

Board

Date: 29 July 2020

Item: Finance Report and Revised Budget

This paper will be considered in public

1 Summary

- 1.1 This paper considers the Revised Budget, which covers progress in the first half of 2020/21 against the Emergency Budget and the 18-month period of the second half of 2020/21 and the full financial year 2021/22. It is an update and extension of the Emergency Budget which was approved by Chair's Action following consideration by the Board on 2 June 2020.
- 1.2 The Revised Budget will support the next round of funding discussions with Government, which we expect will initiate in September 2020.
- 1.3 The Revised Budget includes our updated assumptions based on the conditions as set out within the Government funding and financing agreement, the latest cost estimates and profiles including updated social distancing assumptions and associated impacts, and the reprioritisation of remaining projects based on criticality, affordability and alignment to Government, Mayoral and organisational priorities.
- 1.4 As TfL does not fall within the revised meeting provisions in the Coronavirus Act 2020, the Chair is asked to approve the Revised Budget, if supported by Members, under Chair's Action.

2 Recommendations

- 2.1 **The Chair, following consultation with Members of the Board, is asked to approve the TfL Revised Budget.**

3 Revised Budget

- 3.1 The Revised Budget is our plan to ensure London has the safe and sustainable transport infrastructure it needs to support economic recovery in the capital and UK as a whole. We have two clear priorities: to restart and recover from Covid-19, and to complete Crossrail and open the Elizabeth line. Our Revised Budget covers 18 months funding required to support this – the second half of 2020/21 (H2), when the original Government funding and financing agreement of up to £1.9bn expires on 17 October 2020, and the full financial year 2021/22.

- 3.2 Presenting a two-year budget demonstrates the ongoing support required in the medium term to meet our statutory obligation to operate a balanced budget and ensure our assets are in a good and safe state of repair.
- 3.3 The Revised Budget updates our Emergency Budget, which was an interim position to fulfill the urgent need to minimise cash outflow and agree the funding package with Government for the first half of the year (H1).
- 3.4 During H1, we accelerated proposals to bring services back up to normal levels as soon as possible and optimise the use of the available safe transport capacity; we restarted projects in our investment programme earlier than planned as we worked with our contractors and supply chain to bring on-site works back safely; we begun works on London Streetspace which will deliver our proposals for both social distancing schemes and strategic cycling schemes.
- 3.5 Tube services, excluding night tube, have operated at around 95 per cent service levels since mid-May 2020 at peak times. The Revised Budget assumes this continues.
- 3.6 Buses services have operated at 85 per cent of pre-Covid-19 since June, reaching over 95 per cent in July with a full return to front door boarding in early July 2020. The Revised Budget assumes services will run at 100 per cent by the start of September 2020.
- 3.7 The proposed Revised Budget includes additional costs to help to manage the crisis, for example additional cleaning costs and travel demand management spend.
- 3.8 On our Investment Programme, the proposed Revised Budget includes projects which are in line with Government objectives and those of the Mayor's Transport Strategy such as schemes which enable short-term social distancing, walking and cycling and projects with strong business cases which may have a longer outlook but are financially positive such as housing projects and some longer-term capacity projects.
- 3.9 Performance against Emergency Budget to date (Section 3 of Appendix 1) shows we are in line with expectation on operating costs and capital expenditure. Where we had pushed renewals into H2 to preserve cash to survive H1, spend in this area is now increasing as we catch up to ensure our network remains reliable. Our revenue is still uncertain, and we have modelled several scenarios for how passenger numbers will recover from the impacts of Covid-19. The funding from government must cover our fixed operating and capital costs where our revenue has fallen and we can no longer afford to cover these costs ourselves.
- 3.10 The revised budget shows a requirement for £2bn funding in H2 2020/21 and a full year funding gap of £2.9bn in 2021/22. The Emergency Budget set out a full year funding requirement of £3.2bn for 20/21. The Revised Budget requirement increased by £300m to £3.5bn.

3.11 Summary lists of the main programmes included and excluded in the Revised Budget are set out in **Appendix 1**.

List of appendices to this report:

Appendix 1: Draft Revised Budget

List of Background Papers:

None

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Revised Budget 2020/21

Board

29 July 2020

Draft



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Executive Summary

We have two clear priorities:

to restart and recover from COVID-19, and to complete Crossrail and open the Elizabeth line.

This Revised Budget updates our Emergency Budget and will support the H2 20/21 funding discussions with the DfT

- Our Emergency Budget, approved by Board on 2 June 2020, was a short term plan and immediate measure to see us through the initial drastic impacts of COVID-19. Since the Emergency Budget was approved, we have ramped up services, restarted work on projects, created a bold new vision with Streetspace and responded to the Government conditions set within the funding and financing agreement. We have also updated our revenue models which show a slower recovery to c.30% demand longer term than previously forecast.
- Performance against Emergency Budget to date (Section 3 of this presentation) shows we are in line with expectation on operating costs and capital expenditure. Where we had pushed renewals into H2 to preserve cash to survive H1, spend in this area is now increasing as we catch up to ensure our network remains reliable. Our revenue is still uncertain, and we have modelled several scenarios for how passenger numbers will recover from the impacts of COVID-19. The funding from government must cover our fixed operating and capital costs where our revenue has fallen and we can no longer afford to cover these costs ourselves.
- Our Revised Budget, with the support of Government funding, will enable us to maintain our statutory obligation to balance our budget, preserve our liquidity and keep our assets safe and operable. It also continues progressing some of the schemes identified in H1 - investment programme focused on safety, active travel including walking and cycling and social distancing schemes to play our part in London and the UK's economic recovery.
- In November 2019, Crossrail advised they would require an additional £400-650m of funding to complete to project and we will need to continue to discuss how this is funded with government. Given the impact of the COVID-19 pandemic, Crossrail are continuing their work to understand the financial impact on the programme.
- Longer-term, we need certainty from Government on funding. This will allow investment in further schemes to create the vital shift away from private car use and to ensure London and the UK continues to thrive.

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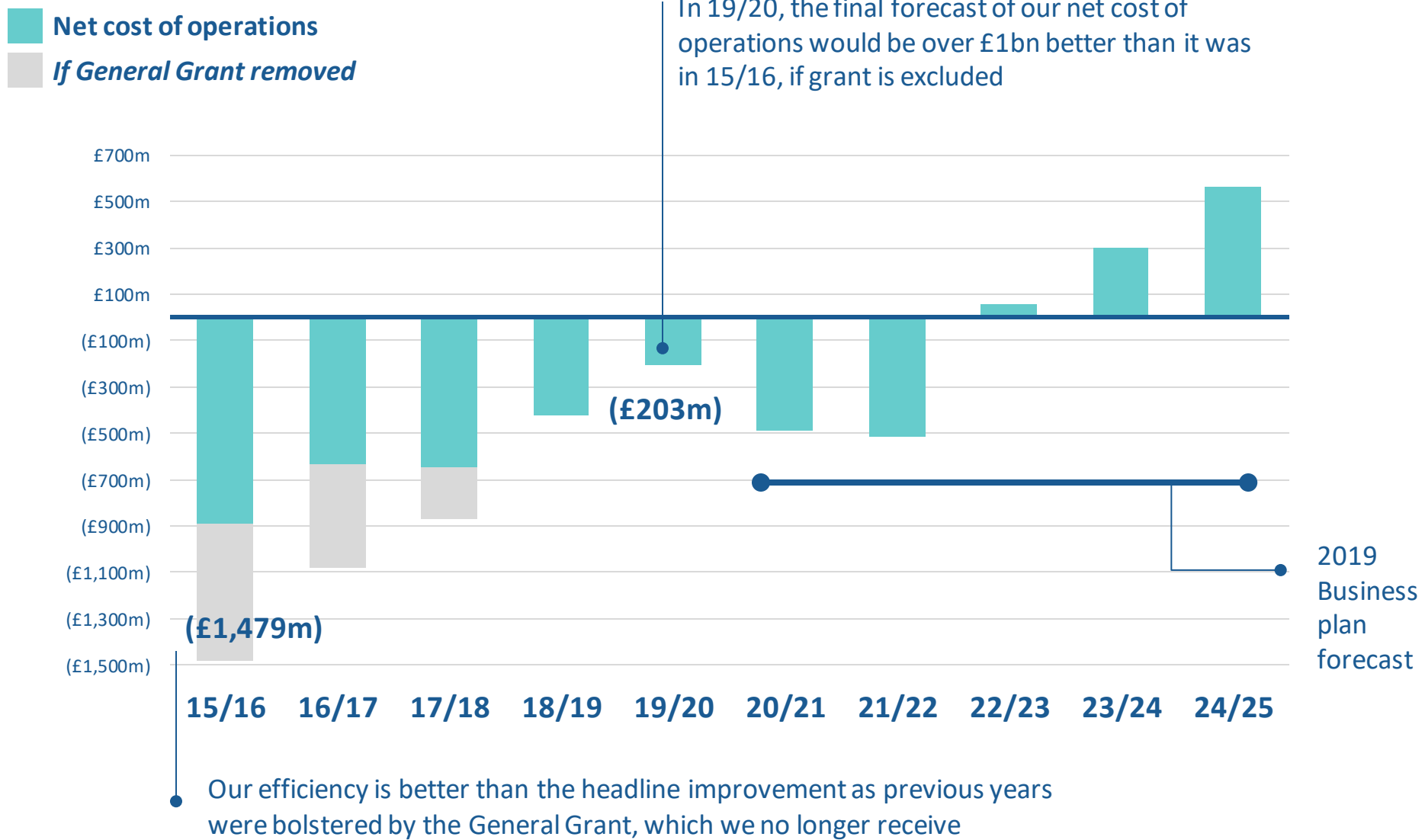
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We have a history of strong performance

Prior to the pandemic, we were on track to reduce our operating deficit for the fourth consecutive year with a plan to breakeven in 2022/23.

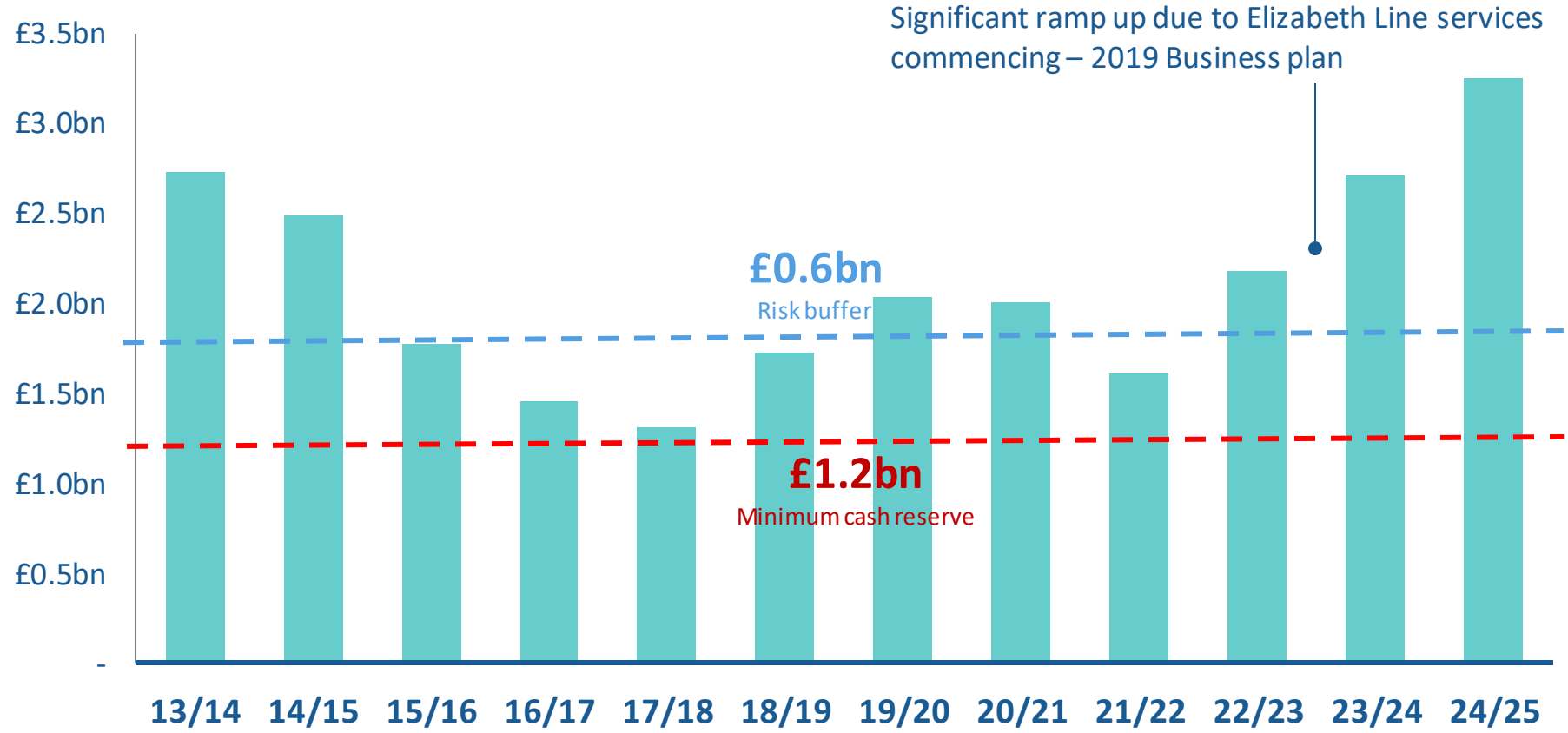
TfL net cost of operations



We were rebuilding our cash reserves to increase resilience

Minimum cash reserves of £1.2bn which is the equivalent to 60 days of operating expenditure

TfL cash balance (excluding Crossrail account)



Our policy requires that we keep a minimum of two months operating costs as cash which equates to £1.2bn. Above this, TfL targets holding another £600m buffer for known risks. Any cash above this will be available for prioritised investment projects. This resilience gives us greater flexibility in our approach to some major contracts e.g. signaling and rolling stock replacements.

Pre COVID-19 each business area had a financially sustainable plan

Our major business areas had clearly defined requirements to cover their baseline capital costs, grounded in strong historic performance



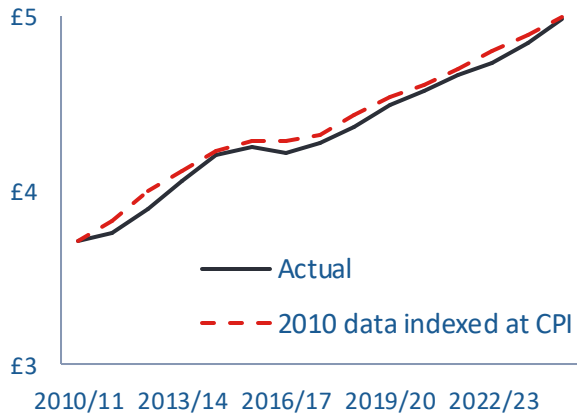
Underground

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



Buses and Streets

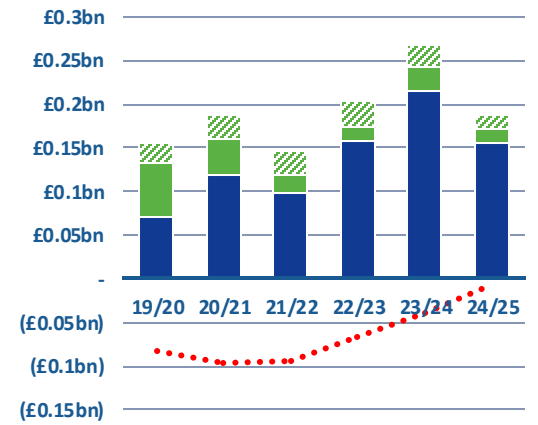
Bus costs require subsidy and we planned to apply full operating business rates to this area, which would cover critical capital cost and indirect costs



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

COVID-19

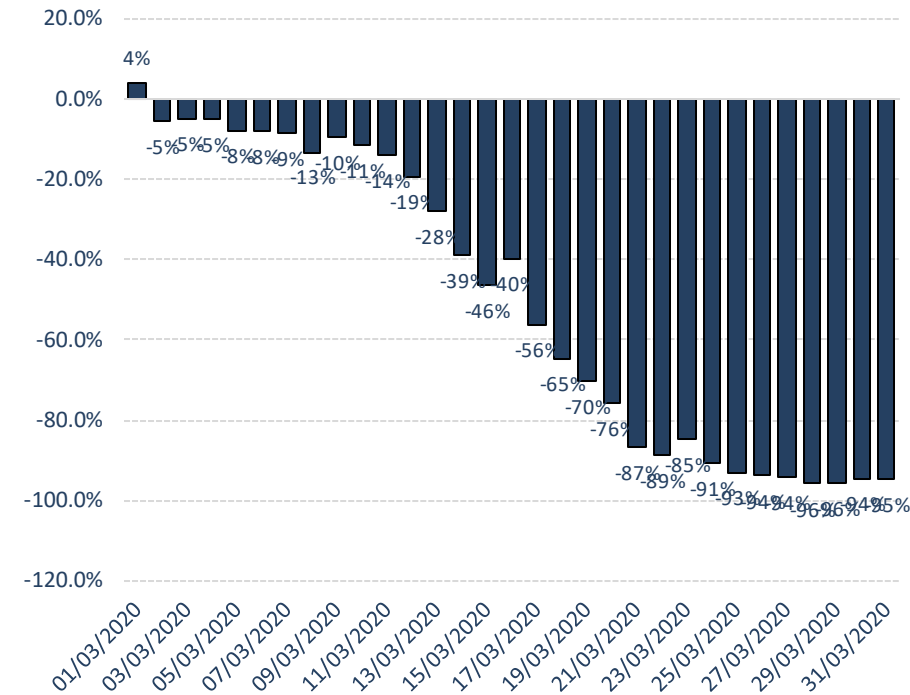
impact:

We saw a huge reduction in journeys at the end of 2019/20

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

We lost over £80m in revenue per week at the peak of the pandemic.

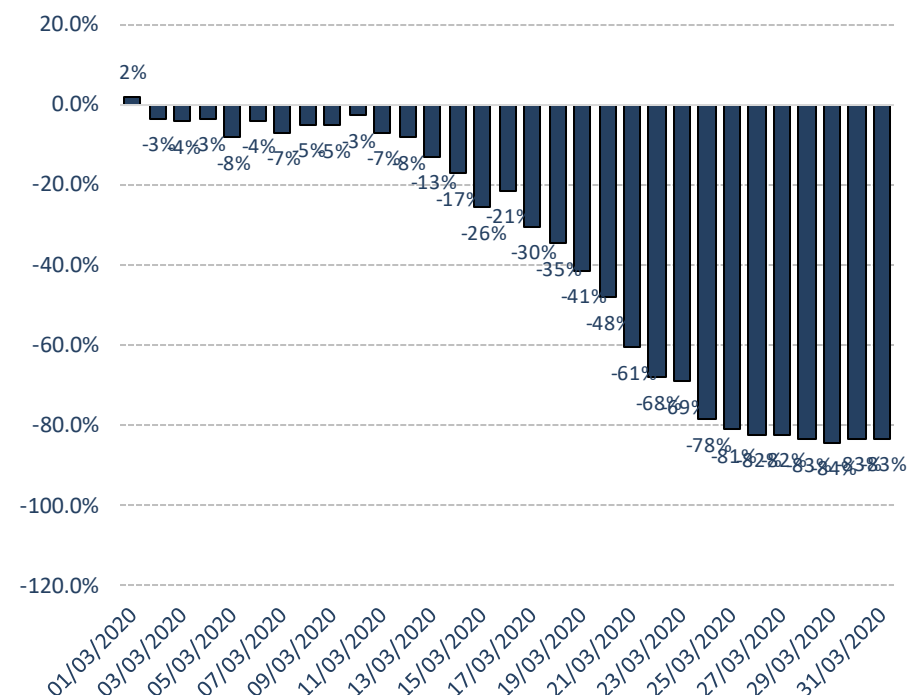
Tube journeys % year-on-year change



| 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)



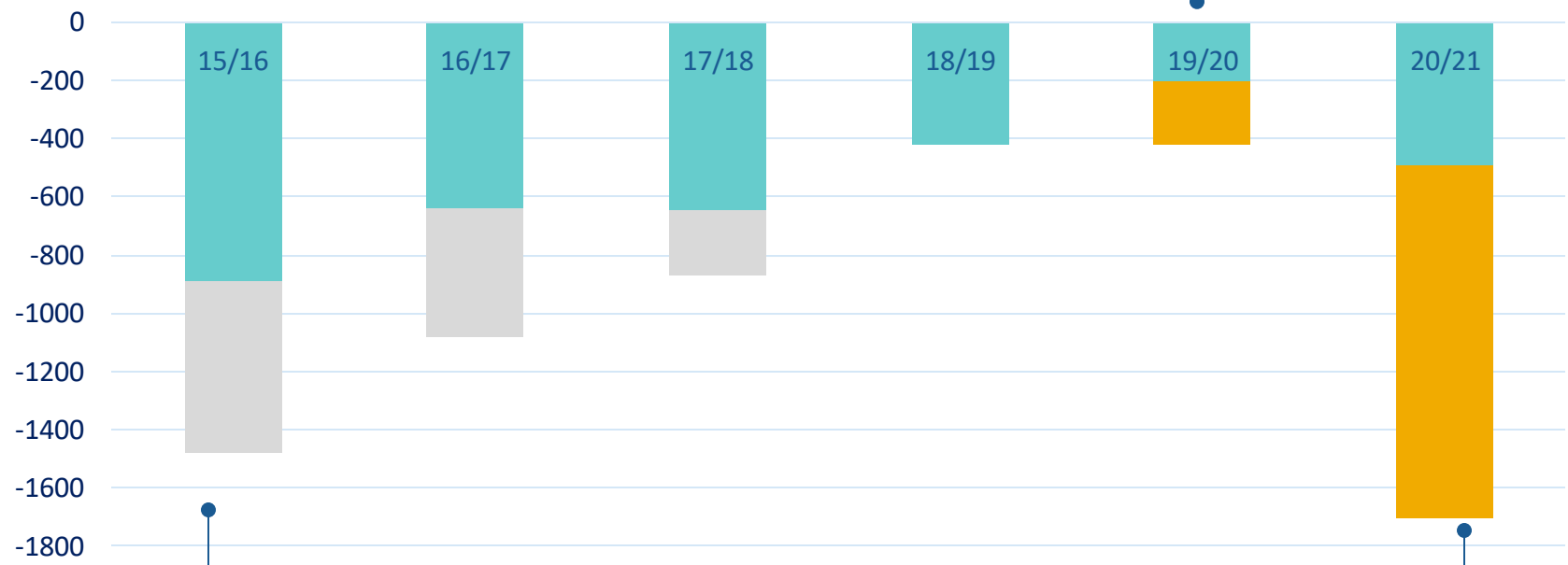
The impact of COVID-19 on our net cost of operations

COVID-19 sees us return to 2015/16 deficit levels excluding the impact of the Government grant

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

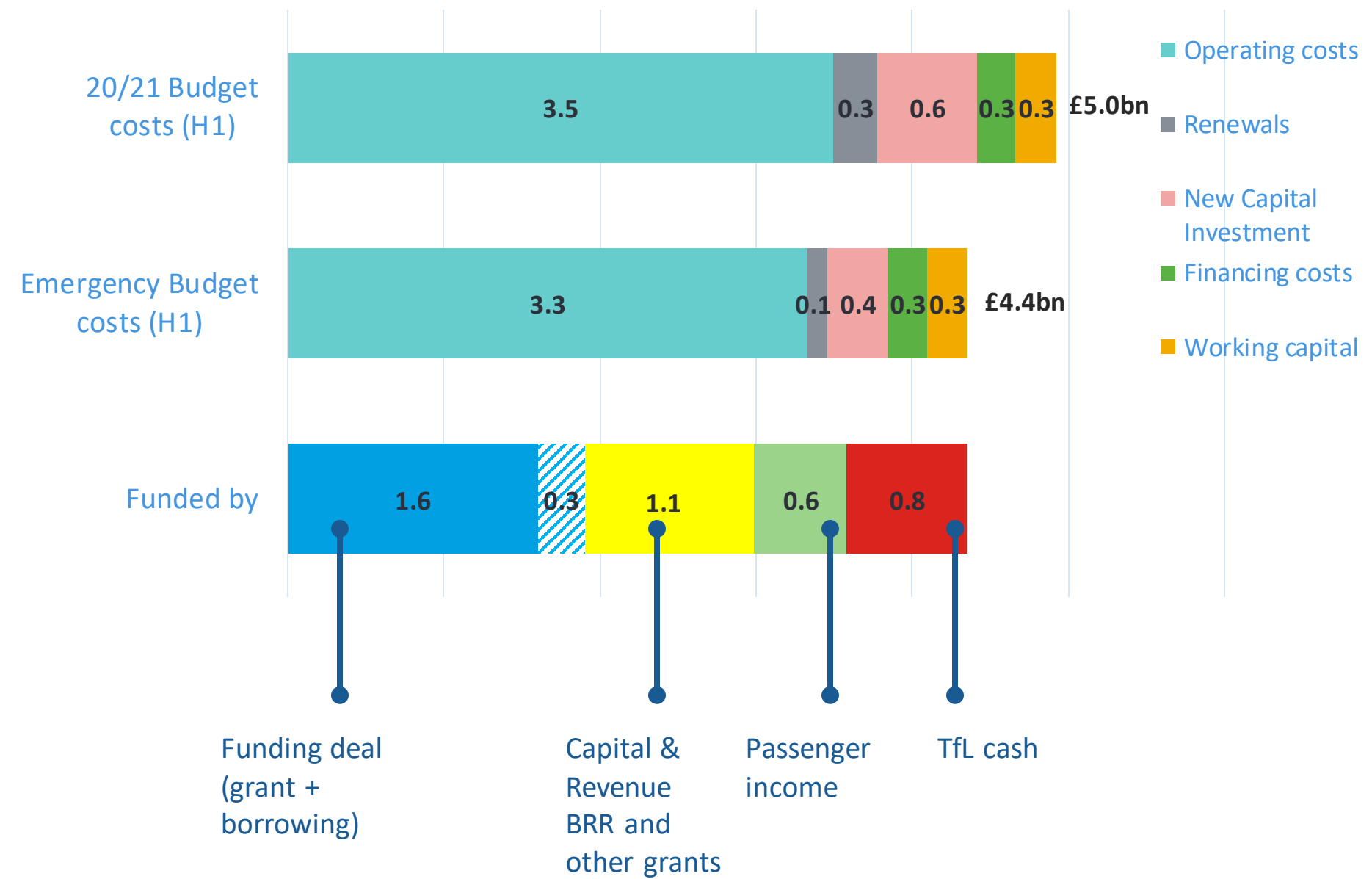
The impact of COVID-19 significantly sets us back from our trajectory of breaking even

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

We shrunk 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 a loss of nearly £2.7bn income mostly from a reduction in passenger journeys

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



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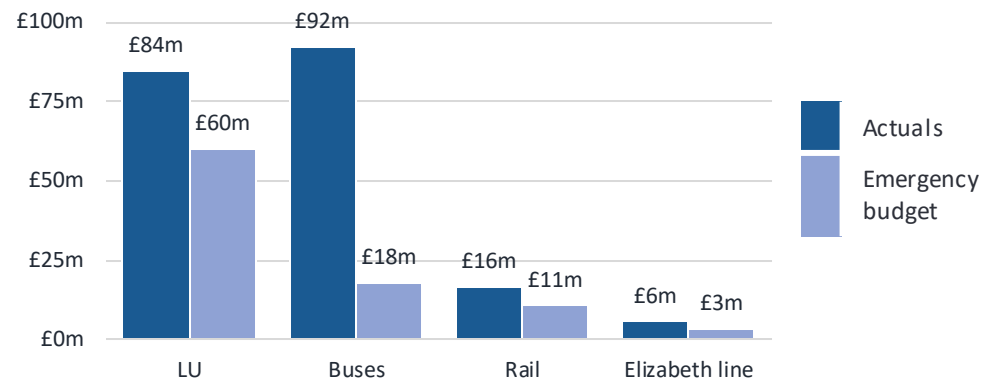
Performance to date

The operating account is performing strongly against the Emergency Budget with an uplift in demand and strong cost control. The earlier restart of projects in our investment programme has seen our capital expenditure and some operating costs brought forward



Current impacts

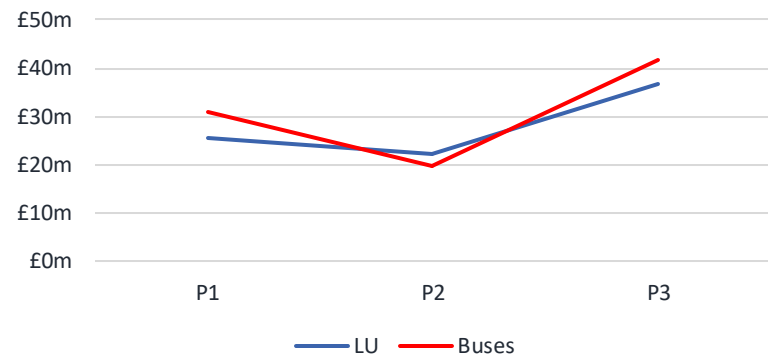
Passenger income: YTD actual is £114m more than Emergency Budget



The earlier than expected start-up of front door boarding on buses, and favourable movements in demand and yield on the Tube and buses have resulted in higher passenger income than budgeted.

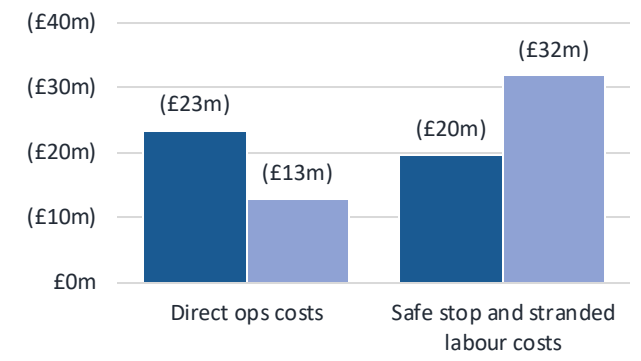
Recovery phase

Key services – income trend



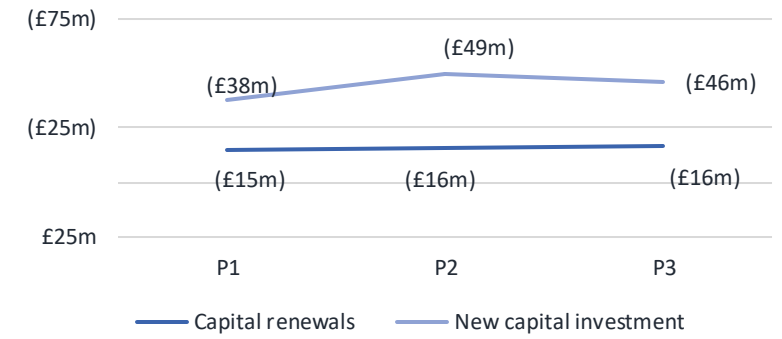
As Government policy on lock-down eased in mid-June, passenger demand has started to increase on the Tube and Buses.

Covid-19 cost impacts: YTD actual and Emergency Budget



Operating costs directly related to Covid-19 include specialist cleaning, PPE, and social distancing measures. Costs to date are currently higher than the Emergency Budget due to the profile of spend and is adjusted for in the Revised Budget. Stranded labour reflects staff costs on projects which are capitalised when works are in progress.

Capital expenditure trend



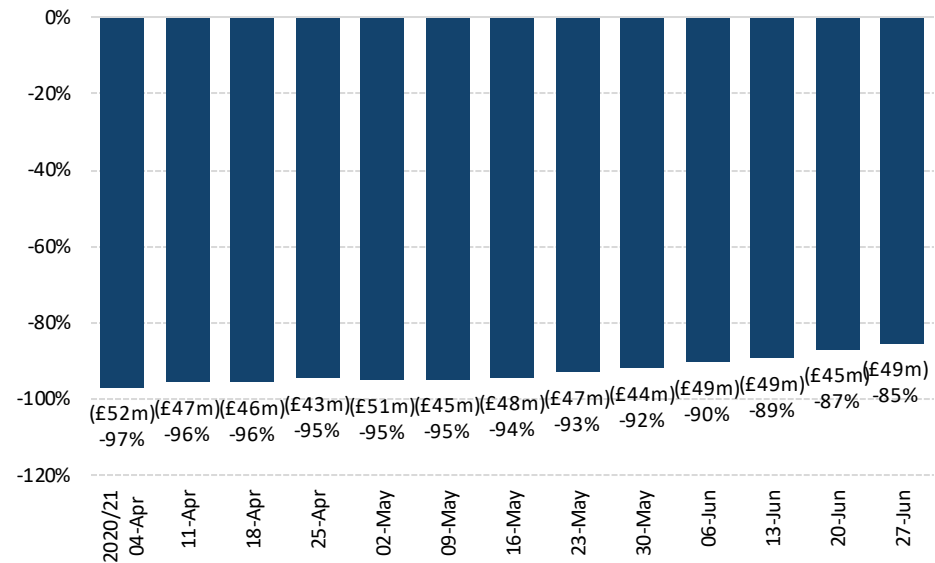
There has been consistent and steady focus on safety critical works in our capital renewals programme. Most new capital investment projects restarted in P2.

Passenger journeys and other operating income

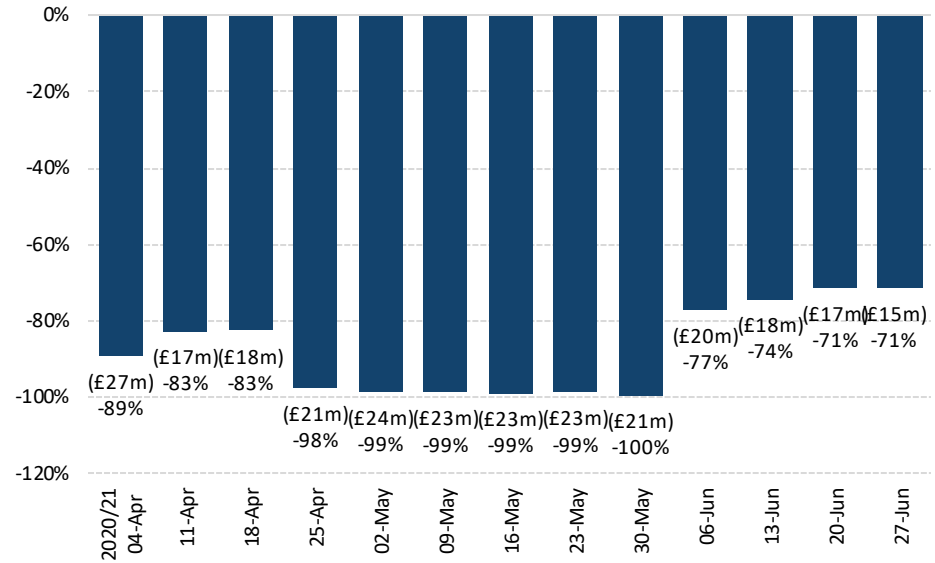
The uplift in passenger income on the Tube reflects higher number of journeys following the easing of lockdown policy and an improvement in yield; buses have seen a steady improvement in journeys, as well as benefits from continued concession reimbursement.

Higher Congestion Charge and ULEZ income from earlier than expected reintroduction of charging, extended charging hours and charge increase.

Tube journeys and income: % year-on-year change

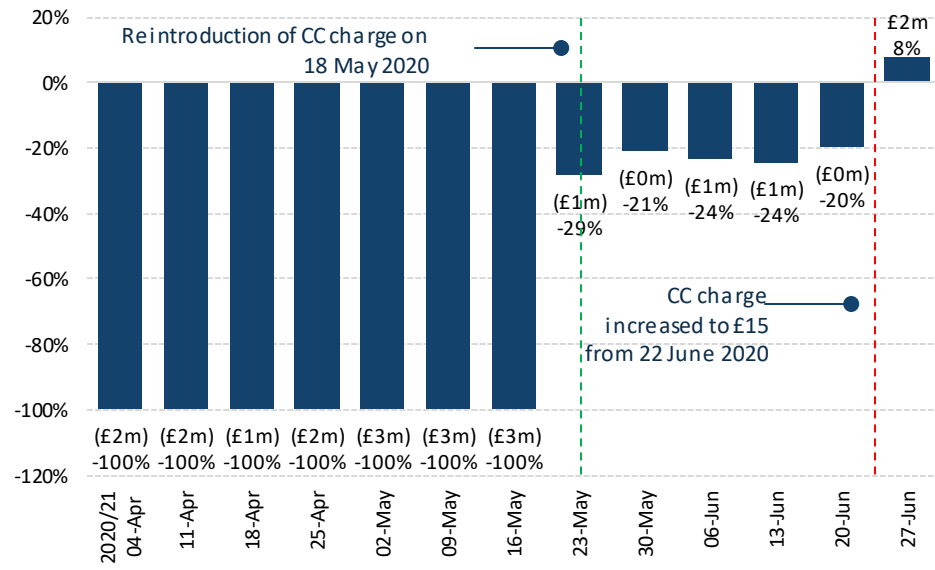


Bus journeys and income: % year-on-year change*

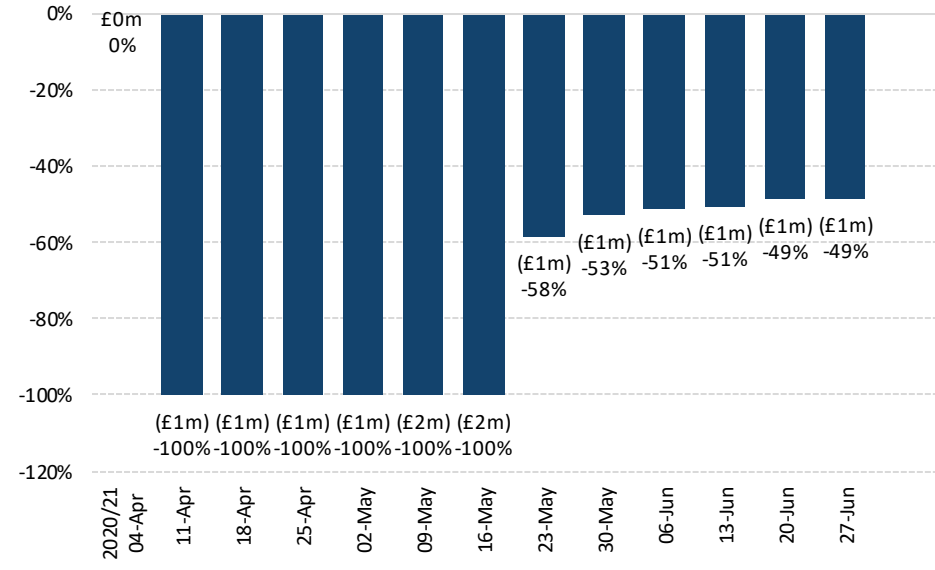


* Middle-door boarding was introduced on 20 April. As passengers were not required to touch in demand between 20 April and 29 May could not be accurately recorded.

CC volumes and income: % year-on-year change



ULEZ volumes and income: % year-on-year change



Operating account

Almost £120m better than Emergency Budget, driven by higher income from journey, concession reimbursement and roads income; operating costs (£30m) higher, a result of higher project spend, mainly from Streetspace schemes

Operating account

| Operating account (£m) |
|---|
| Passenger income |
| Other operating income |
| Total operating income |
| Business Rates Retention |
| Revenue grant |
| Government furlough grant |
| Total income |
| Operating costs |
| COVID 19 direct operating costs |
| COVID safe stop and stranded labour costs |
| Net operating surplus |
| Financing costs |
| Net cost of operations before financing |
| Capital renewals |
| Net cost of operations |
| Extraordinary revenue grant |
| Net cost of operations after extraordinary revenue grant |

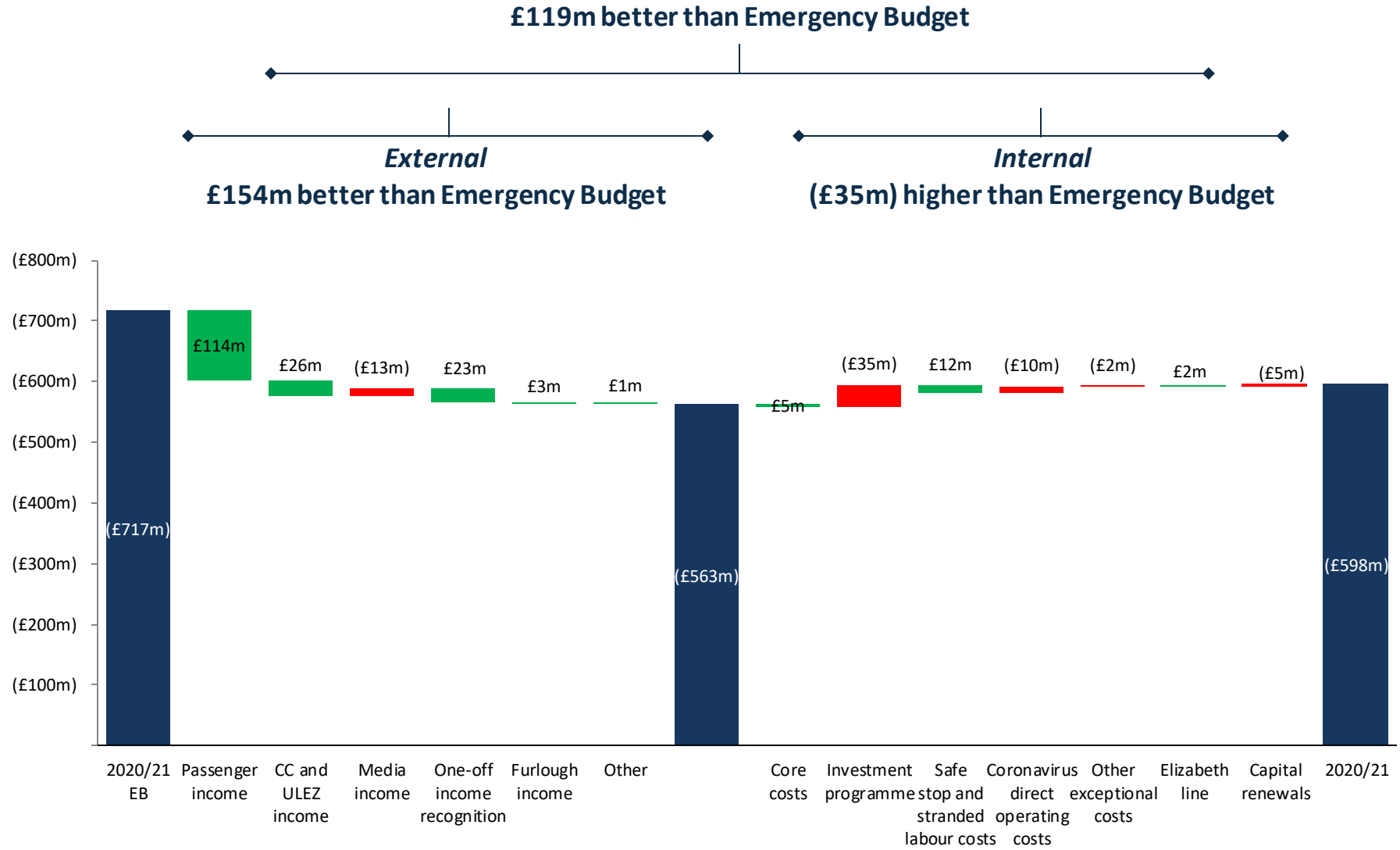
| Actuals | Year to date, 2020/21 | | | |
|--------------|------------------------------|-------------|-----------------------|---------------|
| | Variance to Emergency Budget | | Variance to last year | |
| 216 | 114 | 112% | (892) | -81% |
| 116 | 37 | 47% | (97) | -46% |
| 332 | 151 | 83% | (989) | -75% |
| 262 | 0 | 0% | 4 | 2% |
| 2 | 0 | 0% | (22) | -92% |
| 32 | 3 | 10% | 32 | N/A |
| 628 | 154 | 32% | (975) | -61% |
| (1,436) | (30) | 2% | (10) | 1% |
| (23) | (10) | 77% | (23) | N/A |
| (20) | 12 | -38% | (20) | N/A |
| (808) | 124 | -13% | (985) | -557% |
| (108) | (0) | 0% | (6) | 6% |
| (916) | 124 | -12% | (991) | -1327% |
| (47) | (5) | 11% | 41 | -47% |
| (963) | 119 | -11% | (950) | 7115% |
| 365 | 0 | 0% | 365 | N/A |
| (598) | 119 | -17% | (585) | 4380% |



Net cost of operations

Year-to-date upside driven from stronger than expected passenger income and roads income

Net cost of operations



Capital account

Capital renewals and new capital investment higher than expected, a result of earlier than expected project restarts in earlier periods.

Capital account: year to date, 2020/21

| Capital account (£m) | Year to date, 2020/21 | | | | |
|--------------------------------------|-----------------------|------------------------------|-------------|-----------------------|---------------|
| | Actuals | Variance to Emergency Budget | | Variance to last year | |
| New capital investment | (133) | (15) | 13% | 116 | -47% |
| Crossrail | (152) | 50 | -25% | 108 | -42% |
| Total capital expenditure | (285) | 35 | -11% | 224 | -44% |
| Financed by: | | | | | |
| Investment grant | 246 | 0 | 0% | 5 | 2% |
| Property and asset receipts | 0 | (7) | -96% | (16) | -98% |
| Borrowing | 266 | (2) | -1% | 332 | -505% |
| Crossrail borrowing | 139 | (24) | -15% | 139 | N/A |
| Crossrail funding sources | 68 | 25 | 60% | (177) | -72% |
| Other capital grants | 21 | (27) | -56% | (23) | -52% |
| Total | 741 | (34) | -4% | 260 | 54% |
| Net capital account | 456 | 1 | 0% | 484 | -1728% |
| Capital renewals | (47) | (5) | 11% | 41 | -47% |
| New capital investment | (133) | (15) | 13% | 116 | -47% |
| Total TfL capital expenditure | (180) | (20) | 12% | 157 | -47% |

Section 4

The challenge

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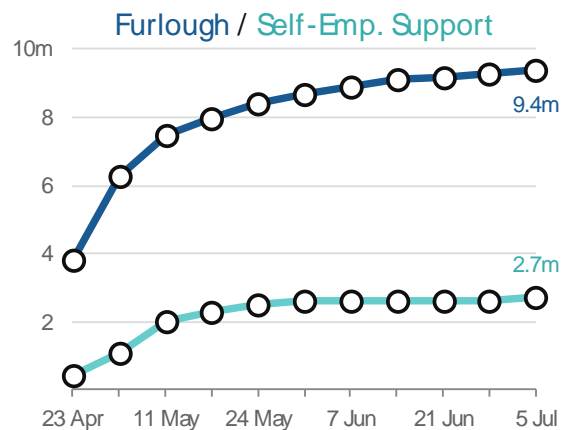
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The COVID-19 crisis has had a catastrophic impact on UK jobs, incomes and economic activity

Furlough Scheme

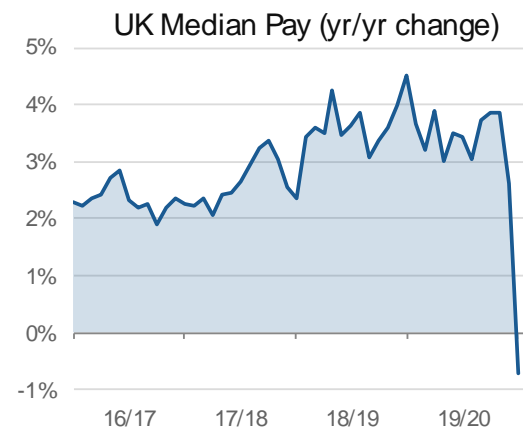


Out of a workforce of 36m in March 2020, **9.4m (26%)** jobs have since been furloughed and a further **2.7m** self-employed workers have applied for Income Support.

Unemployment is forecast to increase from 3.9% (1.4m) for Q1 2020 to **8.5%** by Q3, totalling **3.0m** people.

Source: [HMRC COVID-19 Statistics](#); [Nomura](#)

Pay Growth

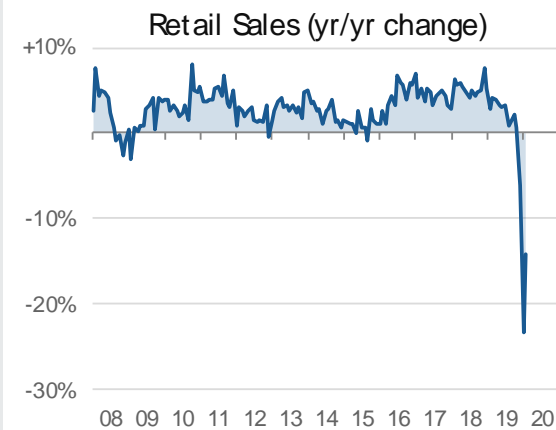


Pay growth had been consistently above 3% for almost two years but has abruptly turned negative.

April 2020 saw **-0.7%** year-on-year growth in median pay and subsequent months are likely to have seen further falls.

Source: [HMRC PAYE RTI](#)

Retail Sales



Year-on-year retail sales growth had begun to slow throughout 2019/20, turned negative in March '20 (-6.2%), and fell to **-23.3%** in April '20.

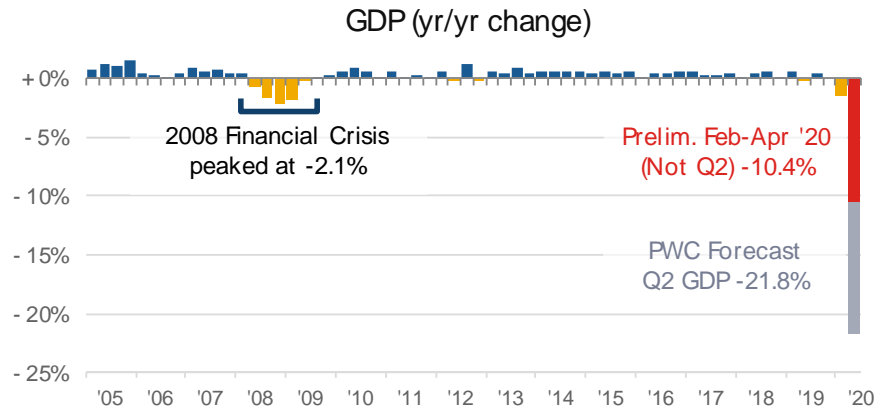
The decline slowed in May to **-14.2%**.

Source: [ONS Retail Sales Val/y/y](#)

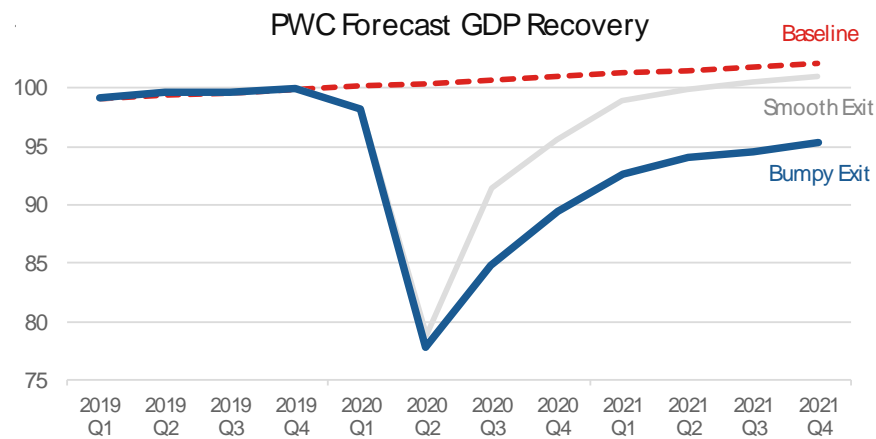


The trajectory of economic recovery is uncertain, as is future fiscal policy

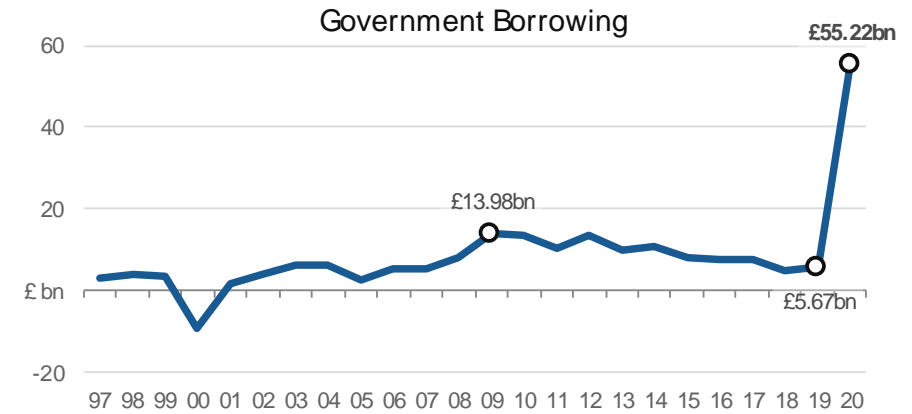
GDP Forecast



Preliminary results for 3mths to April '20 show GDP falling by **10.4%**. Even in the depths of the 2008 financial crisis, GDP's worst quarter was a drop of 2.1%.



Government Borrowing



All headline Government Accounts figures show unprecedented movement. In comparison to last May:

Borrowing is up 874%.

Receipts are down 28%; **Spending** is up 50%.

National Debt has grown by 25%.

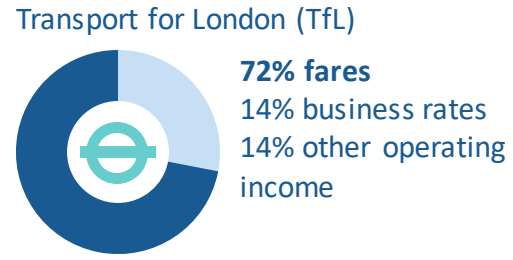
Should the Government choose to cut spending to reduce this deficit this could choke off the recovery and impact TfL significantly. A no deal Brexit in January 2021 would exacerbate these problems.

Sources: [ONS GDP Monthly Est](#), [PWC COVID-19 Update](#), [ONS Public Sector Finances](#)

Our operating income is more reliant on users than other authorities

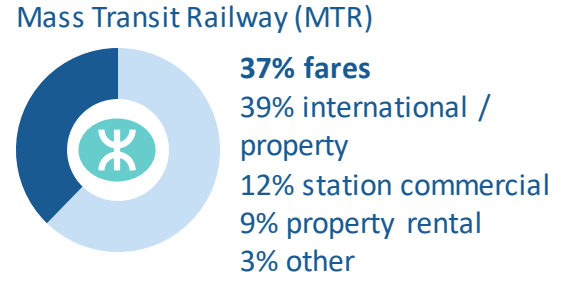
Direct comparisons in income mixes are extremely challenging (partly captured by the notes on this page) but is clear that TfL is now more reliant on passenger income than other similar authorities.

London



In TfL, the removal of operating grant has been covered by a higher reliance on fares. Retained business rates are the second highest income source – although as growth in rates is not retained this is not full devolution.

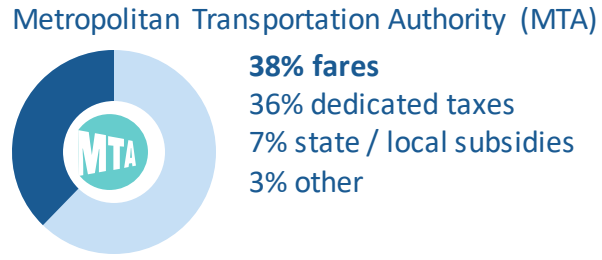
Hong Kong



MTR’s ‘Rail & Property’ model, uses Government-granted development rights in exchange for land premium created by MTR schemes. MTR then reinvests the development profits back into transport.

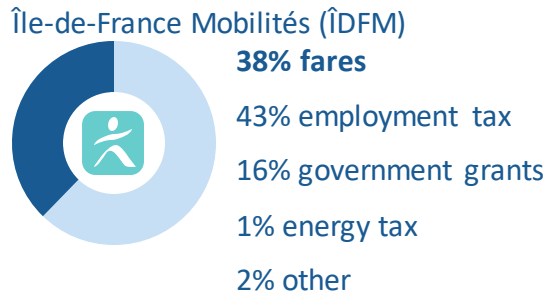
Note: MTR’s full revenues

New York



MTA has a reasonably high reliance on fares, but crucially gets over a third of its income from a variety of dedicated taxation sources, including property taxes from within the city.

Paris

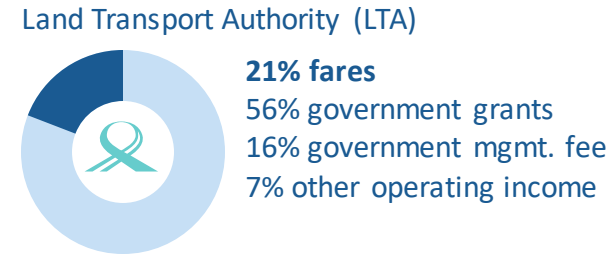


ÎDFM controls and coordinates public transport operators in the Paris-area.

A significant proportion of public transport funding comes from a dedicated employment tax.

Note: funding covers some investment

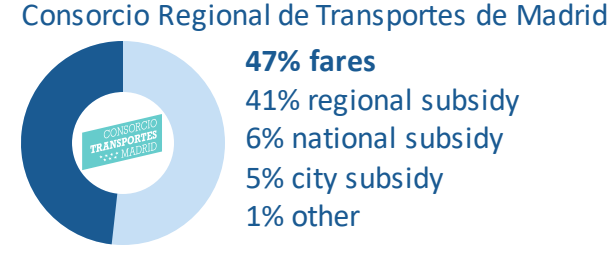
Singapore



LTA plans, builds and maintains Singapore’s transport infrastructure. The majority of funding comes from government grants / management fees.

Note: LTA use net cost rail contracts

Madrid



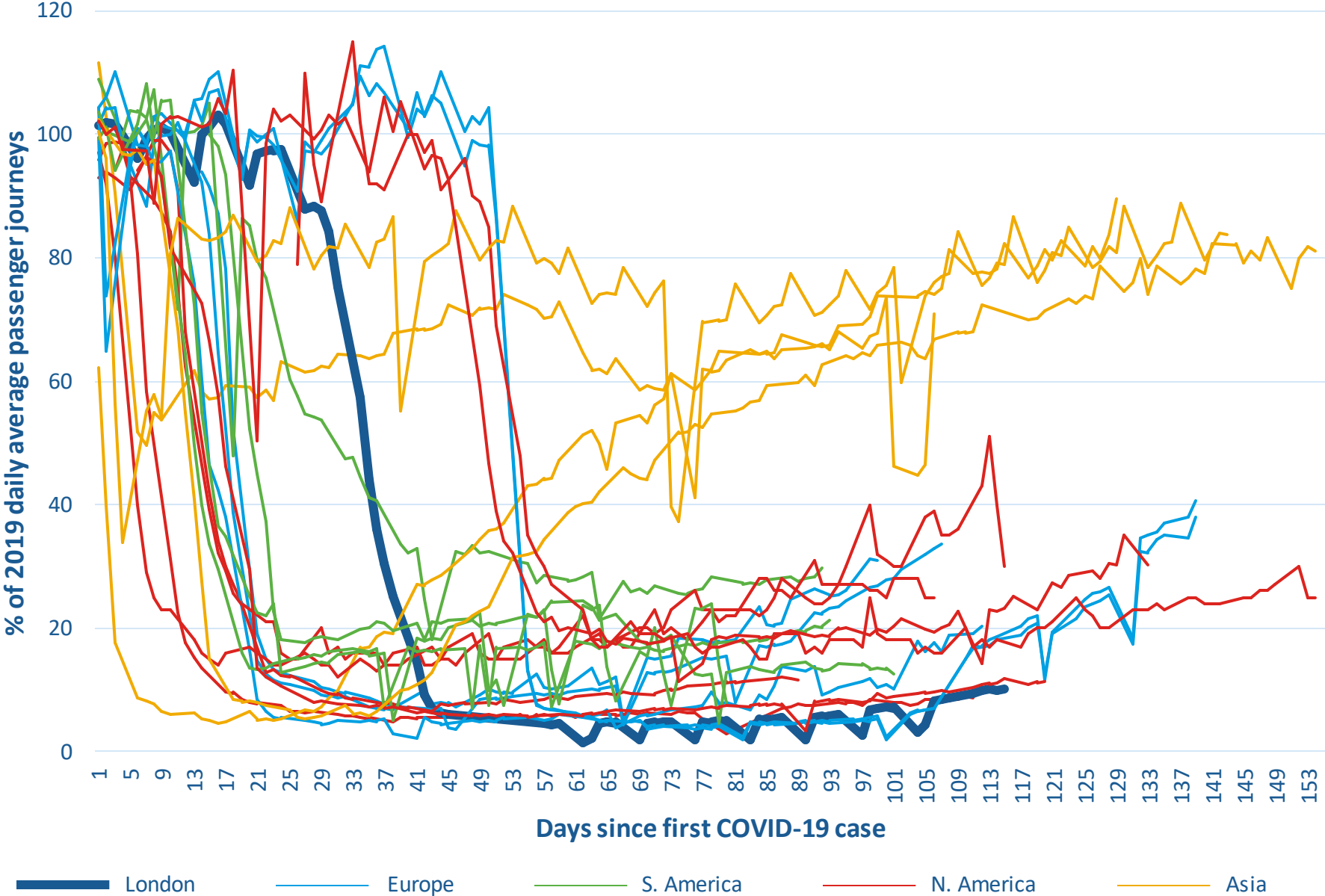
CRTM is the public transport authority for Madrid Region, and its responsibilities cover the provision of public transport services to the inhabitants of the entire Madrid Region and associated municipalities.

International Comparators

Through our benchmarking groups we have access to anonymised data from other international operators, most of whom have been moving out of lockdown slightly earlier than the UK.

These show that demand return is almost always slow and steady without sudden jumps back to normality. Only Asian metros are running at high levels of crowding.

International Metro Demand (Source: COMET/NOVA)



Revenue modelling is based on scenarios where the range of outcomes can vary greatly

- We have assessed inputs from a wide range of sources to build these models
- Modelling of the nature of the pandemic is informed by DfT's own scenario planning, which considers possibilities like a single peak, multiple peaks or more sustained infection. Our models consider a similar range
- Economic modelling is informed by both OBR and Bank of England forecasting as well as statements by bodies like Visit Britain
- Pace of reopening the economy is in general based on Prime Minister's statement of May 10th

Sample of potential virus patterns

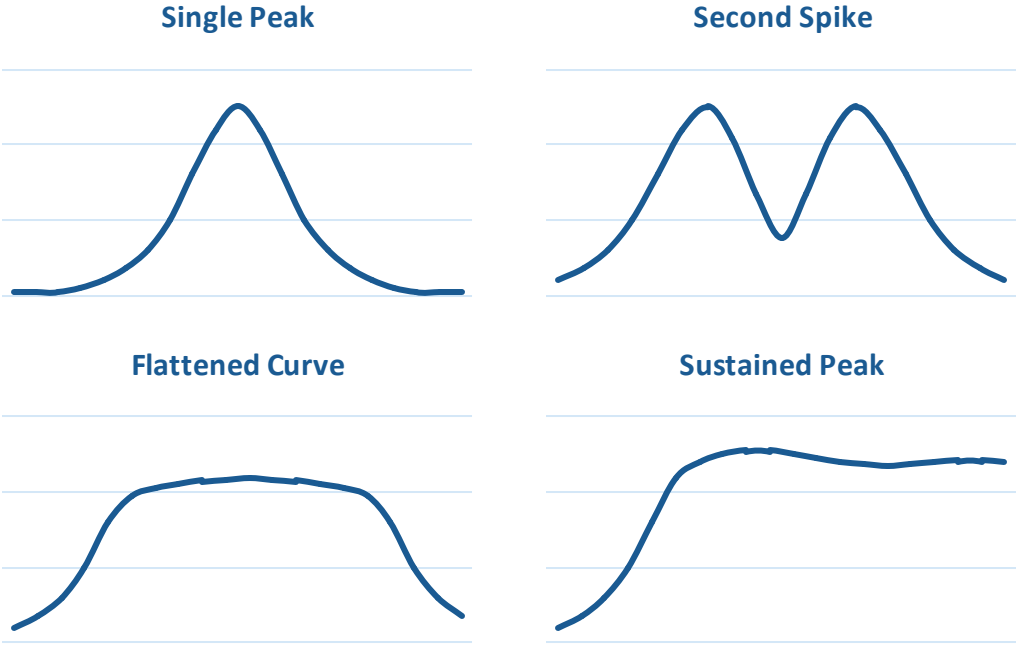
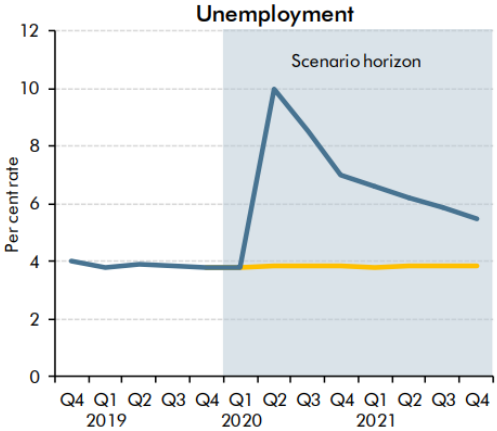
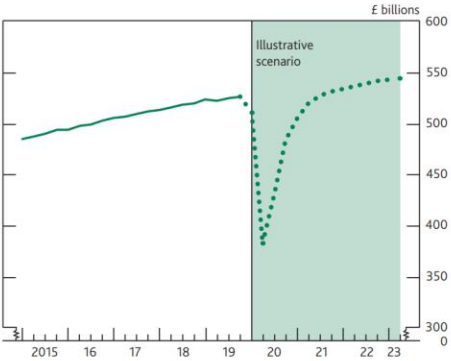


Chart 1.3 GDP picks up relatively rapidly in 2020 H2 in the scenario, although it takes some time to recover towards its previous path
GDP scenario(a)(b)



Section 5

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Assumptions in Revised Budget: operating account

Our Budget meets the conditions set out in the Government's funding and financing agreement

| | |
|-------------------------------------|--|
| Revenue assumptions | <ul style="list-style-type: none">• Model with a 'second spike' potentially driven by increased local lockdowns with social distancing measures assumed to occur in H2 20/21• Model projects volumes returning to 30% at the end the year compared to last year• Both media and commercial rental income are also impacted by loss of footfall |
| Road user charging | <ul style="list-style-type: none">• Re-introduced on 18 May (Emergency Budget (EB) assumed RUC return in July)• Temporary changes to CC hours, day and charge from 22 June |
| Furlough – Government scheme | <ul style="list-style-type: none">• Up to 7,000 staff furloughed up to end of July (EB assumed until June), with further opportunity up until the end of October as we continue to assess the benefits• We will continue to top up salaries to 100% throughout the furlough period |
| LU / Rail Service level | <ul style="list-style-type: none">• c.95% service levels since mid May at peak times, excluding night tube• (EB assumed 50% service until end of June and 100% service from July) |
| Buses Service level | <ul style="list-style-type: none">• 85% of pre-COVID 19 since June, reach >95% in July and 100% by start of September. A full return to front door boarding by 11 July (94% at end of June)• (EB assumed c.80% until late June followed by a ramp up to 100% in H2) |
| Travel demand proposals | <ul style="list-style-type: none">• Accelerated proposals to optimise the use of the available safe transport capacity, including the temporary suspension of free travel for Freedom Pass and 60 Plus card holders during peak |



Revised Budget 2020/21

H1 funding requirement reduces by £0.4bn to £1.5bn (in ratio of £0.3bn extraordinary revenue grant and £0.1bn borrowing)

H2 additional funding requirement vs Emergency Budget of (£0.3bn) after rephasing £0.4bn from H1

Operating account

| Operating Account (£m) | Revised Budget H1 | Revised Budget vs EB Budget H1'20/21 | Revised Budget H2 | Revised Budget vs EB Budget H2'20/21 | Revised Budget 20/21 | Emergency Budget 20/21 | Revised Budget 20/21 vs EB Budget 20/21 |
|---|-------------------|--------------------------------------|-------------------|--------------------------------------|----------------------|------------------------|---|
| Passenger income | 631 | 282 | 684 | (507) | 1,315 | 1,540 | (225) |
| Other operating income | 355 | 125 | 354 | 64 | 708 | 519 | 189 |
| Total operating income | 986 | 407 | 1,038 | (442) | 2,024 | 2,059 | (36) |
| Business Rates Retention | 504 | 0 | 390 | (75) | 894 | 969 | (75) |
| Other revenue grants | 6 | (0) | 9 | (2) | 14 | 17 | (3) |
| Government furlough grant | 40 | 10 | (0) | (0) | 40 | 30 | 10 |
| Total income | 1,536 | 417 | 1,436 | (520) | 2,972 | 3,075 | (103) |
| Operating cost | (3,450) | (118) | (3,242) | (220) | (6,692) | (6,353) | (338) |
| Core costs | (2,981) | (11) | (2,643) | (16) | (5,623) | (5,597) | (27) |
| Elizabeth line | (171) | (0) | (165) | 29 | (336) | (364) | 29 |
| IP Opex | (154) | (110) | (146) | (96) | (299) | (93) | (206) |
| Exceptional costs | (145) | 3 | (288) | (138) | (433) | (298) | (135) |
| Net operating surplus | (1,915) | 298 | (1,805) | (740) | (3,720) | (3,278) | (441) |
| Net financing costs | (247) | (4) | (209) | (1) | (456) | (451) | (5) |
| Net surplus/(cost) of operations before renewals | (2,162) | 295 | (2,014) | (741) | (4,176) | (3,729) | (447) |
| Capital renewals | (148) | (18) | (248) | (48) | (396) | (331) | (66) |
| Net cost of operations | (2,310) | 277 | (2,263) | (789) | (4,573) | (4,059) | (512) |
| Extraordinary Revenue Grant | 1,033 | (267) | 1,832 | 532 | 2,865 | 2,600 | 265 |
| Net cost of operations after extraordinary revenue grant | (1,277) | 10 | (431) | (257) | (1,708) | (1,459) | (247) |

2020/21 H1: Underlying £0.3bn better than Emergency Budget after restart of road user charging and updated passenger income modelling. Some additional pressure on costs to support social distancing and other schemes. £267m of extraordinary grant no longer required (and £123m borrowing in capital account re-phased to H2)

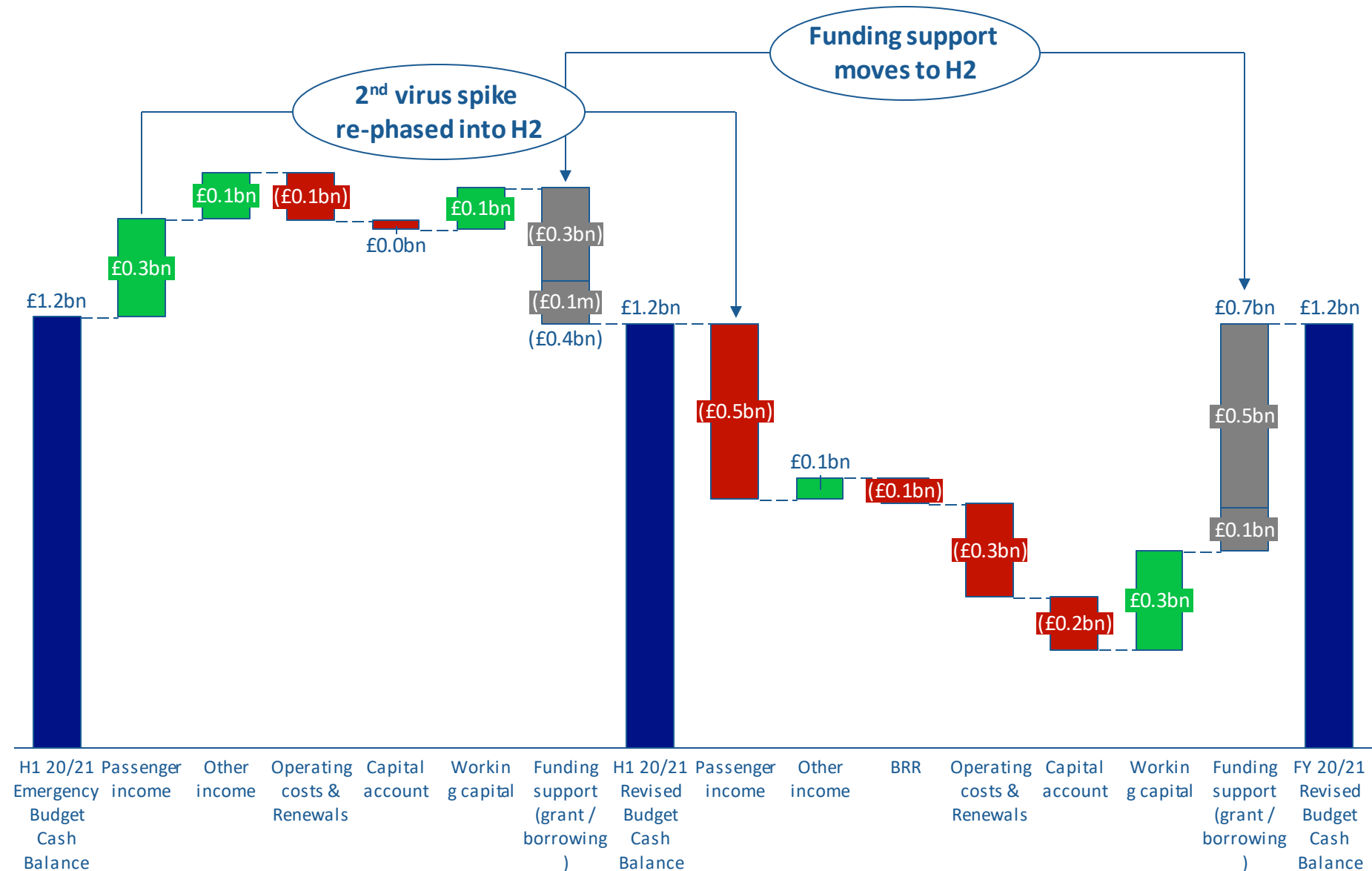
2020/21 H2: Underlying (£0.8bn) worse than Emergency Budget due to passenger income modelling, business rates retention reduction and the extension of the Streetspace scheme previously not included in H2 of the Emergency Budget. (£0.3bn) of additional funding support required after rephasing £0.4bn of funding from H1.

Cash Bridge: Revised Budget vs Emergency Budget

H1 £0.4bn better: £0.3bn operating performance driven by revenue and £0.1bn working capital

FY (£0.3bn) worse: (£0.6bn) operating and capital account performance offset by £0.3bn working capital

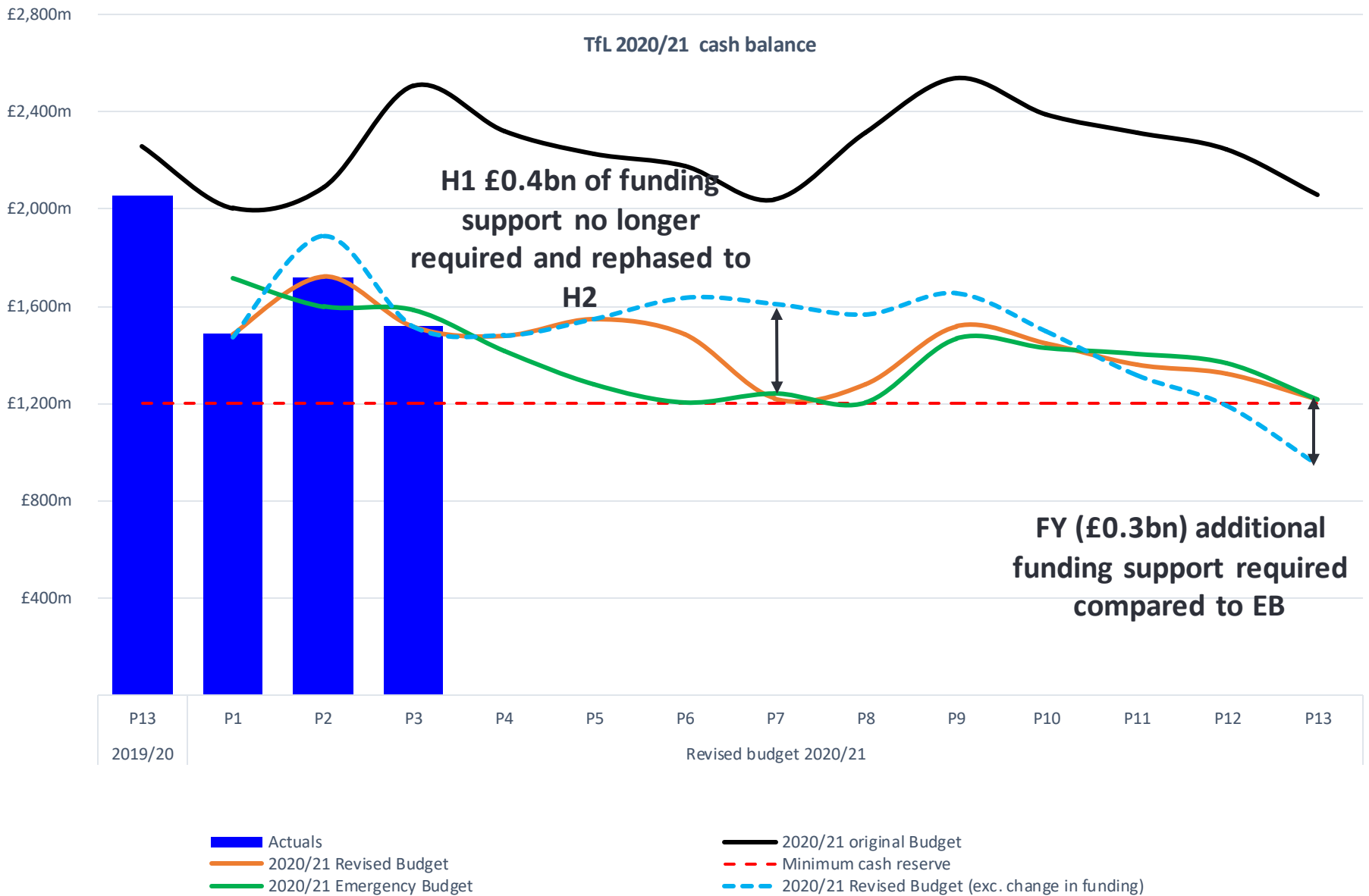
Cash movement against Emergency Budget to maintain minimum cash reserves



Revised Budget cash

H1 £0.4bn better: £0.3bn operating performance driven by revenue and £0.1bn working capital

FY (£0.3bn) worse: (£0.6bn) operating and capital account performance offset by £0.3bn working capital



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Investment programme

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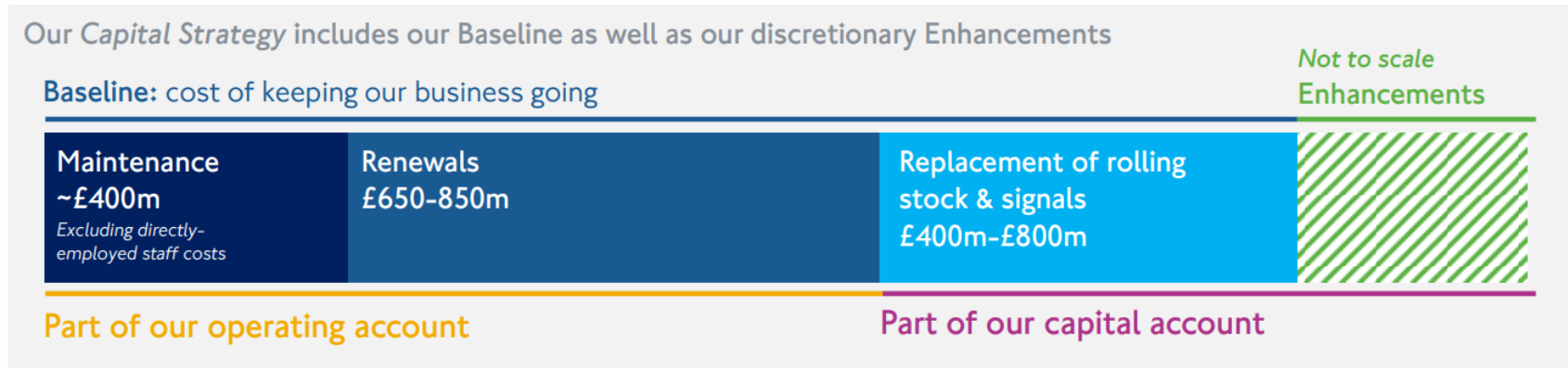
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Maintaining our assets

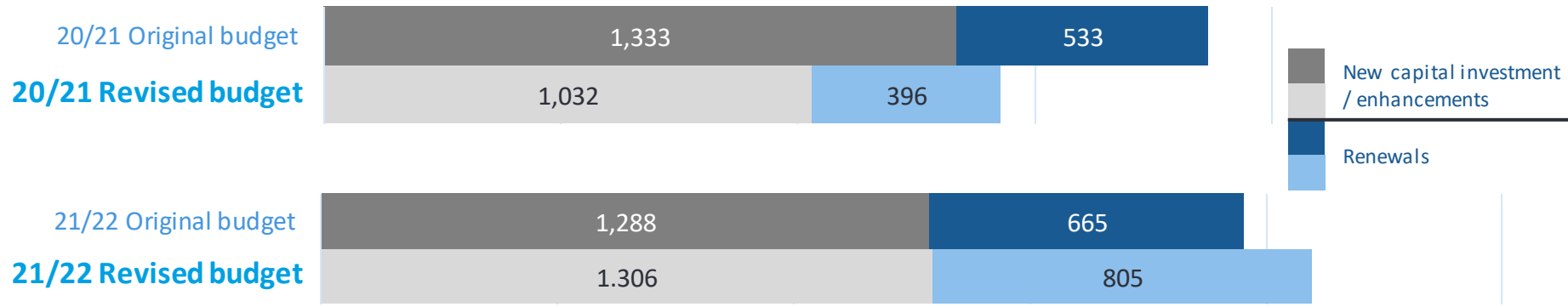
Just keeping our existing assets safe and reliable on a like for like basis requires an average of c.£1.4bn pa in 2019 prices, which includes replacing life-expired rolling stock. This is a largely fixed cost to continue running the level of service we currently do.

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



The 20/21 Revised Budget prioritises safety critical works, with more proactive renewals and maintenance deferred to 21/22 and beyond based on affordability. The chart below shows a significant proportion of our capital spend is classified as new capital investment / enhancements. The majority of this is continuing projects already started, with some additional smaller schemes including air quality initiatives. To enter the next series of contracts to upgrade our aging infrastructure we must secure long term baseline funding.

Revised budget capital spend vs. original budget, split into renewals and enhancements



We have taken a robust approach to our investment but still need support from the Government

We have refined our critical, central, desirable and deprioritise categories to reflect updated priorities



Critical projects

Projects classified as critical form part of our baseline are needed to maintain current safety, reliability, capacity or asset condition, or legally required. Not progressing these projects would cause unacceptable deterioration to the network.

We have also included projects which directly support the conditions as set out in the Government's funding agreement, reflecting changed funding arrangements and priorities post-COVID-19



Central & desirable projects

Projects classified as central or desirable are financially positive projects, or projects which require short-term action, e.g. safety, reliability, capacity.

Projects that promote active travel modes or focus on short-term social distancing and enable us to reopen London safely and sustainably fall within this category.

Some longer-term capacity and housing projects which have strong business cases and align to MTS and Government objectives may also be considered here.



Projects contingent on additional funding

Projects not currently in the revised budget but are still strongly aligned to our objectives and support improved connectivity, housing and air quality in London.

We will continue to make the case for these schemes and seek opportunities for additional funding either from third parties or government to enable them to progress. For example, we are in discussion with MHCLG around the potential for housing funding for transport schemes that enable new homes.



Paused projects

Projects with weaker business cases or which are lower value for money which we cannot reasonably make the case to progress in the current climate will be paused. Additionally, schemes which may be less aligned to our immediate requirements may be paused. These may also be schemes which are more discretionary in nature.

The definition for this category is consistent with previous years, however more schemes may now have to be considered temporarily unaffordable

We are continuing our key investments where possible

*full list of projects in appendix

These investments will improve connectivity and public transport, supporting low carbon lifestyles and choices for those travelling around London



Ultra Low Emission Zone

Continuing towards expansion to N/S Circular in October 2021



Northern Line Extension

Restarted works at Battersea and Nine Elms



Barking Riverside Ext.

Resumed works critical to major housing development



Bank Station Upgrade

Resumed project to expand station capacity by 40%



Piccadilly line trains

Design work continues, also on new DLR trains



Rail Devolution

Continuing to work with DfT to transfer Great Northern

And additionally

In-progress step-free access schemes, Silvertown Tunnel, other station works (e.g. Tottenham Hale, Elephant & Castle), Direct Vision Standard, 4G on the Tube and many others. For Streetspace see later slide

Revised Budget
2020/21

H1 underlying investment in line with Emergency Budget with some earlier restarted programmes offset by deferrals

H2 (£0.2bn) higher investment in main areas of LU, Surface and MPD programmes

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

Capital account

| Capital Account - TfL (£m) | Revised Budget H1 | Revised Budget vs EB Budget H1 '20/21 | Revised Budget H2 | Revised Budget vs EB Budget H2 '20/21 | Revised Budget 20/21 | Emergency Budget 20/21 | Revised Budget 20/21 vs EB Budget 20/21 |
|------------------------------------|-------------------|---------------------------------------|-------------------|---------------------------------------|----------------------|------------------------|---|
| New Capital Investment | (403) | (15) | (629) | (210) | (1,032) | (807) | (225) |
| Total Capital Investment | (403) | (15) | (629) | (210) | (1,032) | (807) | (225) |
| Funded by: | | | | | | | |
| Business Rates Retention (capital) | 473 | 0 | 437 | 0 | 910 | 910 | 0 |
| Property receipts and asset sales | 42 | 28 | 74 | 26 | 116 | 62 | 54 |
| Borrowing (TfL) | 477 | (123) | 123 | 123 | 600 | 600 | 0 |
| Other capital grants | 65 | (38) | 53 | 32 | 118 | 123 | (5) |
| Total | 1,057 | (133) | 687 | 182 | 1,744 | 1,695 | 49 |
| Net capital account | 653 | (148) | 58 | (28) | 712 | 888 | (176) |
| Renewals | (148) | (18) | (248) | (48) | (396) | (331) | (66) |
| New Capital Investment | (403) | (15) | (629) | (210) | (1,032) | (807) | (225) |
| Total Investment | (551) | (33) | (877) | (258) | (1,429) | (1,138) | (290) |

| Capital Account - Crossrail (£m) | Revised Budget H1 | Revised Budget vs EB Budget H1 '20/21 | Revised Budget H2 | Revised Budget vs EB Budget H2 '20/21 | Revised Budget 20/21 | Emergency Budget 20/21 | Revised Budget 20/21 vs EB Budget 20/21 |
|----------------------------------|-------------------|---------------------------------------|-------------------|---------------------------------------|----------------------|------------------------|---|
| Crossrail Investment Programme | (372) | 51 | (302) | 0 | (674) | (725) | 51 |
| Total Capital Investment | (372) | 51 | (302) | 0 | (674) | (725) | 51 |
| Funded by: | | | | | | | |
| Borrowing (CR) | 385 | (11) | 353 | 19 | 738 | 730 | 8 |
| Crossrail funding sources | 70 | 25 | 3 | 0 | 73 | 48 | 25 |
| Total | 455 | 14 | 356 | 19 | 811 | 778 | 32 |
| Net capital account | 83 | 65 | 54 | 19 | 137 | 53 | 83 |

2020/21 H1: underlying in line with Emergency Budget with £123m of borrowing no longer required in H1 and rephased to H2

2020/21 H2: underlying higher investment of (£0.2bn) with £123m of borrowing rephased from H1. Borrowing is capped at £0.6bn for the full year.

Crossrail: underspend in 2020/21 moved into 2021/22. Overall spend held to Budget as we await a Recovery Plan from CRL.



Maintaining our assets: London Underground – 20/21 full year

*full list of projects in appendix



- The 20/21 Revised Budget focuses on delivering the highest priority renewals projects which are critical for maintaining safety and reliability of the railway
- Over £100m of core renewals scope from 20/21 has been deferred that will need to be caught up in later years

Fleet

- £73m**
- Completion of heavy overhaul (life extension) of Victoria line
 - Commencement of heavy overhaul (life extension) of Piccadilly, Jubilee, Met and Bakerloo lines
 - Engineering vehicles investment

Structures & civils

- £27m**
- Critical civils structures reinforcement including Grange Hill-Chigwell Embankment
 - Ongoing civils asset resilience for priority locations

Track

- £73m**
- Track renewals at highest risk areas, including works for new Piccadilly line fleet
 - Points and crossings at critical locations
 - Noise mitigation, security and access fencing work

Signalling

- £7m**
- Central line signalling life extension to address immediate asset obsolescence
 - Bakerloo line signalling life extension
 - Northumberland Park depot signals renewal

Lifts & Escalators

- £18m**
- Continued delivery of priority escalator renewals (Liverpool Street, Marylebone and Jubilee Line)
 - High priority lift works (including Tottenham Hale and Belsize Park)

Power, Cooling & Energy

- £21m**
- Power control system works to address obsolescence in power network
 - Essential electrical works for degradation and safety compliance
 - LED light strategy

LU Technology & Networks

- £22m**
- Connect Radio system essential upgrades
 - Station security systems & Asset Management System developments
 - Purchase and deployment of body worn cameras

Key Deferrals

- Less urgent track renewals
- Slow down of Central Line Fleet renewal programme
- Slow down of station asset resilience work
- Lower priority lift, escalator and station works deferred

Note: LU IP H2 spend above excludes completion of Step Free Access and Enhancement projects (£22m in H2) where exit costs exceed costs to complete. Social Distancing and other newly identified scope (£20m in H2) are also excluded.

Maintaining our assets: Surface – 20/21 full year

*full list of projects in appendix



Critical projects

Our priorities include the restart of proactive renewals following a two-year pause, and focusing on staff welfare facilities at stations

TLRN infrastructure



£34m
Restarting proactive renewals across carriageways, footways, lighting, structures and other key assets across the TfL road network.

Major highway infrastructure



£12m
Progress design work for major renewals on bridges and tunnels to keep them safe, reliable and operable. Examples include Including A40 Westway and Rotherhithe Tunnel.

Bus, coach & river infrastructure



£11m
Renewals include a focus on staff welfare facilities at bus stations and refurbishments at Victoria Coach Station. Also includes restart of proactive renewals of bus shelters and work on river piers.

DLR



£22m
Renewal of signalling and trackwork across the network including the repair/replacement of deteriorating bogie frames on our fleet.

Surface Technology



£24m
Costs to keep our key operational and maintenance systems going and replace them with modern equivalents when necessary.

Trams



£16m
Including all safety critical works across the tramlink including major track renewal.

Key deferrals in H1

The CV19 period has meant an effective extension of the two-year pause on proactive renewals across the TLRN and Borough road networks by a further 4-5 months. However, proactive renewals are now restarting.

* Figures exclude over programming for deliverability across portfolios

Streetspace and other Borough spend



✓ Central & desirable projects

London Streetspace will deliver bold and ambitious proposals for both social distancing schemes and strategic cycling schemes

Borough funding for 2020/21 in our revised budget is £15m higher than the level in our original budget. In response to the coronavirus pandemic, and in partnership with London’s boroughs we introduced a new range of initiatives under the programme “Streetspace”, which include temporary cycle lanes and wider pavements to enable social distancing whilst walking and cycling. The revised budget also includes additional funding for Hammersmith Bridge, both for the temporary bridge and to begin work on stabilisation of the main bridge, subject to planning permission and additional government funding being available for the main works.

In H2 we are reintroducing LIPs funding stream and Liveable neighbourhoods – some of these schemes were paused in H1 due to the COVID-19 pandemic.

Streetspace schemes delivered as of 10/07/2020:

| Strategic Cycle Schemes | Social Distance Schemes |
|---|---|
| <ul style="list-style-type: none"> • Park Lane • CS8 Upgrade P1 – Chelsea Bridge to Lambeth Bridge • Hampstead Road • C4 – Tooley Street to Rotherhithe • Euston Road • CS8 Upgrade P2 – Chelsea Bridge to Wandsworth • Kingston to Kingston Vale • Ewell Road • A1010 North • C41 Between Euston and Holborn Cycleway 5 (Baylis Road) • Cycleway 27 realignment Waltham Forest • C14 Queensbridge Road | <ul style="list-style-type: none"> • Stoke Newington High Street • Camden High Street • Brixton Town Centre • Earl’s Court Road • Borough High Street / St Thomas Street • London Bridge ped one-way • Nags Head • Dalston – Kingsland High Street • Tottenham High Road • Holloway Road Underground Station • Camden Road • Edgware Road • Battersea Bridge ped one-way • Waterloo Road • Angel • Finchley Road – Goldhurst Terrace to Blackburn Road • Victoria • Finsbury Park Station • Camden High Street P2 • Bishopsgate • Sandilands Bus Stop build out • EastSheen Cheam • Edgware Road – Phase 2 |

Schemes for delivery in July, August, September:

| Strategic Cycle Schemes | Social Distance Schemes |
|---|--|
| <ul style="list-style-type: none"> • CS7 Upgrade – Newington Butts to Clitheroe Rd • C4 Evelyn Street and Creek Road • CS7 Upgrade – Clapham to Balham • Cycleway 37 – Hackney to Westferry • C9 East – Kensington Olympia to Brentford • CS7 Upgrade – A227 to Clapham South • CFR11 – Greenwich to Woolwich • C4 – Tooley Street to London Bridge • East/ West Link – Old Street to Marble Arch • CS7 Upgrade – Tooting Broadway to Colliers Wood • CFR3 Phase 2 – Clapton to Lea Bridge • A41 Corridor – Finchley Road • A23 Oval to Streatham • A10/A503 - CS2 Seven Sisters • Vauxhall Mansell Street – C2/C3 Link • CFR2 Western Section – Finsbury Park to Royal College Street • Cycleway 9 West – Hounslow to Brentford • Marylebone Road – A501 • A40 Western Extension of Cycleway 34 • CS7 Upgrade – Balham High Street • Balls Pond Road • A21 – Lewisham to Catford • CS8 Extension – Chelsea Bridge to Lotts Road • CS7 Upgrade – A227 to Clitheroe Road | <ul style="list-style-type: none"> • Streatham High Street • Brompton Road • Finchley Road to College Crescent • Frognaal Overground Station • A21 Bromley Road • Swiss Cottage • Clapham High Street • West Wickham |

Schemes which are currently contingent on additional funding



Projects contingent on additional funding

| Area | Projects |
|--|---|
| Surface | Hammersmith Bridge stabilisation and strengthening (design well progressed but now contingent on government funding for implementation) Tram rolling stock replacement (critical asset replacement in Long Term Capital Plan but not funded this year) East London Line 20 TPH (contingent on HIF bid) DLR Royal Docks (contingent on HIF bid) |
| LU Step free access | Burnt Oak, Hanger Lane, Northolt, Boston Manor, North Ealing, Park Royal, Rickmansworth, Ruislip, Snaresbrook. These schemes are vital in supporting our customers with mobility needs and we want to ensure funding for them is prioritised wherever possible and we will be actively seeking third-party funding for them. |
| LU replacement & enhancements | Stratford additional entrance – cost estimate exceeded available funding – seeking redesign, Piccadilly line signalling, Bakerloo line trains replacement |
| LU assets | c30% reduction of scope including points and crossing renewals, track replacement programme, air quality and noise reduction works, fleet renewal programme, revenue protection programme |
| Commercial Development | Spend deferred on existing housing programme and mixed-use development sites in line with revised programme start dates Ambitious plan which enables revenue growth from diverse commercial asset estate (offices, retail, arches, and homes) but requires significant capital investment which has been deferred and reprofiled |
| Growth fund | The Growth Fund programme has been reviewed with 20/21 spend deferred to future years where possible without disrupting existing funding and financing packages which have considerable third parties contributions agreed. Decisions on schemes which may benefit from Growth Fund contributions in the future have been paused. |
| Decarbonising transport | We want to accelerate our MTS ambition of a zero emission bus fleet by 2037 to 2030. Accelerating our ambition to 2030, will secure 3000 UK green jobs in the North, Scotland and Northern Ireland, and could easily see that grow another 20% to 3600. 2030 saves an additional 3m tonnes of carbon. It requires £1bn of investment from HMG, but accounting for like for like replacement of buses, and very large fuel savings, this £1bn investment translates as a nearly £4bn gross investment into bus manufacturing. Our EV Infrastructure Delivery Plan shows that we need an estimated 290 additional rapid charge points needed in London in 2020. Delivery could be immediately secured with £7.5 million (assuming 50% private sector delivery). Our plan also shows we need to continue the success of London's GULCS with a further 2,300 on-street residential points in 2020, at a cost of £7.5 million. An additional £125m investment will enable us to accelerate energy efficiency and schemes that re-use heat from our tube network and lead to the creation of 600 green jobs in our supply chains. |





Paused projects

Some schemes are paused given the financial challenge we face

| Area | Paused projects |
|--------------------------|--|
| Healthy Streets | <ul style="list-style-type: none"> Croydon Fiveways – growth and development plans in the area are changing and we’re in discussion with the Borough about future plans King’s Cross gyratory – we will still complete key safety improvements as part of smaller, targeted schemes Bow Vision – paused pending clarity on development plans for the site |
| Surface public transport | <ul style="list-style-type: none"> Rotherhithe to Canary Wharf – scheme currently unaffordable in the context of other walking and cycling priorities Sutton Tramlink – development work paused as transport case is poor and there remains a significant funding gap |
| LU enhancements | <ul style="list-style-type: none"> South Kensington capacity upgrade – design and development tenders exceeded original project funding Solar roof installation - original projects paused in favour of development of larger strategic solar installations to be funded using third party investment |



Major Projects

We are primed to pivot our investment towards a green recovery, supporting sustainable travel and London's international position. The major future transport schemes in the MTS are still relevant and aligned to the DfT decarbonisation plan, but we need to be realistic in discussions with Government about what will be affordable over the next decade and we cannot currently afford to progress them all.

| Major Project | Detail |
|--------------------------------|---|
| Crossrail 2 | This scheme would deliver the single largest boost to rail capacity in London. The scheme’s affordability in the planned timescales has been further affected by current funding constraints and our immediate priority in discussions with government is updating safeguarding. Costs: £23bn / Homes: 200,000 |
| Bakerloo line extension | This scheme would unlock one of the poorest connected areas in inner London by Tube. Significant funding support would be required to meet the capital costs of the scheme and our immediate priority is to safeguard the route. Costs: £5bn (to Lewisham) / Homes: 35,000 |
| DLR to Thamesmead | This scheme would unlock growth and improve cross river connectivity in relatively deprived areas. We are working with the developers on taking forward a feasibility study, including around funding options for the scheme. Costs: £0.8bn / Homes: 20,000 |
| West London Orbital | This scheme offers a new service on currently underused rail lines, supporting Old Oak Common growth. We are working with the local boroughs on taking forward a feasibility study, including around funding options for the scheme. Costs: £0.5bn / Homes: c.14,000 |



Our framework for investing in a sustainable recovery

London has one of the most mature low carbon transport systems in Europe and further, relatively small, investments will ensure that the system overall continues to deliver major transport and environmental benefits.

Transport is central to the recovery – not only to recover the economy but to make it more robust and sustainable than before to cope with the challenges ahead.

We have an offer that will support London and the UK:



Maintain

Be a good custodian of London's assets

Our first priority is to maintain the long-term safety and sustainability of our assets; to ensure the network can reliably keep London moving, and is adapted and resilient to changes in climate and other economic shocks. Being a good custodian is more than maintenance – it involves renewing assets with modern, well-adapted and energy efficient solutions.



Intensify

Invest to unlock additional capacity and accessibility to all in the current network

We already have great infrastructure in London; with comparatively small investments we can adapt existing infrastructure to unlock massive amounts of untapped capacity making walking, cycling and public transport more attractive to more people. We can ensure capacity upgrades have low carbon at their core.



Accelerate

Transition to a zero emissions transport network as quickly as possible

This period has highlighted schemes and ways of working that, if accelerated, can help London and the UK transition to a zero carbon economy faster than we once thought possible, boosting the economy, creating jobs, tackling inequality and make our supply chain more sustainable

In order to be a viable business we must become more sustainable and drastically low carbon. We can get there in different ways depending on the level of funding support in place.

The Case for Investment

We have a proven track record of delivering schemes that grow the economy, support UK suppliers and encourage the transition to lower-carbon lifestyles.

Continuing to deliver these benefits is entirely dependent on secure, long-term funding that allows us to commit to the next generation of improvements to London's transport network.

Economic Recovery

Our network supports jobs and consumers. This is not just in the high-productivity clusters of central London but in town centres all across Greater London. Local rail services, buses, cycle links and high-quality pedestrian environments support shops and other businesses all over the capital – with research showing users of these modes tend to spend more than car users. And our investments support the ongoing delivery of new homes that further support the viability of local economies.

Supporting the UK Supply Chain

Projects in London don't only support the economy of the capital. 43,000 UK jobs are supported by the TfL supply chain: 68% of which are outside of London. In the capital is enabled by new trains constructed in Derby and Goole, buses from Falkirk, steel from Scunthorpe and hundreds of other examples large and small.

We now have a chance to stimulate a new era of British production. For example, half of the new buses in the UK are in London. Committing to the next generation of bus production now will help British suppliers to lead the world in new technologies.

See next slide for more information

Low-Carbon Lifestyles

Across the UK, carbon emitted from transport sources is falling much more slowly than from other parts of the economy. We must accelerate progress – both by decarbonising existing transport sources, where we have made an important start but can go further, and by getting people out of their cars and onto bikes, pavements and clean public transport. We can seize this moment of change to achieve much more in this area, driving a green jobs revolution and helping to kick start the UK economy based around sustainability.



Our investment programme helps London and the UK's recovery

Examples of key suppliers with reliance on national capacity to deliver London based programmes



Road technology:
Yorkshire, Birmingham, Coventry



Major projects:
Manchester
Rail: Redhill, Surrey



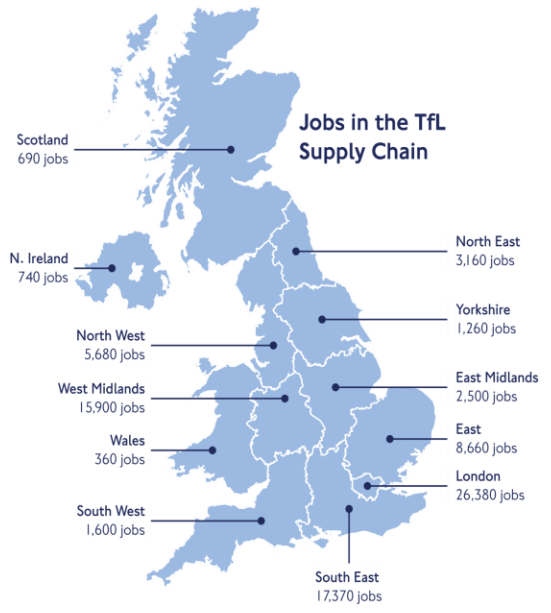
Manufacture –
Derby



HQ: Frimley, Surrey
Transport – Ashby
Mobility - Poole & Goole, Yorkshire



For every pound spent on the London Underground investment programmes, up to 55p is received by workforces located outside of London



43,000 UK jobs are supported by TFL supply chain: 68% of which are outside of London. Over half of these jobs are related to the investment programme

By spend, 55% of companies delivering the LU investment programme are located outside of London and utilising regional workforces to provide design, engineering and professional services in the delivery of the IP programme.



Zero Emission Bus
The transition to a zero emission bus fleet can secure 3000 jobs. A more ambitious target completion year could see that grow by another 20%.



Clean Energy
TfL potential Power Purchase Agreements could add significant demand for clean energy and create additional jobs in the UK renewables sector.



Northern Line extension
The extension between Kennington and Battersea will help regenerate the Vauxhall, Nine Elms and Battersea areas by supporting new jobs and homes.



Barking Riverside
This extension will add 4.5km to the London Overground Gospel Oak to Barking line, and take it from Barking to a new station at Barking Riverside.

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2021/22: initial view of the operating account

Current projections indicate grant funding of £2.9bn will be required to remain at the minimum operating cash reserve of £1.2bn

Operating account

| Operating Account (£m) | Revised Budget 21/22 | Business Plan 21/22 | 21/22 Revised Budget vs BP |
|---|----------------------|---------------------|----------------------------|
| Passenger income | 3,541 | 5,412 | (1,871) |
| Other operating income | 1,135 | 1,356 | (221) |
| Total operating income | 4,676 | 6,768 | (2,092) |
| Business Rates Retention | 774 | 986 | (212) |
| Other revenue grants | 14 | 11 | 3 |
| Government furlough grant | 0 | 0 | 0 |
| Total income | 5,464 | 7,765 | (2,301) |
| Operating cost | (7,008) | (7,064) | 56 |
| Core costs | (6,010) | (5,989) | (22) |
| Elizabeth line | (578) | (655) | 78 |
| IP Opex | (261) | (238) | (22) |
| Exceptional costs | (159) | (182) | 22 |
| Net operating surplus | (1,543) | 701 | (2,244) |
| Net financing costs | (468) | (551) | 83 |
| Net surplus/(cost) of operations before renewals | (2,012) | 150 | (2,162) |
| Capital renewals | (805) | (665) | (140) |
| Net cost of operations | (2,816) | (515) | (2,301) |
| Extraordinary Revenue Grant | 2,940 | 0 | 2,940 |
| Net cost of operations after extraordinary revenue grant | 124 | (515) | 639 |

- **Income (£2,301m):**
 - continued loss of passenger volumes into 21/22, stabilizing at around 80% of normal demand together with a true up in concession pass income. Knock-on impact on other revenue streams of road user charging, advertising and property rents.
 - **Business rates retention loss of (£212m)**
- **Operating costs +£56m:**
 - IFRS16 adjustment of £65m
 - Underlying operating costs (£9m) higher driven by **Covid-19 specific costs** including enhanced cleaning and social distancing measures continue in 21/22, with low ability to make further savings other than those already planned
- **Renewals: (£140m):** driven by safety critical work in London Underground and Rail



2021/22: initial view of the capital account

We have assumed no new borrowing in 2021/22

Capital account

| Capital Account (£m) | Revised Budget 21/22 | Business Plan 21/22 | Revised Budget 21/22 vs BP 21/22 |
|------------------------------------|----------------------|---------------------|----------------------------------|
| New Capital Investment | (1,306) | (1,288) | (18) |
| Total Capital Investment | (1,306) | (1,288) | (18) |
| Funded by: | | | |
| Business Rates Retention (capital) | 930 | 930 | 0 |
| Property receipts and asset sales | 249 | 135 | 114 |
| Borrowing (TfL) | 0 | 521 | (521) |
| Other capital grants | 69 | 5 | 64 |
| Total | 1,248 | 1,591 | (343) |
| Net capital account | (59) | 303 | (362) |
| | | | |
| Renewals | (805) | (665) | (140) |
| New Capital Investment | (1,306) | (1,288) | (18) |
| Total Investment | (2,111) | (1,953) | (158) |

| Capital Account (£m) | Revised Budget 21/22 | Business Plan 21/22 | Revised Budget 21/22 vs BP 21/22 |
|---------------------------------|----------------------|---------------------|----------------------------------|
| Cross rail Investment Programme | (263) | 0 | (263) |
| Total Capital Investment | (263) | 0 | (263) |
| Funded by: | | | |
| Borrowing (CR) | 12 | (75) | 87 |
| Cross rail funding sources | 205 | 70 | 135 |
| Total | 217 | (5) | 222 |
| Net capital account | (46) | (5) | (41) |

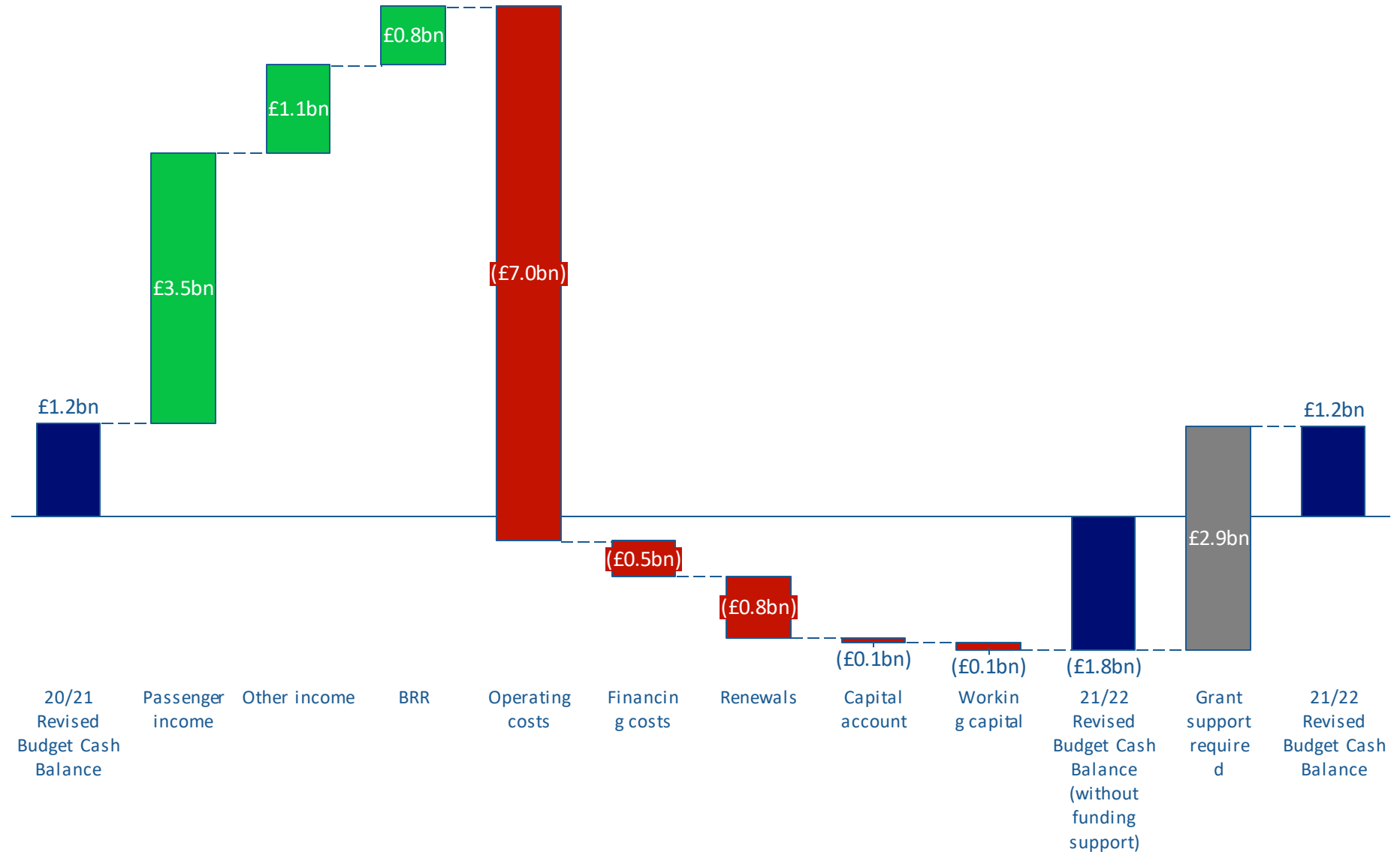
- **New Capital Investment (£18m):** £136m of savings and deferrals in Property Development offset by higher spend across all major areas predominately to catch up on work deferred from 2020/21
- **Property receipts £114m:** driven by catch up in asset sales originally planned in 2020/21
- **Borrowing (£521m):** no new borrowing assumed
- **Other capital grants £64m:** rephasing of works from 2020/21
- **Crossrail:** Crossrail Limited will present their Recovery Plan to the Crossrail Board in due course. This will inform the funding discussions with Government alongside TfL H2 funding



Cash Bridge: 2020/21 to 2021/22

Cash movement year on year to maintain minimum cash reserve of £1.2bn

The 2-year Revised Budget highlights the need for ongoing Government support in order for us to continue operating essential transport services. £2.9bn of support is required in 2021/22.



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Risks and opportunities

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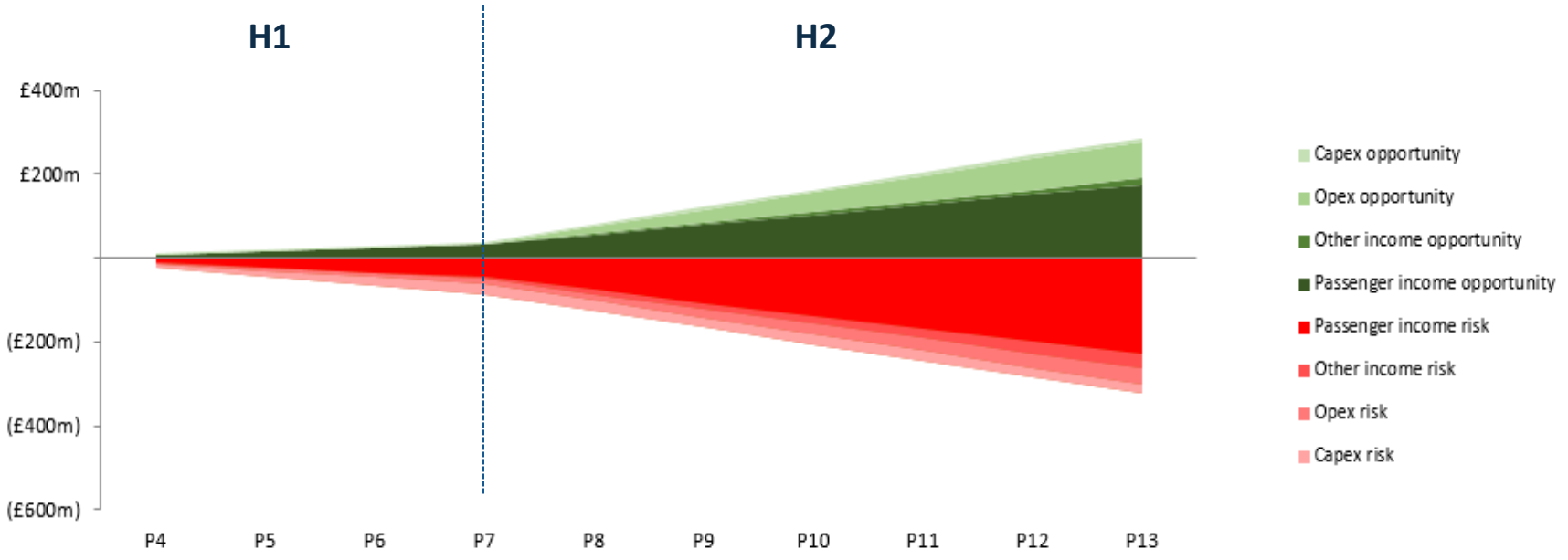


Key Risks and Opportunities in the Revised Budget 2020/21

In H1, we have weighted risks totalling (£108m) offset by weighted opportunities of £49m

In H2, there is a further (£237m) of risk mitigated by £247m of opportunity mainly driven by passenger income modelling

Probability weighted risks and opportunities for remainder of 2020/21



Income:

- Key risk is passenger income modelling in regard to social distancing and Business Rates Retention
- Main opportunity is passenger revenue if we have a slower recovery but no more spikes in the virus (model 4)

Operating costs:

- Risks include additional maintenance costs due to capital deferrals and additional costs to support schools returning in September

Capital investment:

- Key risk around IP programme due to impairment costs arising from projects put on hold
- Opportunity of 4LM access and protection, by not providing replacement bus service

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Funding ask

The Emergency Budget set out a funding requirement of £1.9bn for H1 and £1.3bn for H2, £3.2bn in total.

For Revised Budget, there is a (£0.3bn) net increase in funding requirement to £3.5bn.

| £bn | 2020/21 | | |
|-------------------------------|------------|------------|------------|
| | H1 | H2 | FY |
| Base funding | 1.6 | 1.3 | 2.9 |
| Additional facility | 0.3 | - | 0.3 |
| Total Emergency Budget | 1.9 | 1.3 | 3.2 |
| Base funding | 1.6 | 1.6 | 3.2 |
| Additional facility | 0.3 | - | 0.3 |
| Re-phased | (0.4) | 0.4 | - |
| Total Revised Budget | 1.5 | 2.0 | 3.5 |

However, there is a large degree of uncertainty around future social distancing assumptions and the threat of further virus spikes. This could produce a revenue range of approximately +£500m /-£235m. **Any funding deal will need to cover our relatively fixed operating costs and capital expenditure, dependent on what the revenue outcome is.**

2021/22 Revised Budget:

- Current projections indicate grant funding of £2.9 billion will be required in 2021/22 with a high degree of variability around revenue projections. We have assumed no new borrowing in 2021/22.

Crossrail:

- Crossrail Limited will present their Recovery Plan to the Crossrail Board later in due course. This will inform the funding discussions with Government alongside TfL H2 funding.

The 2-year Revised Budget shows a **requirement for £2bn funding in H2**, and highlights the need for ongoing Government support in order for us to continue operating essential transport services



A sustainable funding model is required to ensure London has the transport network it needs to support economic recovery and growth

We are managing our core financial position

Our revised budget is prudent, with tight spend control on our operating and capital account. We continue to be exposed to a high degree of uncertainty in the economic outlook and on our income streams, in particular passenger revenue.

Securing Government funding for H2 is key to further medium-term planning.

We have taken a robust approach to our investment but still need support from the Government

We have refined our investment programme to reflect updated priorities.

Safety is always our top priority

We will pursue schemes which support social distancing and a shift away from a car-based recovery

We will pursue financially positive projects.

The investment programme will:

- Enable us to open London safely and sustainably
- Promote Active travel
- Encourage economic recovery

We need certainty on funding to commit to the next generation of transport improvements

We have a proven track record of delivering schemes that:

- Grow the economy
- Supporting the UK Supply Chain
- Encourage the transition to low-carbon lifestyles

Continuing to deliver these benefits is entirely dependent on secure, long-term funding.