all key utility companies, we set out and agreed a new approach to managing road and street works on our road network during the coronavirus pandemic. These measures included:

- Prioritising emergency and urgent works to ensure access to utility services are maintained
- Ensuring that staff resources and materials are available to respond to emergencies and keep us



We have been working closely with the Taxi and private hire industry to support them throughout the pandemic.

- informed of resourcing levels and access to materials
- Ensuring that high risk safety defects continue to be rectified within the statutory two-hour timeframe
- Ensuring that all current work in progress is completed without delay and all Traffic Management measures are removed from site
- Ensuring that social distancing measures are adhered to on work sites and minimise the number of staff travelling on public transport

For roadwork inspections, we took the decision to solely concentrate on high-risk defects which have a significant safety impact on our road network. This means we can use limited resources to resolve high-priority issues.

Taxi and private hire response

We have a statutory duty to provide taxi and private hire licensing and regulatory

functions. To ensure the safety and welfare of our staff, contractors and taxi and private hire vehicle licensees, a number of changes were implemented to the taxi and private hire licensing service in light of the unprecedented challenges faced as a result of the coronavirus pandemic. These changes enabled taxi and private hire drivers to continue to work, however we reminded licensees to be mindful of the Government advice for people to stay at home if possible:

- Our focus was on supporting critical taxi and private hire licensing functions, primarily licence renewals, and acting on safety-critical intelligence. To ensure the safety of our staff, we moved to a home working solution and closed our contact centre phone lines. However, we continued to offer contact centre support via email and web enquiries which has worked well,

enabling staff to process licence applications and respond to licensee enquiries

- We closed our driver assessment centres to protect staff and customers. As a result, no Knowledge of London or private hire topographical assessments have been carried out during this period. We are now working to re-start some of these services in June, while ensuring social distancing measures are in place
- Taxi or private hire vehicle licences which expired or are due to expire between 23 March 2020 and 30 June 2020 (inclusive) remain licensed for a period of six months pending the full resumption of vehicle inspections, and a decision by us on the granting of a new licence

which included advice on driver and vehicle hygiene and face coverings. This detailed advice has been published in a TPH notice to licensees.

In addition to our licensing and regulatory obligations, we have also been working to support the industry throughout the pandemic, including holding weekly conference calls with stakeholders and identifying and promoting opportunities available to them to support London's response efforts.

We held a Taxi and Private Hire (TPH) Summit on 5 May to examine some issues in more detail. We have published regular communications containing the most up to date government advice on public health and financial support and updated our licensee health and wellbeing information on the website to raise awareness of the services, guidance and support available to licensees.

We asked the Scientific Technical Advisory Cell to examine the use of TPH services during the pandemic in more detail. They provided advice and guidance on 10 May

3 Restart and recovery

Supporting the restart in London

From 18 May, as agreed with the Mayor and the Government, we are stepping-up public transport service levels to make journeys as safe as possible for people who have no alternative to using public transport as national restrictions on movement are carefully and gradually lifted.

The advice from both the Government and the Mayor is that Londoners should continue to work from home if they can.

We are now asking those who cannot work from home to walk or cycle using the existing and extensive new cycling lanes and widened pavements. We are encouraging Londoners to avoid public transport wherever possible.

People who have no choice but to use public transport should wear face coverings and avoid the busiest times and locations. The busiest times on the network are between 05:45 - 08:15 and 16:00 - 17:30. Passengers are urged to take the most direct route and avoid busy interchanges. We have also issued a list of the 20 busiest stations on our website to help people avoid known hotspots. This will be updated regularly, and Londoners are encouraged to avoid using those stations, wherever possible, at busy times to help maintain social distancing and to avoid customers potentially having to wait to enter those stations.

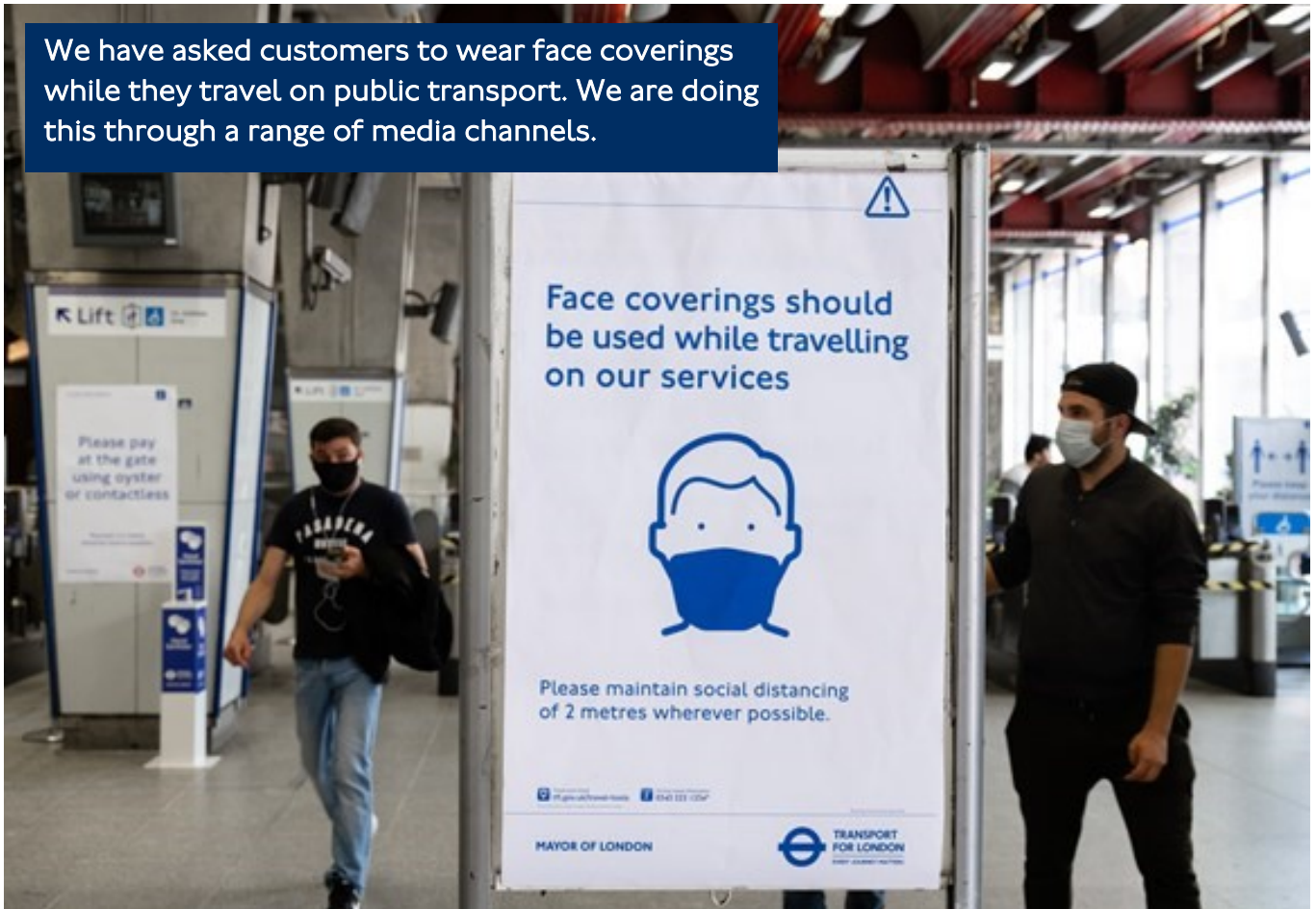
As the Government has set out, the number of people able to safely travel on public transport networks will be significantly constrained given the requirement to maintain a two-metre distance between people wherever possible.

We have been operating service levels in line with National Rail and are working hard to return services to as close to 100 per cent as soon as possible, given the number of staff off sick, vulnerable, shielding or self-isolating. As of 29 May, we are operating:

- Around 85 per cent of bus services
- 80 per cent of Tube services. The Waterloo & City line remains closed and six of the 37 stations that were closed for several weeks are now open
- 80 per cent of London Overground
- 82 per cent of DLR services
- 100 per cent of TfL Rail services
- 100 per cent of London Trams services
- 100 per cent of Santander Cycles services, with all three cycle hire hubs staffed and open, and a further two hubs added for additional demand
- The Emirates Air Line
- One boat on the Woolwich Ferry

Posters and PA announcements around the network and on our social media channels are reminding people to wear face coverings while using public transport. More than 20,000 social

We have asked customers to wear face coverings while they travel on public transport. We are doing this through a range of media channels.



distancing stickers are now in place at the busiest and largest stations on the London Underground, London Overground, DLR and Tram networks, with the remaining stations following soon. More social distancing markers at bus stops and shelters are also being installed across London.

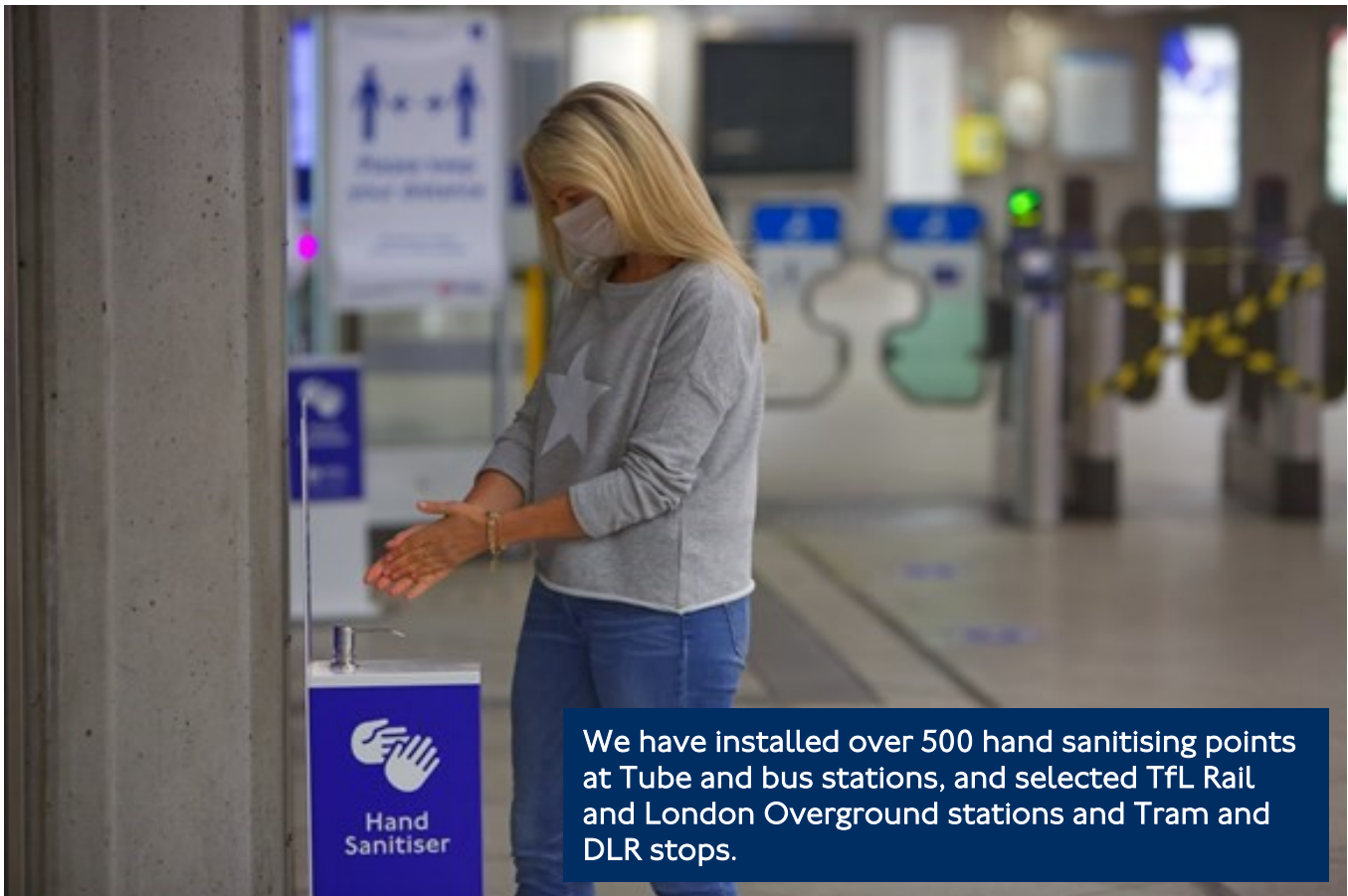
Dozens of stations have put in place new one-way and queuing systems to help control the flow of customers through the station, helping passengers to maintain social distancing. Customers may also be asked to wait to enter a station. Signage has also been installed on escalators asking customers to stand six steps apart and, in stations where there are lifts, we are asking that just four people use them at a time.

Bus passengers are asked to observe social distancing at bus stops and stations wherever possible, and to make use of all

available space, including the upper deck. If buses are very busy, customers may be asked to wait for the next bus.

We have deployed additional staff, including compliance policing and on-street officers, across the network and at bus stations to help with social distancing. Hundreds of officers from the British Transport Police are also working across the transport network where they are most needed, keeping customers and staff safe.

We have installed more than 500 hand sanitising points in Tube station ticket halls, with additional points being installed across the network soon.



They are also being installed in all bus stations in London and at selected TfL Rail, London Overground, and DLR stations, as well as at Tram Stops, Victoria Coach Station, the Woolwich Ferry and Emirates Air Line.

As has been the case throughout the pandemic, even with travel levels on the Tube as low as five per cent, there will be occasions when it will not be possible to maintain social distancing. In addition to wearing a facial covering, we have asked those who are using public transport to help maintain social distancing wherever possible by respecting the space of fellow passengers and following signage and the advice of our staff.

We have been engaging with businesses across the capital to make sure their employees are encouraged to work from home, where possible, and to walk and

cycle if they do have to come to the workplace. Businesses are also being asked to stagger start and finish times, so that employees can avoid the busiest travel times if possible.

Coordination of testing

Working alongside Public Health England, we have set up access for our frontline employees to get tested for coronavirus. Employees can request either a home testing kit or a drive-through appointment for themselves and/or any member of their household that has symptoms. This testing will provide confirmation to those employees who are displaying symptoms, allowing them to self-isolate, where required, or enabling them to return to work.

Streetspace for London plan

To try and reduce the pressure of demand on the public transport system, and to

The Mayor has launched the London Streetspace plan to help with the demand on the public transport network London Streetspace Plan.



enable greater social distancing on the capital's streets, the Mayor has launched the Streetspace for London plan. This focuses on three key areas:

- Providing temporary additional space for walking at locations likely to become crowded, such as local town centres, transport hubs, and parts of the Central Activities Zone - London's vibrant centre and one of the world's most attractive and competitive business locations London's vibrant centre
- Providing temporary pop-up strategic cycle lanes, including mirroring (as far as possible) the routes of some London Underground lines, where we will need Londoners to switch mode
- Delivering more low traffic neighbourhoods to assist with a higher level of walking and cycling

to and from local town centres and schools, retaining the improved air quality from reduced motor traffic trips, and giving space and safety for social distancing and sustainable travel

We have already delivered a number of projects on our surface road network as part of the plan, including in:

- Camden High Street
- Camden Road
- Stoke Newington High Street
- Northwold Road/Stoke Newington
- Brixton
- Park Lane
- Borough High Street/St Thomas Street
- Nags Head – Seven Sisters Road and Holloway Road
- Earls Court Road

People showing support for Streetspace for London at Brixton, where we have widened pavements to help Londoners adhere to social distancing.



- Dalston – Kingsland High Street
- Tottenham High Road
- Edgware Road
- Hornsey/Holloway
- London Bridge (pedestrian one way)

A forward programme is being developed and delivered at pace. The list of locations for planned future schemes includes:

- Battersea Bridge (pedestrian one way)
- Waterloo Road
- Angel
- Stockwell

A number of boroughs have already taken local action, and we have issued borough guidance for the programme and asked for projects to fund. The financial situation has required that boroughs, like us, pause their existing pre-planned

programmes of work and entirely switch attention to the Streetspace for London plan in the short term.

The Mayor has also announced an intention to work with the central London boroughs on walking, cycling and bus improvements in a number of central London corridors linking key hubs, for example from main line termini stations to and from areas of high employment. This includes London Bridge to Liverpool Street, Waterloo to Euston, Old Street to Holborn, and others. The potential for these corridors is being established now and will be taken forward at the same pace as the rest of the programme.

Santander Cycles

During the coronavirus lockdown, most Santander Cycles docking stations remained open as usual.

Most Santander Cycles hubs remain open but we have implemented safety markings to help keep our customers safe.



Since the start of March, hires have reduced by around 26 per cent compared to the same time last year. However, casual hires have only reduced by around 2.5 per cent, with the majority of the deficit coming from members who use the scheme for commuting.

Cycle hire docking stations at all Royal Parks were shut during the Easter weekend and will remain shut during weekends up to 16 May, at the request of the Royal Parks. However, despite this, the scheme has seen record daily hires. Over the weekend of 16 and 17 May, there were a total of 97,000 hires, making it the busiest weekend in the scheme's history. Monday 25 May saw more hires than any previous non-Tube strike day, with 66,990 taking place.

To support vital hospital staff getting into work during these challenging times, we are giving NHS workers a code to waive

the 24-hour access fee for Santander Cycles, making any journey under 30 minutes free of charge. The codes have proven extremely popular with 12,000 being redeemed and more than 21,000 trips being made. Key workers were also given a promotional code for free hires which has been redeemed more than 3,000 times.

In addition to free access, we prioritised docking stations near hospitals to ensure a regular supply of bikes for medical staff to use. We also increased our cleaning regime to ensure the busiest 100 docking stations were cleaned daily and social distancing markings were placed at our top 150 sites.

4 Finance

TfL financial performance before Covid-19

Prior to the effect of coronavirus on our finances, the net cost of operations - our net deficit after taking into account financing and capital renewals costs - was on track to be £100m better than our revised budget for 2019/20, and almost £220m better than last year. The net financial impact of coronavirus on our operating account was £220m, £183m from lost passenger income, as well as additional costs of £28m. This pushed our net cost of operations to £423m, which is £116m lower than the revised budget, and the same level of deficit as in 2018/19. Had it not been for the effect of coronavirus, it would have been the fifth consecutive year our deficit position had improved. This is testament to our firm grip on cost both internally and through our supply chain, and careful business management to navigate volatility in passenger demand and uncertainty in the macroeconomic environment.

We have a strong track record of delivering our financial strategy, having reduced our net deficit, as measured by the net cost of operations, by more than £1bn since 2015/16 on a like-for-like basis. On a like-for-like basis, our operating costs are just over £170m lower than they were in 2015/16, meaning we have offset inflationary pressures entirely through savings during this time. We have done

this through an extensive programme to run our organisation more efficiently, making difficult decisions to reduce our cost base and increase revenue, while at the same time our general operating grant previously received from central government was fully phased out.

This effective financial stewardship meant we had built our cash reserves so that we could be more agile in our investment programme spend and strengthen our financial resilience against the challenges we faced from a continued subdued economy and uncertainty around the final terms of the UK's exit from the European Union. Our financial prudence in building our cash reserves to just over £2bn in 2019/20, meant we were able to sustain ourselves for as long as we did in the face of income loss, without breaching the minimum cash balance, our operating cash buffer of £1.2bn.

Financial impact on our services as a result of Covid-19

In April, Tube and rail journeys reduced by around 95 per cent and bus journeys were down by around 85 per cent. This has caused an overall operating income loss of around 90 per cent including non-passenger incomes, such as advertising revenue.

It is expected that the recovery will take some time and that passenger income will continue to be severely impaired after the

restriction measures are gradually eased. The national requirement to maintain two metre social distancing wherever possible means that we will only be able to carry around 13-20 per cent of the normal number of passengers on the Tube and bus networks even when 100 per cent of services are operating. This will of course continue to have a huge impact on our financial situation.

Whilst we have taken action to reduce our costs during this period, through measures such as implementing the Government's Coronavirus Job Retention Scheme and a safe stop of 300 construction projects, the severity of the impact is such that we would not have been able to fully mitigate the loss without external support.

We have prepared an interim view of our forecast financial position, assuming the prioritisation of essential services and activities. This interim view is based on revenue modelling that reflects our understanding of the Government's COVID-19 scenarios. It presents a funding gap of up to £1.9bn in the first half of 2020/21 and over £3.0bn over the full year.

We agreed a support package with the Government on 14 May. This ensures we can continue to deliver critical services for London over the coming months. The support package comprises £1.095bn of grant and a further loan facility of £505m

and will take us up to 17 October 2020. This support can be increased by a further £300m of grant and loan if revenue losses are higher than forecast for this period.

In reaching this settlement, we have agreed to a number of measures, including the participation in a London COVID-19 task force to align our response to the pandemic with wider government measures.

A written ministerial statement, published on the 18 May, sets out the other conditions, which include:

- restoring services to 100 per cent of pre-COVID levels as soon as possible;
- collecting fares on buses while ensuring driver safety;
- easing congestion by bringing forward proposals for temporary suspension of free travel for over-60s in the morning peak and temporary suspending free travel for under-18s all day.

Disabled people will still be able to make use of their concession passes all day, and special arrangements will be made for those children who qualify for free travel to schools. The Mayor has also agreed to consider increasing fares next year on all modes by RPI plus 1 per cent, in line with the proposals in our Business Plan.

During the period in which the funding package is being provided to us, appropriate governance and oversight arrangements will be put in place, allowing us to work closely together. Two special representatives will represent the Government on a non-voting basis on our Board, Finance Committee and our Programmes and Investment Committee.

In recognition that the current circumstances are likely to present ongoing financial challenges, we have produced an emergency budget to reflect the new financial realities of the organisation.

With respect to the Crossrail project, the existing funding package agreed in December 2018 will continue to apply. We, along with the DfT, as joint sponsors, will make all reasonable efforts to complete the project as soon as practicable and will continue to work on identifying the additional funding that will be needed for completion.

Further detail on the funding package agreed with government and the emergency budget will be considered in more detail under a specific paper later on the agenda.

Rent relief for businesses

The outbreak of coronavirus, and the necessary subsequent lockdown, had a devastating impact on businesses across

London, including many of our tenants who are reliant on high footfall. On 20 March, we became the first major landlord to announce a three-months' rent relief for our small- and medium-sized business tenants across London. We also outlined a range of bespoke support packages for larger business tenants. These measures will help ensure businesses survive, and we continue to do everything we can to support them in their recovery.

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June 2020

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Board

Date: 2 June 2020

**Item: Finance Update - TfL Funding Agreement and
Emergency Budget**

This paper will be considered in public

1 Summary

- 1.1 This paper considers the financial impacts of COVID-19 as presented in the proposed emergency budget appended to this paper (the Emergency Budget), and the funding and financing package reached with the Government.
- 1.2 On 12 May 2020, the Finance Committee met remotely to discuss TfL's proposed Emergency Budget, progress on TfL's funding discussions with Government, and options if funding was not made available within the required timescale. On 14 May 2020, a funding and financing package was provided by the Government for £1.6bn to cover the period from 1 April 2020 to 17 October 2020.
- 1.3 This paper asks Members of the Board to consider the Emergency Budget and the conditions imposed by the Government with its funding and financing package. As the Board will meet remotely, the Chair will be asked to decide the matters being considered by Members by way of Chair's action.

2 Recommendations

- 2.1 **The Chair of the Board (in consultation with Board Members) is asked to note the paper and:**
 - (a) **approve the Emergency Budget appended to this paper;**
 - (b) **authorise the Chief Finance Officer to make any editorial or other minor changes he considers appropriate prior to its publication;
and**
 - (c) **note the terms of the funding and financing package provided by Government on 14 May 2020, in particular the conditions with which Transport for London is required to progress.**

3 The 2020/21 Budget

- 3.1 Our 2020/21 budget focussed on continuing reducing core costs and improving efficiency across our services, and protecting and rebuilding our cash balances.
- 3.2 Our 2020/21 Budget kept us on track to meet the commitment we made in last year's Business Plan, which was to break even in 2022/23. The Budget maintained the prudent assumptions we set in this year's Business Plan around passenger revenue and capital investment. The budget built on our strong historic performance having taken over £1bn out of our cost of operations since 2015/16.
- 3.3 We prioritised our Investment Programme to protect investment in our asset base so that safety, reliability and asset condition were maintained or improved. We recognised the size of the funding gap in delivering all of London's transport needs, and continued to lobby the Government to acknowledge our need to modernise assets through projects such as replacing the signalling system on the Piccadilly line.
- 3.4 The work we have done to reduce our deficit and build our cash position is key to us being sustainable during this period of real uncertainty and potential crisis. This is important to give our external stakeholders and our lenders and credit agencies confidence in our ability to live within our means and generate enough cash flow to service existing debt and cover the cost of day to day operations. Without having built such resilience we would have been unable to survive the first few months of the COVID-19 pandemic.

4 The COVID-19 Pandemic

- 4.1 Since mid-March 2020, when the Government's measures to respond to the COVID-19 pandemic were implemented, we have continued to run a transport service so essential journeys can be made across London. We have fully supported the Government's measures encouraging commuters to avoid travelling where possible. As a result, passenger demand has declined steeply, with a 95 per cent reduction in journeys on the Tube, and an 85 per cent reduction in journeys on buses. This has caused an overall income loss of around 90 per cent including non-passenger incomes.
- 4.2 Despite having already taken a significant amount of cost out of the organisation, it is still costing TfL around £600m a month to run its network. We have already furloughed 7,000 staff and applied a "safe stop" to our major project activities of over 300 construction projects. These savings cannot, however, cover the loss from the steep decline in revenue, which for the full year, is anticipated to be over £4.0bn.

- 4.3 We have modelled longer term revenue scenarios in line with modelling undertaken by Imperial College for the Government. The majority of our costs are spent on our supply chain and internal labour costs: in the financial year 2019/20, we spent around £6bn through our suppliers. A stable source of income or funding during the COVID-19 pandemic is required so critical parts of our supply chain can gain adequate assurance that TfL will be able to continue honouring future financial commitments.
- 4.4 We are now working to support the Government's preparations for the restart and recovery, and have started ramping up certain services in line with the agreement with government. This is in recognition that our services and the ability for workers to use them and feel safe doing so will form a critical part of London's, and the economy's, recovery.
- 4.5 It is clear that, with social distancing rules likely to continue, our services will only be able to transport a fraction of passengers, even with a full service running. Additionally, as more passengers turn to walking and cycling modes to complete their journeys, TfL will need to invest in projects to make these modes more attractive and prevent a car led return to travel across London.
- 4.6 Before the impact of COVID-19, our record of delivering savings and efficiencies has been strong and we were on track to break even on our net cost of operations. The revenue impact from COVID-19 is substantial compared to our latest Business Plan and it is unlikely, even with significant external support, that we will return to any similar plan or levels of investment in the medium term.

5 Emergency Budget

- 5.1 In order to resolve the immediate and urgent funding issues in the short term, on 24 April 2020, we submitted a proposed Emergency Budget to Government for the period to the end of September, which identified the gap in TfL's funding which could not be met other than through Government support. The draft Emergency Budget can be found in **Appendix 1**.
- 5.2 The Emergency Budget is an interim position, which identifies actions and mitigations to manage the financial impacts of the crisis until we can propose a revised budget for the full financial year later this year, prioritising only what is essential for maintenance of basic services to support COVID-19 Government planning and safety related activities, ensuring our employees, contractors' employees and customers remain safe.
- 5.3 Overall, the proposed Emergency Budget assumes nearly £1bn of cost reduction/ deferral over the period, and assumes we utilise around £1bn of our cash resources, leaving a funding gap of £1.9bn in the first half of the year and a full year funding gap of £3.2bn.

- 5.4 The Emergency Budget assumes that tube and bus services operate at 50 per cent and 80 per cent of normal levels respectively until end of June. Since the Emergency Budget was set this has been revised to increase to near pre COVID-19 levels as soon as possible. We are also already having to work to a new capacity constraint caused by social distancing.
- 5.5 The proposed Emergency Budget also assumes some level of additional costs to help to manage the crisis, for example additional cleaning costs and potential travel demand management campaign spend.
- 5.6 On our Investment Programme, the proposed Emergency Budget assumes significant deferral of capital expenditure in order to reduce costs in the short term. A summary list of the main programmes included in the draft Emergency Budget is set out in Appendix 1.

6 Funding and financing package

- 6.1 We have been in regular discussions with Government since the COVID-19 measures were put in place mid-March 2020. In a letter to the Commissioner on 12 April from the Permanent Secretary of the Department for Transport, the Permanent Secretary stated that Government accepted that TfL are likely to need access to additional resources in order to deliver the essential transport services supporting the crisis response, maintain essential contracts needed to run these services and continue to support the supply chain behind our major investment projects.
- 6.2 On 14 May 2020, TfL reached an agreement with the Government on a funding and financing package of £1.6bn to cover the period 1 April 2020 to 17 October 2020, comprising:
- (i) extraordinary support grant of £1.095bn payable under section 101 of the Greater London Authority Act 1999; and
 - (ii) incremental borrowing by Transport for London from the Public Works Loan Board of £505m.
- 6.3 However, given the uncertainties in predicting demand, if the actual funding shortfall for the period to 17 October is greater or less than £1.6bn, then the amount of the grant and the PWLB loan will increase or decrease proportionately, up to a maximum of £1.9bn in aggregate. The funding requirement will be kept under review throughout the period to 17 October 2020.
- 6.4 With respect to the Crossrail project, the existing funding package agreed in December 2018 will continue to apply. TfL and DfT as joint sponsors will make all reasonable efforts to complete the project as soon as practicable and will continue to work on identifying the additional funding that will be needed for completion.

6.5 The Government's letter to the Mayor of 14 May 2020 setting out the funding and financing package is included at **Appendix 2**. Section 12 onwards in the paper sets out the conditions that DfT required TfL to progress.

7 Next Steps

7.1 The proposed Emergency Budget was submitted to the Government as part of the funding discussion. Within the funding letter, certain conditions were set out by the Government under the agreement which mean we need to update our original assumptions.

7.2 We have since begun work on a revised Budget which will underpin the Government support required for the second half of 2020/21 and for which we will seek the Board's approval in July 2020. This will include our updated assumptions based on the conditions as set out within the funding agreement and any updated social distancing assumptions and associated impacts.

7.3 A London COVID-19 Transport Taskforce has been set up attended by DfT and us to work through some of the conditions as set out in the funding letter.

List of appendices to this report:

Appendix 1: Draft Emergency Budget

Appendix 2: Funding letter from the Secretary of State for Transport to the Mayor of London, 14 May 2020

List of Background Papers:

None

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Coronavirus Update

TfL's Emergency Budget 2020/21

TfL Board
2 June 2020



Section I

Recap of original budget

Recap of original budget	1
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2020/21 Budget: Recap of priorities

Maintaining financial
resilience through
rebuilding our cash, and
better defining the
minimum cost to continue
operating our network
safely and reliably

We continue to operate in a challenging climate:

- The challenges we highlighted in the 2019 Business Plan remain
- Passenger income trends continue to be unpredictable. We saw a sharp deterioration in demand in the latter part of 2019. This is consistent with the latest news on economic performance. We remain cautious and our projections for 2020/21 reflect the lower end of the range of possible outcomes, as informed by forecasts from GLA Economics.

We are building financial resilience:

- Continued focus on efficiency and reducing core costs through robust cost control
- We have increased capital financial over-programming in line with our actual trend of delivery. This more pragmatic approach means we can better plan our resources, freeing up cash to invest in the rest of our business. Should complexities arise we have schemes in the pipeline which we can bring forward while maintaining affordability within the financial envelope.
- We have prioritised our plan so that we can as much as possible protect investment in our asset base so that safety, reliability and asset condition are maintained or improved. We continue to lobby the Government to acknowledge our need to modernise assets through projects such as replacing the signalling system on the Piccadilly line.

We are embedding our separate tills:

- Building awareness of the different economic models of our core business enable us to better understand how to plan for and deliver better performance

The challenges we faced pre-pandemic and our plan to overcome

Our challenges



Long term funding



Economic downturn



Crossrail

Our response



Intensive operating cost control



Cancelled / deferred projects



Reduced renewals



Asset sales

Our key business areas had strong trajectories to break even and cover capital costs for reinvesting in the network

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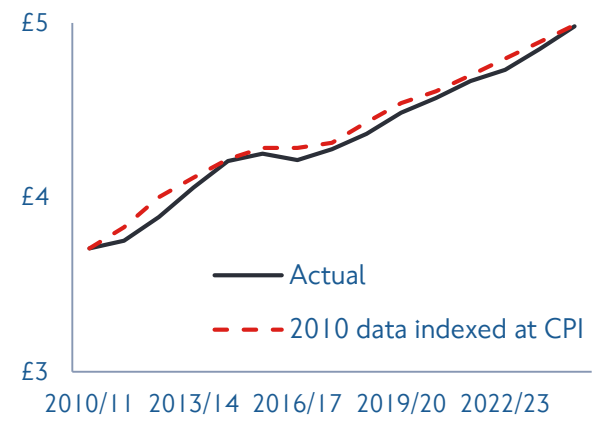
Underground

The Underground forecast to hit a over £1bn direct operating surplus by 21/22, and was targeting to start covering its longer term capital costs for baseline renewals



Buses and Streets

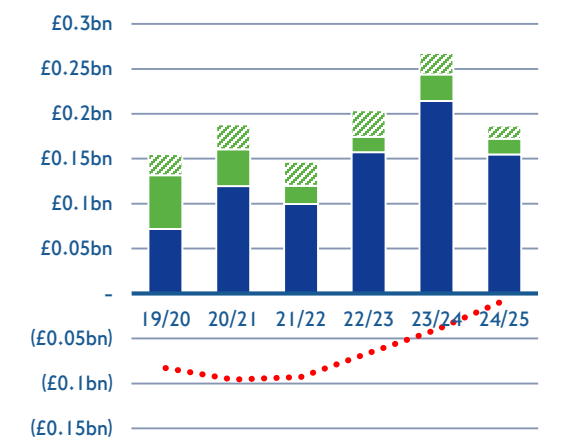
Bus costs require subsidy and we planned to apply full operating business rates to this area, which would cover critical capital cost and indirect costs







We have kept buses costs in line with inflation despite changes to the network: cost per operated kilometre +2.1% p.a. on average, improving safety, reliability and air quality without cost changes exceeding inflation (£)

Rail

Rail did not generate a surplus but we planned to continue investing in our assets from capital business rates to improve these services – including replacing DLR trains and trams

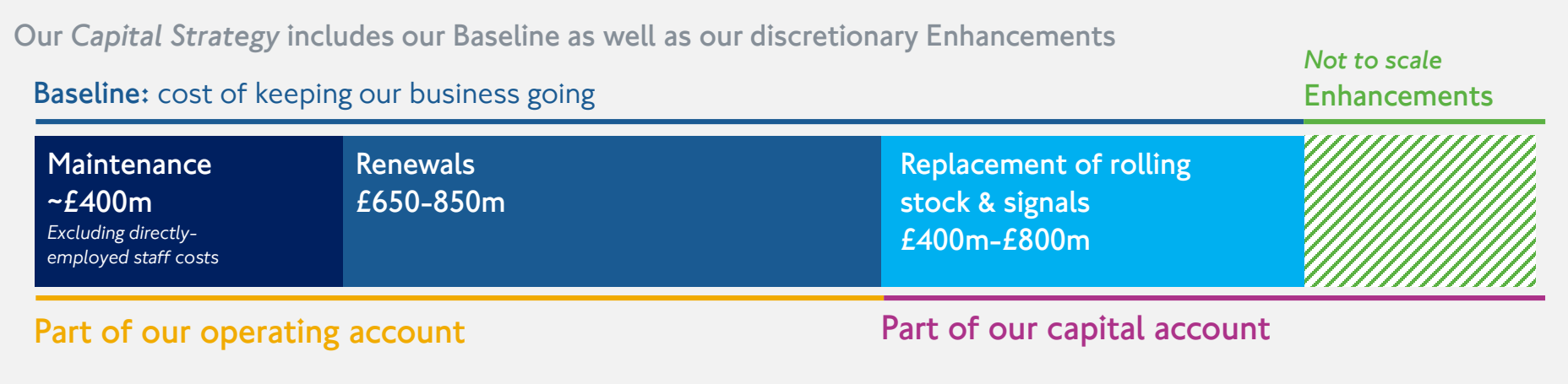


-  Other capital (not committed)
-  Other capital (committed)
-  Baseline capital spend
-  Net surplus/(cost) before baseline capital spend





We had a robust plan for affording our long-term baseline

The way we articulate our long-term investment needs have evolved; we estimate the cost of running the network to be in the region of £1.4bn p.a. (2019 prices) plus maintenance

To keep our network safe and operable over the long term (25 years) we need to get to a level of steady state asset condition and we estimate this to be around £1.4bn p.a. plus maintenance.



We have approached this exercise by following a broad set of assumptions in order to allow us to try and understand the true run-rate cost of running our business.

-  Cost estimates are not unnecessarily constrained by affordability
-  Cost estimates are reflective of short term deliverability and any known commercial arrangements
-  London Underground fleet reflects continuous production across Piccadilly, Bakerloo and Central lines
-  Surface baseline includes major asset renewals , Reliability and State of Good Repair and Trams fleet replacement

Section 2

Impact of COVID-19 on our finances

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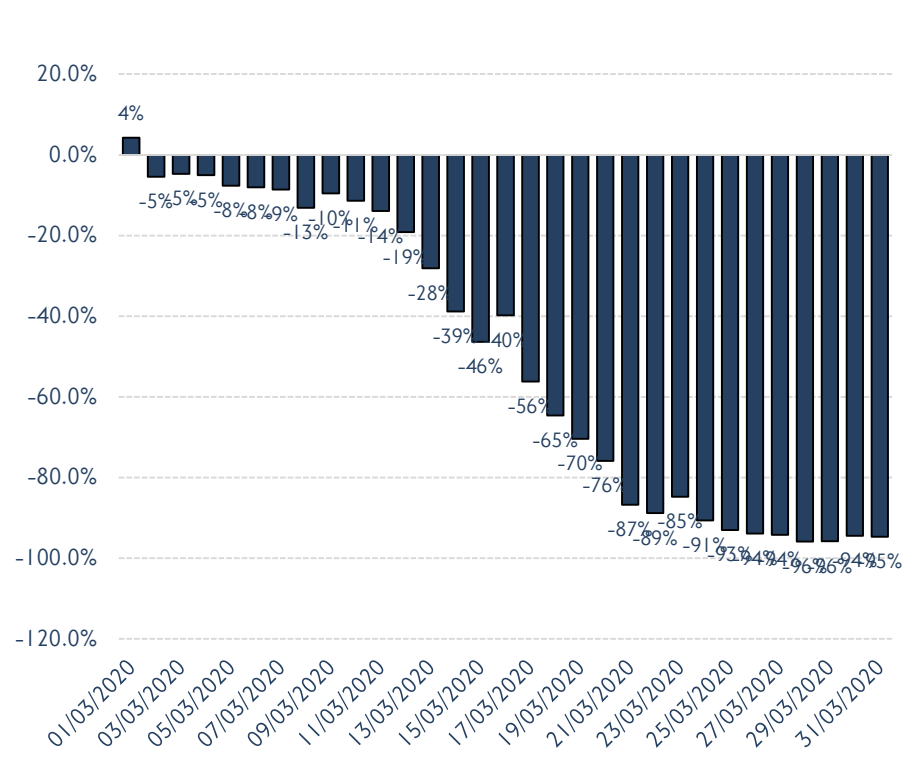
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We have seen huge journey reductions at the end of 2019/20

Tube journeys down over 95%; bus journeys just over 85%

We lost over £80m in revenue per week at the peak, with these trends continuing to today

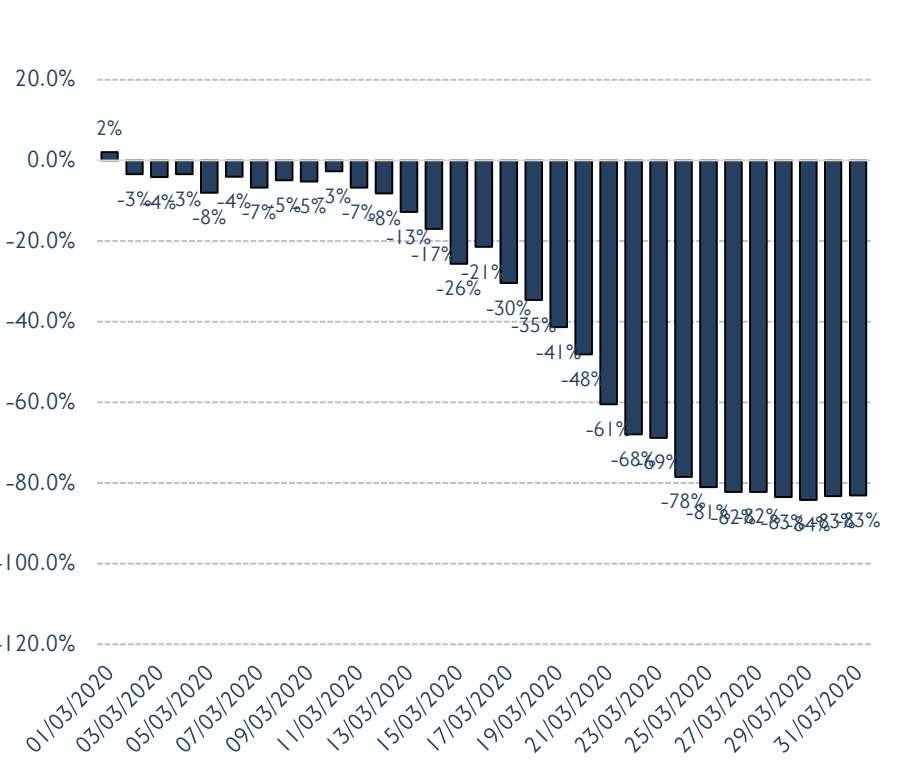
Tube journeys % year-on-year change



Weekly variance to Budget	(£5m)	(£13m)	(£38m)	(£52m)	(£19m)
	-7%	-20%	-64%	-92%	N/A

(£126m) total lost revenue in 2019/20 compared to budget in LU

Bus journeys % year-on-year change



Weekly variance to Budget	(£1m)	(£2m)	(£11m)	(£23m)	(£1m)
	-5%	-9%	-38%	-80%	N/A

(£38m) total lost revenue in 2019/20 compared to budget in Buses

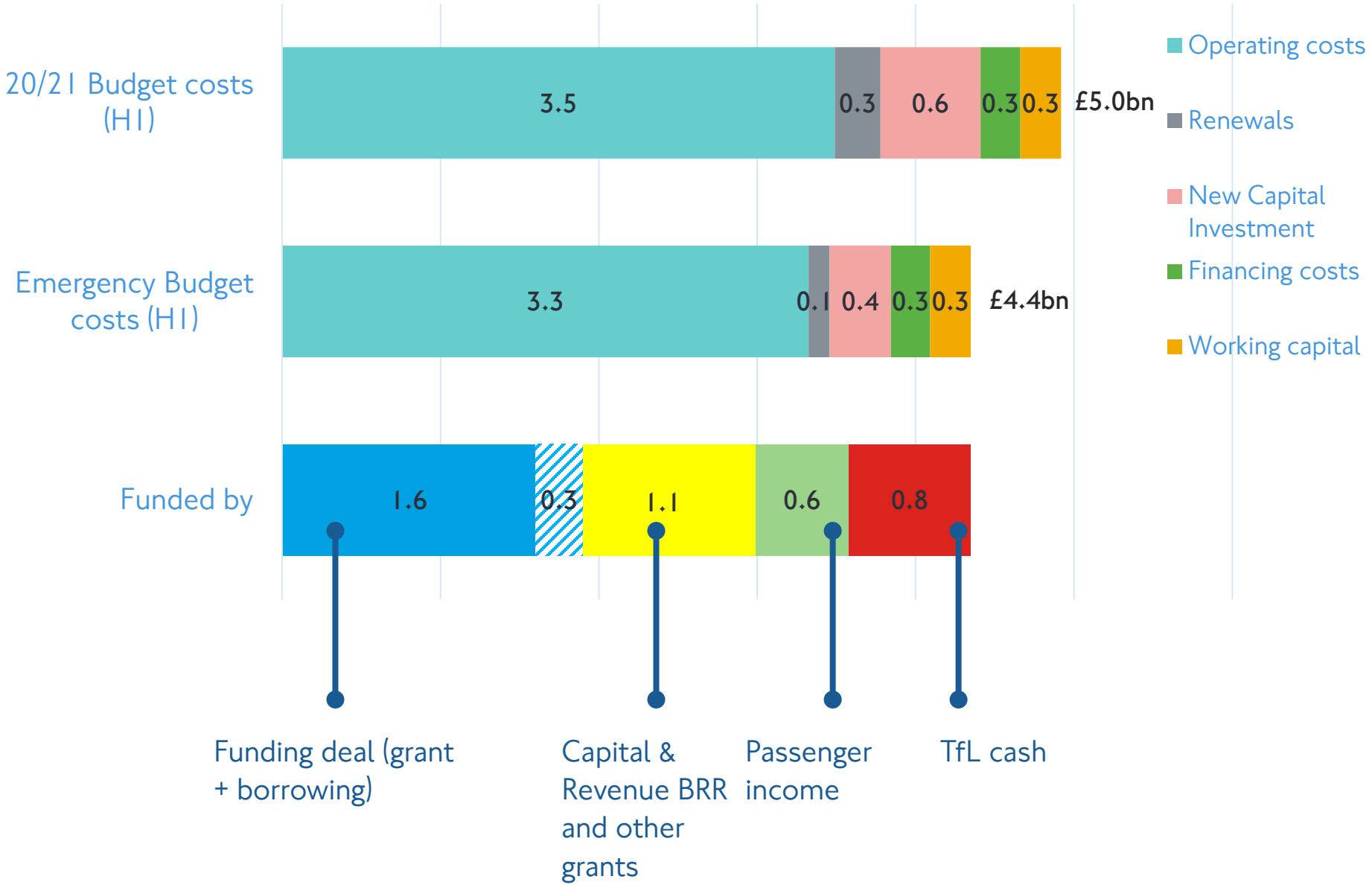
Lost TfL weekly income at peak journey reduction: **(£84m)**



We have had to shrink costs by nearly £600m in H1

Our Emergency Budget is funded largely by the Government deal and £0.8bn of our own cash balances, where we are forecasting to lose nearly £2.7bn income mostly from reduction in passenger journeys

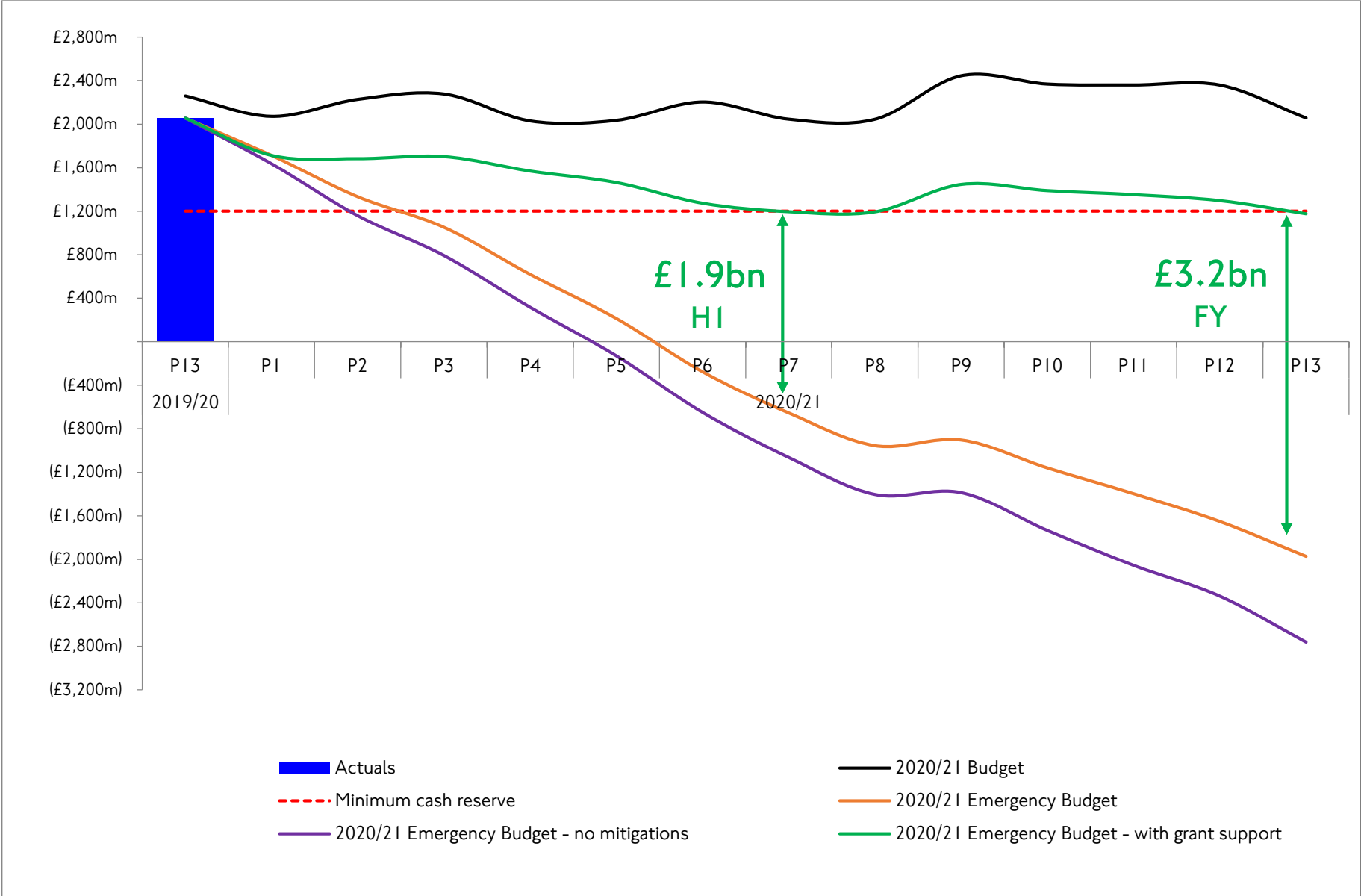
Sources and uses: 1 April 2020 – 17 October 2020 (£bn)



Our strategy to rebuild cash balances meant we were able to survive the first few months of COVID-19

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The impact on our revenue was too severe to be offset by cost reductions and therefore Government grant was required to fund the emerging gap

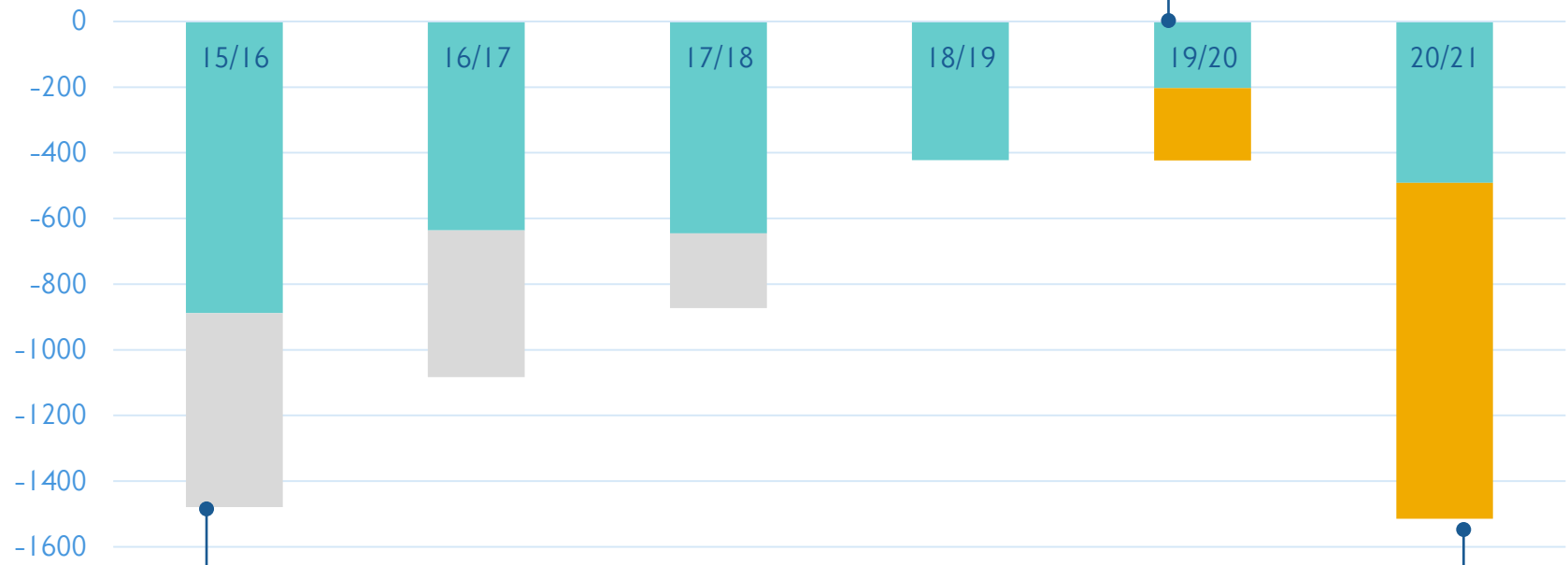


Previous Business Plans have been focussed on breaking even on net cost of operations

TfL net cost of operations (full year)

- Net cost of operations*
- If General Grant removed
- COVID-19 impact

In 19/20, before the impact of COVID-19 our year end position was £1bn better than in 15/16 excluding the impact of the Government grant



Our efficiency is better than the headline improvement as previous years were bolstered by the General Grant, which we no longer receive

The impact of COVID-19 significantly sets us back from our trajectory of breaking even

* Historical net cost of operations has not been retrospectively updated for accounting changes and capital renewals reclassifications



Section 3

Emergency Budget assumptions

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Assumptions in Emergency Budget: operating account

The following assumptions form the basis of the operating account:

- **Revenue:** based on a 6 month crisis period followed by muted recovery to 55% of volumes
 - Both media and commercial rental income are also impacted by loss of footfall
- **Staffing:**
 - we have furloughed over 7,000 staff in line with current Government guidance. If the Government guidelines are extended we will review our arrangements accordingly.
 - Furloughing savings are approximately £15m per period. Salary will be topped up to 100%
 - we have released around 770 non-permanent labour
- **Service levels**
 - London Underground - 50% services operated until end of June. From July it is assumed that full services will need to operate to manage increasing demand whilst complying with social distancing
 - Buses - current service levels (circa 80% of normal timetable) until late June. from then we will continue to ramp up to a 100% service level by November. Any marginal increase in demand will require 100% service levels to maintain social distancing
- **Note: Since this budget was set we are now working to maximise service levels on all networks to full normal service and are assessing costs of doing so in line with the request from Government (apart from Night Tube, weekend night buses and any other services agreed by the London Covid Transport Task Force)**

Emergency Budget 2020/21

(£1.0bn) impact to our operating account in H1 (P1-P7) compared to our Budget after revenue grant support of £1.3bn

Operating account

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget to P7	2020/21 Budget to P7	Variance to Budget to P7	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
Passenger income	4,751	349	2,736	(2,388)	-87%	1,540	5,063	(3,524)	-70%
Other operating income	1,018	231	523	(292)	-56%	520	1,006	(486)	-48%
Total operating income	5,769	579	3,259	(2,680)	-82%	2,060	6,069	(4,009)	-66%
Business Rates Retention	988	504	484	20	4%	969	969	(0)	0%
Other revenue grants	117	6	6	0	0%	17	17	0	0%
Extraordinary grants	0	1,300	0	1,300	0%	2,600	0	2,600	0%
Total income	6,874	2,389	3,749	(1,360)	-36%	5,646	7,055	(1,409)	-20%
Operating cost	(6,410)	(3,325)	(3,490)	165	-5%	(6,363)	(6,626)	262	-4%
Core costs	(5,741)	(3,009)	(3,106)	97	-3%	(5,649)	(5,782)	133	-2%
Elizabeth line	(354)	(209)	(228)	19	-8%	(433)	(468)	35	-7%
Project costs	(280)	(44)	(110)	67	-60%	(93)	(221)	128	-58%
Exceptional costs	(36)	(64)	(46)	(18)	39%	(189)	(155)	(33)	21%
Net operating surplus/deficit	464	(936)	259	(1,195)	-461%	(717)	429	(1,146)	-267%
Net financing costs	(435)	(252)	(252)	0	0%	(466)	(468)	2	0%
Net surplus/(cost) of operations before renewals	29	(1,188)	7	(1,195)	-16938%	(1,183)	(39)	(1,144)	2933%
Capital renewals	(452)	(131)	(288)	157	-55%	(332)	(532)	201	-38%
Net surplus/(cost) of operations	(423)	(1,318)	(281)	(1,038)	369%	(1,515)	(571)	(944)	165%

- Extraordinary grant make up:
 - H1 (P1-P7): initial support of £1,095m plus additional £205m drawn down in same ratio of grant/debt
 - H2 (P8-P13): assumed all grant support of £1.3bn to maintain £1.2bn cash reserve
- Under statutory reporting, an element of capital grant would be repurposed to the operating account

Assumptions and principles in Emergency Budget: capital account

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The primary outcome was to minimise cash spend whilst we assessed priorities for longer term

The Emergency Budget Investment Programme has been built around preserving the following projects as best possible:

- Substantially complete and contractually committed projects: Ensuring we complete projects on-site which have been subject to the 'safe-stop' where our contractual obligations outweigh the benefit of pausing
- Safety and operationally critical renewals, including the majority of surface asset renewals which are critical following the two year pause on proactive renewals
- Financially positive projects: either through revenue generation or operating cost savings, or where pausing will cost more than it saves
- Projects that support social distancing. The Healthy Streets funding has been refocussed on measures to support social distancing
- Projects that support the economy
- Third party funded projects, including the majority of air quality programmes

Our Emergency Budget

£0.5bn of capital enhancement deferrals are offset by (£0.2bn) erosion in property receipts and asset sales

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Borrowing assumed at maximum £600m in H1 per agreement with Government (initial £505m plus further £95m in same ratio of grant/debt)

Capital account (excl. Crossrail)

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget to P7	2020/21 Budget to P7	Variance to Budget to P7	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
New Capital Investment	(1,081)	(388)	(632)	244	-39%	(808)	(1,333)	525	-39%
Total Capital Investment	(1,081)	(388)	(632)	244	-39%	(808)	(1,333)	525	-39%
Funded by:									
Business Rates Retention (capital)	893	473	455	18	4%	910	910	0	0%
Property receipts and asset sales	151	14	67	(53)	-79%	62	219	(158)	-72%
Borrowing (agreed with Government)	544	600	320	280	87%	600	603	(3)	0%
Other capital grants	205	103	103	0	0%	123	123	0	0%
Total	1,793	1,190	945	244	26%	1,695	1,856	(161)	-9%
Net capital account	712	802	313	489	156%	887	523	364	70%

Total Capital (£m)	2019/20 Actual	2020/21 Emergency Budget to P7	2020/21 Budget to P7	Variance to Budget to P7	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
Renewals	(452)	(131)	(288)	157	-55%	(331)	(531)	201	-38%
New Capital Investment	(1,081)	(388)	(632)	244	-39%	(808)	(1,333)	525	-39%
Total Investment	(1,533)	(519)	(920)	402	-44%	(1,139)	(1,865)	726	-39%

NB: Under statutory reporting, an element of capital grant would be repurposed to the operating account

Crossrail – no changes assumed

Capital Account (Crossrail) (£m)	2019/20 Actual	2020/21 Emergency Budget to P7	2020/21 Budget to P7	Variance to Budget to P7	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
Crossrail	(1,027)	(423)	(423)	0	0%	(725)	(725)	0	0%
Total Capital Investment	(1,027)	(423)	(423)	0	0%	(725)	(725)	0	0%
Funded by:									
Borrowing (CR)	0	396	396	0	0%	730	730	0	0%
Crossrail funding sources	995	45	45	0	0%	48	48	0	0%
Total	995	441	441	0	0%	778	778	0	0%
Net Crossrail capital account	(32)	18	18	0	0%	53	53	0	0%



Capital programme: Surface

Note: this is a summary of the main inclusions in the Emergency Budget; this is not an exhaustive list

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Area	Included in Emergency Budget
Healthy Streets	<ul style="list-style-type: none">• Borough and TLRN Streetspace• Old Street• On-site projects to finalise
Air Quality & Environment	<ul style="list-style-type: none">• Majority of schemes including:• ULEZ Expansion and supporting investment• Bus electrification• RUC Strategic Options• Mayor's Air Quality Fund
Surface assets and technology	<ul style="list-style-type: none">• Reactive renewals (with minimal planned renewals)• Hammersmith temporary bridge• Victoria coach station fire systems• Body worn cameras• SITS
Public transport	<ul style="list-style-type: none">• On-site projects including White Hart Lane station, West Hampstead and Overground capacity• Tram upgrades• NRM rear door modification• DLR Custom House• Rail Devolution (DfT request)• East London Line 18tph• Royal Docks station upgrades (third party funded)

Capital programme: LU, MPD and other

Note: this is a summary of the main inclusions in the Emergency Budget; this is not an exhaustive list

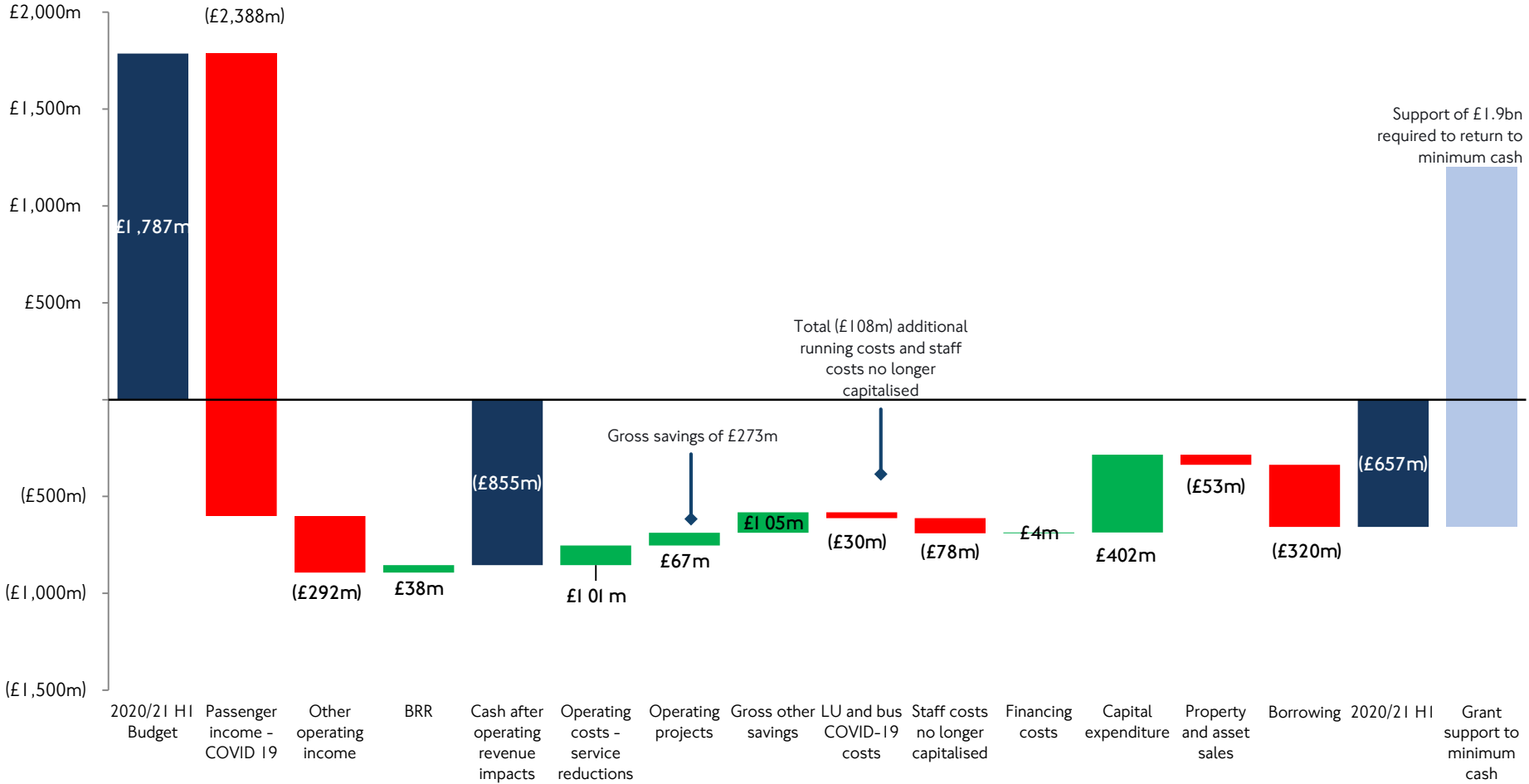
Area	Included in Emergency Budget
LU step free access	<ul style="list-style-type: none"> London Underground stations where work is advanced
LU enhancements	<ul style="list-style-type: none"> Contractually committed / substantially committed station works at Knightsbridge, Paddington, Tottenham Hale, Connect radios, body worn cameras 4LM ventilation
LU assets	<ul style="list-style-type: none"> Renewals will continue but at a significantly reduced spend level Significant works include signalling and control life extension and Central line fleet life extension
Major Projects	<ul style="list-style-type: none"> Phased restart in June: 4LM, NLE, Bank, Silvertown and Barking Riverside Trains design and manufacture for Piccadilly line and DLR trains continues and associated enabling works paused for 6 and 4 months respectively. Some critical enabling works will continue.
Commercial development	<ul style="list-style-type: none"> Safety-related works on portfolio Essential estate maintenance Contractually committed expenditure

We submitted our forecast for critical expenditure in 2020/21

This was based on service levels ramp up and cost saving assumptions by pausing / deferring projects and our staff on furlough.

Cash movements against 2020/21 Budget

HI emergency position against 2020/21 Budget – total variance (£2,444m)



Budget position adjusted for 2019/20 YE balances

Section 4

Updates since Emergency Budget measures

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Recap of original budget 1

Impact of COVID-19 on our
finances 2

Emergency Budget assumptions 3

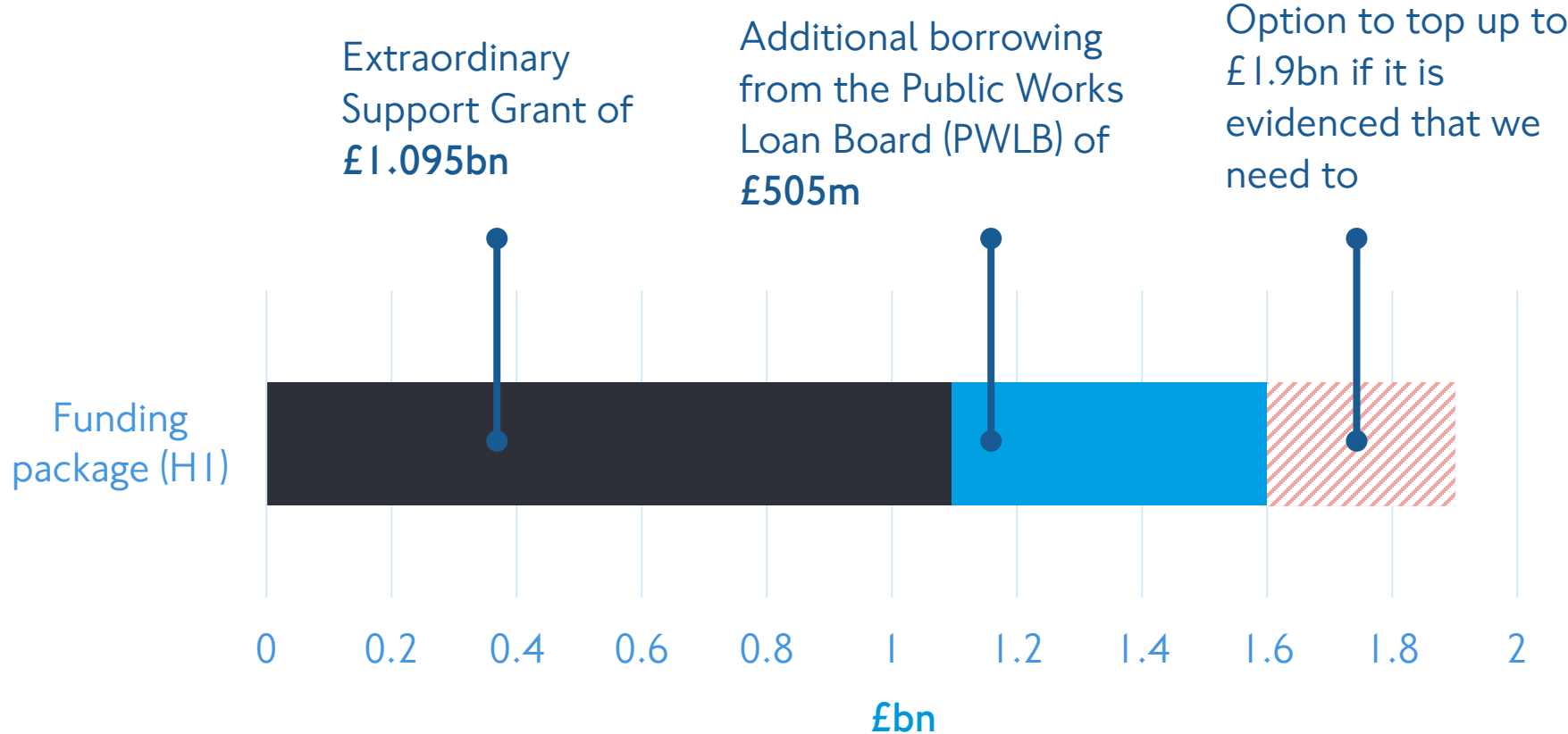
**Updates since Emergency Budget
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Risks and opportunities 5



We have secured Government funding for H1

£1.6bn for H1 (to 17 October 2020), which can be topped up to £1.9bn if needed



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This was based on service levels ramp up and cost saving assumptions by pausing / deferring projects and our staff on furlough.

- Government have recognised we must produce a balanced budget, and we must maintain our cash balance of £1.2bn
- Further to rating action downgrade, Government will support the Northern Line Train Services contract

The conditions set out in the funding agreement mean we need to update our assumptions

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Upon receiving the funding letter, we have started work on a Revised Budget which will underpin the Government support required for the second half of 2020/21 (H2).

This will incorporate our updated assumptions against the conditions set out within the funding agreement, including:

Revenue

- Maximising all revenue, including improved bus income by increased use of card readers whilst protecting drivers
- Reintroduction of the London Congestion Charge, LEZ and ULEZ and outlined proposals to widen the scope and levels of these charges as requested by Government

Operational

- Maximising service levels on all networks to normal service as soon as possible
- Temporary suspension of free travel for Freedom Pass and 60 plus card holders during peak and the suspension of free travel for under 18s

Investment

- Active Travel Plan to promote cycling and walking, including new segregated cycle lanes, closure of roads to through traffic and pavement extensions
- Maximise the construction activity within TfL's remit, where it is safe to do so, consistent with the Emergency Budget assumptions

Section 5

Risks and opportunities

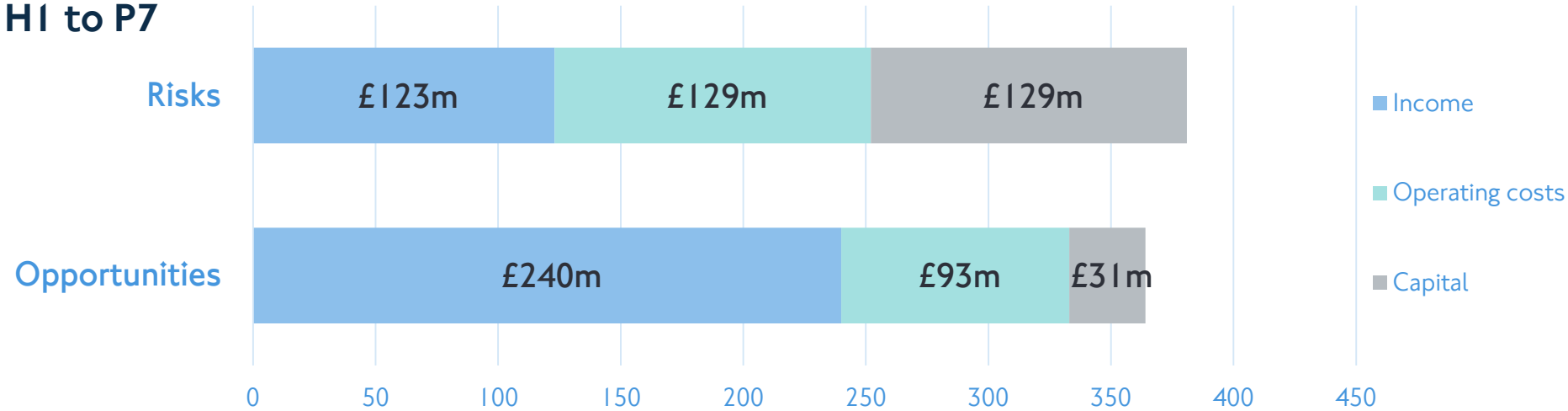
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Risks and opportunities	5

Key Risks and Opportunities in the Emergency Budget period

We produced the top-down Emergency Budget as an urgent interim measure to support funding negotiations. Since then a number of risks and opportunities emerged as we move towards a more detailed Revised Budget.

H1 to P7



In H1, we have risks totalling (£380m) offset by opportunities of £364m

In H2, there is a further risk of (£303m) offset by opportunities of £268m

- This excludes refinement of passenger revenue scenarios. Work is under way to align to DfT scenarios to reflect latest social distancing measures, service levels and travelling publics changing habits.
- **Income:** key income risk is Business Rates Retention which is uncertain as London businesses struggle during this crisis
- **Operating costs:** pressure on project safe stop/start and funding additional active travel and social distancing schemes
- **Capital investment:** pressure to restart some of our projects due to safety criticality with little opportunity to make further savings

Detailed Risks & Opportunities in the Emergency Budget period

Theme	Description	2020/21 H1	2020/21 H2	2020/21 FY
Things the Government asked TfL to do that was not part of the Emergency Budget	Maximise service levels as soon as possible	(£41m)	-	(£41m)
	Re-introduce road user charging	£73m	£99m	£172m
	Return to front door boarding	£35m	-	£35m
Sub-total		£67m	£99m	£166m
We need to restart our investment programme and support the economy	Tube - restart projects earlier than planned, some penalties and higher maintenance	(£49m)	(£31m)	(£80m)
	Scrappage scheme	(£20m)	(£15m)	(£35m)
	Other Surface: social distancing measures, safe-stop and restart costs	(£35m)	-	(£15m)
	Major projects: safe-stop / restart costs, 4LM scope review and NLE social distancing	(£19m)	(£47m)	(£65m)
	Property earlier restart	(£5m)	(£21m)	(£26m)
	Other	(£16m)	£8m	(£8m)
Sub-total		(£143m)	(£106m)	(£249m)
We face some big risks which we are trying to mitigate and had some contingency in the Emergency Budget	Business rates retention	(£100m)	(£150m)	(£250m)
	Media income	(£23m)	(£23m)	(£45m)
	LU modernisation supply chain risk to savings delivery	(£5m)	(£10m)	(£15m)
	Other risks	(£15m)	(£24m)	(£39m)
	Contingency	£40m	£60m	£100m
Sub-total		(£102m)	(£146m)	(£248m)
But we have some opportunities that we are trying to realise	Bus concessionary income	£107m	£53m	£160m
	Furloughing extended to October	£23m	-	£23m
	Property sales (some timing between H1 and H2)	(£6m)	£26m	£20m
	Other Surface income	£23m	£23m	£46m
	Other opportunities	£15m	£16m	£31m
Sub-total		£162m	£118m	£279m
Total cash (risk)/opportunity		(£17m)	(£35m)	(£51m)



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Department
for Transport

Sadiq Khan
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SE1 2AA

From the Secretary of State
The Rt. Hon. Grant Shapps

Great Minster House
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London
SW1P 4DR

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14 May 2020

Dear Sadiq,

TRANSPORT FOR LONDON: EXTRAORDINARY FUNDING AND FINANCING AGREEMENT

1. This letter sets out an extraordinary funding and financing agreement for Transport for London (TfL) for the period to October 2020.
2. The agreement set out in this letter supports the maintenance of essential transport services in London, allowing TfL to contribute fully to the Government's economic restart programme. The Government is committed to supporting TfL in the delivery of its efficiencies programme and commercial development income, particularly where legislative changes may be needed.
3. Transport for London has presented an Emergency Budget showing a funding shortfall for the period 1 April 2020 to 17 October 2020 of £1.9bn. Given the uncertainties in predicting demand this funding agreement assumes a shortfall for this period of £1.6bn.
4. This emergency funding and financing package will contribute towards TfL's forecast operational funding shortfall. It will also ensure that TfL can continue to provide essential public transport services and support the economic restart. This package is subject to the conditions set out in the letter.
5. The extraordinary funding and financing package comprises £1.6bn for Transport for London to support its essential services for the period 1 April to 17 October 2020 ("Support Period") comprising:
 - a. Extraordinary Support Grant of £1.095bn payable under S.101 of GLA Act 1999. This will be paid in 6 equal instalments

commencing on 22 May 2020. The second payment shall be made on 31 May and then at the beginning of every 4 week reporting period (“Period”) subject to the adjustment mechanisms described in paragraphs 6 and 7 below, with the sixth payment on the 20 September.

- b. Additional borrowing by Transport for London from the Public Works Loan Board (PWLB) of £505m, drawn in proportion to the Extraordinary Support Grant payments made.
6. These amounts are based on a forecast funding shortfall of £1.6bn for the Support Period. It is recognised that there is a high level of uncertainty in predicting the future revenue and costs for the organisation for the Support Period, in particular as HMG guidance on dealing with the situation develops. To the extent that the actual funding shortfall is greater or lesser than £1.6bn then the amount of Extraordinary Grant and TfL borrowing will increase pro rata, up to a maximum of £1.9bn in aggregate or reduce pro rata accordingly.
7. TfL will reforecast the financial position for the Support Period at the end of each Period, taking into account actual financial performance to date and most likely views on expected revenues based on the circumstances at the time. Subsequent debt and grant amounts for the subsequent Period will be adjusted to reflect this revised forecast outturn for the period. Following the end of the Support Period any excess or shortfall of grant based on the actual financial outturn for the Support Period will be repaid/paid within 4 weeks.
8. Government will continue to engage on and monitor the financing of Northern Line Train Services contract. If a Supervening Event occurs in accordance with clause 25A.1.1 of the Amended and Restated Usage Contract, HMG will work with TfL and take reasonable steps to assist TfL in meeting the contractual obligations set out in clause 25A of that contract and other associated provisions, or finding alternative forms of support acceptable to the relevant counterparties.
9. We recognise that the current circumstances are likely to present ongoing financial challenges and uncertainty to Transport for London beyond the Support Period. We recognise that it will be important for Transport for London to maintain essential services and deliver a revised balanced budget over the remainder of the financial year in line with their statutory duties and a combination of future measures from TfL, GLA and HMG should enable TfL to do so.

10. This funding package is based on the assumption that Transport for London will maintain useable cash reserves (that is, cash and liquid investments held by the TfL Group (excluding ring fenced subsidiaries; Crossrail Limited, London Transport Insurance (Guernsey) Limited and London Transport Museum Limited)) of £1.2bn at the end of the Support Period, subject to normal commercial payment practices. To the extent that the useable cash reserves exceed this amount at the end of the Support Period, the total amount of support under paragraph 5 will reduce in accordance with paragraph 6.
11. This funding package is conditional on agreement from Transport for London that it will agree to conditions below.

Service Levels

12. During the Support Period, Transport for London will work in unison with HMG on taking steps to support the safe restart to the transport system and agrees to joint action and oversight by the London Covid Transport Task Force, terms of reference for which are attached. Subject to TfL's statutory responsibilities (particularly in relation to safety), TfL agrees to:
 - a. Maximising service levels on all networks to full normal service, apart from Night Tube, weekend night buses and any other services agreed by the London Covid Transport Task Force as soon as possible but within four weeks;
 - b. Employing traffic demand management agreed by the London COVID Transport Task Force;
 - c. Agreeing communication messages between DfT and TfL to ensure consistent advice is provided to travellers;
 - d. Pushing forward an ambitious Active Travel Plan to promote cycling and walking, including new segregated cycle lanes, closures of roads to through traffic, and pavement extensions, utilising at least the £55m allocated in the Support Period. The detail of the plan will be agreed and overseen by a dedicated oversight group comprising TfL and HMG;
 - e. Bringing forward to the London COVID Transport Task Force travel demand management proposals as soon as practicable to optimise the use of the available safe transport capacity, including but not limited to temporary suspension of free travel for Freedom Pass and 60 plus card holders during peak and the suspension of free travel for u18s, subject to discussions in the working group about how it is to be operationalised

- f. To support revenue collection, as soon as practicable, placing card readers by the operating entrance doors on all buses, and immediately require passengers to use the approximately 2000 readers which are already so placed;
 - g. Providing regular reporting to the London COVID Transport Task Force on the absence rates for its staff and take all practicable steps to manage absence levels to support delivery of services; and
 - h. The immediate reintroduction of the London Congestion Charge, LEZ and ULEZ and urgently bring forward proposals to widen the scope and levels of these charges, in accordance with the relevant legal powers and decision-making processes.
13. Alongside the operational matters set out above, TfL will seek to maximise the construction activity within TfL's remit, where it is safe to do so, consistent with the Emergency Budget assumptions.
14. Detailed monitoring of the operational performance of the London transport system will be provided to DfT, HMT and the London Covid Transport Task Force during the Support Period to assist in the effective management of the broader transport networks and to inform broader operational decisions, public messaging and similar matters. The nature of such reporting will be agreed by the London Covid Transport Task Force.
15. The London Covid Transport Task Force will remain in place for the duration of the Support Period unless agreed otherwise by DfT and TfL.

Governance

16. This emergency funding and financing package will require additional HMG governance and oversight, notwithstanding the existing legal framework under which TfL operates.

Financial management

17. In managing its business during the Support Period, TfL will take all reasonable steps to minimise the Extraordinary Support Grant in line with this agreement, including maximising its revenue and minimising expenditure.
18. Transport for London will provide to DfT weekly and Periodic management accounts, in a form consistent with the Emergency Budget, showing the financial performance of the business compared to the

Emergency Budget and updated financial projections for the remainder of the financial year. DfT and HMT may request further information or explanation as reasonably necessary to manage its financial position.

19. DfT will appoint an external adviser to support them in this oversight. TfL will provide reasonable access and support to the adviser to enable them to support DfT and HMT in its monitoring of the situation and related matters. This will include, as a minimum, a commentary from the adviser to DfT on each Period's financial information, which shall also be made available to TfL.
20. TfL will support continued and ongoing collaborative discussions with DfT on projected passenger numbers, revenues and non-operational expenditure.
21. TfL will continue to engage with and document discussions with their lenders and ratings agencies to demonstrate a clear understanding of the impacts of loan covenants and keep DfT informed of these discussions on a timely basis.

Decision Making

22. Two HMG appointed Special Representatives will attend all TfL Board meetings, being able to raise questions at the Board, request additional information as reasonably required and report back to the Secretary of State on these matters.
23. One Special Representative will also be able to attend all meetings, formal and informal, of the Finance Committee and the Programmes and Investment Committee.

Future Financial Sustainability

24. There will be an immediate and broad ranging government-led review of TfL's future financial position and future financial structure. This will include:
 - a. Options for revenue maximisation, including fares policy and revenue yield choices over time will be explored;
 - b. The opportunities to deliver further efficiencies in the short and medium term in relation to operating costs;
 - c. The approach to capital spending, both in terms of asset maintenance and enhancement;

- d. The balance sheet and financing structure, including financing policy, of TfL;
 - e. The current fiscal devolution arrangements; and
 - f. The potential for raising more non-fare based revenue and commercial income.
25. The review will include international and cross modal benchmarks and detailed recommendations on what decisions can be made. This will be completed by end of August 2020 to inform the position after the Support Period.
26. TfL will support the review work with provision of information as reasonably required. TfL will be consulted on the terms of reference and provide views and options into the review.
27. The Government has asked the Mayor to confirm he will increase fares by RPI plus 1% on all modes from Jan 2021 as proposed in the TfL business plan. The Mayor will take this decision on advice of TfL based on forecasts and other relevant factors. The Mayor has agreed with the Government that his intention is to adhere to the fares increases sought by Government and proposed in the TfL business plan.

Crossrail

28. Crossrail remains a vital project for both London and the UK. TfL will continue to ensure that its key subsidiaries responsible for bringing Crossrail into operation, such as Rail for London and London Underground, are fully resourced and pragmatic in their requirements of Crossrail Limited to ensure the delivery of all stages of Crossrail is achieved as quickly and cost effectively as possible.
29. In advance of the end of the Support Period, an additional funding package for Crossrail will need to have been identified and presented to the project Sponsors, which achieves the agreed London Pays principle noting that options to achieve this will be considered alongside the Government-led review of TfL's future financial position and future financial structure. The borrowing costs under the TfL £750m Loan Facility with the Department should be included with TfL's adjusted budget, for as long as TfL continues to utilise the loan.
30. TfL will take reasonable steps to apply PPN 02/20 to Crossrail Limited, recognising that such decisions will need to be taken in the light of the overall affordability for the project.

31. TfL will consider and, acting reasonably, agree specific proposals made by Crossrail Limited in relation to the retention of critical resources on the project where it is value for money to do so, during the Safe Stop and the subsequent recovery.
32. Joint Sponsors will make all reasonable efforts to complete Crossrail as soon as practicable and that there is a deliverable plan in place to restart all stopped works, consistent with applicable advice on construction.
33. In relation to Crossrail, TfL will propose, as soon as practicable, and no later than the end of June 2020, an action plan to support the successful transition of the project to TfL, including the governance, oversight and actions necessary to provide greater confidence in the timely and value for money delivery of this important project. The plan will consider actions in relation to project resourcing, governance, assurance and other matters as necessary.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Grant Shapps', is centered on the page. The signature is fluid and cursive.

Rt Hon Grant Shapps MP

SECRETARY OF STATE FOR TRANSPORT

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