

From: [Nick Joyce](#)
To: [Kilonback Simon](#)
Subject: Final Final draft
Date: 14 May 2020 16:10:35
Attachments: [image001.png](#)
[200514 Draft funding agreement letter for TfL v101.docx](#)

I think this has it all in. Please shout asap if it doesn't otherwise I will circulate round the group.

Nick



Nick Joyce
Director General, Resources and Strategy Group
, Windsor House
50 Victoria Street
Westminster, London, SW1H 0TL

[Follow us on twitter @transportgovuk](#)

Post to: Great Minster Hse, 33 Horseferry Rd, London,
SW1P 4DR

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Draft letter from Secretary of State for Transport to Mayor of London

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.

From: [Kilonback Simon](#)
To: [Brown Mike \(Commissioner\)](#); [Everitt Vernon](#)
Subject: Finance update - 29 April - script (002).pptx
Date: 29 April 2020 13:06:00
Attachments: [Finance update - 29 April - script \(002\).pptx](#)

Slides with script attached in case of need



Finance Update

Top 300

29 April 2020

Draft and TfL restricted



Quick recap

We are actively discouraging all travel

95% ↓
LU demand

85% ↓
Bus demand

We are already seeing the financial impacts

£220m
COVID impact
in 2019/20

£700m ↓
Cash reduction (PI)
£2.1bn to £1.4bn

We have stopped construction on most capital projects

All non-critical projects to a safe stop in March 2020

We have started to furlough staff

25%
7,000 staff

£15m
Saved per period



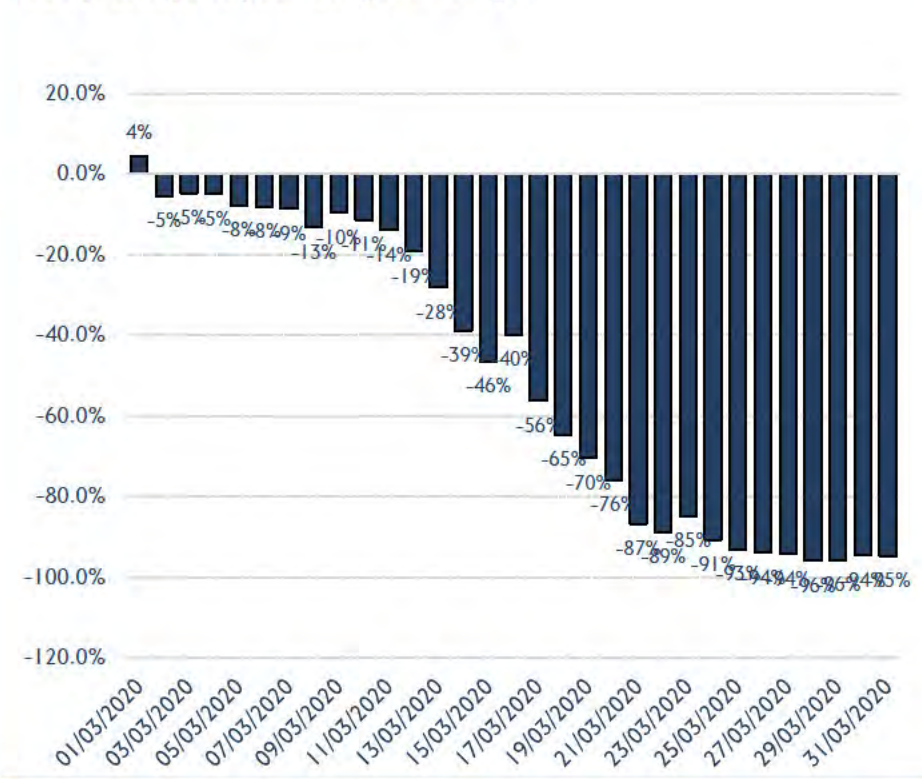
We have seen huge journey reductions at the end of 2019/20

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

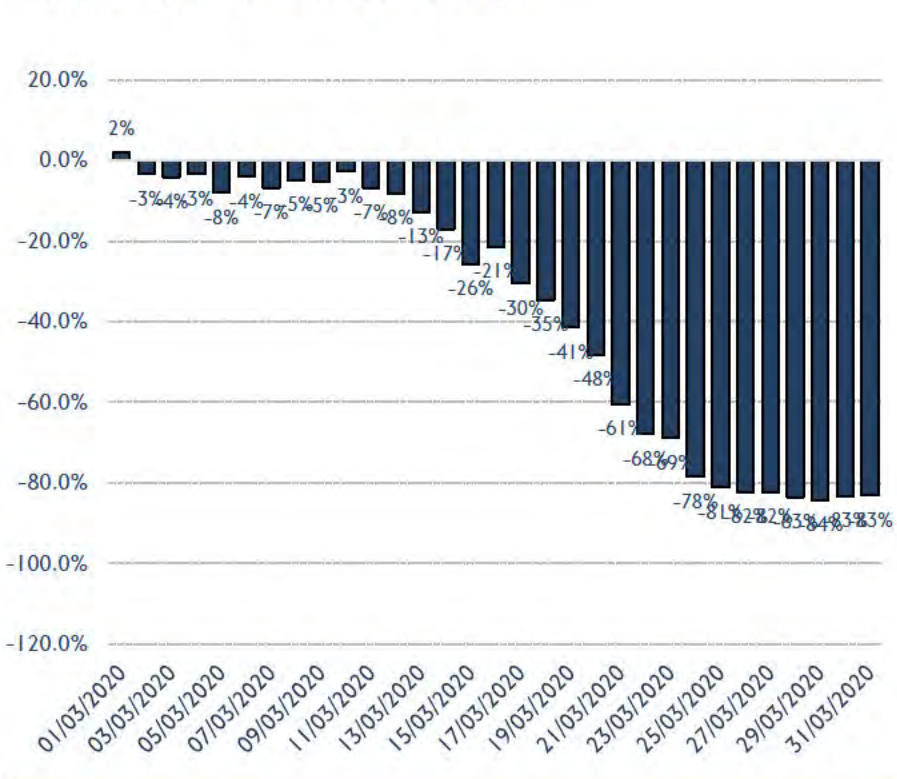


Tube journeys % year-on-year change



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

Bus journeys % year-on-year change



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

19/20 LU revenue loss due to COVID-19:

(£126m)

19/20 Buses revenue loss due to COVID-19:

(£38m)

Lost TfL weekly income at peak journey reduction:

(£84m)

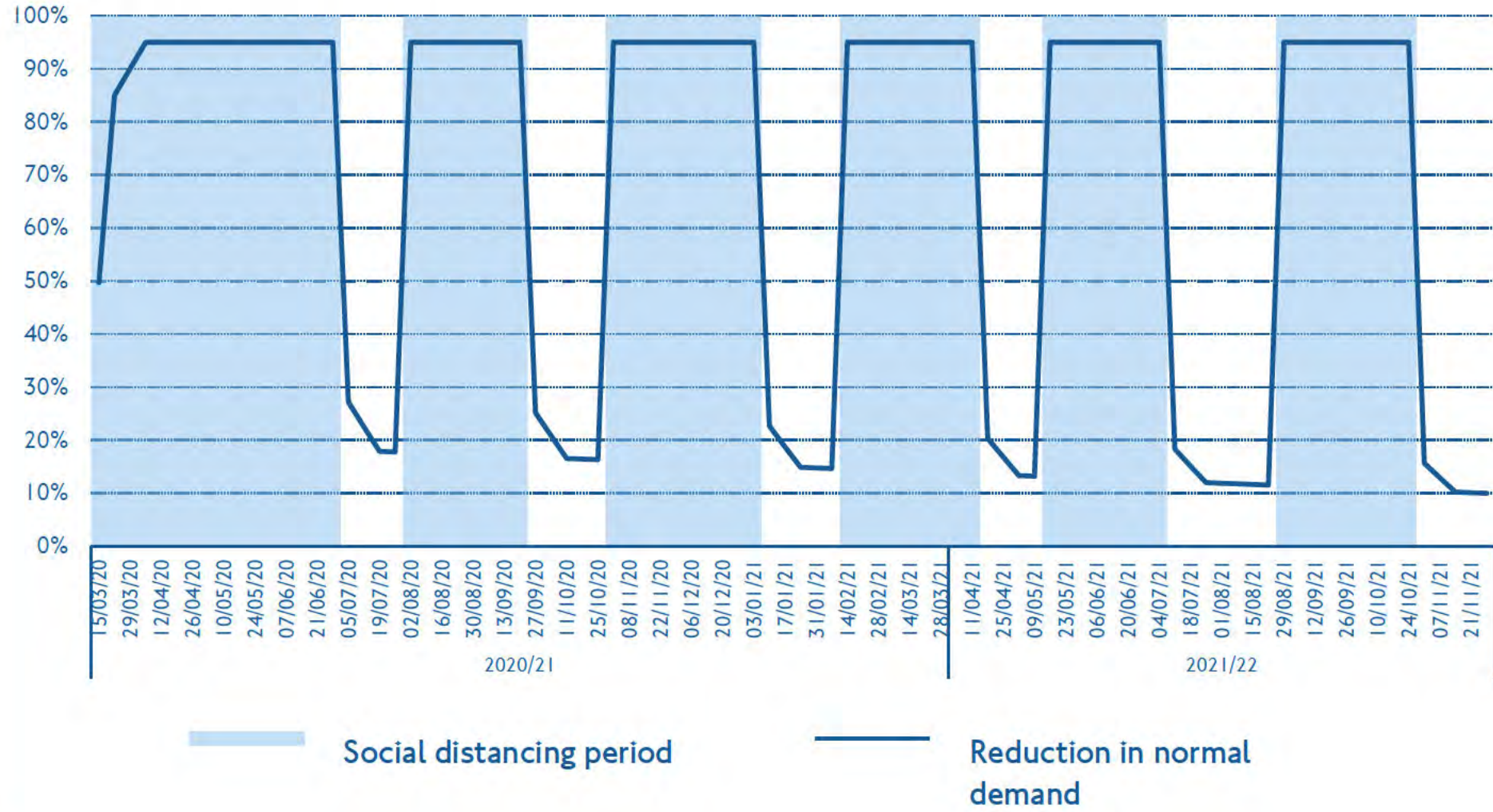
** March covers 4 full weeks and 3 days in week 5

Scenario: Adaptive Triggering

Using Imperial College's modelling which informed government action. Social distancing is turned on and off to manage ICU capacity until a vaccine is available (18 months). Turned 'on' for two thirds of this time. Assumes strict government enforcement of travel restrictions during social distancing.

Revenue impact:

2019/20: £0.3bn
 2020/21: £4.3bn
 2021/22: £2.5bn
Total: £7.1bn

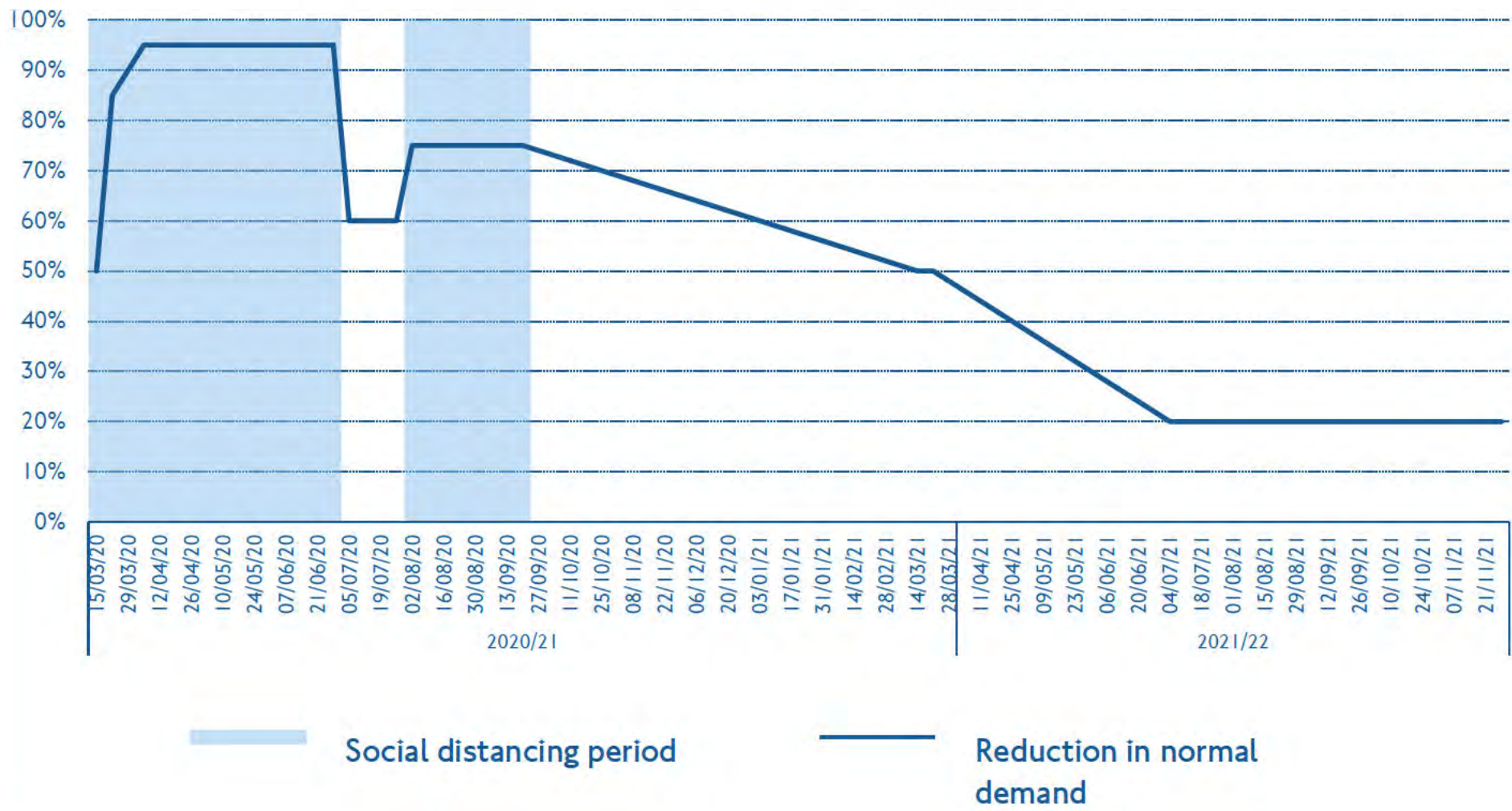


Scenario: 6-month recovery & 50% demand gradual return

Revenue impact:

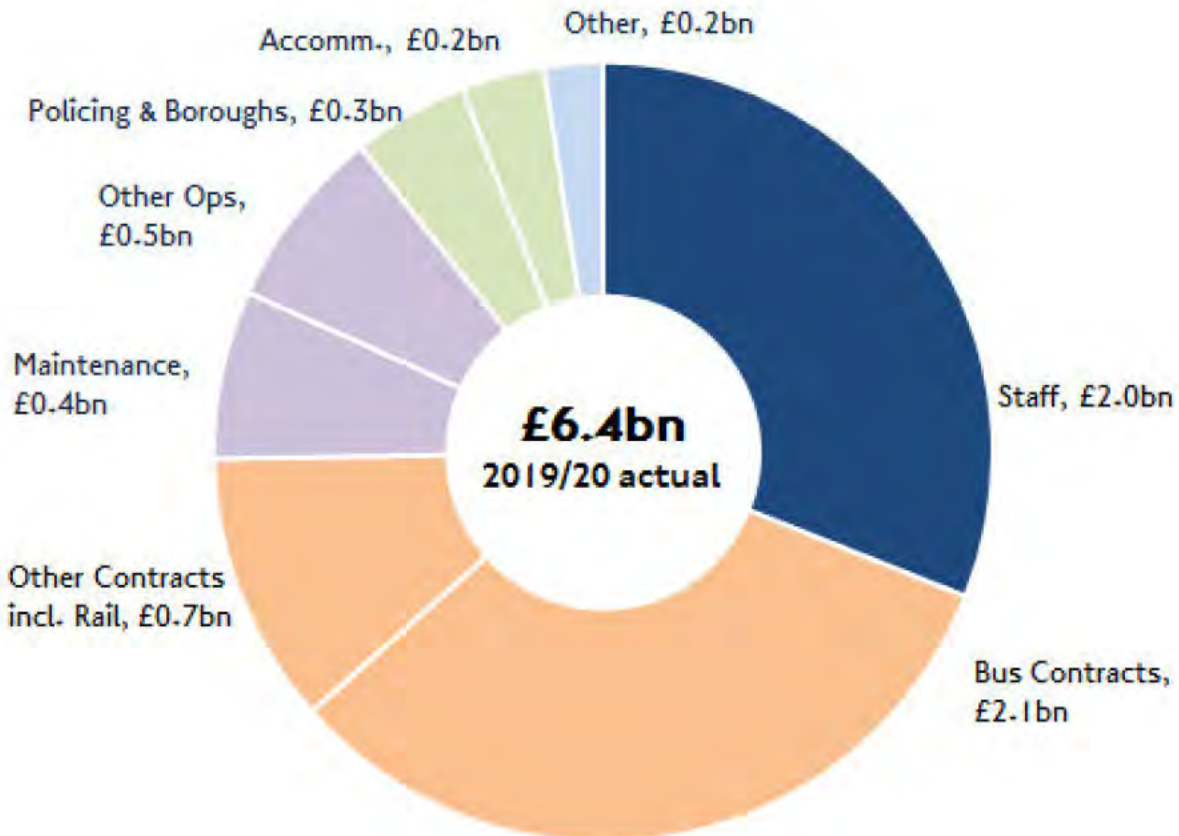
2019/20: £0.3bn
 2020/21: £4.2bn
 2021/22: £1.0bn
Total: £5.4bn

Based on current Government messaging of six months before UK 'returns to normal'. Initial peak of three months is followed by relaxation of measures and then a second peak. Only 50% of demand returns six months after the end of social distancing. Assumes strict government enforcement of travel restrictions during social distancing.



TfL operating cost base

Our operating costs are largely fixed with very limited scope for reductions in the short term

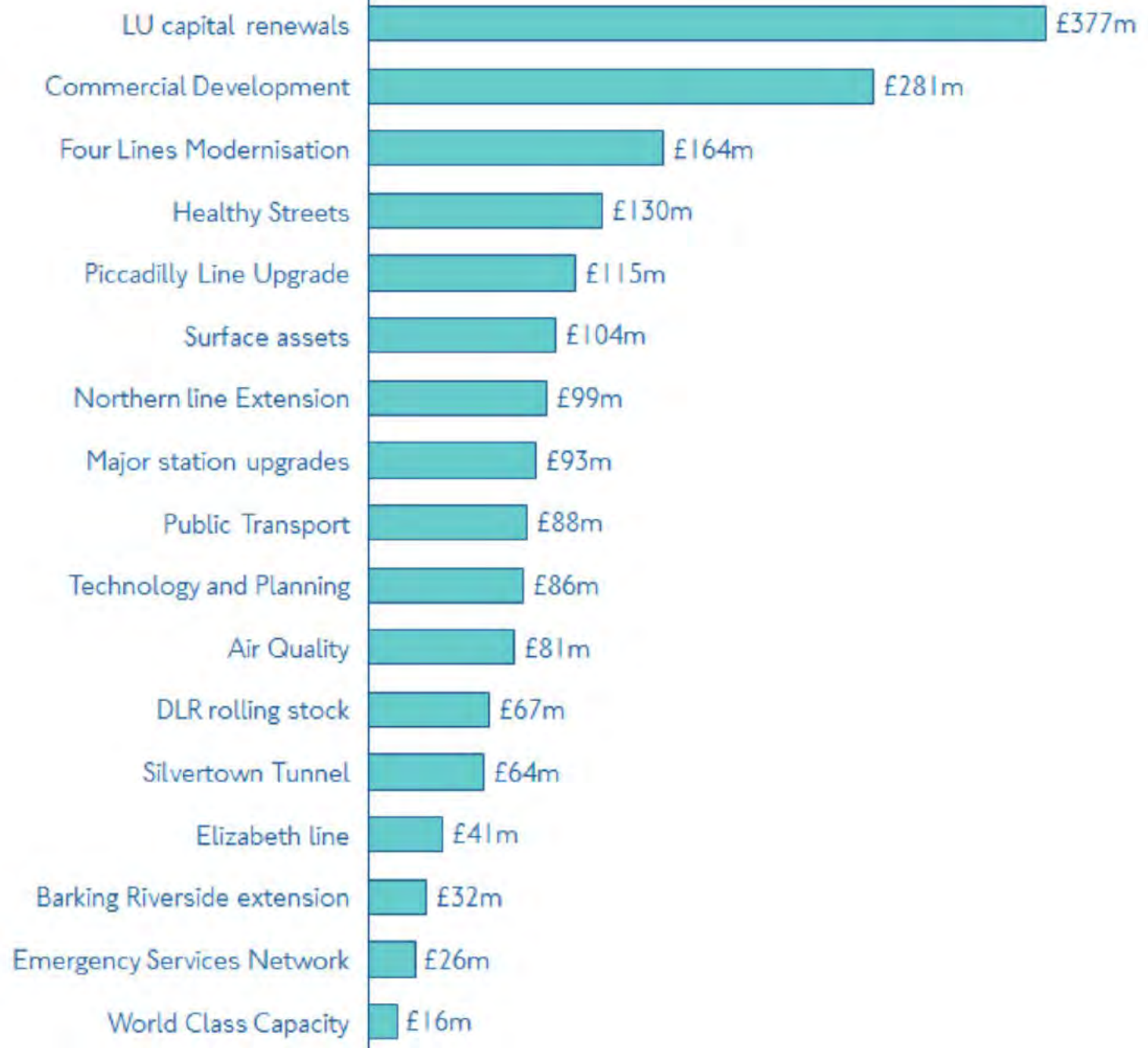


- 31% Staff cost
- 44% Third party contracts to deliver bus and rail services as well as support ticketing system
- 15% Operational, reliability and safety related costs including maintenance, cleaning and traction
- 8% Payments to other authorities including policing and boroughs as well as accommodation costs

TfL 2020/21 Net capital investment (excl. Crossrail) (Original budget)

The 2020/21 budget
had included net capital
investment
of c.£1.9bn

£530m capital renewals
£1,330m new investment



What are we doing in response to the current crisis

We are starting to form an emergency budget

- 1 Reduced operating cost based, including recent furlough of 7,000 staff
- 2 Pausing non-essential projects and reviewing supply chain impacts
- 3 Rephasing our investment programme to better support recovery activity
- 4 We will also look to leverage income when it is appropriate to do so



Timescales for planning



Immediate response (days / weeks)
Changes to projects to protect public health

We have already done this with the 'Safe Stop' and furloughing



Sustaining through the crisis (months)
Finding the balance between continuing work and protecting cash.

Government support influences how we approach this



Ramping back up (months)
Bringing back our projects after measures have been lifted

Without support we will not be able to quickly return to our previous investment level



Reshape the future (years)
Reviewing and revising our capital strategy in light on any lasting changes caused by the crisis

When the time comes, we are keen to work with government to rejuvenate the economy through infrastructure investment

From: [Kilonback Simon](#)
To: [Edward Lister](#)
Cc: [David Bellamy](#); [Alexander Heidi](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#)
Subject: FW: Confidential and legally privileged - Final TfL Funding Request
Date: 09 May 2020 17:20:42
Attachments: [200507_SKNJ.pdf](#)

Dear Ed,

I am sorry for disturbing you at the weekend, however as we still have not concluded our funding discussions it is necessary for me to contact you to ask for your help in expediting a resolution of this with the Department for Transport and HM Treasury this weekend.

I know that Grant Shapps spoke to Heidi Alexander earlier today, prior to this evening's announcements. The support for walking, cycling and public transport is great, however, the timetable from Government's perspective for resolving our urgent funding needs is not at all clear.

Mike therefore suggested I forward to you our final proposal on the funding we need to secure to enable us to continue to provide walking, cycling and public transport services in London and to be in a position to fully support the restart.

Whilst we have continued to have constructive discussions with DfT officials, we still have not had any meaningful offer of funding and it is now critical that we receive confirmation of the funding Government will provide in the next 24/48 hours.

This is because we have had to call a public meeting of the Finance Committee of the TfL Board for Tuesday 12th May where we will discuss our immediate financial sustainability and progress on securing Government funding to enable us to meet our Emergency Budget. [REDACTED]

[REDACTED]

[REDACTED] We would much rather spend your time and ours on planning the successful restart and ambitious plans for maximising walking, cycling and carbon reduction.

Any help you can give to get our funding deal over the line with HM Treasury would be most appreciated, as they refuse to engage with us directly.

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED] [tfl.gov.uk](mailto:simon.kilonback@tfl.gov.uk) | Direct dial: [REDACTED]

From: Kilonback Simon

Sent: 07 May 2020 21:00

To: Nick Joyce

Cc: [REDACTED]@dft.gov.uk'; Brown Mike (Commissioner); Carter Howard

Subject: Confidential and legally privileged - Final TfL Funding Request

Dear Nick and Bernadette

Further to our discussions this week, please find attached our revised funding proposal, following your additional requests for us to consider increasing the proportion of borrowing.

[REDACTED]

[REDACTED]

We have now called a public meeting of the Finance Committee of the TfL Board for Tuesday 12th May to consider our financial situation and whether we have received sufficient financial support to mitigate the catastrophic effect of Covid-19 on our immediate financial sustainability. I hope that we can agree a funding solution urgently [REDACTED]

I know Mike and I would rather resolve this quickly at official level and enable us to focus on the task of supporting you fully in a successful restart and recovery process.

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED] tfl.gov.uk | Direct dial: [REDACTED]



Nick Joyce
Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR

Transport for London
Chief Finance Office

Palestra House
Zone 11Y7
197 Blackfriars Road
London, SE1 8NJ

www.tfl.gov.uk

7 May 2020

Dear Nick

TfL COVID-19 Funding – Subject to Approvals

I am writing in relation to TfL's urgent and immediate need for funding support from Government in relation to COVID-19 and to set out the options we have discussed.

Grant Based Proposal

Mike Brown initially set out in a letter to the Permanent Secretary on 27 April that we would need £1.9bn of grant from Government to resolve the funding gap in our draft Emergency Budget along with a commitment to further funding arrangements in order for us to be able to meet our statutory obligations to produce a balanced budget. The Emergency Budget had previously been presented to your team on 24 April. This also included TfL continuing to access the £750m Loan Facility for Crossrail.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Alternative Proposal with £250m of TfL Borrowing

You asked us to consider whether TfL could accommodate any additional borrowing and so I wrote to you on 4 May to set out the constraints on TfL's ability to borrow, but nonetheless offering an alternative proposal to meet the £1.9bn funding gap. This proposal reduced the value of the grant from Government through £250m of additional TfL borrowing. Again, TfL would also continue to access the £750m Loan Facility for Crossrail.

This was also predicated on a requirement for Government to provide a commitment to further funding arrangements in order for us to be able to meet our statutory obligations to produce a balanced budget. [REDACTED]

[REDACTED]

Alternative Proposal with up to £600m of TfL Borrowing

Following my letter to you on 4 May, we have had further discussions in relation to TfL COVID-19 funding, including a request from you for TfL to consider additional incremental borrowing.

Assuming a funding gap of £1.6-1.9bn in TfL's Emergency Budget, a funding package could include £1bn of revenue grant from Government with up to £600m of incremental TfL long-term borrowing. If the funding gap in TfL's Emergency Budget increases above £1.6bn as at the end of H1 2020, then Government will provide TfL with a "true up" covered by revenue grant, up to an assumed funding gap of £1.9bn. As with the previous options, TfL would continue to access the £750m Loan Facility for Crossrail.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

My letter of 4 May also set out the constraints around TfL being able to support the operating account through borrowing, noting specifically that we cannot directly use borrowing for operating purposes and that this would therefore be technically limited to the amount of capital BRR that we are able to repurpose to the operating account (subject to agreement of the Mayor, which we will seek). We proposed additional borrowing of £250m on the basis of the pro-rated amount of capital BRR available to re-purpose in H1 2020 and a finite amount of capital expenditure during the period to allocate borrowing against in accordance with CIPFA rules. The increase to £600m means that all the capital BRR that can be repurposed will be used in H1 2020.

Other matters relevant to all options

[REDACTED]

In addition, in any of the options above, Government will also need to accept the assumptions in our Emergency Budget, including:

- Our cash balance being maintained at a level of at least £1.2bn, noting that this balance may reduce temporarily because of normal working capital movements (of up to ~£300m) and if the funding gap for H1 2020 is in excess of £1.6bn (with this point being subject to the true-up process outlined above); and
- TfL continuing to apply the fares assumptions set out in its 2019 Business Plan for the purposes of the Emergency Budget.

[REDACTED]

The funding package in each of these options could also include the following:

- Commitment by TfL to deliver significant cost reductions in H1 2020 of nearly £1bn (as set out in the Emergency Budget);
- An HM Government Special Representative on TfL's Finance Committee (the person nominated will need to be acceptable to both parties);
- Ongoing provision of weekly and periodic financial information and meetings;
- Provision of any other information reasonably requested by DfT;
- TfL utilising the Coronavirus Job Retention Scheme, where practicable, for as long as this remains available and staff are not otherwise required for a restart of services; and
- The provisions set out in Section 6 of my letter of 4 May.

We have also discussed that there may be some relaxation to the CIPFA guidance and statutory balanced budget requirements. This would not help us,

[REDACTED]

I have set out above the three clear options for Government. [REDACTED]

[REDACTED] You are aware that we have convened a meeting of the Finance Committee on the 12 May to discuss TfL's position and the next steps, including what to do in the absence of an agreement on funding by Government. We need a decision from you on funding support within the next few days [REDACTED]

Yours sincerely



Simon Kilonback

Chief Finance Officer

Transport for London

cc. Bernadette Kelly, DfT

From: [Kilonback Simon](#)
To: [David Bellamy](#); [Alexander Heidi](#); [Brown Mike \(Commissioner\)](#); [Everitt Vernon](#); [Carter Howard](#)
Cc: [Gasson Sarah](#); [Lucas Emma](#); [Steer Tim](#)
Subject: FW: DfT/TfL COVID-19 Funding
Date: 23 April 2020 18:20:17

FYI

From: Payne Jennifer
 Sent: 23 April 2020 18:05
 To: +Funding and Financing ; Gasson Sarah
 Subject: DfT/TfL COVID-19 Funding
 All
 Please see below the progress note for today.

THURSDAY 23RD APRIL

TODAY'S PROGRESS	<ul style="list-style-type: none"> • TfL have made good progress on developing the two detailed pieces of information requested by the DfT; <ul style="list-style-type: none"> ◦ The written responses to the DfT's comments and queries, which will be sent imminently; and the ◦ The Emergency Budget, which we intend to provide on Friday • Both sides are preparing for key negotiations sessions early next week, once the DfT has received and digested the information from TfL • TfL confirmed the budgeting process, which will include the; <ul style="list-style-type: none"> ◦ Emergency Budget: focused on the next 6 months, used to determine the funding package with the DfT. This is a top-down approach based on the best information we have at the moment; and ◦ Adjusted Budget: which will go for TfL Board approval in July. This will be a more detailed exercise, including updated assumptions on our response to COVID-19 and will look beyond the crisis period
INVESTMENT PROGRAMME SESSION WITH TIM KEOUGH (MPD), LAURA McNEIL (LU) & OLIVER GEARING (SURFACE)	<ul style="list-style-type: none"> • Tony King, alongside business area representatives presented on the investment programme • The session was intended to provide background on the status, cycle, spend and those with third party funding/finance • The presentation highlighted how we intend to assess projects going forward • The DfT commented on a necessity to show that TfL has exhausted all reasonable options of making changes to the investment programme before seeking Government support • TfL remarked that the Emergency Budget seeks to defer expenditure beyond the crisis period, with any more substantial changes to be accounted for in the Adjusted Budget
ACTIONS	<ul style="list-style-type: none"> • Organise a revenue scenario session with analytics at the DfT to agree the assumptions (DfT) • Written response/evidence to queries set out by the DfT (TfL – immediate) • Discussion note of the mechanics of the support (TfL – Fri likely PM) • Balanced budget to DfT (TfL - Fri PM) – plan for internal review Friday morning
TOMORROW'S	Given the extent of information that TfL are preparing, we are likely to hold

SESSIONS

only one check-in call tomorrow.

We offered the DfT the option of a 3pm call, noting that they may need more time to consider our responses to their queries – but they were not keen.

Both sides agreed intensive discussions on Monday and Tuesday were likely.

Jenny Payne

Corporate Finance Senior Manager

Phone: [REDACTED] (auto [REDACTED] | Mobile: [REDACTED]
11Y1, Palestra, 197 Blackfriars Road, London SE1 8NJ | Email: [REDACTED] [tfl.gov.uk](mailto:[REDACTED]@tfl.gov.uk)

Jenny Payne

Corporate Finance Senior Manager

Phone: [REDACTED] (auto [REDACTED] | Mobile: [REDACTED]
11Y1, Palestra, 197 Blackfriars Road, London SE1 8NJ | Email: [REDACTED] [tfl.gov.uk](mailto:[REDACTED]@tfl.gov.uk)

From: [Kilonback Simon](#)
To: ["Nick Joyce"](#)
Subject: FW: DRAFT RNS
Date: 13 May 2020 12:50:00
Attachments: [image001.png](#)
[Draft RNS TfL Covid support package v2 \(003\)JW.docx](#)

Nick – see attached draft RNS that Julian has sent to your team and our press office will share with yours

From: Ware Julian
Sent: 13 May 2020 12:46
To: Claire Gibbs
Cc: Kilonback Simon ; Cox Nicola (TFL) ; King Antony (Div Finance Director MPD) ; Payne Jennifer ; John Von Wentzel ; Hawkes Joanna ; Sorkina Alexandra ; Brown Matt ; Curry Justine
Subject: DRAFT RNS

Claire,

I understand that discussions have continued this morning.

We have been working on a draft of the regulatory statement we would make as soon as there was agreement. We have shown it to our press team. It has some gaps, but we thought you should see an early draft.

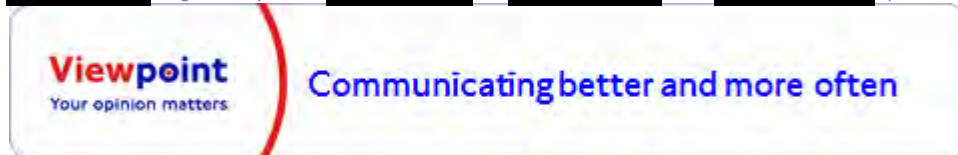
Julian

Julian Ware

Transport for London | Corporate Finance

11th Floor 11Y2, Palestra, 197 Blackfriars Road, London SE1 8WJ.

[tfl.gov.uk](#) | Mob: [REDACTED] or [REDACTED] Tel: [REDACTED] (internal [REDACTED])



Transport for London ("TfL")

xx May 2020

Financial impact of COVID-19 and Government support package

Since mid-March, when the Government's measures to respond to the COVID-19 pandemic were implemented, Transport for London (TfL) has continued to run a transport service so essential journeys can be made across London. As a result of these measures, passenger demand has declined steeply, with a 95 per cent reduction in journeys on London Underground, and an 85 per cent reduction in journeys on London's. This has caused an overall income loss of around 90 per cent including non-passenger incomes.

It is expected that the recovery will take some time and the passenger income will continue to be severely impaired after the strict response measures are relaxed. While we have taken actions to reduce our costs, including using the Government's Coronavirus Job Retention Scheme and implementing a safe stop of non-essential construction projects, the severity of the impact means that we are not currently able to fully mitigate it without external support.

To meet the legal requirement for a balanced budget, we prepared an interim Emergency Budget, which prioritises essential services and activities. The proposed Emergency Budget is based on revenue modelling that reflects our understanding of 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/£3.2bn] over the full year.

TfL announces that, after a period of discussions, an extraordinary funding and financing support package has been agreed between TfL and [the Department for Transport/Her Majesty's Government] to contribute towards TfL's forecast operational funding shortfall. Given the uncertainties in predicting demand this funding and financing agreement assumes a shortfall of [£1.6bn] for the period [1 April 2020 to 17 October 2020], comprising:

1. Extraordinary Support Grant of [£1.15bn] payable under section 101 of the Greater London Authority (GLA) Act 1999; and
2. Incremental borrowing by Transport for London from the Public Works Loan Board of [£450m] at the PWLB Infrastructure Rate.

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 by [£150m] each to be drawn in proportion, up to a maximum of [£1.9bn] in aggregate or reduce pro rata accordingly. The funding requirement will be kept under review throughout the period to 17 October 2020.

In recognition that the current circumstances are likely to present and ongoing financial challenges, a combination of future measures from TfL, GLA and Government will be implemented to enable TfL to maintain essential services and deliver a revised balanced budget over the remainder of the financial year.

Over the period of this extraordinary support package being provided, appropriate governance and oversight arrangements will be in place, allowing the parties to work closely together.

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.

For further information, please contact:

Transport for London

5 Endeavour Square

London E20 1JN

Email: GroupTreasury@tfl.gov.uk

From: [Kilonback Simon](#)
To: [Brown Mike \(Commissioner\)](#); [Powell Gareth](#)
Cc: [Gasson Sarah](#)
Subject: FW: List of Surface schemes in emergency budget
Date: 28 April 2020 12:31:00
Attachments: [Surface Transport Investment - emergency budget.docx](#)

See attached list of what's in and what's not / or deferred to half 2 on surface projects from Patrick

From: Doig Patrick (ST)
Sent: 26 April 2020 22:34
To: Kilonback Simon
Cc: Gearing Oliver ; Kennedy Rosalind
Subject: List of Surface schemes in emergency budget
Simon

As discussed yesterday, here's the detail of what's in and out of the emergency budget in terms of the Surface investment programme.

Thanks

Patrick

Patrick Doig

Divisional Finance & Procurement Director | Surface Transport

Phone: [REDACTED] (auto [REDACTED]) | Mobile: [REDACTED]

11th floor Palestra, 197 Blackfriars Road, London SE1 8NJ |

Email: [REDACTED] [tfl.gov.uk](mailto:[REDACTED]@tfl.gov.uk)

Surface Transport Investment Programme

The emergency budget has been built around the following principles:

- Completing projects on-site which have been subject to the 'safe-stop'
- Safety and operationally critical 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
- Projects that support the economy
- Third party funded projects

Air Quality and Environment

Included in emergency budget:

Project	Case for continuing
Direct Vision Standards	Financially positive: considered as an integrated set of schemes
ULEZ Expansion 2021	
Low Emission Zone Stronger	
ULEZ Car & Motorcycle Scrappage Scheme	Supporting the economy: provides financial support to low income and other groups in need.
Taxi Delicensing and ZEC Incentives	
Van Scrappage Scheme	
Dial a Ride Vehicle Purchase	Supporting the economy: supports UK bus manufacturing when safe to re-open production lines.
Hydrogen Buses	
Bus Euro VI Retrofit (NOx Abatement)	
Bus Electrification: Grid to Gate	
Bus Electrification: Opportunity Charging Trial	
RUC Strategic Options	Financially positive: delivers operational savings and enables future flexibility
Go Ultra Low City Scheme	Third party funded (OLEV)
Rapid Charge Point Network	
Mayors Air Quality Fund	Completing projects on-site

Projects which are paused and will be reconsidered as part of re-planning over the summer:

Project
TfL Fleet ULEV roll out

Healthy Streets

Included in emergency budget

Project	Case for continuing	
Highbury Corner Gyratory Removal	Substantively complete and need to close out claims	
Old Street Roundabout Removal		
Cycleway 4		
Cycle Future Route 3		
Cycleway 10		
Safer Junction: Edgware Road		
Camberwell Town Centre		
A3220 Cheyne Walk/ Lots Road Toucan Crossing		
Dukes Road		
A4 Brompton Road / Brompton Square crossing		
A10 Philip Lane - Tottenham - Pedestrian Crossing		
Safer Junction: Edgware Road/ Harrow Road		Complete projects already on site (when safe to do so)
Safer Junction: Camden High St/Parkway/Britannica		
Balls Pond Road/Kingsland Road/Boro		
Mini Holland Kingston		
Mini Holland Enfield		
West Norwood (Borough scheme)		
Beddington Gateways (Borough scheme)		
Coppermill Village Implementation (Borough scheme)		
West Ealing Implementation (Borough scheme)		
Peckham Town Centre	Safety critical (prevention of future death notice)	
Cycleway 9	Supporting social distancing	
Waterloo City Hub (IMAX)		
Social distancing interventions to support pedestrians and cyclists on Borough roads (new £45m fund)	Supporting social distancing	
Bus priority	Financially positive: reduces operating costs and increases income	
Major Road Network Schemes: Wandsworth Gyratory and Fiveways Croydon	Third party funded (MRN Funding)	

Projects which are paused and will be reconsidered as part of re-planning over the summer:

Project	
LIP corridors funding (replaced with social distancing funding for Boroughs)	Safer Links
LIPs top-slice funding	HS Local Schemes
LIP Funded Major Schemes	Road Safety Schemes
Crossrail Complementary Measures	King's Cross
Liveable neighbourhoods	Vauxhall Cross
Cycle Network Development Boroughs	Lambeth Bridge North and South
Cycle Network Development TLRN	Brent Cross Redevelopment
Cycling Future Route 15	Safer Junctions (minor schemes)
Cycling Future Route 23	Healthy Streets Supporting Measures
Cycling Future Route 11	Bow Vision Interchange
Cycling Future Route 2	Stoke Newington Gyratory
Cycling Future Route 3	Camden High Street Cobden To Britannia

Cycling Future Route 5	A23 Streatham High Road
Cycling Future Route 10	East Sheen Road Safety/Streets Cape Imps
Cycling Future Route 12 Phase 1	London Road Roundabout
Cycling Future Route 12 Phase 2	ST Feasibility Emerging works
Future Cycling Future Routes	A3220 Edith Grove jw Gunter Grove
Borough Cycling Support	Old Oak Common Links
Cycleways Rebranding	A2 Old Kent Road
Cycling Programme	A21/A205 Catford TC/Inner South Circular
Cycle Parking	A312 Healthy Streets Improvements
Gallows Corner	A316 Manor Circus Crossings
Euston Healthy Streets	A24 Morden Town Centre
Safer Junction: Camden Rd/Camden St	Tolworth
ST-East India Doc Road/Stainsby Road	Commercial Rd & Watney Mkt UR & Saf Imp
ST-Holloway Road/ Drayton Park	Parliament Square Streetscape Project
Angel Junction	20 mph rollout

Assets

Included in emergency budget:

Project	Case for continuing
Routine capital renewals that are operationally or safety critical (proactive planned renewals to commence when safe to do so)	Operationally / safety critical
Hammersmith Temporary Bridge	Operationally critical
VCS Fire Safety Systems	Safety critical
A40 Westway renewal	
Rotherhithe Tunnel renewal	
Hostile Vehicle Mitigations on bridges	
Woolwich Ferry: pontoon removal and dredging	Operationally critical and delivers operating cost savings
Highways Contracts Re-let	Operationally critical (replace current LoHAC contracts)
Asset Management Information Systems	Operationally critical (enabler for effective asset management)
Ardleigh Green Bridge Replacement	Commercial case: required to maintain xmas possession
Any further safety critical work not currently identified would still progress as required to maintain safe operations	

Projects which are paused and will be reconsidered as part of re-planning over the summer:

Project
Hammersmith Bridge: main bridge strengthening
Bus Stations & Stands Annualised Programme
Bus Stops & Shelters Annualised Programme
Kingston Cromwell Road Bus Station renewal
Safety Camera Replacement Project
Safety Camera Expansion Programme
Modernised Victoria Coach Station
LRS Piers Renewals
Vauxhall Bridge renewal
Brent Cross asset renewals

Public Transport

Included in emergency budget:

Project	Case for Continuing
Trams - Blackhorse Lane Bridge Repairs	Commercial case: Substantively complete and need to close out claims
Trams - Systems Integration Project (SIP)	
LO - White Hart Lane Station Capacity Upgrade	
LO - West Hampstead	
LO - Capacity Improvement Programme (BOLD) Project	
Trams Sandilands Upgrades	Safety critical
Routine capital renewals that are operationally or safety critical	Operationally / safety critical
NRM Rear door modification	Revenue positive
Woolwich Ferry insourcing	Operationally critical
DLR Custom House Station	Operationally critical (supports NHS Nightingale)
Wimbledon Line Enhancements Programme	Operationally critical
Rail projects framework tender	Operationally critical
East London Line performance improvement (18 TPH)	Support social distancing
Rail Devolution	[DfT request]
Royal Docks Station Upgrade Programme	Third party funded (GLA)

Projects which are paused and will be reconsidered as part of re-planning over the summer:

Project	
Train Protection Warning System Upgrade	Future Bus
Silwood Warehouse Upgrade	NRM Battery Replacement
New Brondesbury Station Lifts (AFA)	Cycle Hire Application Development
CJM Gateline Install	Bus Safety
Hackney Stations Upgrades	
Beckton Depot Shed Upgrade	
Customer Experience Enhancements Phase I	
New Thames Wharf Station Building	
TVM Upgrade	
London Trams Projects	
Croydon Capacity Uplift Programme	
Elmers End Phase I (Land & Consents)	
ELL Enhancement Programmes (LO)	
Tram Replacement Rolling Stock	
DLR CGRL PFI close out	
New Seven Sisters Lifts (AFA)	
NRMs Refurbishment	
Bus Safety Standard Phase 2	
Demand Responsive Bus Trial	
Rotherhithe to Canary Wharf Ferry	
Intelligent Speed Assistance Retrofit	

Surface Technology

Included in emergency budget:

Project	Case for continuing
Pan-TfL Bodyworn Cameras	Safety critical
Taxi & Private Hire Contract Relet	Operationally critical
SITS COV IMS	
SITS Real Time Optimiser	
SITS Data and Analytics	
Future Bus Systems: Remix (route planning software)	
Deployable Enforcement Camera	Revenue generative
A2 Connected Corridor	Third party funded

Projects which are paused and will be reconsidered as part of re-planning over the summer:

Project
Cable Car Communications
EOS Technology
DaR IT Systems Initiatives from 19/20
Control Centre Rationalisation
Countdown 3
Innovation Lower Value Tech Projects
General Operations Technology
T&PH Infrastructure
Taxi and Private Hire Action Plan
MET Police Infrastructure
SITS Predictive Capability
CHS Payment Systems Phase 2
Buses Lower Value Technology Projects
CES Lower Value Technology Projects
Common Planning View
NIS CCTV and GIS
EAL Lower Value Technology Projects

From: [Kilonback Simon](#)
To: [Brown Mike \(Commissioner\)](#)
Subject: FW: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Date: 14 May 2020 09:53:00

In case you need it for Bernadette – final version

From: Kilonback Simon

Sent: 14 May 2020 09:52

To: 'Nick Joyce'

Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Nick – We can agree to the wording of Section 12 as set out below:

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 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 will agree to :

- a. Maximise 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. Employ traffic demand management agreed by the London COVID Transport Task Force;
- c. Agree communication messages between DfT and TfL to ensure consistent advice is provided to travellers;
- d. Push 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. **Bring 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 a temporary suspension of free travel for Freedom Pass and 60 plus card holders during peak hours and the consideration of staggered hours of operation for other concessionary fares including travel for Under-18s;**
- f. To support revenue collection, as soon as practicable, place 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. Provide 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.

From: Nick Joyce <[REDACTED]@dft.gov.uk>

Sent: 14 May 2020 09:39

To: Kilonback Simon <[REDACTED]@tfl.gov.uk>

Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Thanks.

My suggestion would be: (1) agreement from TfL in taking forward the actions in the list; (2) these will be overseen by the joint SG; (3) implementation of all of the list will be subject to TfL's statutory responsibilities in relation to safety.

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

|| [REDACTED]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [[mailto:\[REDACTED\]@tfl.gov.uk](mailto:[REDACTED]@tfl.gov.uk)]

Sent: 14 May 2020 09:35

To: Nick Joyce <[REDACTED]@dft.gov.uk>

Subject: Re: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Nick

I am comfortable with the below wording.

I will revert as soon as I am off the call with City Hall on service levels.
Kind regards
Simon
Sent from my iPad

On 14 May 2020, at 09:18, Nick Joyce <[REDACTED]@dft.gov.uk> wrote:

Simon

In the interests of seeking to resolve all this, just to play back some potential wording on some areas (which to be very clear I have not agreed with anybody) but would like to try to now:

- Crossrail/PPN: "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."
- Crossrail: funding package to be considered "alongside" the review.
- Review: "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."
- Fares: "Notwithstanding the review it is acknowledged that TfL will continue to take forward the fares assumptions in its 2019 Business Plan (RPI+1% for all modes for the next 4 years)."

I genuinely don't know if these will work but wanted to share now. Can you let me have something for the service levels para asap?

Nick

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

|| [REDACTED]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [mailto:[REDACTED]@tfl.gov.uk]

Sent: 14 May 2020 00:08

To: Nick Joyce <[REDACTED]@dft.gov.uk>; Bernadette Kelly <[REDACTED]@dft.gov.uk>; Claire Gibbs <[REDACTED]@dft.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Carter Howard <[REDACTED]@tfl.gov.uk>

Cc: Rachael Gilbert <[REDACTED]@dft.gov.uk>

Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Nick

I have attempted to mark up the document with my comments on your proposed changes.

I will summarise them below:

Para 5 – Rejection of PWLB Infrastructure Rate or equivalent – We should not be penalised in the cost of borrowing for our loss of revenue incurred in support of the Government's strategy for fighting the coronavirus. This will impact TfL's ability to invest in public transport and active travel.

[REDACTED]

Para 19 – Financial Management: TfL requests the right to review the external adviser's commentary for factual accuracy and a right to management response which is common to well run audit and assurance processes.

Para 24 – The review must be conducted in an independent and open minded way to achieve the aim of putting TfL on a more sustainable financial footing and therefore must not be limited in subpara e to only reviewing the current fiscal devolution arrangements.

[REDACTED]

I have agreed with the Mayor and the Finance Committee that we need to resolve the negotiations on this phase within the next 24-48 hours maximum, which again is consistent with our earlier discussions.

[Redacted]

I truly hope that this will not be necessary as I believe we are sufficiently aligned to be able to conclude these negotiations swiftly and in the spirit of cooperation that will enable us to continue to work in lockstep to achieve our shared objectives of a successful, safe and sustainable Restart, with ambitious plans for increasing the use of active travel.

Once we have concluded these negotiations, I look forward to agreeing a timeline with you to conduct the review of our future financial sustainability and to agreeing further funding to enable us to reach a Balanced Budget for the whole fiscal year.

I look forward to discussing with you at your earliest convenience.

With kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[Redacted] tfl.gov.uk | Direct dial: [Redacted]

[Redacted]

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From: [Kilonback Simon](#)
To: [David Bellamy](#); [Alexander Heidi](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#); [Ron Kalifa](#); [Nick Bowes](#)
Cc: [Clarke Andrea \(Exc\)](#); [Curry Justine](#); [King Antony \(Div Finance Director MPD\)](#); [Hawkes Joanna](#); [Ware Julian](#); [Cox Nicola \(TFL\)](#); [Lucas Emma](#)
Subject: FW: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Date: 12 May 2020 21:36:12
Attachments: [200511 Draft funding agreement letter for TfL cv DFT BLACKLINE.docx](#)
[200511 Draft funding agreement letter for TfL CLEAN FINAL.docx](#)

All

FYI – this has now gone

Thank you all for your support

From: Kilonback Simon

Sent: 12 May 2020 21:35

To: Nick Joyce ; [REDACTED]@tfl.gov.uk'; Claire Gibbs ; Brown Mike (Commissioner) ; Carter Howard

Subject: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Dear Nick,

Further to our discussions with Bernadette and Mike yesterday and our discussions on your draft funding agreement today, please find attached both a clean and a tracked changes version of the funding proposal in a form that would be acceptable to the Mayor of London, the TfL Finance Committee and enable me to meet my statutory obligations.

I believe this fully represents the discussion you and I had earlier and there are no material changes other than the ones we discussed. I have asked, as you would expect me to, for the PWLB Infrastructure Rate or a close equivalent, to be applicable for the borrowing proposed. I have agreed with the Mayor and the Finance Committee that we need to resolve the negotiations on this phase within the next 24-48 hours maximum, which again is consistent with our earlier discussions. [REDACTED]

I truly hope that this will not be necessary as I believe we are sufficiently aligned to be able to conclude these negotiations swiftly and in the spirit of cooperation that will enable us to continue to work in lockstep to achieve our shared objectives of a successful, safe and sustainable Restart, with ambitious plans for increasing the use of active travel.

Once we have concluded these negotiations, I look forward to agreeing a timeline with you to conduct the review of our future financial sustainability and to agreeing further funding to enable us to reach a Balanced Budget for the whole fiscal year.

I look forward to discussing with you at your earliest convenience.

With kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED]@tfl.gov.uk | Direct dial: [REDACTED]

Draft letter from Secretary of State for Transport to Mayor of London

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.

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~~6.3.~~ 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.

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~~7.4.~~ 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.

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~~8.5.~~ 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:

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~~a)a.~~ Extraordinary Support Grant of ~~£800m~~ £1.15bn payable under S.101 of GLA Act 1999. This will be paid in ~~7~~ 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") commencing on ~~20~~, subject to the adjustment mechanisms described in paragraphs ~~86~~ and ~~87~~ below, with the sixth payment on the 20 September.

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~~b)b.~~ Additional borrowing by Transport for London from the Public Works Loans Board (PWLB) of ~~£800m~~ £450m drawn in proportion to the Extraordinary Support Grant payments made. These loans will be made at the PWLB Infrastructure Rate.

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Commented [CN(1)]: Borrowing not to exceed £600m including the true-up borrowing of £150m

~~8.6.~~ 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 by £150m each to be drawn in proportion, up to a maximum of £1.9bn in

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aggregate, or reduce pro rata accordingly. ~~[Drafting Note: variation mechanics may change subject to further discussion].~~

~~9.7.~~ 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.

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~~10.8.~~ Government will continue to engage on and monitor the financing of Northern Line Trains contract. ~~If a contractual requirement for credit support arises under that contract [a notice under clause X.X (TfL to assist with wording)] is served, the Northern Line Train Services Contract, then HMG will work with TfL and take reasonable steps to assist TfL to avoid [a potential event of default under this contract] in meeting the contractual obligations or suitable alternatives for such credit support.~~

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~~11.9.~~ 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 ~~expect that~~ a combination of future measures from TfL, GLA and HMG should enable TfL to do so.

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~~12.10.~~ This funding package is based on the assumption that Transport for London will maintain useable cash reserves ~~of no more than (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.

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~~13.~~ ~~To enable the borrowing from the Public Works Loans Board, we are temporarily suspending the restrictions on prudential borrowing under the Local Government Act 2003, Section 16.~~

~~14.11.~~ This funding package is conditional on agreement from Transport for London that it will agree to conditions below.

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Service Levels

~~15.12.~~ 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 ~~these decisions being made jointly~~ joint action by the London Covid Transport Task Force, terms of reference for which are attached. In particular, as a priority, the London Covid Transport Task Force will consider:

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- a)a. ~~Maximise~~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)b. ~~Employ~~Employing traffic demand management agreed by the London COVID Transport Task Force.;
- c)c. ~~Agree~~Agreeing communication messages between DfT and TfL to ensure consistent advice is provided to travellers.;
- d)d. ~~Push~~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. The detail of the plan will be agreed and overseen by a dedicated oversight group comprising TfL and HMG.;
- e)e. ~~Bring~~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 under-18s (subject to provision being made for poorer children to travel free to school, the criteria for which will need to be agreed) and temporary suspension of free travel for ~~OAPs~~Freedom Pass and 60 plus card holders during peak hours.;
- f)f. To support revenue collection, as soon as practicable, ~~place~~placing card readers doors on all buses, and immediately require passengers to use the approximately 2000 readers which are already so placed.;
- g)g. ~~Provide~~Providing regular reporting to the London COVID Transport Task Force on the absence rates for its staff and take all ~~necessary~~practicable steps to manage absence levels to support ~~the efficient delivery of the agreed service levels, services, and~~
- h)h. ~~Immediately reintroduce~~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.

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~~16~~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.

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~~17~~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.

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~~18~~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

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~~19.16.~~ This emergency funding and financing package will require additional HMG governance and oversight, notwithstanding the existing legal framework under which TfL operates.

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Financial management

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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.

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~~18. TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan.~~

~~19.18.~~ 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.

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~~18.19.~~ 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.

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~~19.20.~~ TfL will support continued and ongoing collaborative discussions with DfT on projected passenger numbers, revenues and non-operational expenditure.

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~~20.21.~~ 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~~discussions on a timely basis.

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Decision Making

~~21.22.~~ 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.

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~~22.23.~~ One Special Representative will also be able to attend all meetings, ~~formal and informal~~, of the Finance Committee and the Programmes and Investment Committee.

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Future Financial Sustainability

~~23-24.~~ There will be an immediate and broad ranging government-led review of TfL's future financial position and future financial structure. This will include:

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- a. ~~Options~~ TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan and 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; ~~and~~
- e. A review of the current fiscal devolution arrangements and the opportunities for further fiscal devolution measures, including measures related to income from road users; and
- e.f. The potential for raising more non-fare based revenue and commercial income.

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~~24-25.~~ 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.

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Crossrail

~~26-26.~~ 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.

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~~26-27.~~ 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 as part of 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.

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~~27.~~ TfL agrees that PPN 02/20 applies to Crossrail Limited and their suppliers and that it will be implemented fully.

~~28.~~ 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.

~~28-29.~~ 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.

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~~26-30.~~ In relation to Crossrail, TfL will ~~agree by~~propose, as soon as practicable, and no later than the end of ~~May~~June 2020, an action plan to support the successful ~~delivery~~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.

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Draft letter from Secretary of State for Transport to Mayor of London

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 £1.15bn 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 £450m, drawn in proportion to the Extraordinary Support Grant payments made. These loans will be made at the PWLB Infrastructure Rate.
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 by £150m each to be drawn in proportion, up to a maximum of £1.9bn in aggregate or reduce pro rata accordingly.

Commented [CN(1)]: Borrowing not to exceed £600m including the true-up borrowing of £150m

DRAFT – SUBJECT TO MINISTERIAL APPROVAL

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 Trains contract. If a contractual requirement for credit support arises under the Northern Line Train Services Contract, then HMG will work with TfL and take reasonable steps to assist TfL in meeting the contractual obligations or suitable alternatives for such credit support.
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.
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 by the London Covid Transport Task Force, terms of reference for which are attached. In particular, as a priority, the London Covid Transport Task Force will consider:
 - 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. The detail of the plan will be

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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 under-18s (subject to provision being made for poorer children to travel free to school, the criteria for which will need to be agreed) and temporary suspension of free travel for Freedom Pass and 60 plus card holders during peak hours;
- 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

DRAFT – SUBJECT TO MINISTERIAL APPROVAL

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 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. TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan and 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. A review of the current fiscal devolution arrangements and the opportunities for further fiscal devolution measures, including measures related to income from road users; 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.

Crossrail

26. 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.
27. 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 as part of 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.
28. 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.
29. 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.
30. 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.

From: [Kilonback Simon](#)
To: [Alexander Heidi](#); [Brown Mike \(Commissioner\)](#); [Everitt Vernon](#); [Carter Howard](#)
Subject: FW: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Date: 14 May 2020 14:13:52

All

Apparently Gilligan is insisting that we agree to temporarily suspend free travel for U18s unless they qualify for free travel. Are we prepared to agree to this? I have said I think it will be all but impossible to operationalise

Thanks

Simon

From: Nick Joyce
Sent: 14 May 2020 14:08
To: Kilonback Simon
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
As discussed, does this work:

including but not limited to a temporary suspension of free travel for Freedom Pass and 60 plus card holders during peak hours, and the suspension of free travel for under-18s, subject to provisions allowing children who qualify under the Education Act 1996 and DfE statutory guidance to travel free to school.

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

||

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [[mailto: \[REDACTED\]@tfl.gov.uk](mailto: [REDACTED]@tfl.gov.uk)]
Sent: 14 May 2020 09:52
To: Nick Joyce <[\[REDACTED\]@dft.gov.uk](mailto: [REDACTED]@dft.gov.uk)>
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Nick – We can agree to the wording of Section 12 as set out below:

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** 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 will agree to :

- a. Maximise 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. Employ traffic demand management agreed by the London COVID Transport Task Force;
- c. Agree communication messages between DfT and TfL to ensure consistent advice is provided to travellers;
- d. Push 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. **Bring 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 a temporary suspension of free travel for Freedom Pass and 60 plus card holders during peak hours and the consideration of staggered hours of operation for other concessionary fares including travel for Under-18s;**
- f. To support revenue collection, as soon as practicable, place 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. Provide 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.

From: Nick Joyce <[\[REDACTED\]@dft.gov.uk](mailto: [REDACTED]@dft.gov.uk)>
Sent: 14 May 2020 09:39

To: Kilonback Simon <[REDACTED]@tfl.gov.uk>

Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Thanks.

My suggestion would be: (1) agreement from TfL in taking forward the actions in the list; (2) these will be overseen by the joint SG; (3) implementation of all of the list will be subject to TfL's statutory responsibilities in relation to safety.

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

|| [REDACTED]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [mailto:[REDACTED]@tfl.gov.uk]

Sent: 14 May 2020 09:35

To: Nick Joyce <[REDACTED]@dft.gov.uk>

Subject: Re: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Nick

I am comfortable with the below wording.

I will revert as soon as I am off the call with City Hall on service levels.

Kind regards

Simon

Sent from my iPad

On 14 May 2020, at 09:18, Nick Joyce <[REDACTED]@dft.gov.uk> wrote:

Simon

In the interests of seeking to resolve all this, just to play back some potential wording on some areas (which to be very clear I have not agreed with anybody) but would like to try to now:

- Crossrail/PPN: "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."
- Crossrail: funding package to be considered "alongside" the review.
- Review: "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."
- Fares: "Notwithstanding the review it is acknowledged that TfL will continue to take forward the fares assumptions in its 2019 Business Plan (RPI+1% for all modes for the next 4 years)."

I genuinely don't know if these will work but wanted to share now. Can you let me have something for the service levels para asap?

Nick

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

|| [REDACTED]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [mailto:[REDACTED]@tfl.gov.uk]

Sent: 14 May 2020 00:08

To: Nick Joyce <[REDACTED]@dft.gov.uk>; Bernadette Kelly <[REDACTED]@dft.gov.uk>; Claire Gibbs <[REDACTED]@dft.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Carter Howard <[REDACTED]@tfl.gov.uk>

Cc: Rachael Gilbert <[REDACTED]@dft.gov.uk>

Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Nick

I have attempted to mark up the document with my comments on your proposed changes.

I will summarise them below:

Para 5 – Rejection of PWLB Infrastructure Rate or equivalent – We should not be penalised in the cost of borrowing for our loss of revenue incurred in support of the Government's strategy for fighting the coronavirus. This will impact TfL's ability to invest in public transport and active travel.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Para 19 – Financial Management: TfL requests the right to review the external adviser’s commentary for factual accuracy and a right to management response which is common to well run audit and assurance processes.

Para 24 – The review must be conducted in an independent and open minded way to achieve the aim of putting TfL on a more sustainable financial footing and therefore must not be limited in subpara e to only reviewing the current fiscal devolution arrangements.

[REDACTED]

Para 28 – The London Pays principle for Crossrail cost overruns has to be predicated on the review delivering a sustainable funding model as TfL simply will not have the revenue to support further borrowing absent ongoing Government grant funding or further fiscal devolution.

[REDACTED] I will accept

the revised formula for the allocation of grant and borrowing but otherwise I urge you to accept the proposal I sent to you at 9.35pm on the 12th May.

Unless we achieve a resolution by 5pm tomorrow, I will have to conclude that we are unable to reach agreement with the Government on the emergency funding we have been requesting for 8 weeks now

[REDACTED]

Until this point there has been good cooperation between TfL and DfT [REDACTED]

There is no more time – we must reach a reasonable agreement.

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED] tfl.gov.uk | Direct dial: [REDACTED]

From: Nick Joyce <[REDACTED]@dft.gov.uk>

Sent: 13 May 2020 22:35

To: Kilonback Simon <[REDACTED]@tfl.gov.uk>; Kelly Bernadette <[REDACTED]@dft.gov.uk>;

Claire Gibbs <[REDACTED]@dft.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Carter

Howard <[REDACTED]@tfl.gov.uk>

Cc: Rachael Gilbert <[REDACTED]@dft.gov.uk>

Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Simon

Many thanks for your further time today and useful discussions. I attach a tracked changes version of the draft letter and a clean version for convenience.

As discussed, I think some of the suggested changes we have not taken on board in paragraph 12 do not show up as changes in the tracked changes version.

These remain subject to final ministerial clearance.

Please treat these as confidential and with prejudice to any final agreement.

With best wishes

Nick

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

|| [REDACTED]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [mailto: [REDACTED]@tfl.gov.uk]

Sent: 12 May 2020 21:35

To: Nick Joyce < [REDACTED]@dft.gov.uk>; Bernadette Kelly < [REDACTED]@dft.gov.uk>; Claire Gibbs < [REDACTED]@dft.gov.uk>; Brown Mike (Commissioner) < [REDACTED]@tfl.gov.uk>; Carter Howard < [REDACTED]@tfl.gov.uk>

Subject: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Dear Nick,

Further to our discussions with Bernadette and Mike yesterday and our discussions on your draft funding agreement today, please find attached both a clean and a tracked changes version of the funding proposal in a form that would be acceptable to the Mayor of London, the TfL Finance Committee and enable me to meet my statutory obligations.

I believe this fully represents the discussion you and I had earlier and there are no material changes other than the ones we discussed. I have asked, as you would expect me to, for the PWLB Infrastructure Rate or a close equivalent, to be applicable for the borrowing proposed.

I have agreed with the Mayor and the Finance Committee that we need to resolve the negotiations on this phase within the next 24-48 hours maximum, which again is consistent with our earlier discussions.

[REDACTED]

I truly hope that this will not be necessary as I believe we are sufficiently aligned to be able to conclude these negotiations swiftly and in the spirit of cooperation that will enable us to continue to work in lockstep to achieve our shared objectives of a successful, safe and sustainable Restart, with ambitious plans for increasing the use of active travel.

Once we have concluded these negotiations, I look forward to agreeing a timeline with you to conduct the review of our future financial sustainability and to agreeing further funding to enable us to reach a Balanced Budget for the whole fiscal year.

I look forward to discussing with you at your earliest convenience.

With kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED]@tfl.gov.uk | Direct dial: [REDACTED]

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Simon

Thank you for your time earlier this evening. I said we would share a draft settlement agreement. This is not yet agreed by ministers. We would welcome any feedback at the earliest opportunity on this draft. You will note there are a number of areas where we will need to discuss the drafting further.

This is shared in confidence at this point and without prejudice to any final agreement.

I look forward to discussing at your earliest convenience.

Best wishes

Nick



Nick Joyce
Director General, Resources and Strategy Group
, Windsor House
50 Victoria Street
Westminster, London, SW1H 0TL

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Post to: Great Minster Hse, 33 Horseferry Rd, London,
SW1P 4DR

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From: [Kilonback Simon](#)
To: [Brown Mike \(Commissioner\)](#); [Carter Howard](#); [King Antony \(Div Finance Director MPD\)](#)
Subject: Fwd: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Date: 13 May 2020 22:37:27
Attachments: [200513 Draft funding agreement letter for TfL DfT revisions V5.docx](#)
[200513 Draft funding agreement letter for TfL DfT revisions V5 cv.docx](#)

I haven't read it yet - forwarding to you as soon as I received

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From: Nick Joyce
Sent: Wednesday, May 13, 2020 10:36 pm
To: Kilonback Simon; Bernadette Kelly; Claire Gibbs; Brown Mike (Commissioner); Carter Howard
Cc: Rachael Gilbert
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
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With best wishes
Nick
Nick Joyce | Director General, Resources and Strategy Group, Department for Transport
| [REDACTED]
Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [mailto:[REDACTED]@tfl.gov.uk]
Sent: 12 May 2020 21:35
To: Nick Joyce ; Bernadette Kelly ; Claire Gibbs ; Brown Mike (Commissioner) ; Carter Howard
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I have agreed with the Mayor and the Finance Committee that we need to resolve the negotiations on this phase within the next 24-48 hours maximum, which again is consistent with our earlier discussions. [REDACTED]
[REDACTED]
[REDACTED]
I truly hope that this will not be necessary as I believe we are sufficiently aligned to be able to conclude these negotiations swiftly and in the spirit of cooperation that will enable us to continue to work in lockstep to achieve our shared objectives of a successful, safe and sustainable Restart, with ambitious plans for increasing the use of active travel.
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Draft letter from Secretary of State for Transport to Mayor of London

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.

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~~6.3.~~ 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.

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~~7.4.~~ 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.

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~~8.5.~~ 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:

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~~a)a.~~ Extraordinary Support Grant of ~~£800m~~ £1,151,095bn payable under S.101 of GLA Act 1999. This will be paid in ~~716 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") commencing on 1 July, subject to the adjustment mechanisms described in paragraphs 86 and 97 below, with the sixth payment on the 20 September.

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~~b)b.~~ Additional borrowing by Transport for London from the Public Works ~~Loans~~ Loan Board (PWLB) of ~~£800m~~ £450505m, drawn in proportion to the Extraordinary Support Grant payments made. ~~These loans will be made at the PWLB Infrastructure Rate.~~

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~~8.6.~~ 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~~ pro rata by £150m each to be drawn in proportion, up to a maximum of

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~~£1.9bn in aggregate, or reduce pro rata accordingly. [Drafting Note: variation mechanics may change subject to further discussion].~~

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~~9.7.~~ 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.

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~~10.8.~~ Government will continue to engage on and monitor the financing of Northern Line Trains Services contract. ~~if a contractual requirement for credit support arises under that contract [a notice under clause X.X (TfL to assist with wording)] is served, the Northern Line Train Services Contract, then 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 to avoid [a potential event of default under this contract] in meeting the contractual obligations set out in clause 25A of that contract and other associated provisions, or finding suitable alternative forms of support acceptable to the relevant counterparties, alternatives for such credit support.~~

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~~11.9.~~ 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 ~~expect that~~ a combination of future measures from TfL, GLA and HMG should enable TfL to do so.

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~~12.10.~~ This funding package is based on the assumption that Transport for London will maintain useable cash reserves of no more than (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 accordingly.

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~~13.~~ ~~To enable the borrowing from the Public Works Loans Board, we are temporarily suspending the restrictions on prudential borrowing under the Local Government Act 2003, Section 16.~~

~~14.11.~~ This funding package is conditional on agreement from Transport for London that it will agree to conditions below.

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Service Levels

~~15.12.~~ 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 these decisions being made jointly by the London Covid Transport

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Task Force, terms of reference for which are attached. In particular:

- a) ~~a.~~ ~~Maximise~~ 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) ~~b.~~ ~~Employ~~ Employing traffic demand management agreed by the London COVID Transport Task Force;
- c) ~~c.~~ ~~Agree~~ Agreeing communication messages between DfT and TfL to ensure consistent advice is provided to travellers;
- d) ~~d.~~ ~~Push~~ 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) ~~e.~~ ~~Bring~~ 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 under-18s (subject to provision being made for poorer children to travel free to school, the criteria for which will need to be agreed) and temporary suspension of free travel for OAPs Freedom Pass and 60 plus card holders during peak hours;
- f) ~~f.~~ To support revenue collection, as soon as practicable, ~~place~~ 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) ~~g.~~ ~~Provide~~ Providing regular reporting to the London COVID Transport Task Force on the absence rates for its staff and take all ~~necessary~~ practicable steps to manage absence levels to support ~~the efficient delivery of the agreed service levels, services, and~~
- h) ~~h.~~ ~~Immediately reintroduce~~ 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.~~

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~~16.~~ 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.

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~~17.~~ 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.

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~~18.~~ 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

- ~~19.16.~~ This emergency funding and financing package will require additional HMG governance and oversight, notwithstanding the existing legal framework under which TfL operates.

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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.

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~~18. TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan.~~

- ~~19.18.~~ 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.

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- ~~18.19.~~ 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.~~

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- ~~19.20.~~ TfL will support continued and ongoing collaborative discussions with DfT on projected passenger numbers, revenues and non-operational expenditure.

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- ~~20.21.~~ 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 ~~discussion~~discussions on a timely basis.

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Decision Making

- ~~21.22.~~ 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.

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- ~~22.23.~~ One Special Representative will also be able to attend all ~~meetings,~~ formal and informal meetings, formal and informal, of the Finance Committee and the Programmes and Investment Committee.

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Future Financial Sustainability

~~23-24.~~ There will be an immediate and broad ranging government-led review of TfL's future financial position and future financial structure. This will include:

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- a. ~~Options TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan and e~~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; and
- e. ~~A review of t~~The current fiscal devolution arrangements] and the opportunities for further fiscal devolution measures, including measures related to income from road users; and
- e.f. The potential for raising more non-fare based revenue and commercial income.

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~~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.

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~~24-26.~~ Notwithstanding the review it is acknowledged that TfL will raise all fares by at least RPI plus 1 per cent per year for the next four years, as proposed in the TfL Business Plan.

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Crossrail

~~25-27.~~ 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.

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~~26-28.~~ 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 as part of 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.

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~~27.~~ TfL agrees that PPN 02/20 applies to Crossrail Limited and their suppliers and that it will be implemented fully. TfL will support Crossrail Limited in the application of PPN 02/20, noting the judgments that need to be applied on a case by case

29. TfL TfL basis.

30. 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.

28-31. 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.

26-32. In relation to Crossrail, TfL will ~~agree by propose~~, as soon as practicable, and no later than the end of ~~{May June 2020}~~, an action plan to support the successful ~~delivery~~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.

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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 accordingly.
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 these decisions being made jointly by the London Covid Transport Task Force, terms of reference for which are attached. In particular:
 - 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 under-18s (subject to provision being made for poorer children to travel free to school, the criteria for which will need to be agreed) and temporary suspension of free travel for Freedom Pass and 60 plus card holders during peak hours;
 - 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.
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. Notwithstanding the review it is acknowledged that TfL will raise all fares by at least RPI plus 1 per cent per year for the next four years, as proposed in the TfL Business Plan.

Crossrail

27. 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.
28. 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. 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.
29. TfL will support Crossrail Limited in the application of PPN 02/20, noting the judgments that need to be applied on a case by case basis.
30. 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.
31. 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.
32. 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.

From: [Kilonback Simon](#)
To: [Brown Mike \(Commissioner\)](#); [Alexander Heidi](#); [David Bellamy](#); [Carter Howard](#)
Subject: Fwd: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Date: 14 May 2020 09:21:48

All
See below - I think we could live with this
Simon

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From: Nick Joyce
Sent: Thursday, May 14, 2020 9:18 am
To: Kilonback Simon
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Simon

In the interests of seeking to resolve all this, just to play back some potential wording on some areas (which to be very clear I have not agreed with anybody) but would like to try to now:

- Crossrail/PPN: "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."
- Crossrail: funding package to be considered "alongside" the review.
- Review: "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."
- Fares: "Notwithstanding the review it is acknowledged that TfL will continue to take forward the fares assumptions in its 2019 Business Plan (RPI+1% for all modes for the next 4 years)."

I genuinely don't know if these will work but wanted to share now. Can you let me have something for the service levels para asap?

Nick

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

| | [REDACTED]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [mailto:[REDACTED]@tfl.gov.uk]
Sent: 14 May 2020 00:08
To: Nick Joyce ; Bernadette Kelly ; Claire Gibbs ; Brown Mike (Commissioner) ; Carter Howard
Cc: Rachael Gilbert
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Nick

I have attempted to mark up the document with my comments on your proposed changes.

I will summarise them below:

Para 5 – Rejection of PWLB Infrastructure Rate or equivalent – We should not be penalised in the cost of borrowing for our loss of revenue incurred in support of the Government's strategy for fighting the coronavirus. This will impact TfL's ability to invest in public transport and active travel.

[REDACTED]

Para 19 – Financial Management: TfL requests the right to review the external adviser's commentary for factual accuracy and a right to management response which is common to well run audit and assurance processes.

Para 24 – The review must be conducted in an independent and open minded way to achieve the aim of putting TfL on a more sustainable financial footing and therefore must not be limited in subpara e to only reviewing the current fiscal devolution arrangements.

[REDACTED]

[REDACTED]

Para 28 – The London Pays principle for Crossrail cost overruns has to be predicated on the review delivering a sustainable funding model as TfL simply will not have the revenue to support further borrowing absent ongoing Government grant funding or further fiscal devolution.

[REDACTED]

I will accept the revised formula for the allocation of grant and borrowing but otherwise I urge you to accept the proposal I sent to you at 9.35pm on the 12th May.

Unless we achieve a resolution by 5pm tomorrow, I will have to conclude that we are unable to reach agreement with the Government on the emergency funding we have been requesting for 8 weeks now [REDACTED]

[REDACTED]

Until this point there has been good cooperation between TfL and DFT [REDACTED]

There is no more time – we must reach a reasonable agreement.

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED] [tfl.gov.uk](mailto:tf.l.gov.uk) | Direct dial: [REDACTED]

From: Nick Joyce <[REDACTED]@dft.gov.uk>
Sent: 13 May 2020 22:35
To: Kilonback Simon <[REDACTED]@tfl.gov.uk>; Kelly Bernadette <[REDACTED]@dft.gov.uk>; Claire Gibbs <[REDACTED]@dft.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Carter Howard <[REDACTED]@tfl.gov.uk>
Cc: Rachael Gilbert <[REDACTED]@dft.gov.uk>
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Simon

Many thanks for your further time today and useful discussions. I attach a tracked changes version of the draft letter and a clean version for convenience.

As discussed, I think some of the suggested changes we have not taken on board in paragraph 12 do not show up as changes in the tracked changes version.

These remain subject to final ministerial clearance.

Please treat these as confidential and with prejudice to any final agreement.

With best wishes

Nick

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

| | [REDACTED]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [[mailto:\[REDACTED\]@tfl.gov.uk](mailto:[REDACTED]@tfl.gov.uk)]
Sent: 12 May 2020 21:35
To: Nick Joyce <[REDACTED]@dft.gov.uk>; Bernadette Kelly <[REDACTED]@dft.gov.uk>; Claire Gibbs <[REDACTED]@dft.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Carter Howard

<[REDACTED]@tfl.gov.uk>

Subject: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Dear Nick,

Further to our discussions with Bernadette and Mike yesterday and our discussions on your draft funding agreement today, please find attached both a clean and a tracked changes version of the funding proposal in a form that would be acceptable to the Mayor of London, the TfL Finance Committee and enable me to meet my statutory obligations.

I believe this fully represents the discussion you and I had earlier and there are no material changes other than the ones we discussed. I have asked, as you would expect me to, for the PWLB Infrastructure Rate or a close equivalent, to be applicable for the borrowing proposed.

I have agreed with the Mayor and the Finance Committee that we need to resolve the negotiations on this phase within the next 24-48 hours maximum, which again is consistent with our earlier discussions. [REDACTED]

I truly hope that this will not be necessary as I believe we are sufficiently aligned to be able to conclude these negotiations swiftly and in the spirit of cooperation that will enable us to continue to work in lockstep to achieve our shared objectives of a successful, safe and sustainable Restart, with ambitious plans for increasing the use of active travel.

Once we have concluded these negotiations, I look forward to agreeing a timeline with you to conduct the review of our future financial sustainability and to agreeing further funding to enable us to reach a Balanced Budget for the whole fiscal year.

I look forward to discussing with you at your earliest convenience.

With kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED]@tfl.gov.uk | Direct dial: [REDACTED]

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From: [Kilonback Simon](#)
To: [Brown Mike \(Commissioner\)](#)
Subject: Fwd: OFFICIAL SENSITIVE - FOLLOW ON TO OUR DISCUSSION
Date: 11 May 2020 23:48:32
Attachments: [image001.png](#)
[200511 Draft funding agreement letter for TfL cv.docx](#)

Mike - this is not acceptable and is not what we discussed

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From: Nick Joyce
Sent: Monday, May 11, 2020 11:24 pm
To: Kilonback Simon
Cc: Bernadette Kelly; Claire Gibbs; Rachael Gilbert; Brown Mike (Commissioner)
Subject: OFFICIAL SENSITIVE - FOLLOW ON TO OUR DISCUSSION
Simon

Thank you for your time earlier this evening. I said we would share a draft settlement agreement. This is not yet agreed by ministers. We would welcome any feedback at the earliest opportunity on this draft. You will note there are a number of areas where we will need to discuss the drafting further.

This is shared in confidence at this point and without prejudice to any final agreement. I look forward to discussing at your earliest convenience.

Best wishes

Nick



Nick Joyce
Director General, Resources and Strategy Group
, Windsor House
50 Victoria Street
Westminster, London, SW1H 0TL

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Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

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Draft letter from Secretary of State for Transport to Mayor of London

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.
6. 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.
7. 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.
8. 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 [£800m] payable under S.101 of GLA Act 1999. This will be paid in [7] instalments every 4 week reporting period ("Period") commencing on [XX], subject to the adjustment mechanisms described in paragraphs 8 and 9 below.
 - b) Additional borrowing by Transport for London from the Public Works Loans Board of [£800m], drawn in proportion to the Extraordinary Support Grant payments made.
8. 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. [Drafting Note: variation mechanics may change subject to further discussion].
9. 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.

10. Government will continue to engage on and monitor the financing of Northern Line Trains contract . If under that contract [a notice under clause X.X (*TfL to assist with wording*)] is served, HMG will work with TfL and take reasonable steps to assist TfL to avoid [a potential event of default under this contract].
11. 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 expect that a combination of future measures from TfL, GLA and HMG should enable TfL to do so.
12. This funding package is based on the assumption that Transport for London will maintain reserves of no more than £1.2bn at the end of the Support Period, subject to normal commercial payment practices.
13. To enable the borrowing from the Public Works Loans Board, we are temporarily suspending the restrictions on prudential borrowing under the Local Government Act 2003, Section 16.
14. This funding package is conditional on agreement from Transport for London that it will agree to conditions below.

Service Levels

15. 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 these decisions being made jointly by the London Covid Transport Task Force, terms of reference for which are attached. In particular:
 - a) Maximise 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) Employ traffic demand management agreed by the London COVID Transport Task Force
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 - d) Push 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. The detail of the plan will be agreed and overseen by a dedicated oversight group comprising TfL and HMG.

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 - f) To support revenue collection, as soon as practicable, place 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) Provide regular reporting to the London COVID Transport Task Force on the absence rates for its staff and take all necessary steps to manage absence levels to support the efficient delivery of the agreed service levels.
 - h) Immediately reintroduce 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.
16. 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.
17. 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.
18. The London Covid Transport Task Force will remain in place for the duration of the Support Period unless agreed otherwise by DfT and TfL.

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19. 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. TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan.
19. 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.

18. 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.
19. TfL will support continued and ongoing collaborative discussions with DfT on projected passenger numbers, revenues and non-operational expenditure.
20. 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 discussion on a timely basis.

Decision Making

21. 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.
22. 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

23. 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;
 - 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; and
 - e. The potential for raising more non-fare based revenue and commercial income.
24. 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.

Crossrail

25. 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.
26. 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. 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.
27. TfL agrees that PPN 02/20 applies to Crossrail Limited and their suppliers and that it will be implemented fully.
28. TfL 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.
26. In relation to Crossrail, TfL will agree by the end of [May 2020] an action plan to support the successful delivery of the project, 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.

From: [Kilonback Simon](#)
To: [Alexander Heidi](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#)
Subject: Fwd: OFFICIAL SENSITIVE - FOLLOW ON TO OUR DISCUSSION
Date: 12 May 2020 07:23:25
Attachments: [image001.png](#)
[200511 Draft funding agreement letter for TfL cv.docx](#)

Heidi

I received this very late last night and as you can see very disappointingly government still pushing for 50/50 debt which is not what we discussed with Bernadette - I cannot support this proposal.

Also whilst we may be able to tone down some of the very direct language I think you can tell that this is political as it is not quite what we expected.

Having been awake most of the night I sent a pretty strong reply.

We need to regroup and discuss.

Thanks

Simon

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From: Nick Joyce

Sent: Monday, May 11, 2020 11:24 pm

To: Kilonback Simon

Cc: Bernadette Kelly; Claire Gibbs; Rachael Gilbert; Brown Mike (Commissioner)

Subject: OFFICIAL SENSITIVE - FOLLOW ON TO OUR DISCUSSION

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I look forward to discussing at your earliest convenience.

Best wishes

Nick



Nick Joyce
Director General, Resources and Strategy Group
, Windsor House
50 Victoria Street
Westminster, London, SW1H 0TL

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Post to: Great Minster Hse, 33 Horseferry Rd, London,
SW1P 4DR

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Draft letter from Secretary of State for Transport to Mayor of London

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.
6. 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.
7. 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.
8. 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 [£800m] payable under S.101 of GLA Act 1999. This will be paid in [7] instalments every 4 week reporting period ("Period") commencing on [XX], subject to the adjustment mechanisms described in paragraphs 8 and 9 below.
 - b) Additional borrowing by Transport for London from the Public Works Loans Board of [£800m], drawn in proportion to the Extraordinary Support Grant payments made.
8. 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. [Drafting Note: variation mechanics may change subject to further discussion].
9. 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.

10. Government will continue to engage on and monitor the financing of Northern Line Trains contract . If under that contract [a notice under clause X.X (*TfL to assist with wording*)] is served, HMG will work with TfL and take reasonable steps to assist TfL to avoid [a potential event of default under this contract].
11. 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 expect that a combination of future measures from TfL, GLA and HMG should enable TfL to do so.
12. This funding package is based on the assumption that Transport for London will maintain reserves of no more than £1.2bn at the end of the Support Period, subject to normal commercial payment practices.
13. To enable the borrowing from the Public Works Loans Board, we are temporarily suspending the restrictions on prudential borrowing under the Local Government Act 2003, Section 16.
14. This funding package is conditional on agreement from Transport for London that it will agree to conditions below.

Service Levels

15. 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 these decisions being made jointly by the London Covid Transport Task Force, terms of reference for which are attached. In particular:
 - a) Maximise 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) Employ traffic demand management agreed by the London COVID Transport Task Force
 - c) Agree communication messages between DfT and TfL to ensure consistent advice is provided to travellers
 - d) Push 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. The detail of the plan will be agreed and overseen by a dedicated oversight group comprising TfL and HMG.

- e) Bring 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 under-18s (subject to provision being made for poorer children to travel free to school) and temporary suspension of free travel for OAPs during peak hours.
 - f) To support revenue collection, as soon as practicable, place 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) Provide regular reporting to the London COVID Transport Task Force on the absence rates for its staff and take all necessary steps to manage absence levels to support the efficient delivery of the agreed service levels.
 - h) Immediately reintroduce 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.
16. 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.
17. 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.
18. 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

19. 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. TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan.
19. 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.

18. 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.
19. TfL will support continued and ongoing collaborative discussions with DfT on projected passenger numbers, revenues and non-operational expenditure.
20. 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 discussion on a timely basis.

Decision Making

21. 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.
22. 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

23. 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;
 - 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; and
 - e. The potential for raising more non-fare based revenue and commercial income.
24. 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.

Crossrail

25. 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.
26. 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. 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.
27. TfL agrees that PPN 02/20 applies to Crossrail Limited and their suppliers and that it will be implemented fully.
28. TfL 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.
26. In relation to Crossrail, TfL will agree by the end of [May 2020] an action plan to support the successful delivery of the project, 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.

From: [Kilonback Simon](#)
To: [David Bellamy](#); [Alexander Heidi](#); [Brown Mike \(Commissioner\)](#); [Clarke Andrea \(Exc\)](#); [King Antony \(Div Finance Director MPD\)](#); [Carter Howard](#)
Cc: [Gasson Sarah](#); [Lucas Emma](#); [Steer Tim](#); [Curry Justine](#); [Cox Nicola \(TFL\)](#); [Ware Julian](#); [David Gallie](#)
Subject: Highly Confidential & Legally Privileged - Draft Funding Proposal for urgent discussion_FINAL
Date: 03 May 2020 22:17:14
Attachments: [Draft Funding Proposal for urgent discussion_FINAL.docx](#)

David

I have accepted all of your changes except for the detailed third paragraph which may be points for you to raise in the negotiation, but don't add to the letter.

[REDACTED]

I fully understand your point on the business rates risk and have amended the line to limit it to talking to you about H1 – I don't think it is credible not to, it covers the Borough funding the Mayor is keen on and HMT see as a problem for the Mayor....

I am going to send this version as it doesn't commit GLA – it accepts a risk for TfL, where the choice for the Mayor is as described re Borough funding

Thanks to all for a lot of hard work

Simon

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From: [Kilonback Simon](#)
To: [Alexander Heidi](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#); [King Antony \(Div Finance Director MPD\)](#)
Cc: [Steer Tim](#); [Gasson Sarah](#); [Lucas Emma](#); [Clarke Andrea \(Exc\)](#)
Subject: Highly confidential & legally privileged: DfT Q&A
Date: 30 April 2020 13:08:31
Attachments: [DfT Questions.pdf](#)
[DfT Questions_2ndRound.pdf](#)

Heidi

As discussed, please find attached the detailed Q&A we have been through with DfT.

I will call you after our meeting with Bernadette Kelly and one of the things we will need to think about is the timing of the letter from Sadiq to Rishi Sunak.

Thanks

Simon

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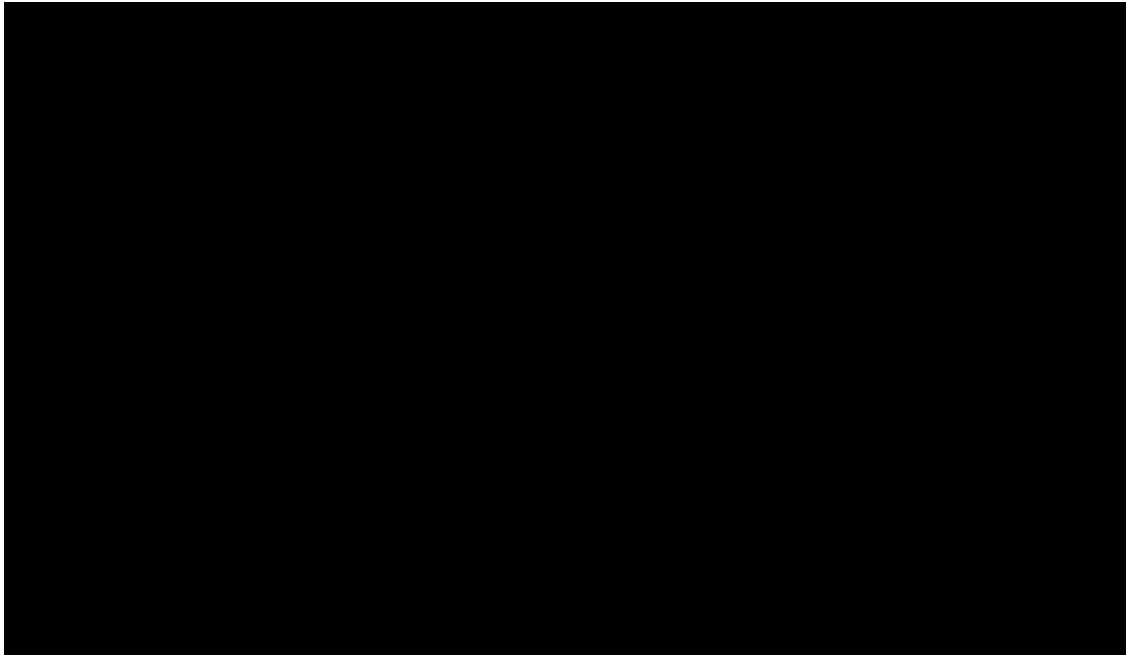
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Responses to DfT Questions

This note sets out responses to the DfT Questions received on 28 April at 13.20.

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From: [Kilonback Simon](#)
To: [Ron Kalifa](#); [Brown Mike \(Commissioner\)](#)
Subject: Highly Confidential & Legally Privileged: Letter to Tom Scholar and Emergency Budget exec summary
Date: 28 April 2020 19:52:00
Attachments: [200427 - Tom Scholar - HM Treasury.pdf](#)
[TfLs Emergency Budget 2020 21 Exec Summ 280420.pdf](#)

Ron

As discussed, please find attached the letter from Mike to Tom Scholar and the exec summary of the Emergency Budget.

We need £2 billion grant funding to get through to 30th September.

The only way we could use more of our remaining minimum cash reserves (as rating agencies have confirmed last week these are the minimum viable reserves from their perspective) would be if Government provided an unconditional and irrevocable guarantee of our debt, our Covid related losses and to recapitalise us properly. They won't want to do this, so we need the grant funding.

Thanks

Simon



Tom Scholar
Permanent Secretary
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Mike Brown MVO
Commissioner of Transport

Transport for London
Palestra
1 97 Blackfriars Road
London SE1 8NJ

Phone [REDACTED]
mikebrown@tfl.gov.uk

By Email Only: [REDACTED]@hmtreasury.gov.uk

27 April 2020

Dear Tom

COVID-19 TfL Emergency Budget & Immediate Funding Request

I am writing to make you aware of the urgent need to resolve emergency grant funding for Transport for London.

As you are aware, we are continuing to provide transport services to enable essential journeys in London, particularly by NHS staff. But the impact of the COVID-19 crisis on TfL's finances has been, and continues to be, catastrophic; and this is now putting those services at significant risk.

We are engaging in constructive discussions on funding support with the Department for Transport and whilst on 12 April we received a helpful initial letter from the Permanent Secretary committing to work with us, no quantified funding support is yet in place. This is now an urgent and critical issue that will have devastating economic and other consequences unless resolved.

TfL is a relevant authority for the purposes of Part VIII of the Local Government Finance Act 1988 and is obliged to produce a balanced annual budget. [REDACTED]

Since the loss of Government grant some years ago, approximately 80% of TfL's £6bn revenue per annum comes from passenger fares income, driven by demand; advertising revenues, driven by footfall across our estate; and congestion charge income and property rentals, both of which have been temporarily suspended during the crisis.

We are actively encouraging our passengers not to travel unless absolutely necessary, to support the Government's position, in accordance with Public Health England advice. Since the beginning of the crisis, TfL's passenger numbers have fallen significantly - tube travel is down by 95% and bus travel down by 85%. You will be familiar with this from the daily COBR charts. Our modelling, informed by the Government commissioned work by Imperial College, shows that in a central scenario (assuming some easing of lockdown measures over the next six months), TfL could lose up to £4bn in income over the course of the next year alone, with further impacts persisting in the medium term. Other scenarios show worse effects - the length of the shutdown is very uncertain, as is the trajectory of how these revenues may recover.

We are doing, and will continue to do, what we can to reduce our costs to mitigate this loss of revenue. But public transport is a classic example of a high fixed cost base, and while the system is open, the ability to reduce costs is small. Notwithstanding this, we have placed over 7,000 staff on furlough across the organisation, including over 4,000 in London Underground, and have identified over £400 million in gross operating cost savings and £500 million in capital expenditure that can be deferred.

We need grant support, for a temporary period only, to rebuild our operating account, remain a going concern and meet our statutory obligations in relation to a balanced budget. Last week, we presented the Department for Transport with an Emergency Budget that sets out the need for approximately £2bn of grant funding until the end of September, after taking into account the cost mitigations outlined above and ensuring that sufficient services can be run, where practicable, so that we can maximise our ability to manage any social distancing that might be required. This will be a significant challenge on our network and my team is working closely with the Department for Transport to examine how this might be achieved.

Outside London, Train Operating Companies, light rail and bus operators and local authorities have all recently been given very clear financial assurances about grant funding in recognition that public transport services are needed to enable critical workers such as NHS, emergency services and food supply chain to function effectively at this time of national crisis.

It is extraordinary that TfL, whose integrated public transport system is classed as part of the UK's critical national infrastructure, is in a position where it does not have a clear unequivocal statement of Government support or any assurance that Government will not stand by and do nothing whilst this immense loss of revenue is being sustained.

Before the crisis, we had a prudent level of cash reserves of around £2.2bn based upon the risks we faced at that time, including the likely impacts of Brexit, pressures on Crossrail and general softening of demand and slowing of the economy. At that time, our credit rating agencies viewed this as only “adequate” and despite access to the PWLB, have highlighted TfL’s liquidity as an ongoing risk. The loss of revenue we are now suffering means these cash reserves are being exhausted quickly – it costs us £600m every four weeks to run the network.

In the last week alone, our cash reserves have fallen below the level deemed prudent for an organisation of our size and structure to deal with strategic risks. Within the next week, we will have used over £1bn of our cash and our reserves will have fallen to £1.2bn, equivalent to 60 days operating expenditure, the minimum required by the credit rating agencies. What this really covers is our debt service costs and enough for only one month’s payroll costs. [REDACTED]

It is important to remember that TfL is not a private business – it does not have shareholders from which it can raise additional funding. Borrowing is also not an option. [REDACTED]

The Mayor retains a share of business rates under devolution arrangements and passes those on to TfL as a grant. He will continue to do that, to the extent he is able, backed by the support the Government is giving to local authorities. But he has only very limited flexibility to find additional money for TfL. In 2020-21 we expect funding of £1.88 billion in total, which is 78% of the total rates retention income budgeted to be allocated by the Mayor for the Greater London Authority (GLA) group. There is also a small payment, £6 million, out of the Mayor’s council tax precept. The GLA is protected from the business rate reliefs which the Government has offered to the retail and hospitality sectors, as these are matched by payments of grant. But the GLA is exposed, through the London pool, to changes in the overall levels of business rates paid. Detailed modelling work is being undertaken by the GLA, London Councils and the London Boroughs on the impact on London’s collective business rates pool but [REDACTED]

The GLA's other income from business rates and council tax is overwhelmingly allocated to the Metropolitan Police Service and given their critical importance during this crisis and the well documented pressures on these services, it is not feasible to make any material reallocations of funding to TfL. In these circumstances, it would be unrealistic to assume that the GLA can contribute additional funding to help resolve TfL's revenue deficit, as it will be facing significant challenges just trying to meet its existing commitments to TfL and also maintain its revenue support to the Metropolitan Police and London Fire Brigade, particularly if there is a reduction in council tax revenues.

Fares increases in the short term do not produce sufficient revenue to offset the loss of revenue suffered as a result of the crisis, even if demand levels return to normal. It is also the case that fares increases now, whilst travel restrictions are in place, would only penalise those groups of people who are still using our services including key workers and other vulnerable groups. Fares increases would clearly deter, not attract, passengers back to our services and would, therefore, act against using public transport to help support an economic recovery.

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We have been and of course wish to provide the transport services London needs now for essential journeys, and as lockdown restrictions are eased do our part to support economic recovery in the city and wider region. However, we continue to do so, on the basis and expectation of Government support being forthcoming, as has previously been indicated would be the case.

To reiterate, our discussions with DfT colleagues have been constructive, but the situation is now extremely urgent; we now need explicit agreement to providing the £2 billion grant funding needed to keep our services going until 30th September in the first instance, and a commitment to providing support thereafter, based upon further discussions with Government over the next few months.

[REDACTED]

Yours sincerely

A handwritten signature in black ink, appearing to be 'Mike Brown', with a horizontal line underneath.

Mike Brown MVO

Copy to: Bernadette Kelly

Attachments: Responses to DfT questions, Emergency Budget presentation



Coronavirus Update

TfL's Emergency Budget 2020/21

Executive Summary

28 April 2020

TfL restricted



Emergency Budget: key points

Immediate grant funding is required to avoid TfL triggering a Section 114 notice, which could lead to a near total withdrawal of public transport services in the capital

- TfL is now facing an unprecedented decline in revenues since travel restrictions were imposed in March. Modelling has shown **we could lose in the region of £4 billion of total revenue this financial year.**
- Due to the high operating leverage of mass public transport businesses, the revenue decline cannot be mitigated through cost actions alone. At the current cash burn rate we will breach our minimum operational cash threshold in May and **run out of cash altogether approximately 2-3 months after that.**
- **Without immediate revenue grant funding we cannot avoid triggering a Section 114 notice imminently** which would see transport services cut to a statutory minimum to preserve cash
- **This Emergency Budget outlines the need for £1.9 billion of revenue grant funding to cover the period up to 30 September 2020 and avoid triggering a Section 114 notice**
- **Further support will be required to cover the second half of the year.** A provisional amount can be agreed as part of a more detailed budgeting exercise due to take place by July 2020.

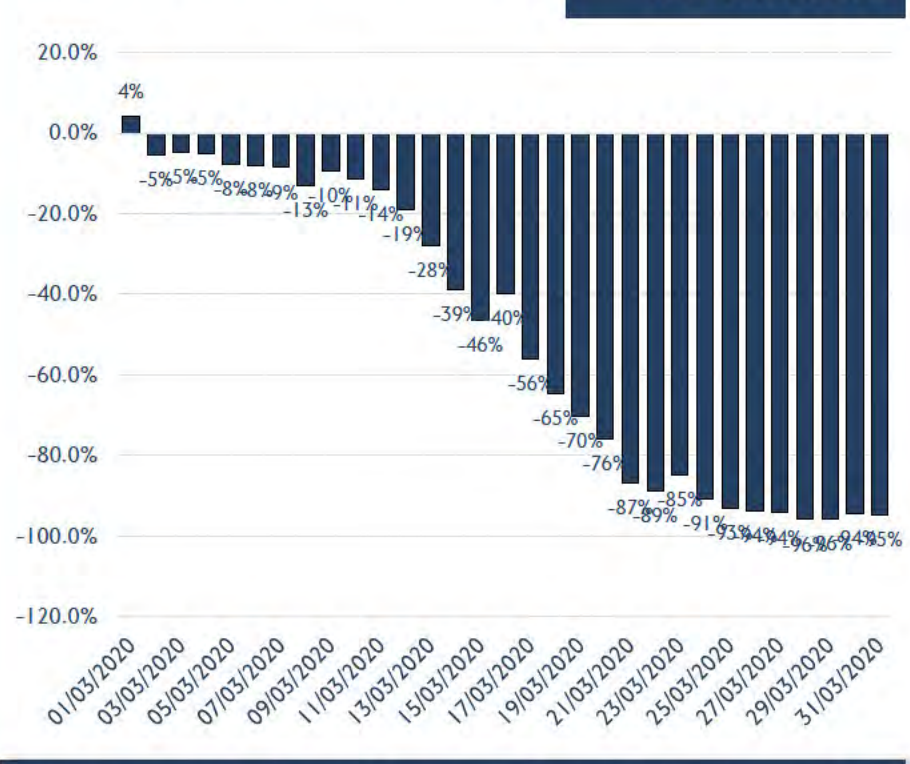


We have seen huge journey reductions at the end of 2019/20

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

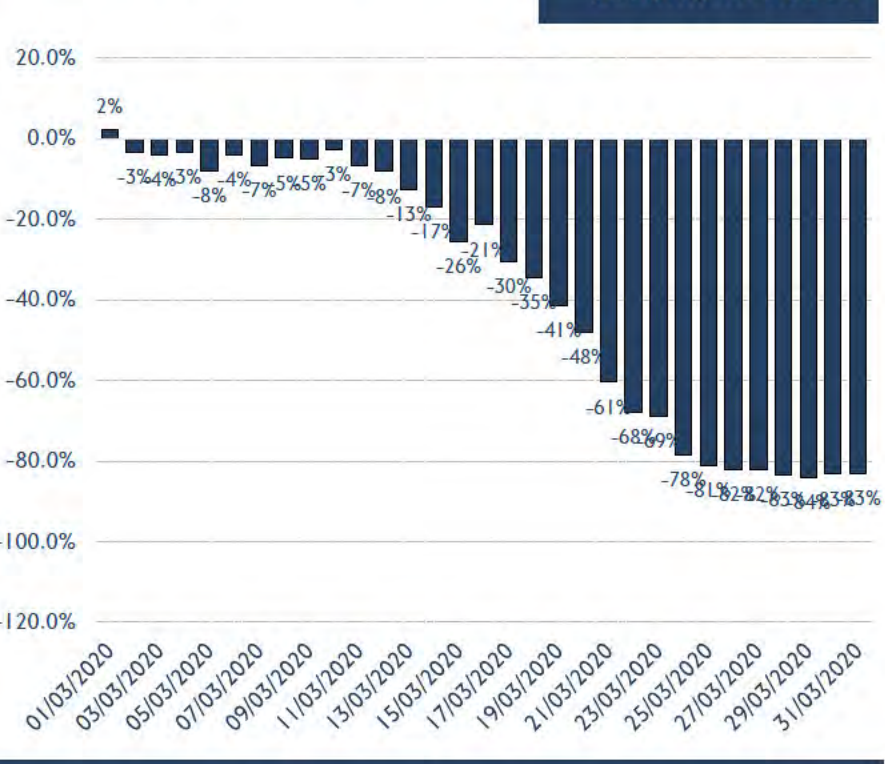
Tube journeys % year-on-year change **(£126m) in LU**



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

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

Bus journeys % year-on-year change **(£38m) in Buses**



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



Underlying assumptions and actions underway

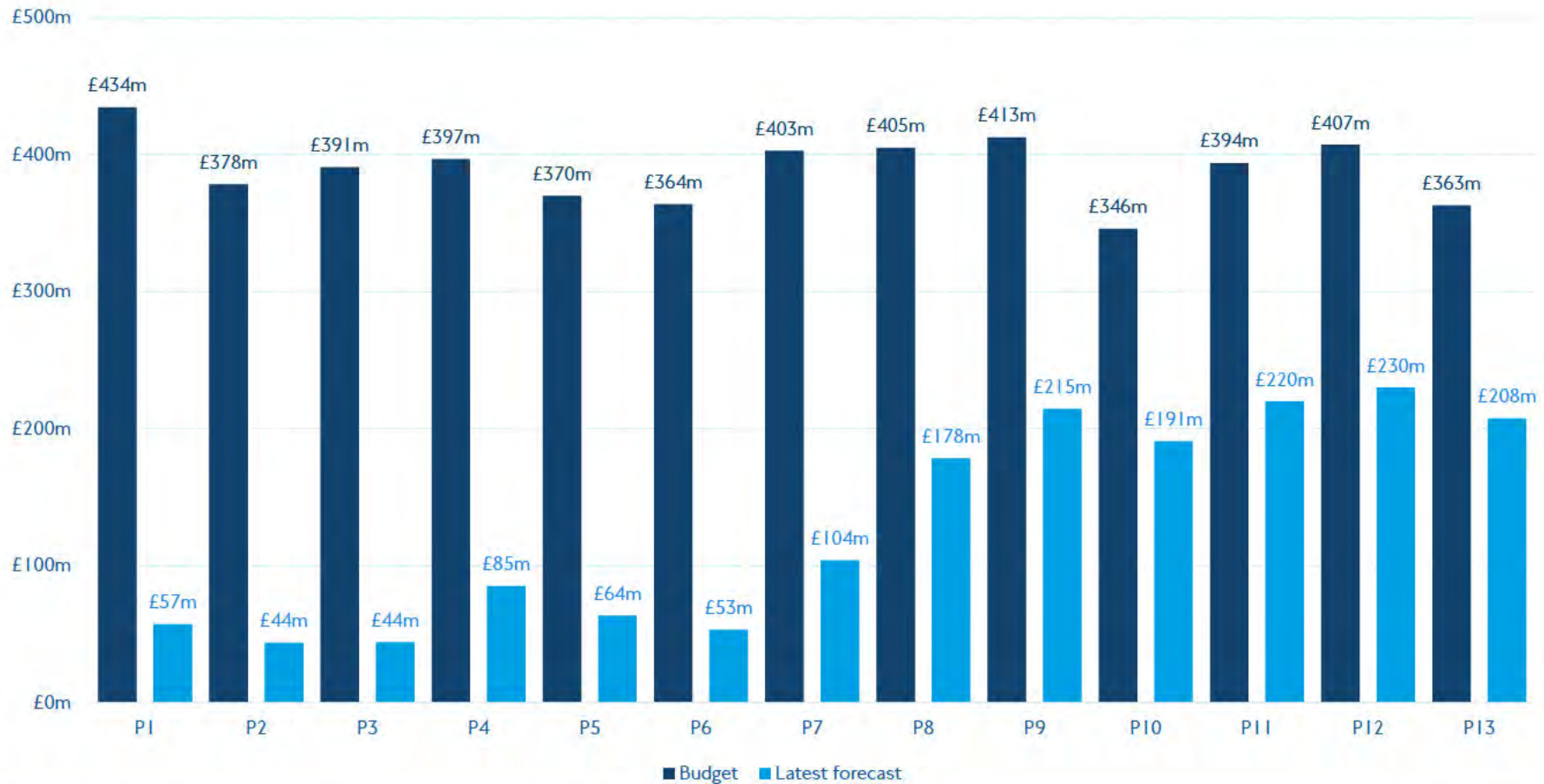
- Revenue is based on a 6 month period of travel restrictions followed by muted recovery, with the year ending at around 55% of pre-covid demand levels (see next slide)
- Service levels
 - London Underground - 50% services operated until end of June. From July it is assumed that full services will need to operate to manage increasing demand whilst complying with social distancing
 - Buses - current service levels (circa 80% of normal timetable) until late June. Any marginal increase in demand will require 100% service levels to maintain social distancing
- Staffing:
 - we are furloughing over 7,000 staff for a 2 month period in line with current government guidance. If the government guidelines are extended we will implement accordingly.
 - Furloughing savings are approximately £15m per period. Salary will be topped up to 100% to avoid lengthy consultation periods and TU negotiations
 - we are also releasing around 770 temporary resource
- We have stopped most capital projects, bringing all non-critical projects to a safe stop in March; we have also assumed a reduction in property development receipts due to the current climate
- REDACTED
- Planned incremental borrowing of £0.6bn no longer prudent in line with the Prudential Code and does not support a balanced Budget



Passenger income

We are expecting a significant decrease in customer demand resulting in an estimated £3.5bn of lost passenger revenue:

- (£2.4bn) in H1
- a further (£1.1bn) in H2



Based on recent Government messaging of six months before UK 'returns to normal'. Initial peak of three months is followed by relaxation of measures and then a second peak. Only 55% of demand returns six months after the end of social distancing. Assumes strict government enforcement of travel restrictions during social distancing.

Passenger Income
 2019/20: £0.2bn
 2020/21: £3.5bn
Total: £3.7bn



TfL Group Summary Financials 2020/21

Financial Summary

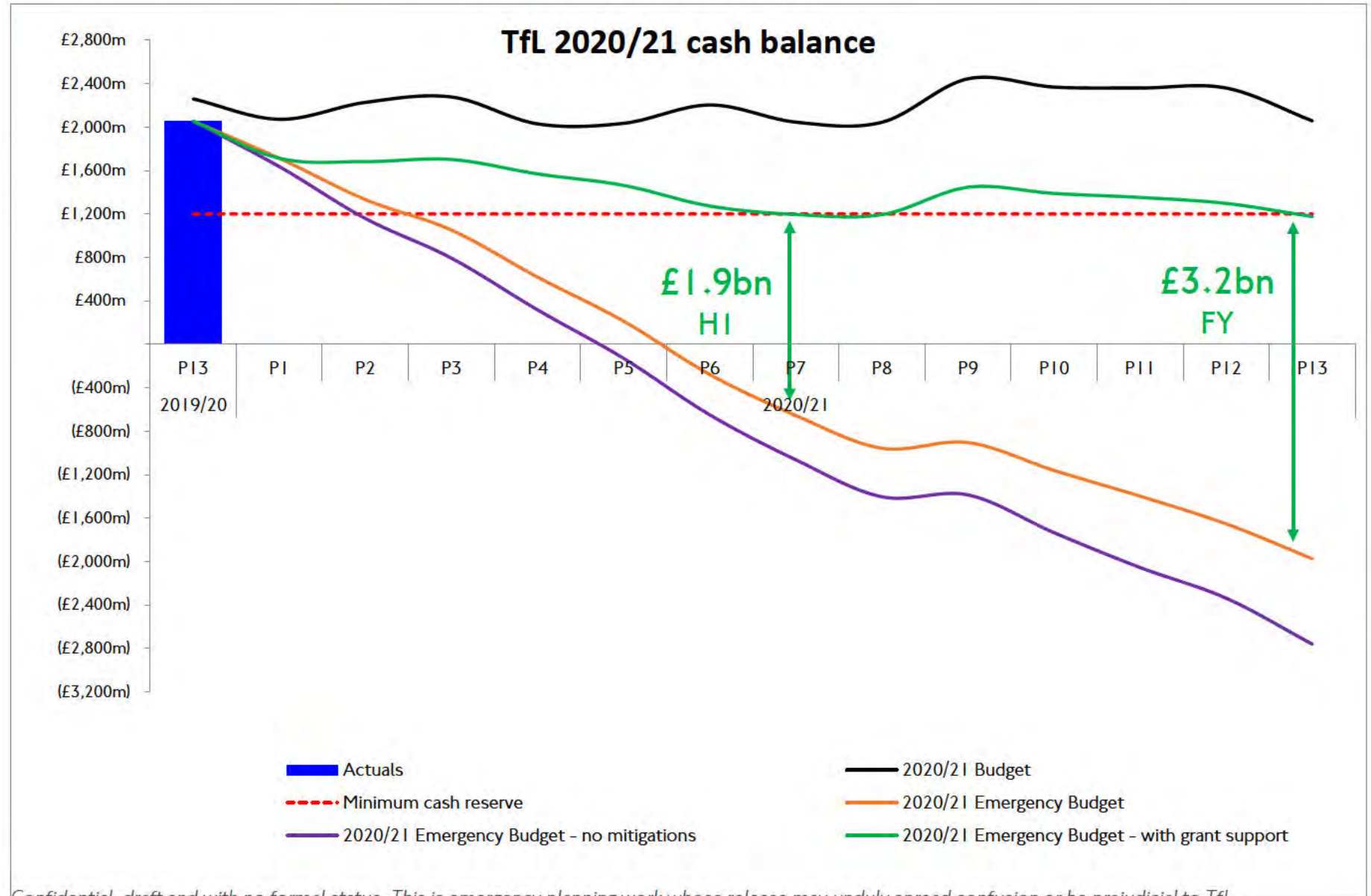
Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY
Total income	6,874	1,089	3,749	(2,660)	3,046	7,055	(4,009)
Operating cost	(6,410)	(3,325)	(3,490)	165	(6,363)	(6,626)	262
Net operating surplus/deficit	464	(2,236)	259	(2,495)	(3,317)	429	(3,746)
Net financing costs	(435)	(248)	(252)	4	(455)	(468)	13
Net surplus/(cost) of operations before renewals	29	(2,484)	7	(2,491)	(3,772)	(39)	(3,733)
Capital renewals	(452)	(131)	(288)	157	(332)	(532)	201
Net surplus/(cost) of operations	(423)	(2,614)	(281)	(2,334)	(4,104)	(571)	(3,533)

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY
New Capital Investment	(1,081)	(388)	(632)	244	(808)	(1,333)	525
Crossrail Investment Programme	(1,027)	(423)	(423)	0	(725)	(725)	0
Total Capital Investment	(2,108)	(811)	(1,055)	244	(1,533)	(2,058)	525

Even after taking action on costs and capital investment programme, full year we are facing a £3 billion hit to net cash compared to our original approved Budget

The funding gap is beyond TfL's ability to close and therefore the requirement for government grant funding

Revenue grant is the only option that will allow TfL to return to a balanced budget position and continue meeting its financial obligations in the short term



Confidential, draft and with no formal status. This is emergency planning work whose release may unduly spread confusion or be prejudicial to TfL

Why we cannot breach our £1.2bn minimum Cash Reserves

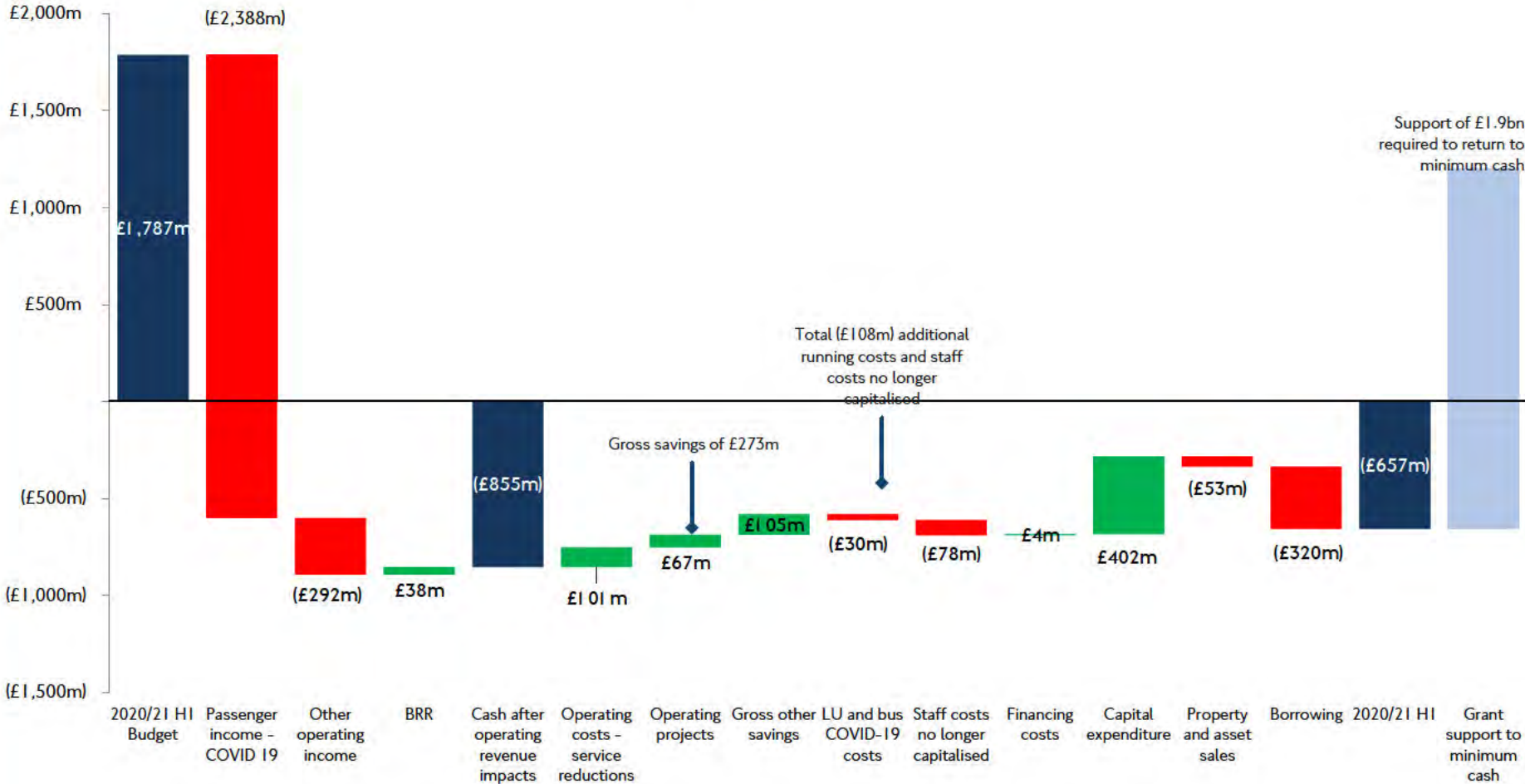
- Business Planning modelling concluded that a £2.2bn reserve was appropriate in Q3 2019. This was based on risks that included economic, Brexit, Crossrail, operational and liquidity. Pandemic risks were not considered at that time.
- £1.2bn minimum cash reserves represents only two months' worth of operating costs and ignores renewal spend. This was benchmarked against a number of international peers.
- After annual debt service it represents one months' supplier and payroll costs. This is a minimum requirement for liquidity. On a single day we can have cash outflows as high as £300m.
- REDACTED
- REDACTED
- TfL are different to other public transport agencies who are wholly owned or guaranteed by the Government (and even they hold cash balances), furthermore we have no shareholders to call upon.
- We would have no headroom for extensive and uncertain risks around COVID-19 as our initial government funding is for a period of only 6 months



Cash bridge: H1 Budget to H1 Emergency Budget

Cash movements against 2020/21 Budget

H1 emergency position against 2020/21 Budget – total variance (£2,444m)



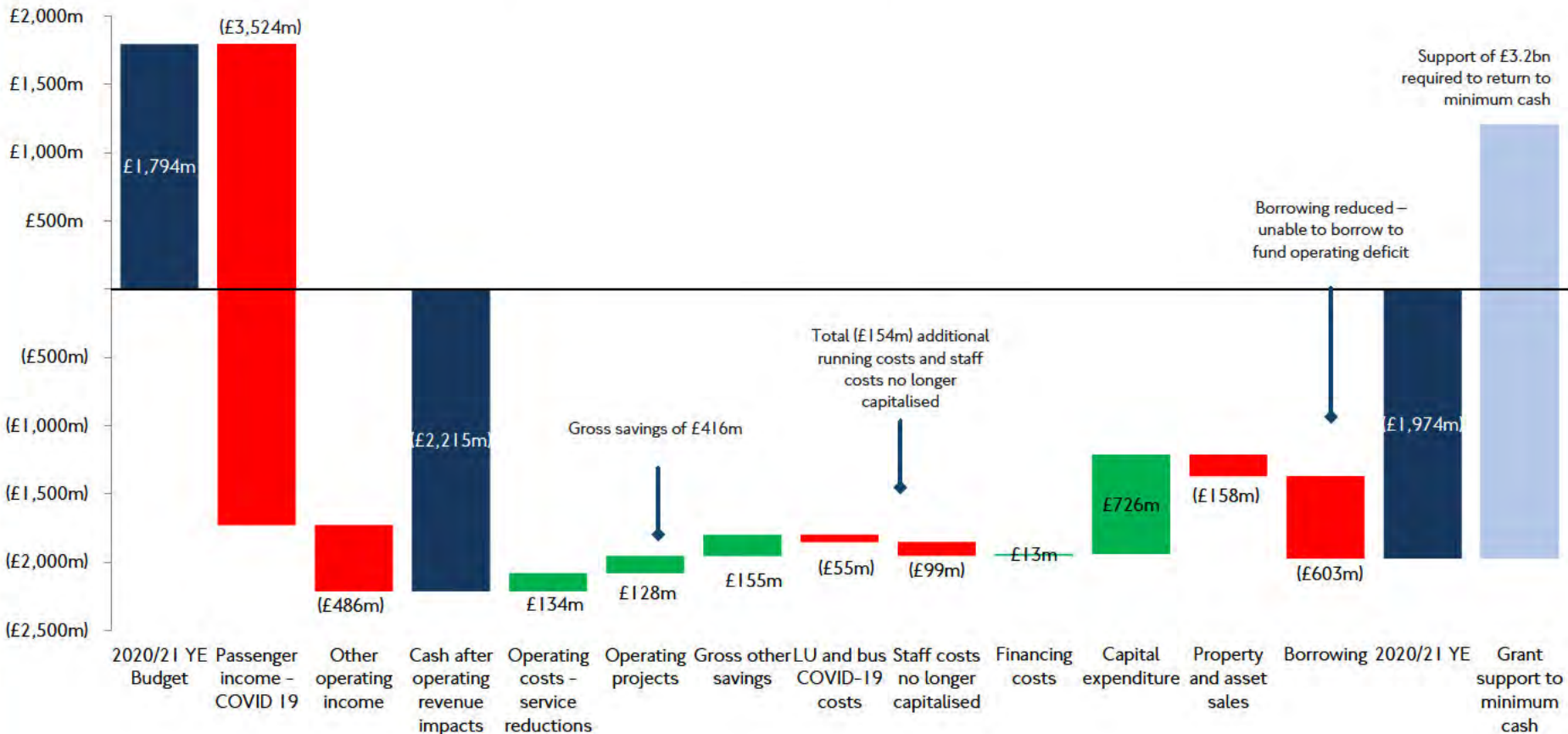
Budget position adjusted for 2019/20 YE balances

Confidential, draft and with no formal status. This is emergency planning work whose release may unduly spread confusion or be prejudicial to TfL

Cash bridge: FY Budget to FY Emergency Budget

Cash movements against 2020/21 Budget

Full-year emergency position against 2020/21 Budget – total variance of (£3,768m)



Budget position adjusted for 2019/20 YE balances

Confidential, draft and with no formal status. This is emergency planning work whose release may unduly spread confusion or be prejudicial to TfL

From: [Kilonback Simon](#)
To: [Brown Mike \(Commissioner\)](#); [Alexander Heidi](#); [David Bellamy](#)
Cc: [Clarke Andrea \(Exc\)](#); [Gasson Sarah](#); [Lucas Emma](#); [Steer Tim](#); [King Antony \(Div Finance Director MPD\)](#)
Subject: Highly Confidential and Legally Privileged - Draft Funding Proposal for urgent discussion
Date: 03 May 2020 17:35:01
Attachments: [Draft Funding Proposal for urgent discussion.docx](#)

All

As discussed, please find attached my draft funding proposal, reflecting the discussions I have had with Nick Joyce at DfT over what is needed to secure a deal.

It is very detailed, as it needs to form the basis of a senior level negotiation on Tuesday if possible, with TfL, GLA, DfT, HMT and No10 and therefore seeks to answer all of the questions we know they are likely to raise.

It also addresses what is now apparent to Tony King and I over our medium term viability, given our high level of indebtedness, the lack of certainty over long term funding and the almost complete collapse of our revenues. We need a more appropriate capital financing structure than the current Local Authority regime and this can be combined more effectively with the Government's desire for additional oversight by looking to work with government to use the ORR to provide a monitoring role, and adopt the benefits of a regulated asset base for funding, whilst preserving the benefits of devolution and local democratic accountability. It is important to include this to ensure that Government understand the scale of the problem and whilst we need money now just to keep going, we will need to tackle some of these fundamental issues relatively quickly. Also, if we do not suggest this, we are likely to find less appropriate oversight and control imposed upon us and therefore it is my judgement that it needs to be included in this letter, rather than deferred for discussion later.

Andrea, copied, from our legal team, has provided legal advice on this.

I would like to be able to send this to Nick and Bernadette tonight so that I can follow up with Nick tomorrow. He is still awaiting feedback from HMT so I would like to pre-empt their calls for more borrowing and more savings and contributions from GLA.

Thanks

Simon

ON CFO LETTERHEAD – SK to NICK JOYCE

4 May 2020

Dear Nick,

TfL COVID-19 Funding - Subject to Approvals

We have had useful discussions over the last few weeks of the catastrophic impact of Covid-19 on TfL's financial sustainability, and in recent days, senior level discussions with both officials and Ministers from DfT, HM Treasury and No.10 have shown a common understanding of the scale of problem TfL faces, and of its urgency. There has also been considerable information exchanged at working level and letters from Bernadette Kelly to Mike Brown acknowledging the need for Government support. However, there has so far been no real discussion of what can practically be done, or the quantum of support that Government will provide.

The position is now stark. [REDACTED]

For us to continue to support the Government's strategy in fighting COVID-19 and to enable us to fully support the restart and recovery from this crisis, we need a funding package that will meet the funding gap of £1.9bn set out in TfL's proposed Emergency Budget for the period to 17 October 2020 (H1 2020), along with a firm commitment to further funding arrangements that will enable us to continue to meet our legal obligations for a balanced budget in the medium term.

The £1.9bn funding gap already takes into account that we will have contributed £1bn of our cash to mitigate the impacts of the crisis on our finances and that we have committed to deliver significant cost reductions in H1 2020 of nearly £1bn (as set out in the Emergency Budget). Further cost reductions are not possible, without impacting our ability to deliver the current level of service and support the restart. For example, we have already placed around 7000 employees on furlough and there is no opportunity to go further without impacting tube, rail and bus services levels.

We have previously proposed that this £1.9bn be funded solely by grant from Government, but we recognise that Government will find this difficult and would like us to consider alternative proposals. We have also previously set out the difficulties and challenges associated with solutions other than grant. The options are extremely limited and [REDACTED]

[REDACTED] This is also based on a shared understanding that we will need to work together to review the structure of TfL's funding arrangements, given that current circumstances have shown that the current model will not support the level of services and capital investment needed to run a safe and sustainable transport network going forward.

1. Alternative Funding Proposal

TfL would still require a significant proportion of the funding gap to be covered by grant, but could conduct some additional borrowing, as follows:

- £1.65bn of revenue grant from Government;
- TfL borrowing for up to £250m, predicated on the provision by Government of the additional support set out below for the period beyond H1 2020 into the medium- to long-term; and
- TfL continuing to utilise the £750m Crossrail Loan Facility Agreement to continue to fund Crossrail.

This alternative funding proposal (and specifically our ability to borrow) would be predicated on Government agreeing to:

■ The £250m of TfL borrowing being undertaken with the PWLB ■

■

- ■

■

- Irrespective of the form of short-term funding proposal, a clear undertaking to agree to put in place further funding arrangements, beyond H1 2020, acknowledging that the impacts of the COVID-19 crisis are likely to persist in the medium term;
- A clear undertaking that the further funding arrangements will ensure that we can continue to meet our legal obligation to produce a balanced budget over a short- and medium-term period and will enable our auditors to sign off TfL's accounts on a going concern basis; also taking into account that we already have, and will need to enter into, long term spending commitments that extend beyond H1 2020; and
- TfL continuing to apply the fares assumptions set out in its 2019 Business Plan for the purposes of the Emergency Budget.

In return for the support set out above, we will also agree to:

- A true-up process where the proportion of grant and borrowing is rebalanced if the funding gap at the end of H1 2020 is less than £1.9bn; with any unused portion of the revenue grant being offset against future support at the end of H1 2020;
- A process for an interim review, if assumptions underpinning the Emergency Budget change during its period (for example, if Government scenarios and measures change compared to base assumptions);
- Open book transparency and a commitment to regular meetings and information sharing, whilst the funding arrangements remain in place; and
- Utilise the Coronavirus Job Retention Scheme, where practicable, for as long as this remains available and staff are not otherwise required for a restart of services.

The amount we can borrow is limited and we will still need a grant from Government to make up a substantial portion of the overall funding package. I set out further below the constraints on our ability to borrow, along with supporting information in

we have sufficient capital expenditure to allocate this additional borrowing to and sufficient capital BRR to repurpose to the operating account. We have determined, that on a pro-rata basis for H1 2020, we can borrow and repurpose capital BRR for a maximum of £250m. This limit reflects the fact that we have a finite amount of capital expenditure in H1 2020 and a finite amount of capital BRR to repurpose. We have already assumed some repurposing of capital BRR to offset the Crossrail funding issues and we cannot prudently borrow more than this when uncertainty remains about the level of capital expenditure and funding in H2 2020.

4. Requirement to maintain prudent cash reserves

We have set out previously that our cash reserves cannot drop below the required minimum level required for 60 days operating expenditure of £1.2bn, particularly given that [REDACTED]

[REDACTED] The amount of liquidity we need to maintain going forward beyond H1 2020 will be dependent on budget for the remaining part of the financial year and the risks inherent within it, which will need to be taken into account in further funding arrangements mentioned above.

5. Limitations on GLA Contributions

We also need to acknowledge that the GLA's ability to help resolve the funding gap is extremely limited. The Government has protected authorities from the effects of the business rates relief for specific sectors but not from wider changes. We consider that it is highly likely that the BRR income for London will be reduced as a result of this crisis, as business activity falls. We currently estimate that this could impact TfL's BRR grant allocation by up to £250m in this financial year and a significant risk of even greater impacts in the next financial year. Our Emergency Budget is based on our budgeted level of BRR grant being maintained – this will be a significant challenge for the GLA, and we will discuss with them the extent to which they are able to do so for the current financial year.

The BRS and MCIL revenues underpin the current GLA borrowing for Crossrail, and neither can be used to support TfL operations.

The Mayor has other significant assets and cash-flows, but these are allocated to other specific purposes, such as housing, the London Fire Service and the Metropolitan Police; under business rates devolution the rules, the medium-term allocation and the tax level are controlled centrally. So, the Mayor's only ability to provide additional TfL funding is through fares and council tax. Neither of these is possible in the current circumstances, where the lack of any ability to raise significant taxation in the long-term differentiates London from other devolved bodies of a similar scale. In the short term, a fare increase would unfairly penalise the essential workers our network is currently carrying. In addition, during the recovery, we need

to encourage demand back to our services, and discourage the use of cars, a fare increase will not support that aim. Council tax is constrained by the referendum rules and a tax base based on thirty-year-old values. The Mayor can therefore provide neither the cash nor any credit support.

6. Further funding arrangements and ongoing financial sustainability

Recent events, with the extreme changes in our revenues, have shown that our current funding model does not work. Devolution has been a good thing for transport in London and we would want it to continue. However, TfL's status as a Local Authority for capital financing purposes, while expedient, is not optimal, and is certainly no longer sustainable. We are part of the public sector, and the rating agencies and markets treat our borrowing on that basis. [REDACTED]

Therefore, in relation to further funding arrangements beyond H1 2020 and the medium-term, we would be prepared to agree:

- A commitment to review mitigations against the need for further support in the future (e.g. further cost reductions where reasonable and practicable);
- A commitment to work together with Government to develop options for an alternative capital structure and oversight mechanisms for a transport body, including:
 - a form of involvement by a body such as the ORR in independently monitoring the cost and profile of our renewal, maintenance and enhancement expenditure, to ensure our assets meet safety and reliability standards and remain in a good state of repair;
 - long-term certainty of adequate capital funding via either Government grant or further fiscal devolution measures; and
 - structural underpinning of TfL's current and future indebtedness to enable us to better meet the investment requirements necessary to maintain safety and reliability of the assets on our network; including the completion of the Crossrail project.
- The options and details of these structures would need to be worked through over the coming months and their implementation would be subject to approvals and primary legislation, where relevant. We would also need to ensure that any proposed options did not fetter the Mayor's statutory responsibilities and obligations;
- A commitment to work together with Government to determine an appropriate level of ongoing liquidity in the structures mentioned above, noting that any further funding arrangement would need to ensure that we can build the right level of cash reserves going forward to enable us to be more resilient to any future shocks; and
- A commitment to aim to maintain the "London Pays" principle for Crossrail where practicable – noting that some of the structural options above would help to facilitate further contributions from London; however, depending on the extent of any additional cost and revenue pressures, and the rate of revenue recovery, Government support may be necessary.

We would hope to work through the matters set out in this letter in a high-level meeting between us, senior officials from the Treasury and Number 10, on Tuesday, with the aim to agree it as soon as possible and at the latest by the 8 May. I look forward to hearing from you shortly.

From: [Kilonback Simon](#)
To: agilligan@no10.gov.uk
Cc: [Brown Mike \(Commissioner\)](#)
Subject: Highly Confidential and Legally Privileged: TfL Emergency Budget Funding Request
Date: 27 April 2020 15:34:00
Attachments: [TfLs Emergency Budget 2020 21 270420.pdf](#)

Dear Andrew

Further to your call with Mike, he asked me to send you the Emergency Budget we shared with DfT on Friday.

As I said in my email to Ed Lister, the 95% reduction in Tube ridership and 85% reduction in bus ridership that you will be very familiar with from the daily charts has had a catastrophic effect on our income. We are losing over £100 million a week.

We have now placed over 7,000 staff on furlough across the organisation, including over 4,000 in London Underground, and the emergency budget shows that, notwithstanding identifying over £400 million in gross operating cost savings and £500 million in capital expenditure that can be deferred, we need the government to provide £2 billion in grant funding to enable us to continue to run the current level of services and to support the Restart effort between now and the end of September this year.

This is because we will need to provide 100% of services as soon as ridership has reached 15% of normal volumes, in order to maintain any form of social distancing and protect public health. The only way we could reduce our costs further would be if we cut services substantially from the current levels, which we know would be diametrically opposed to what you need us to do.

[REDACTED]

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED] tfl.gov.uk | Direct dial: [REDACTED]



Coronavirus Update

TfL's Emergency Budget 2020/21

27 April 2020

Draft and TfL restricted



Introduction

This pack sets out our financial position as a result of the Covid 19 virus and the steps we are taking to manage the financial & operational impacts on TfL

- **We are actively discouraging all travel.** Tube and rail journeys are now down 95%. Bus journeys are down 85%. We are continuing to take actions to drive this lower in line with government direction...tube traffic reduction is now one of the highest of any city globally
- [Redacted]
- [Redacted]
- **We have started to furlough staff, with 7,000 staff (more than 25% of our workforce) furloughed for an initial 3-week from Monday 27 April, saving £15m per period**
- **Modelled revenue scenarios based on external modelling of the impact on the UK, ranging from £1.4bn to £3.5bn passenger revenue reduction by the end of 2020/21 – more than £4bn by the end of the 2021/22 - based on expected passenger demand volumes.**



Section 1

What have we seen to the end of 2019/20

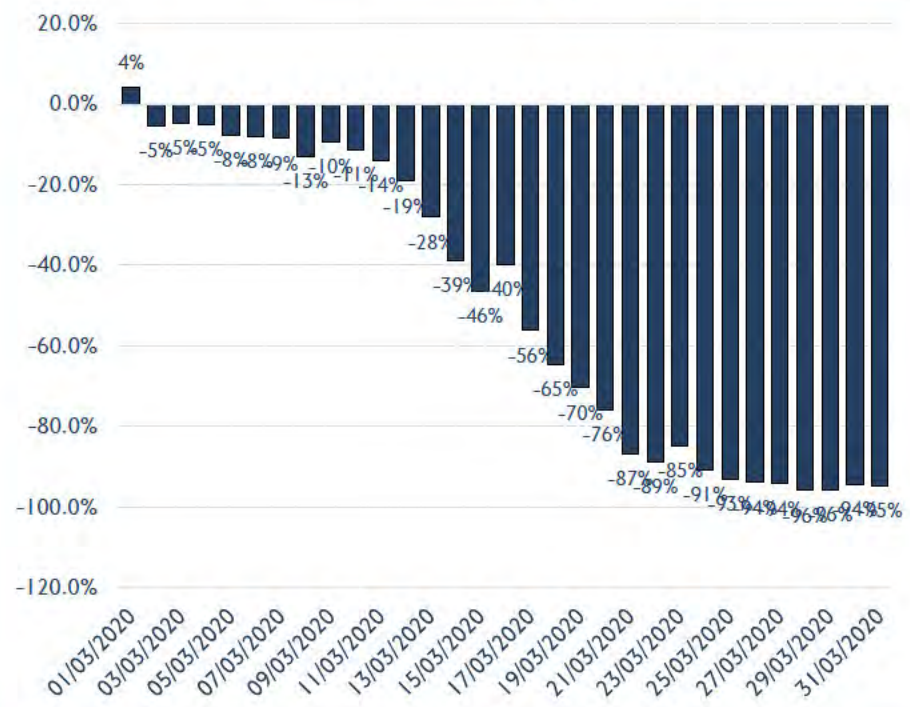


We have seen huge journey reductions at the end of 2019/20

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

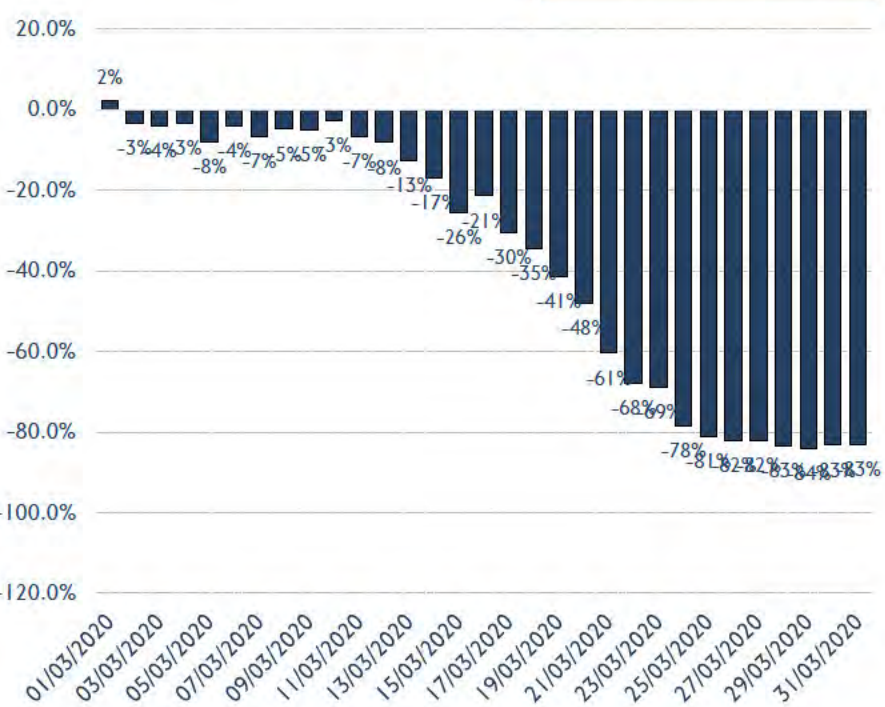
We lost over £80m in revenue per week at the peak, with these trends continuing to today

Tube journeys % year-on-year change **(£126m) in LU**



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

Bus journeys % year-on-year change **(£38m) in Buses**



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

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

We have already seen significant reductions in income

Period 13 of 2019/20 saw the initial impacts from government lockdown and social distancing – material impacts began from 16 March, ramping up to year end

Total impact on operating account	(£220m)
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Passenger income

Total passenger income impact	(£183m)
LU: journeys 61 million (50%) lower than revised Budget	(£126m)
Buses: journeys 67 million (35%) lower than revised Budget	(£38m)
Rail: journeys 10 million (32%) lower than revised Budget	(£15m)
EL: journeys 3 million (48%) lower than revised Budget	(£4m)

Total other operating income impact	(£8m)
-------------------------------------	-------

CC/ ULEZ income (£8m)

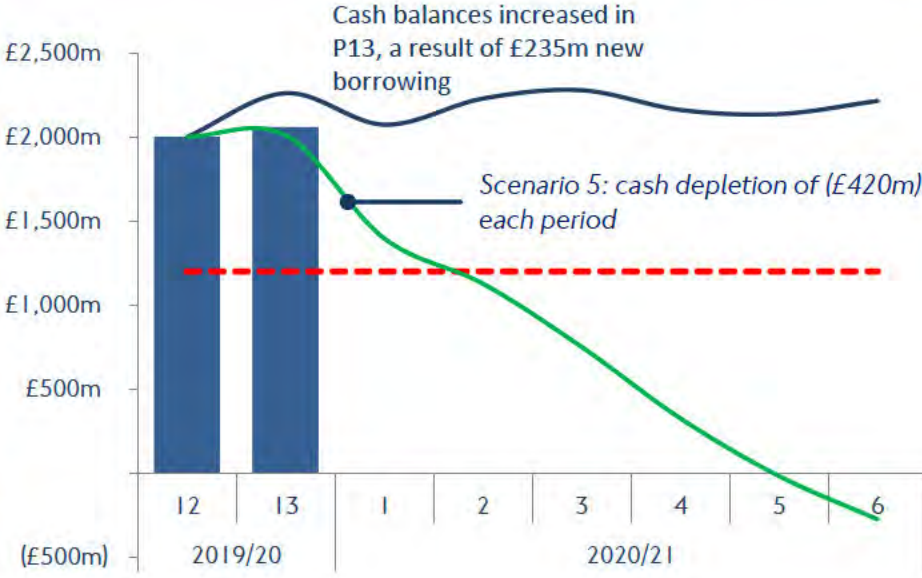
No impact on commercial and advertising income in Period 13; expect impact from Period 1, 2020/21

Operating costs

Total operating cost impact	(£28m)
Direct operating cost impacts	(£9m)
Streets bad debt provision (£7m)	
Bus network (£1m)	
Central items (£1m)	
Safe stop costs	(£19m)
LU (£5m)	
Surface Transport (£10m)	
MPD (£4m)	

Cash

Cash balances as of 31/03/2020	£2,056m
Variance to forecast	(£204m)
Variance to Scenario 5 – gradual return over 6 months	£48m



Actuals Budget including borrowing Minimum cash reserve



Section 2

2020/21

Emergency Budget



Central assumptions of TfLs Emergency Budget

- Revenue: based on a 6 month crisis period followed by muted recovery beyond that (see next slide)
- Staffing:
 - we are furloughing over 7,000 staff for a 2 month period in line with current government guidance. If the government guidelines are extended we will implement accordingly.
 - Furloughing savings are approximately £15m per period. Salary will be topped up to 100% to avoid lengthy consultation periods and TU negotiations
 - we are also releasing around 770 temporary resource
- Service levels and ramp up:
 - current assumption in buses is that normal operational activity is not resumed until H2. If we are required to resume activities earlier we will incur additional costs, which we are holding centrally
 - We may incur additional ramp up costs eg communication campaigns to manage demand, additional resource, temporary barriers (at the time of the Olympics these costs amounted to £30m) related to restarting services which are also being held centrally
- [REDACTED]
- [REDACTED]
- Working capital assumptions have not been changed from the original budget. We may see some changes in working capital over this period which will be picked up in the periodic reviews
- We have assumed no additional borrowing during the period of the emergency budget

Passenger income scenarios

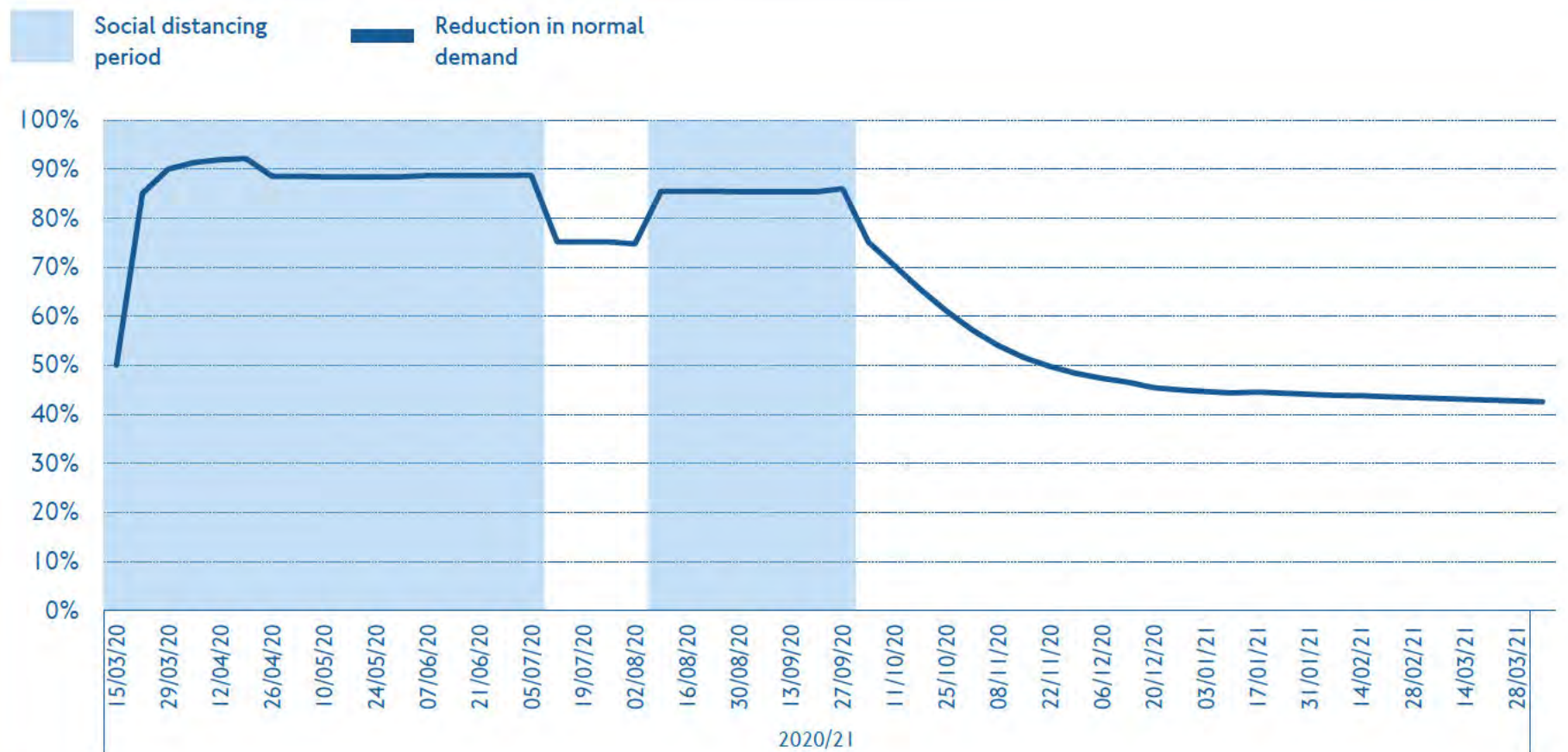
We have modelled a number of scenarios on the basis of Imperial College's COVID-19 modelling, all of which have a severe impact on our revenues.

The emerging scenario is two periods of lockdown during a six month crisis

6 month crisis & 55% demand gradual return

Based on current Government messaging of six months before UK 'returns to normal'. Initial peak of three months is followed by relaxation of measures and then a second peak. Only 55% of demand returns six months after the end of social distancing. Assumes strict government enforcement of travel restrictions during social distancing.

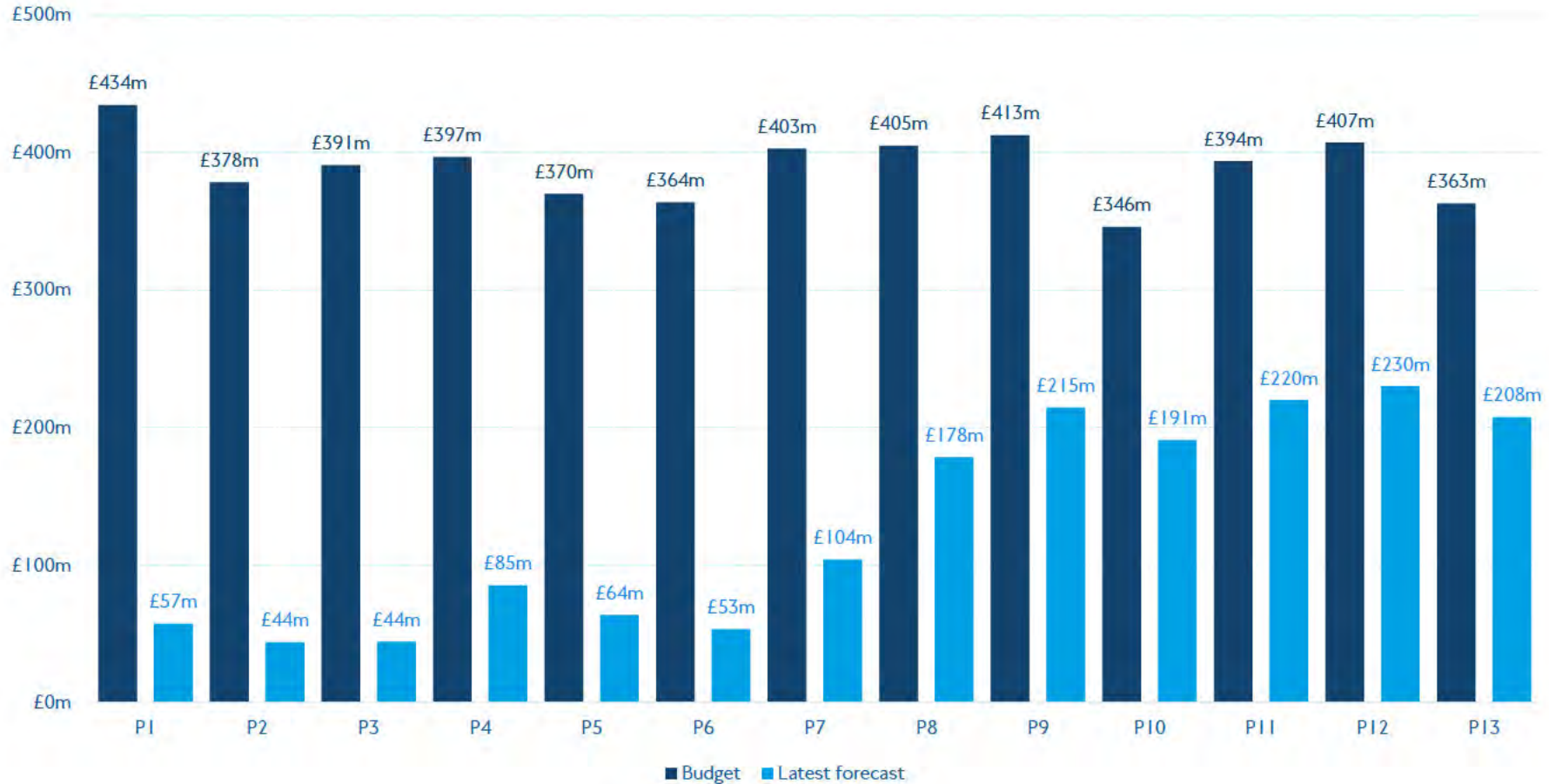
Passenger Revenue
2019/20: £0.2bn
2020/21: £3.5bn
Total: £3.7bn



Passenger income

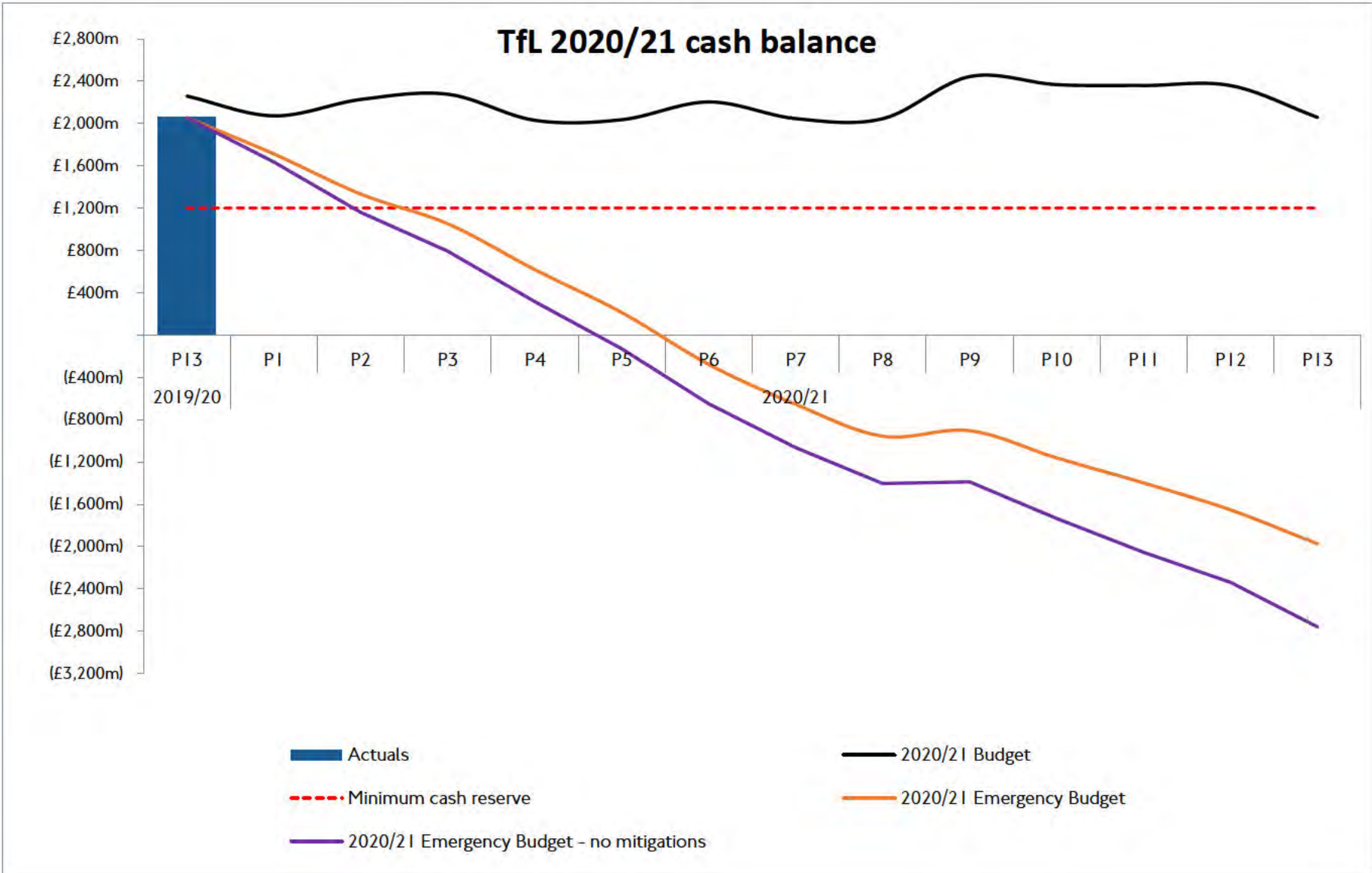
We are expecting a significant decrease in customer demand resulting in an estimated £3.5bn of lost revenue:

- (£2.4bn) in H1
- a further (£1.1bn) in H2



The impact on our cash balance is severe

Without support:
 By Period 3, we will breach our minimum cash threshold
 By Period 6 we will run out of cash altogether



Our Usable reserves are exhausted without Grant funding and are forecast to be £2.1bn negative by the end of 20/21

Forecast Reserves Position – Full Year

Reserves (£m)	2019/20 Actual	2019/20 Q3F	Variance to Q3F	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
Usable reserves	1,767	2,065	(298)	-14%	(2,181)	1,946	(4,127)	-212%
Unusable reserves	24,241	24,230	11	0%	24,826	24,717	109	0%
Total reserves	26,008	26,295	(287)	-1%	22,645	26,663	(4,018)	-15%

- Our useable reserves broadly mirrors cash reserves balance and therefore both balances would move equally with additional grant funding
- Per the original business plan our reserves under normal trading conditions were forecast to fall by a further £0.5bn in 2021/22 due to additional financing costs (Crossrail) and Elizabeth line start-up costs



London Underground

- A budgeted operating surplus of £1bn becomes a £1.1bn deficit in 2020/21 following the revenue collapse (see next slide for bridge on operating costs)

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	2,729	207	1,580	(1,373)	-87%	903	2,932	(2,028)	-69%	(1,826)	-67%
Other operating income	33	10	10	0	0%	18	18	0	0%	(16)	-47%
Total operating income	2,763	217	1,590	(1,373)	-86%	921	2,949	(2,028)	-69%	(1,842)	-67%
Operating cost	(1,944)	(1,086)	(1,064)	(21)	2%	(2,041)	(1,977)	(64)	3%	(97)	5%
Core costs	(1,951)	(1,058)	(1,044)	(14)	1%	(1,968)	(1,944)	(24)	1%	(17)	1%
Project costs	(32)	(8)	(8)	0	0%	(14)	(14)	0	0%	18	-57%
Exceptional costs	38	(20)	0	(20)	0%	(59)	(19)	(40)	211%	(97)	-253%
Direct operating surplus	819	(869)	526	(1,395)	-265%	(1,120)	972	(2,092)	-215%	(1,939)	-237%
Indirect net operating cost	(353)	(240)	(240)	0	0%	(445)	(445)	0	0%	(92)	26%
Net operating surplus before financing and renewals	466	(1,109)	286	(1,395)	-488%	(1,565)	527	(2,092)	-397%	(2,031)	-436%
Net financing costs	(293)	(159)	(159)	0	0%	(296)	(296)	0	0%	(3)	1%
Capital renewals	(311)	(43)	(181)	138	-76%	(137)	(317)	180	-57%	174	-56%
Net surplus/(cost) of operations	(138)	(1,311)	(54)	(1,256)	2323%	(1,998)	(86)	(1,912)	2223%	(1,860)	1348%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(71)	(7)	(35)	28	-80%	(35)	(58)	23	-40%	36	-51%

- The original budget is based on 100% operation of working timetables. Reduced services, on average 15 tph are currently operating across the network given the significantly lower levels of demand.
- The emergency budget assumes these temporary timetables operate until June with additional trains on certain lines to manage demand as lockdown restrictions are reduced.
- From July it is assumed that full services will need to operate to manage increasing demand whilst operating Social Distancing.

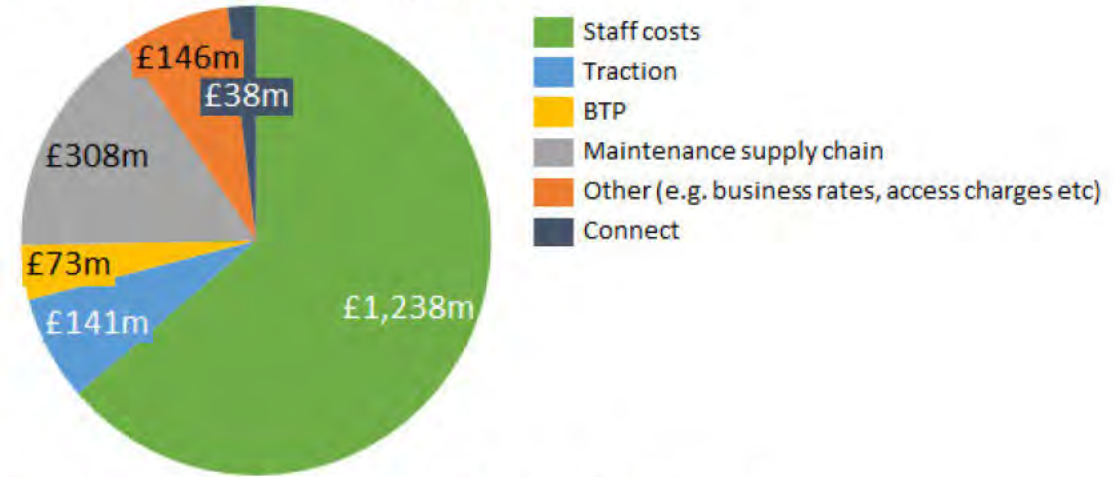


London Underground – Operating cost assumptions (full year)

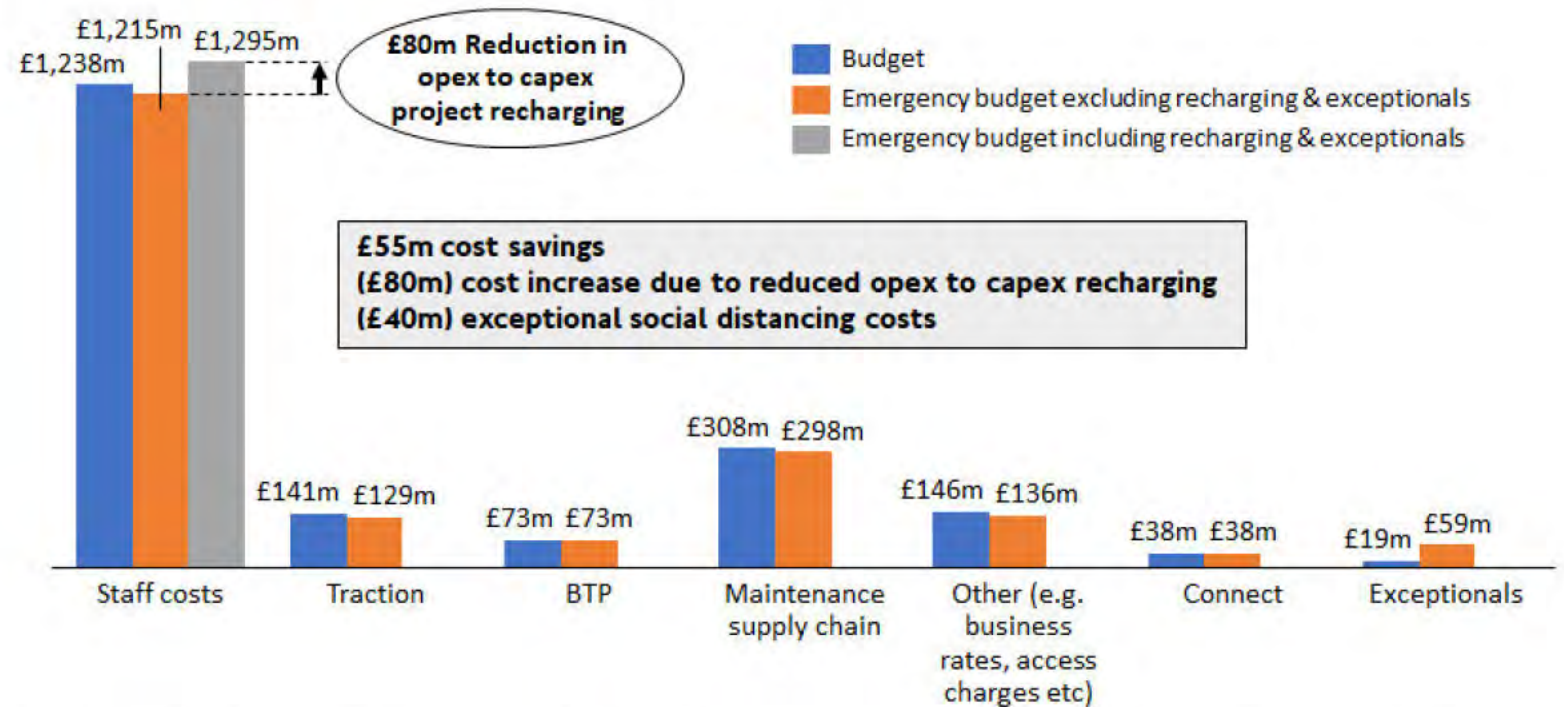
Cost	Assumption	Impact
20/21 Budgeted operating costs		(£1,977m)
Staff costs - furloughing	c.4,200 FTEs furloughed from P2-P3. 100% salary/benefits paid for those furloughed. No furloughing assumed from end of June onwards	£23m
Traction	Variable element reduced in line with service levels (15tph - 50% of original budgeted service assumed for P1-P3) . Full service assumed for rest of year from P4	£12m
Asset Ops supply chain	Major contract review with variable elements assumed to be reduced to varying degrees for P2-P3	£10m
Consultancy costs	50% reduction assumed	£10m
BAU cost savings		£56m
Opex to capex project recharging	Estimation of internal staff costs that would no longer be recharged out of opex due to the reduction project works	(£80m)
Exceptional cost: Social Distancing	Includes external labour costs for crowd management and barriers	(£40m)
20/21 Emergency Budget operating costs		(£2,041m)

London Underground cost base and savings (full year)

£1,944m budgeted core costs

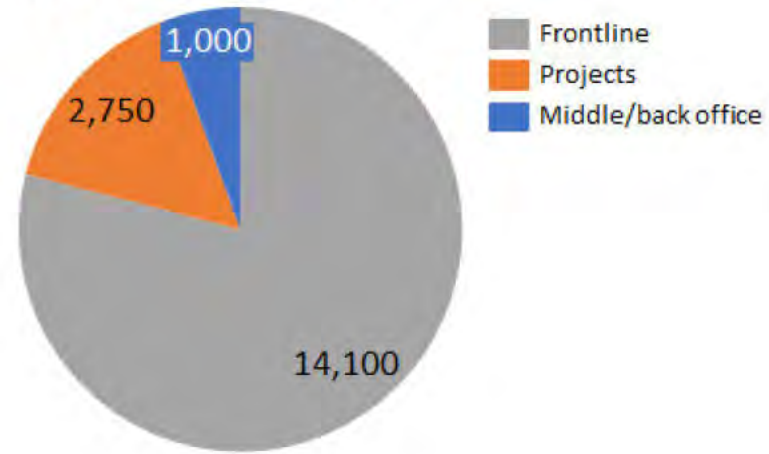


Emergency budget operating cost changes

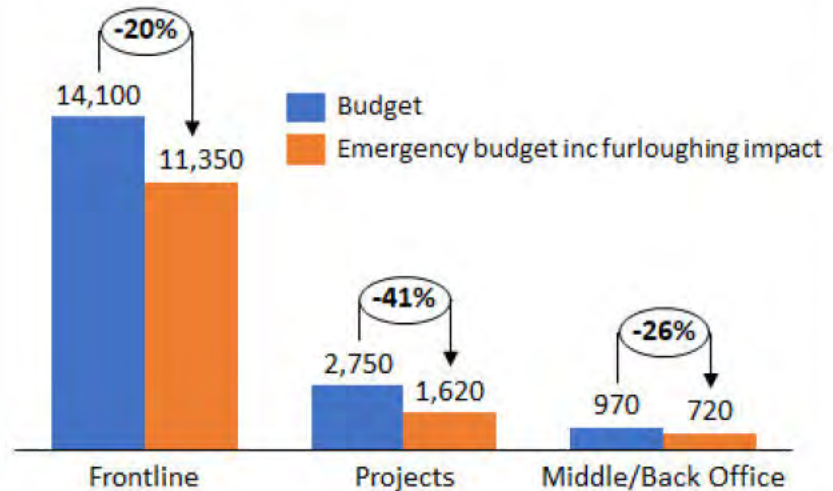


London Underground staff costs & FTEs (full year)

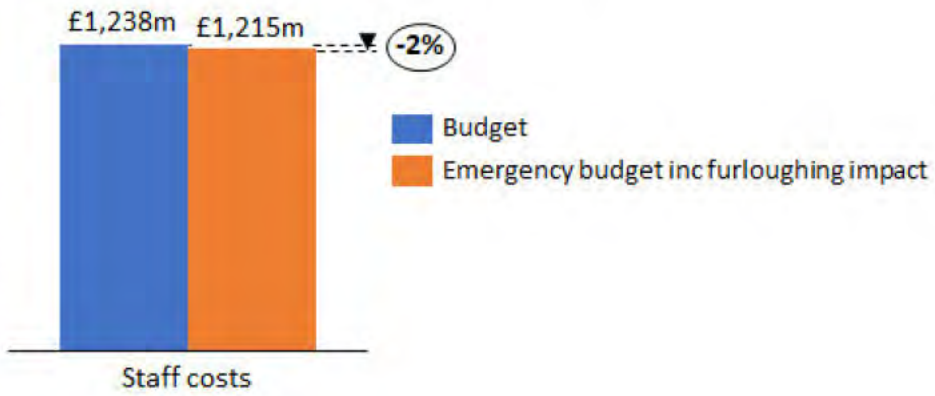
c.18,000 Budget FTEs



c.4,200 FTEs furloughed in Emergency Budget



Two periods of furloughing c.4,200 FTEs equates to a 2% saving on our full year staff costs



40% of costs associated with furloughed FTEs still incurred by TfL

	Full year average staff costs	2 periods average staff costs	2 periods furlough rebate	% furlough rebate
Front line	(58,900)	(9,062)	(5,218)	58%
Projects	(56,603)	(8,708)	(5,391)	62%
Middle / back office	(56,086)	(8,629)	(5,235)	61%
Total	(58,435)	(8,990)	(5,249)	58%

London

Underground: capex spend in HI reduces by £166m (76%)

2020/21 Budget: £377m

HI: £217m

Emergency Budget: £193m

HI: £51m

Risk to Opex

- Internal staff costs c£75m (to be partly mitigated by furloughing)
- Supplier penalties/restart costs estimated to be £35m to £50m (the Sensible Minimum option aims to mitigate these as far as possible)

We intend to reduce spend wherever possible while continuing to maintain safety. While 20/21 Capex will be reduced, the whole life costs of assets will increase.

Renewals	Reduction in spend – P1 to P7
Track – Reduction from £76m to £13m in P1 to P7	£63m
Fleet Heavy Overhauls – Reduction from £28m to £8m in P1 to P7	£20m
Fleet – Reduction from £30m to £10m in P1 to P7	£20m
Stations and buildings – Reduction from £18m to £3m in P1 to P7	£15m
Renewals – Reduction from £30m to £10m in P1 to P7	£20m
Investments	
Enhancements – Reduction from £10m to £2m in P1 to P7	£8m
Step-free Access (SFA) – Reduction from £19m to £3m in P1 to P7	£16m
Technology & Data – Reduction from £13m to £9m in P1 to P7	£4m
Total	£166m

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Rail (exc Elizabeth line)

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	414	38	236	(198)	-84%	146	441	(295)	-67%	(268)	-65%
Other operating income	22	5	5	0	0%	10	10	0	0%	(12)	-55%
Total operating income	437	44	241	(198)	-82%	156	451	(295)	-65%	(281)	-64%
Operating cost	(468)	(257)	(263)	7	-3%	(469)	(489)	19	-4%	(1)	0%
Core costs	(463)	(256)	(267)	11	-4%	(469)	(488)	19	-4%	(6)	1%
Project costs	(3)	(1)	(1)	0	0%	(1)	(1)	0	0%	2	-71%
Exceptional costs	(2)	0	0	0	0%	0	0	0	0%	2	-100%
Direct operating surplus	(31)	(213)	(22)	(191)	879%	(313)	(38)	(275)	724%	(282)	910%
Indirect net operating cost	(19)	(12)	(12)	0	0%	(22)	(22)	0	0%	(3)	16%
Net operating surplus before financing and renewals	(50)	(225)	(34)	(191)	569%	(335)	(60)	(275)	458%	(285)	570%
Net financing costs	(45)	(23)	(23)	0	0%	(43)	(43)	0	0%	2	-4%
Capital renewals	(37)	(24)	(20)	(4)	21%	(42)	(38)	(4)	11%	(5)	15%
Net surplus/(cost) of operations	(132)	(272)	(76)	(195)	256%	(420)	(141)	(279)	198%	(288)	218%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(44)	(3)	(25)	22	-89%	(3)	(41)	38	-93%	41	-93%

- Operating cost saving negotiated through contractors of £20m (FY).
- The operating costs assume current service levels until June (aligned to demand scenario). Any marginal increase in demand will require 100% service levels to maintain social distancing. A ramp up in mid-May would cost a further £5m (HI).
- For investment programme activity only Core activity impact is reflected in the table above. A further review of core activity has increased full year New Capital by £30m and reduced renewals projects by £11m - this update matches the Rail, Streets and Other summary slide (core activity)



Streets, Buses & Other Surface

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	1,436	68	806	(739)	-92%	395	1,480	(1,085)	-73%	(1,041)	-72%
Other operating income	581	308	308	0	0%	233	571	(337)	-59%	(348)	-60%
Total operating income	2,018	376	1,114	(739)	-66%	628	2,051	(1,423)	-69%	(1,390)	-69%
Operating cost	(2,879)	(1,511)	(1,529)	17	-1%	(2,595)	(2,839)	244	-9%	284	-10%
Core costs	(2,670)	(1,432)	(1,432)	0	0%	(2,552)	(2,674)	123	-5%	118	-4%
Project costs	(192)	(79)	(79)	0	0%	(42)	(164)	121	-74%	150	-78%
Exceptional costs	(17)	(1)	(1)	0	0%	(1)	(1)	0	0%	16	-95%
Direct operating surplus	(861)	(1,136)	(414)	(721)	174%	(1,967)	(788)	(1,179)	150%	(1,106)	128%
Indirect net operating cost	(142)	(86)	(86)	0	0%	(160)	(160)	0	0%	(18)	13%
Net operating surplus before financing and renewals	(1,003)	(1,222)	(501)	(721)	144%	(2,127)	(948)	(1,179)	124%	(1,124)	112%
Net financing costs	(30)	(16)	(16)	0	0%	(29)	(29)	0	0%	1	-3%
Capital renewals	(73)	(41)	(62)	22	-35%	(103)	(125)	22	-17%	(30)	41%
Net surplus/(cost) of operations	(1,106)	(1,278)	(579)	(700)	121%	(2,259)	(1,102)	(1,157)	105%	(1,153)	104%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(168)	(45)	(94)	49	-52%	(89)	(199)	110	-55%	79	-47%

- Income includes impact of middle door boarding. This assumes that it takes four months (from policy commencing) to install ticket readers on middle of the bus. Given current demand levels the income would have been £12m per period.
- Operating cost saving negotiated through contractors of £60m (FY), partly offset by £15m (FY) of additional cleaning costs. This includes 2300 bus drivers in furlough on 80% of salaries. Topping up these salaries would cost an additional £2-3m to end of June.
- The operating costs assume current service levels (circa 80% of normal timetable) until late June (aligned to demand scenario). Any marginal increase in demand will require 100% service levels to maintain social distancing. A ramp up in mid-May would cost a further £20m (HI).
- Congestion Charge, LEZ and ULEZ restored in early June. There is a three-week lead time between relaxation of restrictions and restarting services.
- Cost savings of £9m negotiated through suspension of the RUC schemes and further £15m of savings across streets through use of furlough and other operating cost savings (FY figures).
- For investment programme activity only Core activity impact is reflected in the table above. A further review of core activity has increased New Capital by £17m, Increase Renewals by £16m and reduced Projects costs by £4m - this update matches the Rail, Streets and Other summary slide (core activity)



Rail, Streets and Buses - Investment Programme

We have prioritised activities to support efforts in the COVID-19 crisis

<p>Core activity</p> <p><small>* Figures reflected in the emergency budget</small></p>	<p>Six months £145m <small>£144m saving</small></p>	<p>FY 20/21 £330m <small>£237m saving</small></p>	<ul style="list-style-type: none"> • Critical renewals and enhancements as per the exceptions list • TLRN, Rail and borough renewals to ramp up to full run-rate from August 2020. Design work to continue in the interim. • Under-utilisation of project staff due to lower levels of delivery than budgeted, and such costs will need to be written-off as exceptional costs.
<p>Social distancing</p> <p><small>** Figures NOT reflected in the emergency budget</small></p>	<p>Six months £55m</p>	<p>FY 20/21 £65m</p>	<ul style="list-style-type: none"> • Targeted pot of £45m for boroughs to support social distancing goals, in place of BAU LIPS • TLRN and Rail enhancement projects which support social distancing (e.g. ELL 18tph and CS9) • Funding for further TfL strategic projects (TBC Alex Williams)
<p>Economy / regeneration</p> <p><small>** Figures NOT reflected in the emergency budget</small></p>	<p>Six months £5m</p>	<p>FY 20/21 £25m</p>	<ul style="list-style-type: none"> • HIF and MRN bids, including ELL 20tph and funding for transformational schemes which support regeneration and growth (e.g. Fiveways Croydon)
<p>Total Activity</p>	<p>Six months £205m <small>£84m saving</small></p>	<p>FY 20/21 £420m <small>£147m saving</small></p>	

* Please note that only Core activity figures are included in the Emergency Budget account numbers at current

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Emergency Budget 2020/21

(£2.3bn) impact compared to our current Budget in H1 with an additional (£1.2bn) expected in H2

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%
Total income	6,874	1,089	3,749	(2,660)	-71%	3,046	7,055	(4,009)	-57%
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	464	(2,236)	259	(2,495)	-963%	(3,317)	429	(3,746)	-873%
Net financing costs	(435)	(248)	(252)	4	-2%	(455)	(468)	13	-3%
Net surplus/(cost) of operations before renewals	29	(2,484)	7	(2,491)	-35308%	(3,772)	(39)	(3,733)	9572%
Capital renewals	(452)	(131)	(288)	157	-55%	(332)	(532)	201	-38%
Net surplus/(cost) of operations	(423)	(2,614)	(281)	(2,334)	831%	(4,104)	(571)	(3,533)	619%

What have we done to reduce costs?

We are planning gross opex savings of over £400m – these are partly offset in the short term by direct COVID-19 costs and capital staff cost add back

	H1, 2020/21 Variance to Budget	H2, 2020/21 Variance to Budget	FY, 2020/21 Variance to Budget
Core costs	97	36	133
Reduction in service levels (excl. EL below)	82	17	99
Increase in bus operating costs	(10)	(5)	(15)
Bad debt and other reduction in charges	46	26	72
Staff costs saved through furloughing	28	0	28
Headcount and other savings	29	18	48
Staff costs no longer capitalised following safe stop	(78)	(21)	(99)
Projects	67	61	128
Buses, Streets and other operations – core activities only	62	59	121
Other	5	2	7
Elizabeth line reduced operations	19	16	35
Exceptional costs	(18)	(15)	(33)
LU social distancing measures	(20)	(20)	(40)
Defer procurement transformation	5	5	10
Other	(3)	-	(3)
Net savings	£165m	£98m	£262m
Remove capitalisation and COVID-19 direct costs	£108m	£46m	£154m
Gross savings	£273m 8%	£144m 5%	£416m 6%



Our emergency Budget

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

Planned incremental borrowing of £0.6bn no longer prudent in line with the Prudential Code and does not support a balanced Budget

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 (TfL)	544	0	320	(320)	-100%	0	603	(603)	-100%
Other capital grants	205	103	103	0	0%	123	123	0	0%
Total	1,793	590	945	(356)	-38%	1,095	1,856	(761)	-41%
Net capital account	712	202	313	(111)	-36%	287	523	(236)	-45%

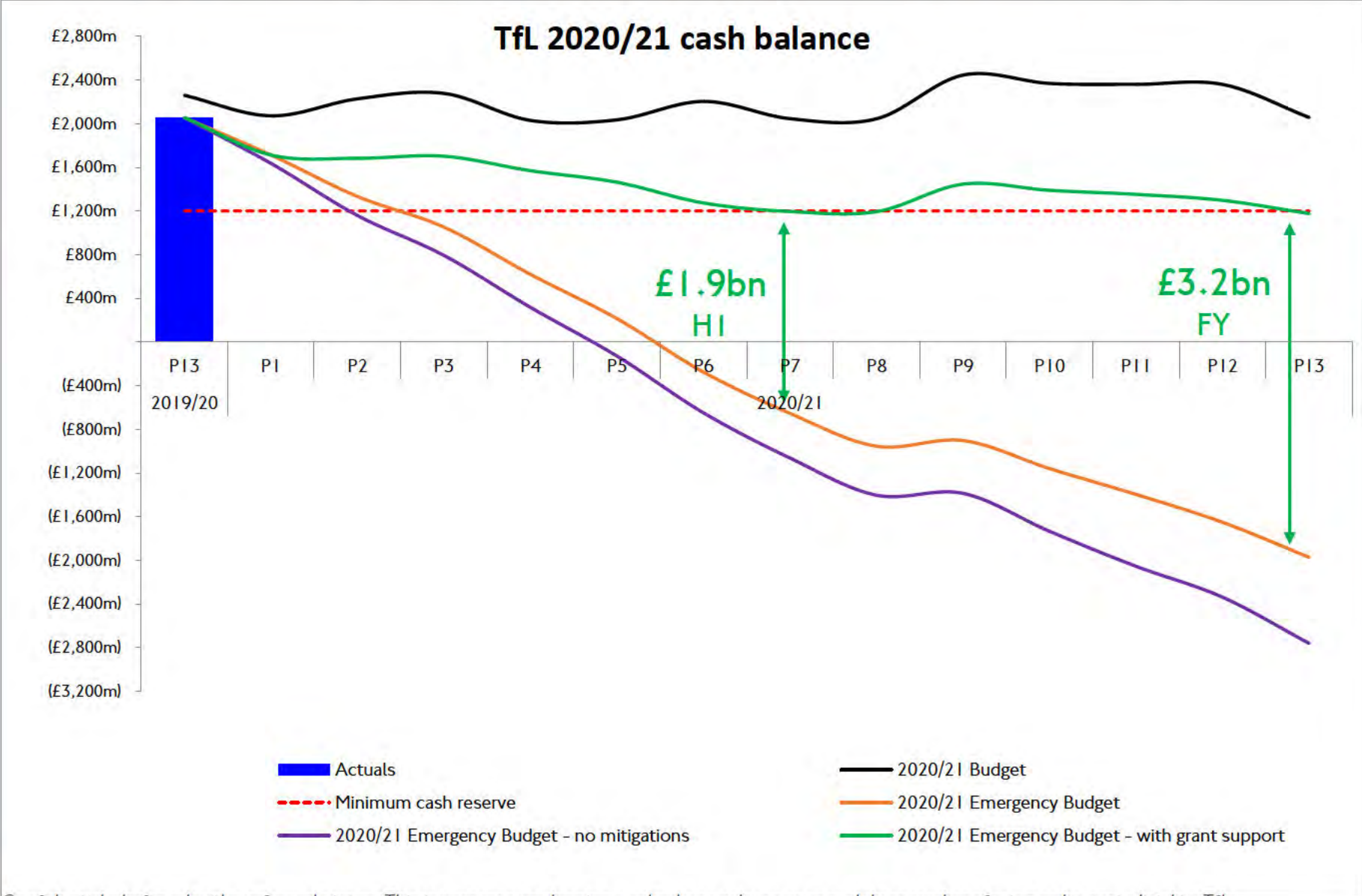
Total Capital (£m)	2019/20 Actual	2020/21 Emergency Budget to P7	2020/21 Budget to P7	Variance to Budget to P7	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
Renewals	(452)	(131)	(288)	157	-55%	(331)	(531)	201	-38%
New Capital Investment	(1,081)	(388)	(632)	244	-39%	(808)	(1,333)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

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%

Conclusion: the funding gap is beyond TfL's ability to close and therefore the requirement for government grant funding

Revenue grant is the only option that will allow TfL to return to a balanced budget position and continue meeting its financial obligations in the short term



Why we cannot breach our £1.2bn minimum Cash Reserves

Business Planning modelling concluded that a £2.2bn reserve was appropriate in Q3 2019. This was based on risks that included economic, Brexit, Cross Rail, operational and liquidity. Pandemic risks were not considered at that time.

£1.2bn minimum cash reserves represents only two months' worth of operating costs ignores renewal spend. This was benchmarked a number of international peers.

After annual debt service it represents *one months'* supplier and payroll costs. This is a minimum requirement for liquidity. On a single day we can have cash outflows as high as £300m.

[Redacted]

[Redacted]

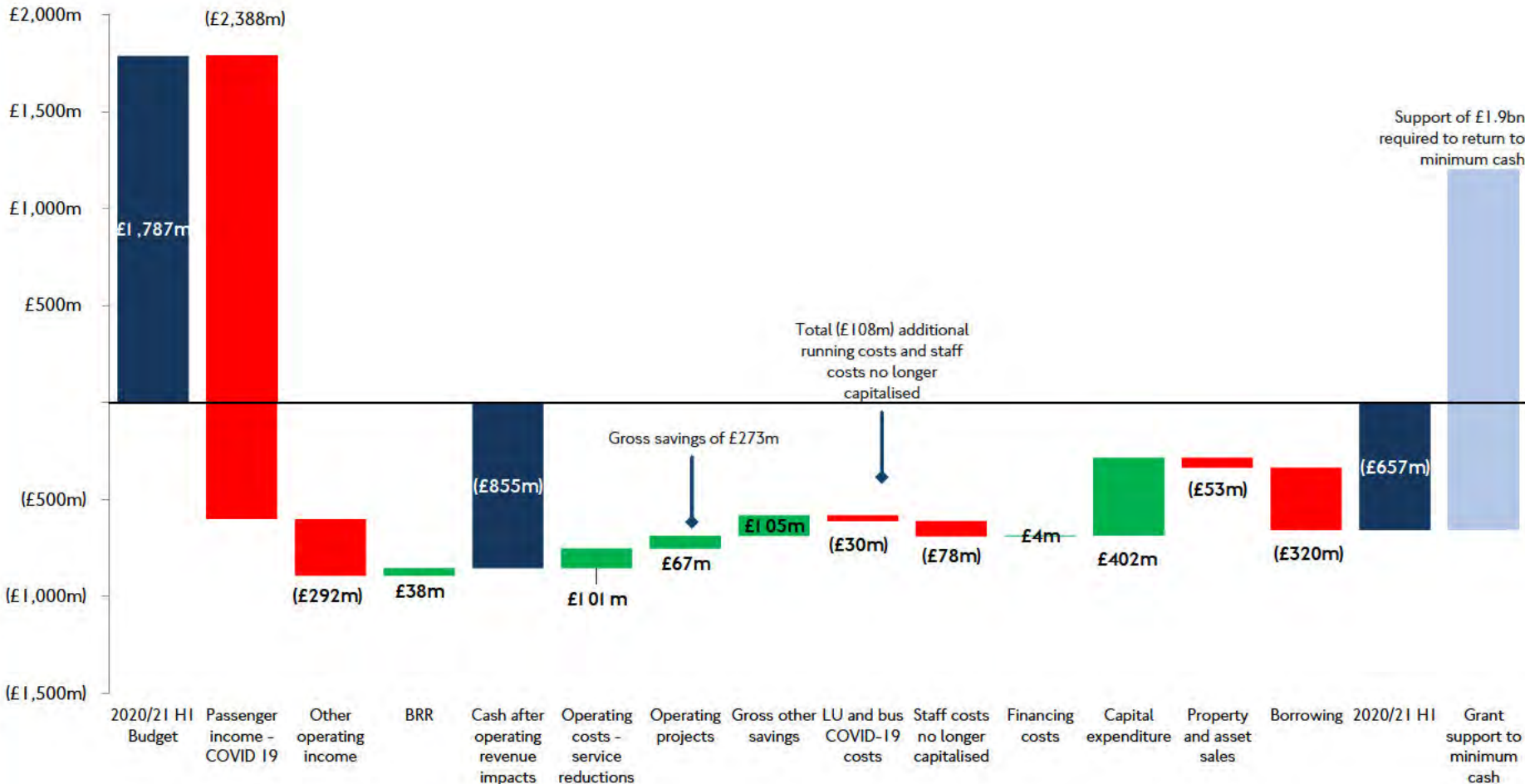
TfL are different to other public transport agencies who are wholly owned or guaranteed by the Government (and even they hold cash balances) and we have no shareholders to call upon.

[Redacted]

Cash bridge: H1 Budget to H1 Emergency Budget

Cash movements against 2020/21 Budget

H1 emergency position against 2020/21 Budget – total variance (£2,444m)



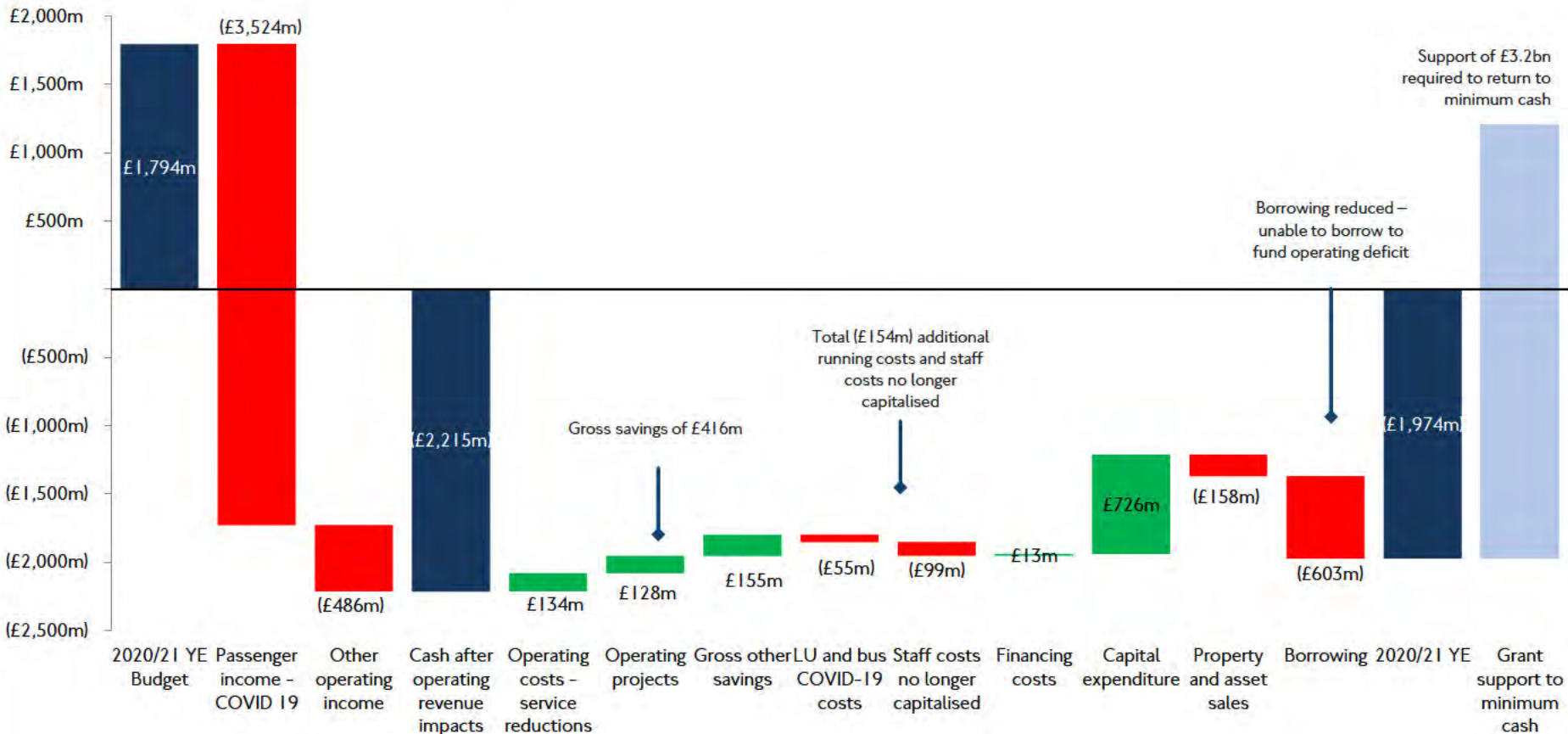
Budget position adjusted for 2019/20 YE balances

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Cash bridge: FY Budget to FY Emergency Budget

Cash movements against 2020/21 Budget

Full-year emergency position against 2020/21 Budget – total variance of (£3,768m)



Budget position adjusted for 2019/20 YE balances

Confidential, draft and with no formal status. This is emergency planning work whose release may unduly spread confusion or be prejudicial to TfL

With Proposed Grant Funding, Usable reserves are supported and although reduced by £1bn, remain positive at £0.9bn

Forecast Reserves Position – Full Year – With Grant Funding

Reserves (£m)	2019/20 Actual	2019/20 Q3F	Variance to Q3F	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
Usable reserves pre grant funding	1,767	2,065	(298)	-14%	(2,181)	1,946	(4,127)	-212%
Grant funding	-	-	-	0%	3,150	-	3,150	0%
Usable reserves with grant funding	1,767	2,065	(298)	-14%	969	1,946	(977)	-50%
Unusable reserves	24,241	24,230	11	0%	24,826	24,717	109	0%
Total reserves	26,008	26,295	(287)	-1%	25,795	26,663	(868)	-3%

- Per the original business plan our reserves under normal trading conditions were forecast to fall by a further £0.5bn in 2021/22 due to additional financing costs (Crossrail) and Elizabeth line start-up costs
- Usable reserves will continue to need Grant support into 2021/2022 to ensure that we can maintain financial resilience and a balanced budget in the medium term

Further work & next steps

Further work required

As we have compiled this Emergency Budget in very short timescales there are a few areas we may need to refine:

- phasing of costs between months, which may also impact H1 / H2 split
- as we spend more time understanding the impacts in the different areas, we may uncover additional costs/ opportunities. We can feed these additional changes into the Q1 updated budget (see below)

Next steps

- we are looking to present an updated budget to the Board in July which will represent a more detailed 2-year view. This updated budget can be used for a more detailed review with the DfT
- We will work with DfT analysts to prepare the Q1 budget on a jointly agreed assumption around recovery and continued social distancing measures likely to be in place for the remainder of the year and into the following year



Section 3

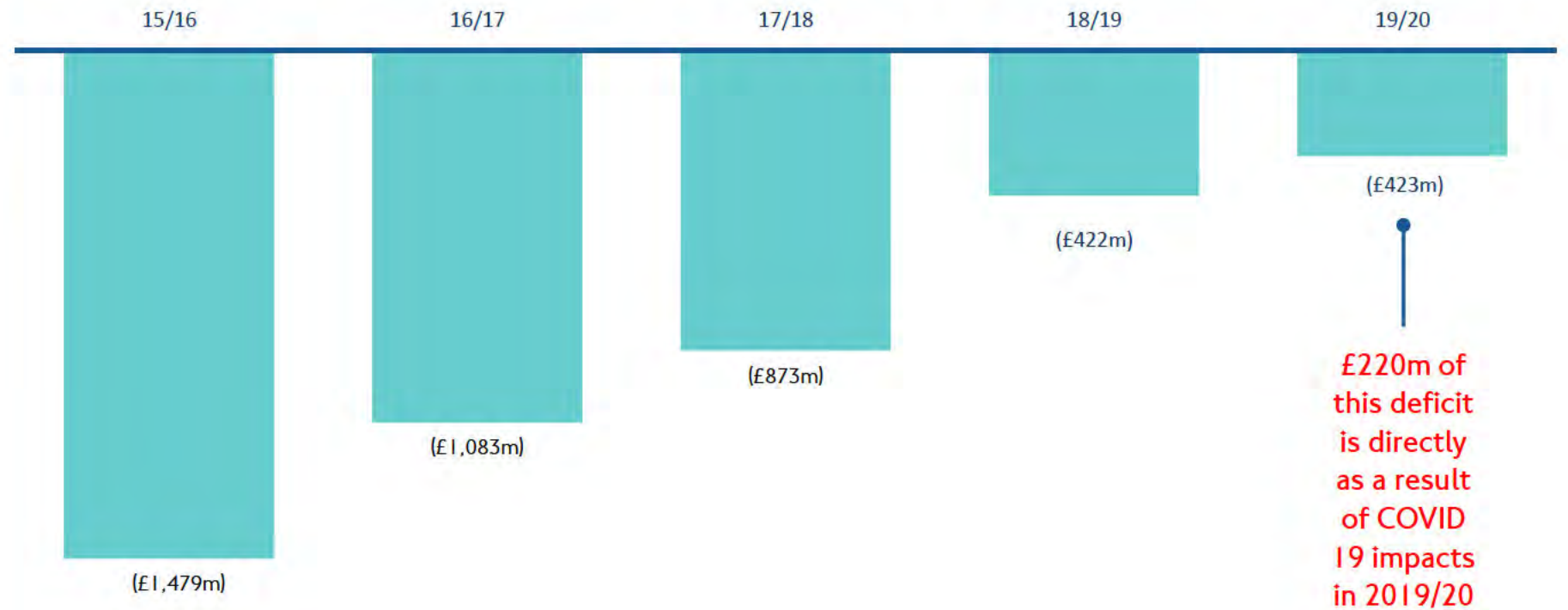
Our cost base and savings to date



We have already taken significant steps to structurally improve our cost base

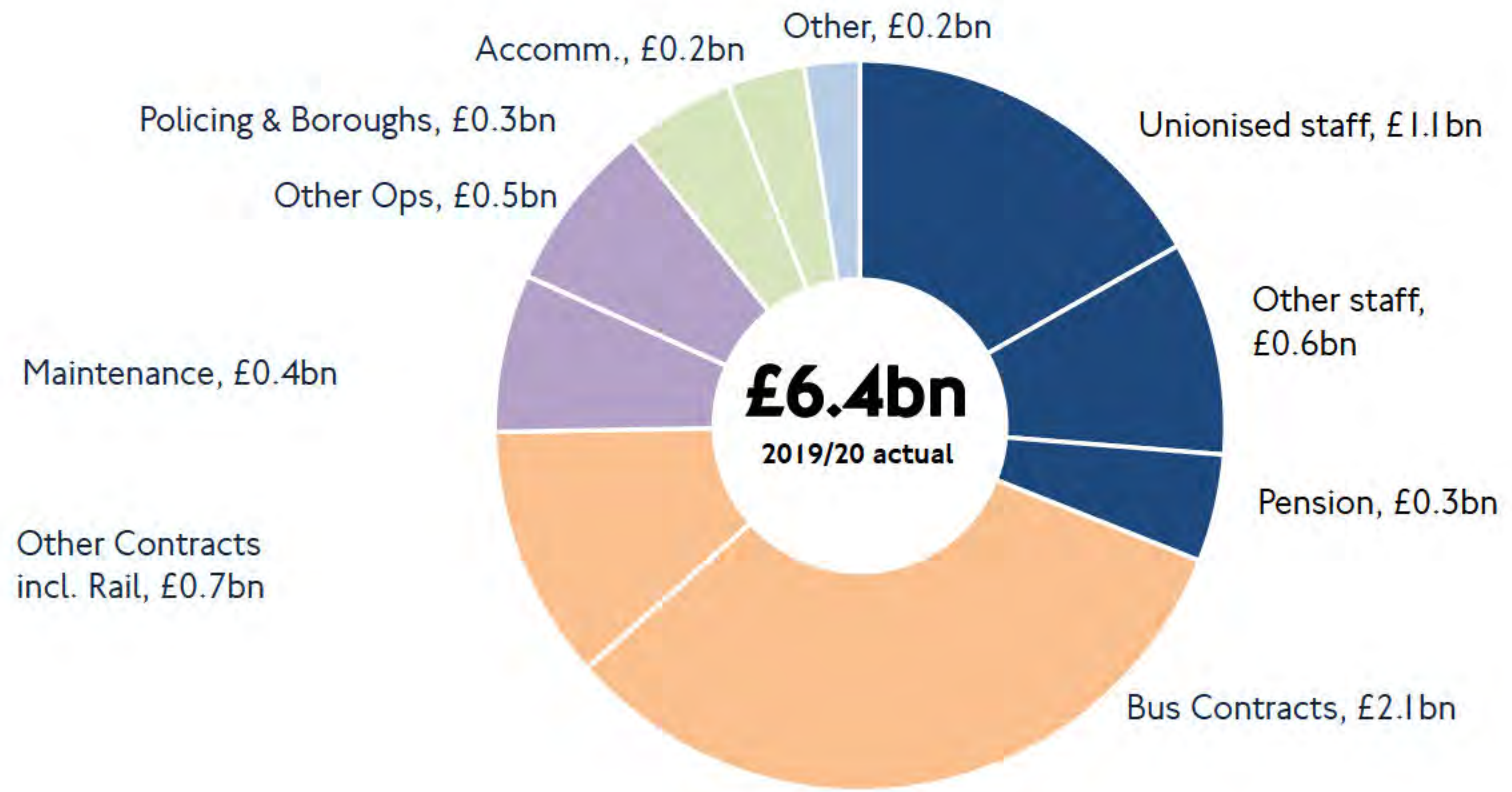
We have already reduced our operating costs since 2015/16

On a like-for-like basis, we have reduced our operating deficit by over £1bn



TfL operating cost base

Our operating costs are largely fixed with very limited scope for reductions in the short term



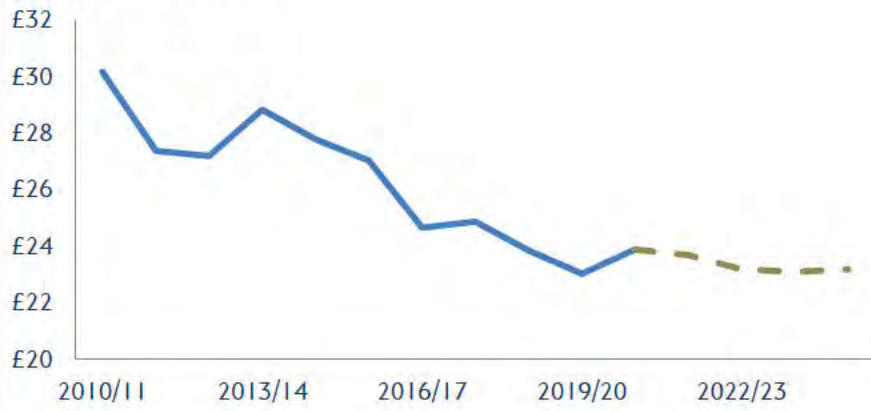
- 31% Staff cost which is largely unionised and a significant pension charge
- 44% Third party contracts to deliver bus and rail services as well as support ticketing system
- 15% Operational, reliability and safety related costs including maintenance, cleaning and traction
- 8% Payments to other authorities including policing and boroughs as well as accommodation costs

Savings and efficiencies to date

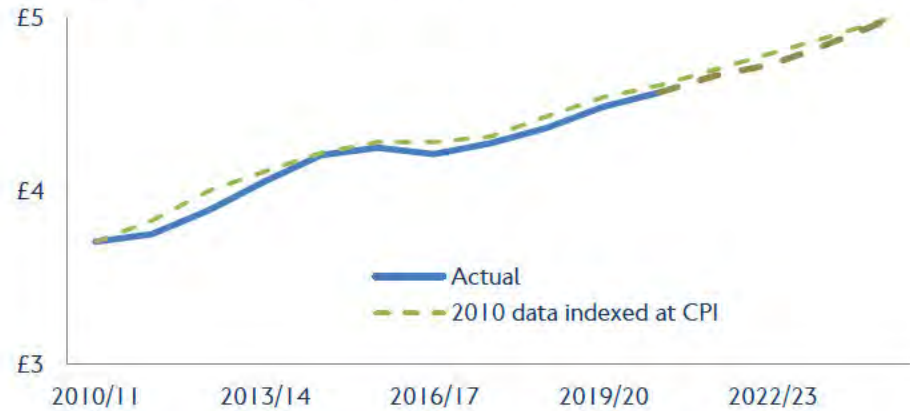
We have become a much more efficient organisation

Cost of running services

London Underground: cost per operated kilometre reduced 21% since 2010 (£)

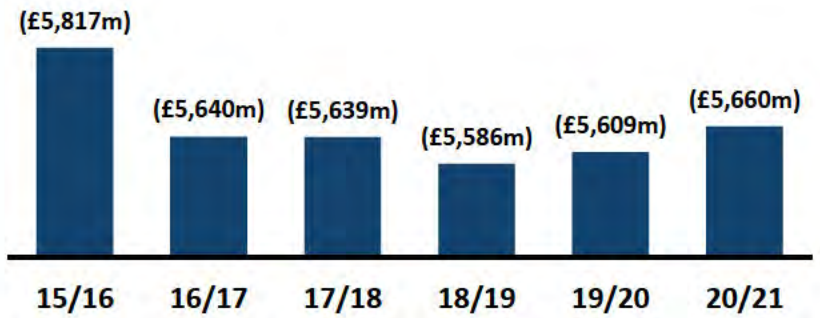


Buses: cost per operated kilometre +2.3% p.a. on average, improving safety, reliability and air quality without cost changes exceeding inflation (£)

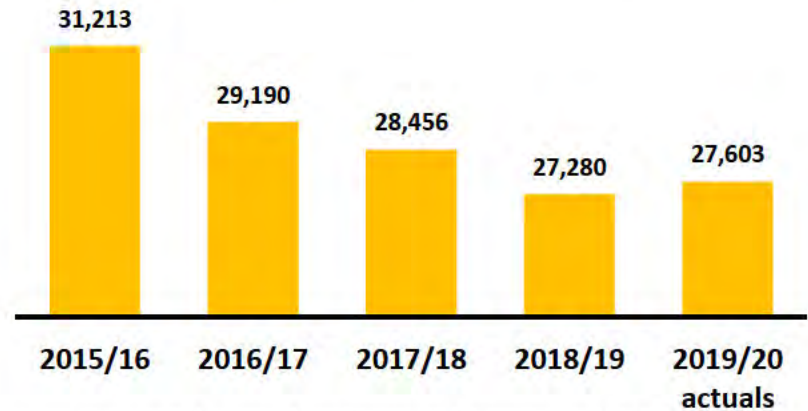


Size of our organisation

TfL's operating costs (like-for-like basis, £m) are £200m lower today than when compared to 2015/16



TfL's headcount (FTEs) reduced 12% since 2015/16



We took out almost £750m in costs from 2015/16 to 2018/19; further £200m

Our operating costs have decreased since 2015/16, with growth and inflationary pressures mitigated through savings

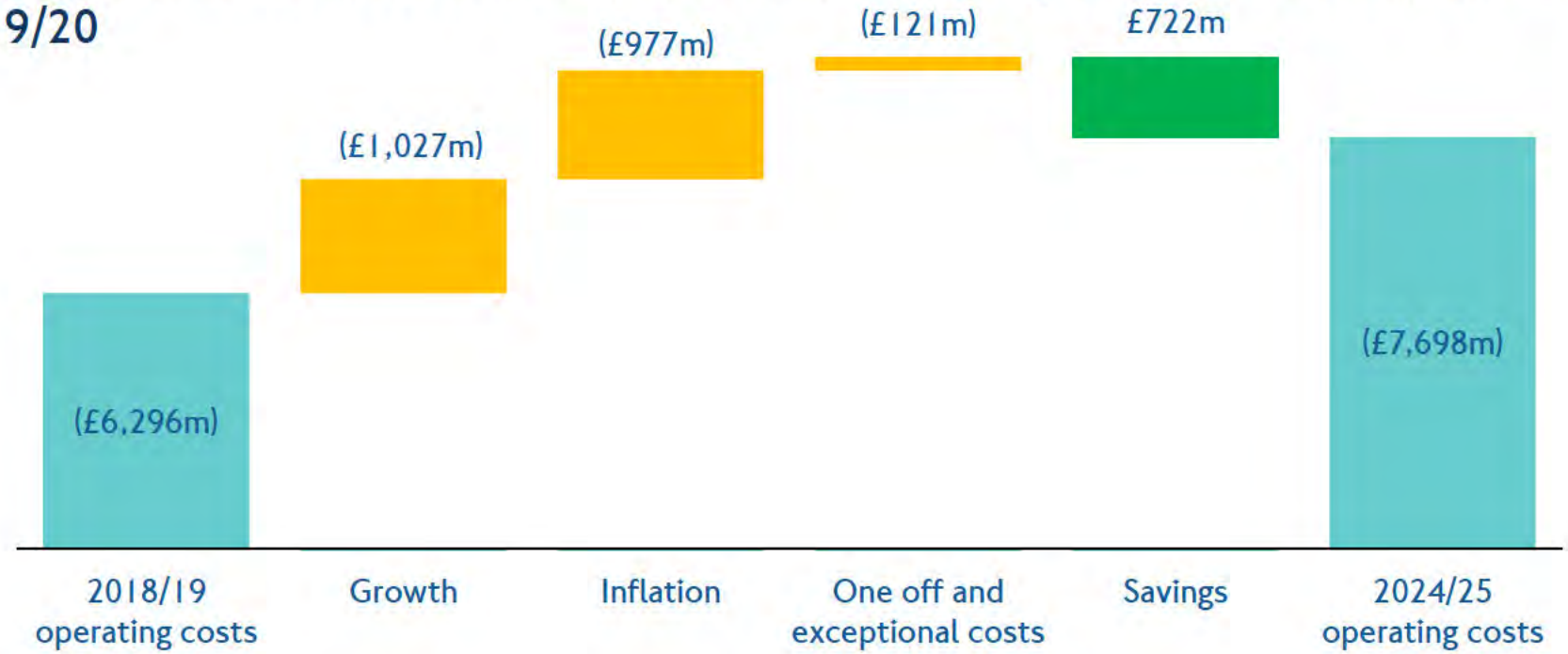


£747m
saved since
2015/16

£120m	LU maintenance modernisation	£60m	Surface Transformation	£20m	Finance and Commercial
£70m	Bus network right sizing	£55m	LU Stations	£25m	Property operations
£50m	Bus tender price	£90m	Tech & Data op model	£15m	Rail contracts

With further significant costs savings already embedded in our Business Plan

We had planned to make a further £722m of savings by 2024/25 - £200m achieved in 2019/20



Growth



Revenue generating services

- Elizabeth line costs increase by £800m
- ULEZ introduction
- New LO trains

Savings

£722m

Mitigating almost 75% inflationary pressures

£200m

already achieved in 2019/20

Areas already targeted for further cost savings may become more of a challenge to achieve now



Section 3

Appendices: Divisional Slides

Elizabeth line

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	118	12	89	(78)	-87%	51	166	(115)	-69%	(67)	-57%
Other operating income	29	8	8	0	0%	41	41	0	0%	12	41%
Total operating income	147	20	98	(78)	-80%	92	207	(115)	-56%	(55)	-37%
Operating cost	(354)	(209)	(252)	43	-17%	(433)	(468)	35	-7%	(79)	22%
Core costs	(354)	(209)	(228)	19	-8%	(433)	(468)	35	-7%	(79)	22%
Project costs	0	0	0	0	0%	0	0	0	0%	0	0%
Exceptional costs	0	0	0	0	0%	0	0	0	0%	0	0%
Direct operating surplus	(207)	(189)	(154)	(35)	23%	(341)	(261)	(80)	31%	(134)	65%
Indirect net operating cost	(16)	(11)	(11)	0	0%	(20)	(20)	0	0%	(4)	25%
Net operating surplus before financing and renewals	(223)	(200)	(165)	(35)	21%	(361)	(281)	(80)	28%	(138)	62%
Net financing costs	(77)	(53)	(53)	0	0%	(99)	(99)	0	0%	(22)	29%
Capital renewals	0	0	0	0	0%	0	0	0	0%	0	0%
Net surplus/(cost) of operations	(300)	(253)	(218)	(35)	16%	(460)	(380)	(80)	21%	(160)	53%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(23)	(10)	(10)	0	0%	(41)	(41)	0	0%	(18)	78%

Property Development

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	102	16	58	(42)	-72%	42	115	(116)	-101%	(102)	-101%
Total operating income	102	16	58	(42)	-72%	42	115	(116)	-101%	(103)	-101%
Operating cost	(33)	(19)	(23)	4	-17%	(38)	(43)	43	-100%	33	-99%
Core costs	(33)	(19)	(22)	2	-11%	(38)	(43)	43	-100%	33	-100%
Project costs	0	0	0	0	0%	0	0	0	0%	0	0%
Exceptional costs	0	0	0	0	0%	0	0	0	0%	0	0%
Direct operating surplus	69	(3)	35	(38)	-109%	4	72	(73)	-102%	(70)	-102%
Indirect net operating cost	(9)	(1)	(9)	8	-94%	(1)	(16)	15	-94%	8	-90%
Net operating surplus before financing and renewals	60	(4)	27	(30)	-113%	3	56	(57)	-102%	(61)	-102%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	0	0	0	0	0%	0	0	0	0%	0	0%
Net surplus/(cost) of operations	60	(4)	27	(30)	-113%	3	56	(57)	-102%	(61)	-102%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(91)	(24)	(75)	51	-68%	(51)	(281)	280	-100%	90	-99%
Property receipts and asset sales	151	14	67	(53)	-79%	62	219	(220)	-100%	(152)	-101%



Commercial Development: all projects on hold, with minimal essential ongoing spend

Commercial Development capital spend/receipts vs current budget - £m

Project name	Details	HI	FY
Capital receipts (ex CRL)	<i>Erosion of receipts reflecting completion confidence in next 6 months</i>	(13.4)	(135.5)
Capital receipts – CRL	<i>Erosion of receipts reflecting completion confidence in next 6 months</i>	(40.0)	(22.2)
Capital spend	<i>All live developments on stop</i>	50.9	229.6
TOTAL		(2.5)	72.0

- incurring minimal safe stop costs on Blackhorse and Kidbrook
- Paddington project £100m has been removed from the Emergency Budget
- no new commitments are being made
- only minimal spends remain based on H&S considerations and planning and design expenditure to keep momentum across the portfolio

Facilities & Estates

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	14	7	7	0	0%	13	13	(13)	-100%	(14)	-100%
Total operating income	14	7	7	0	0%	13	13	(13)	-100%	(14)	-100%
Operating cost	(104)	(52)	(53)	1	-1%	(98)	(98)	98	-100%	104	-100%
Core costs	(104)	(51)	(54)	3	-6%	(96)	(98)	98	-100%	104	-100%
Project costs	0	0	0	0	0%	0	0	0	0%	0	0%
Exceptional costs	0	(1)	0	(1)	0%	(1)	0	0	0%	0	0%
Direct operating surplus	(90)	(45)	(46)	1	-2%	(85)	(85)	85	-100%	90	-100%
Indirect net operating cost	0	0	0	0	0%	0	0	0	0%	0	0%
Net operating surplus before financing and renewals	(90)	(45)	(46)	1	-2%	(85)	(85)	85	-100%	90	-100%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	0	0	0	0	0%	0	0	0	0%	0	0%
Net surplus/(cost) of operations	(90)	(45)	(46)	1	-2%	(85)	(85)	85	-100%	90	-100%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget	%	Variance to LY	%
New Capital Investment	0	0	0	0	0%	0	0	0	0%	0	0%
Property receipts and asset sales	0	0	0	0	0%	0	0	0	0%	0	0%



Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget H1	2020/21 Budget H1	Variance to Budget H1	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	17	0	0	0	0%	0	0	0	0%	(17)	-100%
Total operating income	17	0	0	0	0%	0	0	0	0%	(17)	-100%
Operating cost	(16)	(10)	(5)	(4)	80%	(15)	(10)	(5)	53%	1	-6%
Core costs	(10)	(7)	(4)	(3)	78%	(12)	(9)	(3)	35%	(2)	24%
Project costs	(2)	(0)	(0)	0	0%	(1)	(1)	0	0%	1	-69%
Exceptional costs	(4)	(2)	0	(2)	0%	(2)	0	(2)	0%	2	-50%
Direct operating surplus	1	(10)	(5)	(4)	80%	(15)	(10)	(5)	50%	(16)	-1600%
Indirect net operating cost	0	0	0	0	0%	0	0	0	0%	0	0%
Net operating surplus before financing and renewals	1	(10)	(5)	(4)	80%	(15)	(10)	(5)	50%	(16)	-1600%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	(19)	(7)	(7)	0	0%	(12)	(12)	0	0%	7	-35%
Net surplus/(cost) of operations	(18)	(17)	(12)	(4)	35%	(27)	(22)	(5)	23%	(9)	50%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget H1	2020/21 Budget H1	Variance to Budget H1	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(595)	(248)	(342)	94	-28%	(523)	(648)	125	-19%	72	-12%

Major Projects: around 40% capex deferred over the next 6 months

Major project versus budget (£m)

Project name	Details	6mnths	FY
Piccadilly Line Upgrade	<i>Deferred: protect critical path of delivery; remobilise in 6 months</i>	9.6	15.4
4 Lines Modernisation	<i>Deferred: remobilised to restart in 6 weeks</i>	28.9	65.1
DLR	<i>Deferred: protect critical path of delivery; remobilise in 4 months</i>	11.7	9.6
Northern Line Extension	<i>In final stages of delivery. Defer and remobilise to restart in 6 weeks</i>	16.5	5.8
Bank Station	<i>Deferred: remobilised to restart in 6 weeks</i>	13.8	11.2
Barking Riverside	<i>Deferred: remobilised to restart in 6 weeks</i>	4.9	4.1
Other		7.3	13.5
TOTAL		91.2	124.5



Professional Services

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	50	39	39	0	0%	71	71	0	0%	20	40%
Total operating income	50	39	39	0	0%	71	71	0	0%	21	42%
Operating cost	(522)	(263)	(277)	14	-5%	(486)	(514)	28	-5%	36	-7%
Core costs	(464)	(244)	(249)	5	-2%	(450)	(462)	12	-3%	14	-3%
Project costs	(50)	(19)	(23)	4	-15%	(36)	(42)	6	-15%	14	-29%
Exceptional costs	(8)	0	(5)	5	-104%	(0)	(10)	10	-96%	8	-94%
Direct operating surplus	(472)	(224)	(238)	14	-6%	(415)	(443)	28	-6%	57	-12%
Indirect net operating cost	0	0	0	0	0%	0	0	0	0%	0	0%
Net operating surplus before financing and renewals	(472)	(224)	(238)	14	-6%	(415)	(443)	28	-6%	57	-12%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	(15)	(17)	(18)	2	-9%	(37)	(40)	3	-8%	(22)	144%
Net surplus/(cost) of operations	(487)	(241)	(257)	16	-6%	(452)	(483)	31	-6%	35	-7%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(85)	(51)	(51)	0	0%	(73)	(73)	0	0%	12	-14%

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	154	40	79	(40)	-50%	76	151	(76)	-50%	(78)	-51%
Total operating income	154	40	79	(40)	-50%	76	151	(75)	-50%	(78)	-51%
Operating cost	(4)	(2)	(2)	(0)	0%	(4)	(4)	0	0%	0	-10%
Core costs	(3)	(2)	(2)	0	0%	(3)	(3)	0	0%	0	-7%
Project costs	(1)	(0)	(0)	0	0%	(1)	(1)	0	0%	0	-18%
Exceptional costs	0	0	0	0	0%	0	0	0	0%	0	0%
Direct operating surplus	150	38	77	(40)	-51%	72	147	(75)	-51%	(78)	-52%
Indirect net operating cost	(2)	(1)	(1)	0	0%	(1)	(1)	0	0%	1	-50%
Net operating surplus before financing and renewals	148	37	77	(40)	-52%	71	146	(75)	-51%	(77)	-52%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	0	0	0	0	0%	0	0	0	0%	0	0%
Net surplus/(cost) of operations	148	37	77	(40)	-52%	71	146	(75)	-51%	(77)	-52%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(4)	(0)	(0)	0	0%	7	7	0	0%	11	-275%

From: [Kilonback Simon](#)
To: [REDACTED] [dft.gov.uk](#)
Cc: [Kelly Bernadette](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#)
Subject: Legally privileged and confidential: TFL Covid-19 funding
Date: 03 May 2020 22:55:38
Attachments: [200503 Legally privileged and confidential SKNJ.pdf](#)

Dear Nick

As discussed, please find attached a draft funding proposal for discussion. I have tried to address all of the points you and I have discussed and provide something that could form the basis of a senior official discussion to agree a funding deal, which would need to be on Tuesday, with Bernadette, Mike, you, me, Charles Roxburgh and Andrew Gilligan, (and possibly David Bellamy from GLA) to have any hope of resolving this this week.

I am at your disposal tomorrow (Monday) to discuss.

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra 11th Floor Yellow Zone 7 | 197 Blackfriars Road | London SE1 8NJ

[REDACTED] [tfl.gov.uk](#) | Direct dial: [REDACTED]



Nick Joyce
Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR

Transport for London
Chief Finance Office

Palestra House
Zone 11Y7
197 Blackfriars Road
London, SE1 8NJ

www.tfl.gov.uk

3 May 2020

Dear Nick,

TfL COVID-19 Funding - Subject to Approvals

We have had useful discussions over the last few weeks of the catastrophic impact of Covid-19 on TfL's financial sustainability, and in recent days, senior level discussions with both officials and Ministers from DfT, HM Treasury and No.10 have shown a common understanding of the scale of problem TfL faces, and of its urgency. There has also been considerable information exchanged at working level and letters from Bernadette Kelly to Mike Brown acknowledging the need for Government support. However, there has so far been no real discussion of what can practically be done, or the quantum of support that Government will provide.

The position is now stark. [REDACTED]

For us to continue to support the Government's strategy in fighting COVID-19 and to enable us to fully support the restart and recovery from this crisis, we need a funding package that will meet the funding gap of £1.9bn set out in TfL's proposed Emergency Budget for the period to 17 October 2020 (H1 2020), along with a firm commitment to further funding arrangements that will enable us to continue to meet our legal obligations for a balanced budget in the medium term.

The £1.9bn funding gap already takes into account that we will have contributed £1bn of our cash to mitigate the impacts of the crisis on our finances and that we have committed to deliver significant cost reductions in H1 2020 of nearly £1bn (as set out in the Emergency Budget). Further cost reductions are not possible, without impacting our ability to deliver the current level of service and

support the restart. For example, we have already placed around 7000 employees on furlough and there is no opportunity to go further without impacting tube, rail and bus services levels.

We have previously proposed that this £1.9bn be funded solely by grant from Government, but we recognise that Government will find this difficult and would like us to consider alternative proposals. We have also previously set out the difficulties and challenges associated with solutions other than grant. The options are extremely limited and [REDACTED]

[REDACTED] This is also based on a shared understanding that we will need to work together to review the structure of TfL's funding arrangements, given that current circumstances have shown that the current model will not support the level of services and capital investment needed to run a safe and sustainable transport network going forward.

1. *Alternative Funding Proposal*

TfL would still require a significant proportion of the funding gap to be covered by grant, but could conduct some additional borrowing, as follows:

- £1.65bn of revenue grant from Government;
- TfL borrowing for up to £250m, predicated on the provision by Government of the additional support set out below for the period beyond H1 2020 into the medium- to long-term; and
- TfL continuing to utilise the £750m Crossrail Loan Facility Agreement to continue to fund Crossrail.

This alternative funding proposal (and specifically our ability to borrow) would be predicated on Government agreeing to:

- The £250m of TfL borrowing being undertaken with the PWLB [REDACTED]
[REDACTED]
- Irrespective of the form of short-term funding proposal, a clear undertaking to agree to put in place further funding arrangements, beyond H1 2020, acknowledging that the impacts of the COVID-19 crisis are likely to persist in the medium term;
- A clear undertaking that the further funding arrangements will ensure that we can continue to meet our legal obligation to produce a balanced budget over a short- and medium-term period and will enable our auditors to sign off TfL's accounts on a going concern basis; also taking

into account that we already have, and will need to enter into, long term spending commitments that extend beyond H1 2020; and

- TfL continuing to apply the fares assumptions set out in its 2019 Business Plan for the purposes of the Emergency Budget.

In return for the support set out above, we will also agree to:

- A true-up process where the proportion of grant and borrowing is rebalanced if the funding gap at the end of H1 2020 is less than £1.9bn; with any unused portion of the revenue grant being offset against future support at the end of H1 2020;
- A process for an interim review, if assumptions underpinning the Emergency Budget change during its period (for example, if Government scenarios and measures change compared to base assumptions);
- Open book transparency and a commitment to regular meetings and information sharing, whilst the funding arrangements remain in place; and
- Utilise the Coronavirus Job Retention Scheme, where practicable, for as long as this remains available and staff are not otherwise required for a restart of services.

The amount we can borrow is limited and we will still need a grant from Government to make up a substantial portion of the overall funding package. I set out further below the constraints on our ability to borrow, along with supporting information in relation to our cash reserves, limitations on GLA contributions and considerations related to our ongoing financial sustainability.

2. Borrowing Affordability and Credit Rating Constraints

It is important to note that TfL is treated as a local authority for Local Government Finance Act purposes and as such it must operate within the CIPFA Prudential Code – borrowing must only be undertaken within affordable limits. Because TfL is not considered to be a Crown body, our ability to borrow is predicated on expected future cash-flows. The crisis had resulted in a catastrophic loss of revenue and significant uncertainty in our medium- to long-term revenue income (both passenger fares and business rates). It is unlikely that we will see a return to pre-COVID-19 demand for our services and therefore our ability to rely on these, even for our existing borrowing, is extremely challenging. We also have no ongoing Government support and TfL's and the Mayor's ability to raise additional revenue under current arrangements are extremely limited.

We anticipate that the severe impacts of the crisis on our finances and the reduction in our liquidity will result in

[REDACTED]

[REDACTED]

3. Limitations of Borrowing for the purposes of a Balanced Budget

Because TfL is treated as a Local Authority for Local Government Finance Act 1988 purposes, incremental medium to long-term borrowing must only be undertaken for capital purposes, and therefore borrowing needs to be allocated to expenditure in our capital account. It cannot be allocated to the operating account. However, TfL is able (subject to the approval of the Mayor) to repurpose some of its capital BRR to support the operating account. This is only possible in balanced budget terms where we have sufficient capital expenditure to allocate this additional borrowing to and sufficient capital BRR to repurpose to the operating account. We have determined, that on a pro-rata basis for H1 2020, we can borrow and repurpose capital BRR for a maximum of £250m. This limit reflects the fact that we have a finite amount of capital expenditure in H1 2020 and a finite amount of capital BRR to repurpose. We have already assumed some repurposing of capital BRR to offset the Crossrail funding issues and we cannot prudently borrow more than this when uncertainty remains about the level of capital expenditure and funding in H2 2020.

4. Requirement to maintain prudent cash reserves

We have set out previously that our cash reserves cannot drop below the required minimum level required for 60 days operating expenditure of £1.2bn, particularly given that

[REDACTED]

The amount of liquidity we need to maintain going forward beyond H1 2020 will be dependent on the budget for the

remaining part of the financial year and the risks inherent within it, which will need to be taken into account in the further funding arrangements mentioned above.

5. Limitations on GLA Contributions

We also need to acknowledge that the GLA's ability to help resolve the funding gap is extremely limited. The Government has protected authorities from the effects of the business rates relief for specific sectors but not from wider changes. We consider that it is inevitable that the BRR income for London will be significantly reduced as a result of this crisis, as business activity falls. Absent any support from MHCLG, the GLA currently expects to only receive business rates income at 'safety net' levels in 2020-21 and 2021-22 and has no levers to boost this income.

The other significant recipients of Mayoral funding are the Metropolitan Police Service (MPS) and London Fire Brigade (LFB), which receive funds from both business rates and council tax. With increased unemployment expected to lead to forecast council tax income levels not being reached (after allowing for Government announcements on council tax support), tax increases being constrained by referendum rules and a tax base based on thirty-year-old values, council tax is not a viable source of additional income for TfL.

We currently estimate that this could impact TfL's BRR grant allocation by up to £250m in this financial year and a significant risk of even greater impacts in the next financial year. Our Emergency Budget is based on our budgeted level of BRR grant being maintained – this will be a significant challenge for the GLA, and we will discuss with them the extent to which they are able to do so for H1 2020.

The other sources of income to the GLA fall into two categories. First, BRS and MCIL revenues underpin the current GLA borrowing for Crossrail, and neither can be used to support TfL operations as they are required to service GLA debt. Second, government grants allocated for particular defined purposes, most notably housing provision. These cannot be repurposed (and in any case on 1 May the Prime Minister requested that the Mayor work to ensure housing delivery happens as rapidly as possible).

The reality is that the only control the Mayor has on income relates to council tax precept levels, and these are heavily constrained by Government. This is why the GLA has, across Mayoralities, consistently argued for increased fiscal devolution to London. In the absence of this, its ability to help TfL is fundamentally constrained by the Government-designed system in which it must operate.

6. Further funding arrangements and ongoing financial sustainability

Recent events, with the extreme changes in our revenues, have shown that our current funding model does not work. Devolution has been a good thing for

transport in London and we would want it to continue. However, TfL's status as a Local Authority for capital financing purposes, while expedient, is not optimal, and is certainly no longer sustainable. We are part of the public sector, and the rating agencies and markets treat our borrowing on that basis. [REDACTED]

Therefore, in relation to further funding arrangements beyond H1 2020 and the medium-term, we would be prepared to agree:

- A commitment to review mitigations against the need for further support in the future (e.g. further cost reductions where reasonable and practicable);
- A commitment to work together with Government to develop options for an alternative capital structure and oversight mechanisms for a transport body, including:
 - a form of involvement by a body such as the ORR in independently monitoring the cost and profile of our renewal, maintenance and enhancement expenditure, to ensure our assets meet safety and reliability standards and remain in a good state of repair;
 - long-term certainty of adequate capital funding via either Government grant or further fiscal devolution measures; and
 - structural underpinning of TfL's current and future indebtedness to enable us to better meet the investment requirements necessary to maintain safety and reliability of the assets on our network; including the completion of the Crossrail project.
- The options and details of these structures would need to be worked through over the coming months and their implementation would be subject to approvals and primary legislation, where relevant. We would also need to ensure that any proposed options did not fetter the Mayor's statutory responsibilities and obligations;
- A commitment to work together with Government to determine an appropriate level of ongoing liquidity in the structures mentioned above, noting that any further funding arrangement would need to ensure that we can build the right level of cash reserves going forward to enable us to be more resilient to any future shocks; and
- A commitment to aim to maintain the "London Pays" principle for Crossrail where practicable – noting that some of the structural options above would help to facilitate further contributions from London; however, depending on the extent of any additional cost and revenue pressures, and the rate of revenue recovery, Government support may be necessary.

We would hope to work through the matters set out in this letter in a high-level meeting between us, senior officials from the Treasury and Number 10, on Tuesday, with the aim to agree it as soon as possible and at the latest by the 8 May.

I look forward to hearing from you shortly.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Simon Kilonback', enclosed within a thin black rectangular border.

Simon Kilonback

Chief Finance Officer

Transport for London

cc. Bernadette Kelly, DfT

From: [Kilonback Simon](#)
To: [David Bellamy](#); [Alexander Heidi](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#); [Everitt Vernon](#); [King Antony \(Div Finance Director MPD\)](#)
Cc: [Gasson Sarah](#); [Lucas Emma](#); [Steer Tim](#)
Subject: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Date: 12 May 2020 14:52:04
Attachments: [200511 Draft funding agreement letter for TfL CLEAN.docx](#)
[200511 Draft funding agreement letter for TfL TRACKED.docx](#)

Dear All

Please find attached a clean and a marked up version of the draft funding agreement reflecting all of the comments received.

Subject to the Mayor's views when we meet later this afternoon, I would like to get this back to DfT as soon as possible today as we have heard from officials that we might be able to get this agreed as soon as tonight.

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[tfl.gov.uk](#) | Direct dial: [REDACTED]

Draft letter from Secretary of State for Transport to Mayor of London

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 £1.15bn payable under S.101 of GLA Act 1999. This will be paid in 6 equal instalments commencing on 10 May 2020. The second payment shall be made on 10 June and then every 4 week reporting period ("Period") subject to the adjustment mechanisms described in paragraphs 8 and 9 below, with the sixth payment on the 30 September.
 - b. Additional borrowing by Transport for London from the Public Works Loan Board (PWLB) of £450m, drawn in proportion to the Extraordinary Support Grant payments made. These loans will be made at the PWLB Infrastructure Rate.
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 by £150m each to be drawn in proportion, up to a maximum of £1.9bn in aggregate, or reduce pro rata accordingly.

Commented [CN(1)]: Borrowing not to exceed £600m including the true-up borrowing of £150m

DRAFT – SUBJECT TO MINISTERIAL APPROVAL

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 Trains contract. If a contractual requirement for credit support arises under the Northern Line Train Services Contract, then HMG will work with TfL and take reasonable steps to assist TfL in meeting the contractual obligations or suitable alternatives for such credit support.
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.
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 by the London Covid Transport Task Force, terms of reference for which are attached. In particular, as a priority, the London Covid Transport Task Force will consider:
 - 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. The detail of the plan will be

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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 under-18s (subject to provision being made for poorer children to travel free to school, the criteria for which will need to be agreed) and temporary suspension of free travel for OAPs during peak hours.
- 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.
- 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. TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan.

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19. 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.
20. 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
21. TfL will support continued and ongoing collaborative discussions with DfT on projected passenger numbers, revenues and non-operational expenditure.
22. 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

23. 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.
24. One Special Representative will also be able to attend all meetings of the Finance Committee and the Programmes and Investment Committee.

Future Financial Sustainability

25. 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. TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan and 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. A review of the current fiscal devolution arrangements and the opportunities for further fiscal devolution measures, including measures related to income from road users; and

DRAFT – SUBJECT TO MINISTERIAL APPROVAL

f. The potential for raising more non-fare based revenue and commercial income.

26. 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.

Crossrail

27. 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.

28. 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 as part of 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.

29. 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 subsequent recovery.

30. Joint Sponsors to 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.

31. 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.

Draft letter from Secretary of State for Transport to Mayor of London

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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:

6.a. Extraordinary Support Grant of ~~£800m~~ £1.15bn payable under S.101 of GLA Act 1999. This will be paid in ~~7~~ 6 equal instalments ~~every 4 week reporting period ("Period")~~ commencing on ~~10~~ 10 ~~May~~ May 2020. ~~The second payment shall be made on 10 June and then every 4 week reporting period ("Period")~~ subject to the adjustment mechanisms described in paragraphs 8 and 9 below, with the sixth payment on the 30 September.

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7.b. Additional borrowing by Transport for London from the Public Works Loans Board (PWLB) of ~~£800m~~ £450m, drawn in proportion to the Extraordinary Support Grant payments made. These loans will be made at the PWLB Infrastructure Rate.

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8.6. 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~~ by £150m each to be drawn in proportion, up to a maximum of £1.9bn in

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aggregate, or reduce pro rata accordingly.- ~~{Drafting Note: variation mechanics may change subject to further discussion}.~~

~~9-7.~~ 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.

~~10-8.~~ Government will continue to engage on and monitor the financing of Northern Line Trains contract. ~~If under that contract [a notice under clause X.X (TfL to assist with wording)] is served, HMG will work with TfL and take reasonable steps to assist TfL to avoid [a potential event of default under this contract]~~ contractual requirement for credit support arises under the Northern Line Train Services Contract, then HMG will work with TfL and take reasonable steps to assist TfL in meeting the contractual obligations or suitable alternatives for such credit support.

~~11-9.~~ 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 ~~expect that~~ a combination of future measures from TfL, GLA and HMG should enable TfL to do so.

~~12.~~ 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 no more than £1.2bn at the end of the Support Period, subject to normal commercial payment practices.

~~13-10.~~ ~~To enable the borrowing from the Public Works Loans Board, we are temporarily suspending the restrictions on prudential borrowing under the Local Government Act 2003, Section 16.~~

~~14-11.~~ This funding package is conditional on agreement from Transport for London that it will agree to conditions below.

~~15.~~ **Service Levels**

~~16-12.~~ 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 ~~these decisions being made jointly~~ joint action by the London Covid Transport Task Force, terms of reference for which are attached. In particular, as a priority, the London Covid Transport Task Force will consider:

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17.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.

18.b. Employing traffic demand management agreed by the London COVID Transport Task Force

19.c. Agreeing communication messages between DfT and TfL to ensure consistent advice is provided to travellers

20.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. The detail of the plan will be agreed and overseen by a dedicated oversight group comprising TfL and HMG.

21.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 under-18s (subject to provision being made for poorer children to travel free to school, ~~the criteria for which will need to be agreed~~) and temporary suspension of free travel for OAPs during peak hours.

22.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.

23.g. Providing regular reporting to the London COVID Transport Task Force on the absence rates for its staff and take all ~~necessary practicable~~ steps to manage absence levels to support ~~the efficient delivery of the agreed service levels~~ services.

24.h. ~~Immediately reintroduce~~ 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.

25.13. 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.

26.14. 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.

27.15. The London Covid Transport Task Force will remain in place for the duration of the Support Period unless agreed otherwise by DfT and TfL.

28. Governance

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~~29~~.16. This emergency funding and financing package will require additional HMG governance and oversight, notwithstanding the existing legal framework under which TfL operates.

~~30~~. Financial management

~~31~~.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.

~~32~~.18. TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan.

~~33~~.19. 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.

~~34~~.20. 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.

~~35~~.21. TfL will support continued and ongoing collaborative discussions with DfT on projected passenger numbers, revenues and non-operational expenditure.

~~36~~.22. 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.

~~37~~. Decision Making

~~38~~.23. 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.

~~39~~.24. One Special Representative will also be able to attend all meetings, ~~formal and informal~~, of the Finance Committee and the Programmes and Investment Committee.

~~40~~. Future Financial Sustainability

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41-25. 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. ~~TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan and Options options~~ for revenue maximisation, including fares policy and revenue yield choices over time ~~will be explored. TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan;~~
- 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; ~~and~~
- d.e. A review of the current fiscal devolution arrangements and the opportunities for further fiscal devolution measures, including measures related to income from road users; and
- e.f. The potential for raising more non-fare based revenue and commercial income.

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42-26. 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.

43. **Crossrail**

44-27. 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.

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45-28. 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 as part of 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.

46-29. ~~TfL agrees that PPN-02/20 applies to Crossrail Limited and their suppliers and that it will be implemented fully~~ 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 subsequent recovery.

47.30. ~~TfL Joint Sponsors to~~ 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.

48.31. In relation to Crossrail, TfL will ~~agree by the end of [May 2020]~~ propose, ~~as soon as practicable, and no later than the end of June 2020,~~ an action plan to support the successful ~~delivery of the project~~ 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.

From: [Kilonback Simon](#)
To: [Nick Joyce](#); [Kelly Bernadette](#); [Claire Gibbs](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#)
Subject: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Date: 12 May 2020 21:34:41
Attachments: [200511 Draft funding agreement letter for TfL cv DFT BLACKLINE.docx](#)
[200511 Draft funding agreement letter for TfL CLEAN FINAL.docx](#)

Dear Nick,

Further to our discussions with Bernadette and Mike yesterday and our discussions on your draft funding agreement today, please find attached both a clean and a tracked changes version of the funding proposal in a form that would be acceptable to the Mayor of London, the TfL Finance Committee and enable me to meet my statutory obligations.

I believe this fully represents the discussion you and I had earlier and there are no material changes other than the ones we discussed. I have asked, as you would expect me to, for the PWLB Infrastructure Rate or a close equivalent, to be applicable for the borrowing proposed. I have agreed with the Mayor and the Finance Committee that we need to resolve the negotiations on this phase within the next 24-48 hours maximum, which again is consistent with our earlier discussions. [REDACTED]

[REDACTED]

I truly hope that this will not be necessary as I believe we are sufficiently aligned to be able to conclude these negotiations swiftly and in the spirit of cooperation that will enable us to continue to work in lockstep to achieve our shared objectives of a successful, safe and sustainable Restart, with ambitious plans for increasing the use of active travel.

Once we have concluded these negotiations, I look forward to agreeing a timeline with you to conduct the review of our future financial sustainability and to agreeing further funding to enable us to reach a Balanced Budget for the whole fiscal year.

I look forward to discussing with you at your earliest convenience.

With kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED] [tfl.gov.uk](#) | Direct dial: [REDACTED]

Draft letter from Secretary of State for Transport to Mayor of London

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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.

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~~6.3.~~ 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.

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~~7.4.~~ 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.

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~~8.5.~~ 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:

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~~a)a.~~ Extraordinary Support Grant of ~~£800m~~ £1.15bn payable under S.101 of GLA Act 1999. This will be paid in ~~7~~ 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") commencing on ~~20~~, subject to the adjustment mechanisms described in paragraphs ~~86~~ and ~~87~~ below, with the sixth payment on the 20 September.

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~~b)b.~~ Additional borrowing by Transport for London from the Public Works Loans Board (PWLB) of ~~£800m~~ £450m drawn in proportion to the Extraordinary Support Grant payments made. These loans will be made at the PWLB Infrastructure Rate.

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~~8.6.~~ 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 by £150m each to be drawn in proportion, up to a maximum of £1.9bn in

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aggregate, or reduce pro rata accordingly. ~~[Drafting Note: variation mechanics may change subject to further discussion].~~

~~9.7.~~ 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.

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~~10.8.~~ Government will continue to engage on and monitor the financing of Northern Line Trains contract. ~~If a contractual requirement for credit support arises under that contract [a notice under clause X.X (TfL to assist with wording)] is served, the Northern Line Train Services Contract, then HMG will work with TfL and take reasonable steps to assist TfL to avoid [a potential event of default under this contract] in meeting the contractual obligations or suitable alternatives for such credit support.~~

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~~11.9.~~ 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 ~~expect that~~ a combination of future measures from TfL, GLA and HMG should enable TfL to do so.

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~~12.10.~~ This funding package is based on the assumption that Transport for London will maintain useable cash reserves ~~of no more than (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.

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~~13.~~ ~~To enable the borrowing from the Public Works Loans Board, we are temporarily suspending the restrictions on prudential borrowing under the Local Government Act 2003, Section 16.~~

~~14.11.~~ This funding package is conditional on agreement from Transport for London that it will agree to conditions below.

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Service Levels

~~15.12.~~ 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 ~~these decisions being made jointly~~ joint action by the London Covid Transport Task Force, terms of reference for which are attached. In particular, as a priority, the London Covid Transport Task Force will consider:

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- a)a. ~~Maximise~~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)b. ~~Employ~~Employing traffic demand management agreed by the London COVID Transport Task Force.;
- c)c. ~~Agree~~Agreeing communication messages between DfT and TfL to ensure consistent advice is provided to travellers.;
- d)d. ~~Push~~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. The detail of the plan will be agreed and overseen by a dedicated oversight group comprising TfL and HMG.;
- e)e. ~~Bring~~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 under-18s (subject to provision being made for poorer children to travel free to school, the criteria for which will need to be agreed) and temporary suspension of free travel for ~~OAPs~~Freedom Pass and 60 plus card holders during peak hours.;
- f)f. To support revenue collection, as soon as practicable, ~~place~~placing card readers doors on all buses, and immediately require passengers to use the approximately 2000 readers which are already so placed.;
- g)g. ~~Provide~~Providing regular reporting to the London COVID Transport Task Force on the absence rates for its staff and take all ~~necessary~~practicable steps to manage absence levels to support ~~the efficient delivery of the agreed service levels, services, and~~
the immediate reintroduction of the
- h)h. ~~Immediately reintroduce~~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.

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~~16~~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.

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~~17~~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.

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~~18~~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

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~~19-16.~~ This emergency funding and financing package will require additional HMG governance and oversight, notwithstanding the existing legal framework under which TfL operates.

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Financial management

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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.

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~~18. TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan.~~

~~19-18.~~ 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.

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~~18-19.~~ 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.

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~~19-20.~~ TfL will support continued and ongoing collaborative discussions with DfT on projected passenger numbers, revenues and non-operational expenditure.

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~~20-21.~~ 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~~ discussions on a timely basis.

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Decision Making

~~21-22.~~ 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.

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~~22-23.~~ One Special Representative will also be able to attend all meetings, ~~formal and informal~~, of the Finance Committee and the Programmes and Investment Committee.

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Future Financial Sustainability

~~23-24.~~ There will be an immediate and broad ranging government-led review of TfL's future financial position and future financial structure. This will include:

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- a. ~~Options~~ TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan and 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; ~~and~~
- e. A review of the current fiscal devolution arrangements and the opportunities for further fiscal devolution measures, including measures related to income from road users; and
- e.f. The potential for raising more non-fare based revenue and commercial income.

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~~24-25.~~ 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.

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Crossrail

~~26-26.~~ 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.

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~~26-27.~~ 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 as part of 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.

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~~27.~~ TfL agrees that PPN 02/20 applies to Crossrail Limited and their suppliers and that it will be implemented fully.

~~28.~~ 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.

~~28-29.~~ 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.

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~~26-30.~~ In relation to Crossrail, TfL will ~~agree by~~propose, as soon as practicable, and no later than the end of ~~May~~June 2020, an action plan to support the successful ~~delivery~~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.

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Draft letter from Secretary of State for Transport to Mayor of London

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 £1.15bn 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 £450m, drawn in proportion to the Extraordinary Support Grant payments made. These loans will be made at the PWLB Infrastructure Rate.
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 by £150m each to be drawn in proportion, up to a maximum of £1.9bn in aggregate or reduce pro rata accordingly.

Commented [CN(1)]: Borrowing not to exceed £600m including the true-up borrowing of £150m

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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 Trains contract. If a contractual requirement for credit support arises under the Northern Line Train Services Contract, then HMG will work with TfL and take reasonable steps to assist TfL in meeting the contractual obligations or suitable alternatives for such credit support.
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.
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 by the London Covid Transport Task Force, terms of reference for which are attached. In particular, as a priority, the London Covid Transport Task Force will consider:
 - 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. The detail of the plan will be

DRAFT – SUBJECT TO MINISTERIAL APPROVAL

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 under-18s (subject to provision being made for poorer children to travel free to school, the criteria for which will need to be agreed) and temporary suspension of free travel for Freedom Pass and 60 plus card holders during peak hours;
- 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

DRAFT – SUBJECT TO MINISTERIAL APPROVAL

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 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. TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan and 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. A review of the current fiscal devolution arrangements and the opportunities for further fiscal devolution measures, including measures related to income from road users; 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.

Crossrail

26. 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.
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28. 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.
29. 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.
30. 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.

From: [Nick Joyce](#)
To: [Kilonback Simon](#)
Cc: [Kelly Bernadette](#); [Claire Gibbs](#); [Rachael Gilbert](#); [Brown Mike \(Commissioner\)](#)
Subject: OFFICIAL SENSITIVE - FOLLOW ON TO OUR DISCUSSION
Date: 11 May 2020 23:24:54
Attachments: [image001.png](#)
[200511 Draft funding agreement letter for TfL cv.docx](#)

Simon

Thank you for your time earlier this evening. I said we would share a draft settlement agreement. This is not yet agreed by ministers. We would welcome any feedback at the earliest opportunity on this draft. You will note there are a number of areas where we will need to discuss the drafting further.

This is shared in confidence at this point and without prejudice to any final agreement.

I look forward to discussing at your earliest convenience.

Best wishes

Nick



Nick Joyce
Director General, Resources and Strategy Group
, Windsor House
50 Victoria Street
Westminster, London, SW1H 0TL

[Follow us on twitter @transportgovuk](#)

Post to: Great Minster Hse, 33 Horseferry Rd, London,
SW1P 4DR

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Draft letter from Secretary of State for Transport to Mayor of London

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6. 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.
7. 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.
8. 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 [£800m] payable under S.101 of GLA Act 1999. This will be paid in [7] instalments every 4 week reporting period ("Period") commencing on [XX], subject to the adjustment mechanisms described in paragraphs 8 and 9 below.
 - b) Additional borrowing by Transport for London from the Public Works Loans Board of [£800m], drawn in proportion to the Extraordinary Support Grant payments made.
8. 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. [Drafting Note: variation mechanics may change subject to further discussion].
9. 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.

10. Government will continue to engage on and monitor the financing of Northern Line Trains contract . If under that contract [a notice under clause X.X (*TfL to assist with wording*)] is served, HMG will work with TfL and take reasonable steps to assist TfL to avoid [a potential event of default under this contract].
11. 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 expect that a combination of future measures from TfL, GLA and HMG should enable TfL to do so.
12. This funding package is based on the assumption that Transport for London will maintain reserves of no more than £1.2bn at the end of the Support Period, subject to normal commercial payment practices.
13. To enable the borrowing from the Public Works Loans Board, we are temporarily suspending the restrictions on prudential borrowing under the Local Government Act 2003, Section 16.
14. This funding package is conditional on agreement from Transport for London that it will agree to conditions below.

Service Levels

15. 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 these decisions being made jointly by the London Covid Transport Task Force, terms of reference for which are attached. In particular:
 - a) Maximise 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) Employ traffic demand management agreed by the London COVID Transport Task Force
 - c) Agree communication messages between DfT and TfL to ensure consistent advice is provided to travellers
 - d) Push 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. The detail of the plan will be agreed and overseen by a dedicated oversight group comprising TfL and HMG.

- e) Bring 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 under-18s (subject to provision being made for poorer children to travel free to school) and temporary suspension of free travel for OAPs during peak hours.
 - f) To support revenue collection, as soon as practicable, place 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) Provide regular reporting to the London COVID Transport Task Force on the absence rates for its staff and take all necessary steps to manage absence levels to support the efficient delivery of the agreed service levels.
 - h) Immediately reintroduce 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.
16. 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.
17. 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.
18. 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

19. 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. TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan.
19. 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.

18. 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.
19. TfL will support continued and ongoing collaborative discussions with DfT on projected passenger numbers, revenues and non-operational expenditure.
20. 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 discussion on a timely basis.

Decision Making

21. 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.
22. 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

23. 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;
 - 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; and
 - e. The potential for raising more non-fare based revenue and commercial income.
24. 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.

Crossrail

25. 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.
26. 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. 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.
27. TfL agrees that PPN 02/20 applies to Crossrail Limited and their suppliers and that it will be implemented fully.
28. TfL 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.
26. In relation to Crossrail, TfL will agree by the end of [May 2020] an action plan to support the successful delivery of the project, 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.

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From: [Heidi Alexander](#)
To: [Kilonback Simon](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#); [David Bellamy](#)
Subject: RE: Confidential & Legally Privileged: Paragraph 12 Funding Letter - Operational Matters
Date: 14 May 2020 09:49:38

Yes – I'm fine with this

H

From: Kilonback Simon
Sent: 14 May 2020 09:46
To: Mike Brown ; Carter Howard ; Heidi Alexander ; David Bellamy
Subject: FW: Confidential & Legally Privileged: Paragraph 12 Funding Letter - Operational Matters

All

Please confirm you are comfortable with the below wording and I will send back

From: Cox Nicola (TFL)
Sent: 14 May 2020 09:43
To: Kilonback Simon <[REDACTED]@tfl.gov.uk>
Cc: Clarke Andrea (Exc) <[REDACTED]@tfl.gov.uk>; Curry Justine <[REDACTED]@tfl.gov.uk>
Subject: Confidential & Legally Privileged: Paragraph 12 Funding Letter - Operational Matters
Simon

Proposed wording to go back to DfT with copied below (I have highlighted the sections that are subject to discussion):

1. 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** by the London Covid Transport Task Force, terms of reference for which are attached. TfL will agree to :
 1. Maximise 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;
 2. Employ traffic demand management agreed by the London COVID Transport Task Force;
 3. Agree communication messages between DfT and TfL to ensure consistent advice is provided to travellers;
 4. Push 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;
 5. Bring 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 a temporary suspension of free travel for Freedom Pass and 60 plus card holders during peak hours and the consideration of staggered hours of operation for other concessionary fares including travel for Under-18s;
 6. To support revenue collection, as soon as practicable, place 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;
 7. Provide 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

8. 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.

Implementation of all of the list will be subject to TfL's statutory responsibilities in relation to safety and operations.

Nicola Cox

Head of Corporate Finance | Transport for London

Phone: [REDACTED] (auto [REDACTED] | Mobile: [REDACTED])

11th Floor Y1, Palestra, 197 Blackfriars Road, London SE1 8NJ | Email: [REDACTED] [tfl.gov.uk](mailto:[REDACTED]@tfl.gov.uk)



**TRANSPORT
FOR LONDON**
EVERY JOURNEY MATTERS

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can be found at nhs.uk/coronavirus**

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From: [Kilonback Simon](#)
To: [Alexander Heidi](#); [David Bellamy](#)
Cc: [Brown Mike \(Commissioner\)](#); [Carter Howard](#)
Subject: Re: Confidential and legally privileged - Final TfL Funding Request
Date: 09 May 2020 11:04:36

Thanks Heidi

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From: Heidi Alexander
Sent: Saturday, May 9, 2020 9:49 am
To: Kilonback Simon; David Bellamy
Cc: Mike Brown; Carter Howard
Subject: Re: Confidential and legally privileged - Final TfL Funding Request
Thanks - have shared with Sadiq. Will update if/when Grant calls me.

H

From: Kilonback Simon
Sent: Saturday, May 9, 2020 09:37
To: Heidi Alexander; David Bellamy
Cc: Mike Brown; Carter Howard
Subject: FW: Confidential and legally privileged - Final TfL Funding Request
Heidi
Further to our telephone call this morning, please find the latest (and final) funding proposal from us to Government.
Good luck with the call with Grant Shapps.
Thanks
Simon

From: Kilonback Simon
Sent: 07 May 2020 21:00
To: Nick Joyce
Cc: [REDACTED]@dft.gov.uk'; Brown Mike (Commissioner) ; Carter Howard
Subject: Confidential and legally privileged - Final TfL Funding Request

Dear Nick and Bernadette
Further to our discussions this week, please find attached our revised funding proposal, following your additional requests for us to consider increasing the proportion of borrowing.

[REDACTED]

We have now called a public meeting of the Finance Committee of the TfL Board for Tuesday 12th May to consider our financial situation and whether we have received sufficient financial support to mitigate the catastrophic effect of Covid-19 on our immediate financial sustainability. I hope that we can agree a funding solution urgently [REDACTED]

I know Mike and I would rather resolve this quickly at official level and enable us to focus on the task of supporting you fully in a successful restart and recovery process.

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED] [tfl.gov.uk](mailto:[REDACTED]@tfl.gov.uk) | Direct dial: [REDACTED]

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From: [Brown Mike \(Commissioner\)](#)
To: [Everitt Vernon](#); [Powell Gareth](#); [Lord Andy](#); [Kilonback Simon](#); [Carter Howard](#); [Wright Tricia](#); [Harvey Stuart](#)
Cc: [Gasson Sarah](#); [Brown Matt](#)
Subject: Re: DfT release
Date: 14 May 2020 22:43:58

Yes

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From: Everitt Vernon
Sent: Thursday, May 14, 2020 10:39:40 PM
To: Powell Gareth ; Lord Andy ; Brown Mike (Commissioner) ; Kilonback Simon ; Carter Howard ; Wright Tricia ; Harvey Stuart
Cc: Gasson Sarah ; Brown Matt
Subject: Re: DfT release
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TfL Statement - Government support package to help deal with financial impact of Covid-19

Transport Commissioner Mike Brown MVO said:

"I welcome this support from Government which will help us continue to get London moving and working again, safely and sustainably.

"London's transport network is absolutely fundamental to the economic, social and environmental health of the Capital. Throughout the pandemic, transport workers have played a heroic role in the response to the virus –ensuring NHS and care staff have been able to get to work and save lives.

"We have worked closely with the Government and Mayor as part of the national effort to fight the virus, rapidly reducing passenger numbers to levels not seen for 100 years. This has meant that our fare and other revenue has fallen by 90 per cent.

"We now need to help London recover as restrictions on movement are gradually eased, with public health and more active forms of travel at the forefront of our thinking.

WE HAVE BEEN OPERATING UP to 70 PER CENT OF PEAK TUBE SERVICES AND OVER 80 PER CENT OF BUS SERVICES WITH MANY OF OUR STAFF ILL, SHIELDING OR IN SELF ISOLATION. FROM NEXT WEEK WE WILL FURTHER INCREASE SERVICES BEYOND THIS AS WE PROGRESSIVELY BUILD TOWARDS RESTORING SERVICES TO PRE-COVID LEVELS."

"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 Mayor we are encouraging people who can work from home to continue to do so to enable the people who must travel to do so safely. We are asking everyone to try and avoid the busiest times to support social distancing **WHEREVER POSSIBLE**, to wear non-medical 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.

"Enormous challenges remain, including agreeing longer term sustainable funding for transport in the Capital. In the meantime, we will continue to do everything in our power to help deliver a successful recovery for our great city."

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Cc: Gasson Sarah ; Brown Matt
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Sent: Thursday, May 14, 2020 10:22:03 PM
To: Lord Andy ; Brown Mike (Commissioner) ; Kilonback Simon ; Powell Gareth ; Carter Howard ; Wright Tricia ; Harvey Stuart
Cc: Gasson Sarah ; Brown Matt
Subject: Re: DfT release

From: Lord Andy
Sent: Thursday, May 14, 2020 10:20:16 PM
To: Everitt Vernon ; Brown Mike (Commissioner) ; Kilonback Simon ; Powell Gareth
Cc: Gasson Sarah ; Brown Matt
Subject: Re: DfT release

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I'm not sure it's worth the energy or fight! Albeit bloody ironic that we are running more than their own managed railways!

Albeit I think we should point out that network rail and national rail (TOCs) are also in the task force!

I think our quote should reference what we have delivered and that we are working with national rail to deliver increased service levels?

Andy

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Sent: Thursday, May 14, 2020 10:15:20 PM

To: Brown Mike (Commissioner) ; Kilonback Simon ; Lord Andy ; Powell Gareth

Cc: Gasson Sarah ; Brown Matt

Subject: Fwd: DfT release

This is what DfT want to put out tomorrow. It follows the SoS and Government rhetoric about more service. Do we want to take issue with any of it?

Vernon

From: Brown Matt

Sent: Thursday, May 14, 2020 10:08 pm

To: Everitt Vernon

Subject: DfT release

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Government agrees Transport for London funding

The Government has tonight agreed a £1.6 billion funding package for Transport for London to protect key services and requiring TfL to "maximise services as soon as possible", supporting social distancing and the capital's gradual recovery from Covid-19. The deal consists of a mixture of grants and loans and is based upon a series of conditions agreed by the Mayor, Sadiq Khan.

The package will see the reintroduction of fares on buses, reinstatement of the congestion charge and a focus on promoting traffic management and active travel to maximise the benefits of the government's record £2bn investment into cycling and walking. This will include efforts to push forward new segregated cycles lines, pavement extension and road closures to traffic.

A London Covid Task Force, comprising representatives of the government and TfL, has been established to oversee operational decisions during the crisis. The collective focus will be on taking all practicable steps to increase the number of services as quickly as possible to benefit passengers who have no alternative to public transport.

Transport Secretary, Grant Shapps, said:

“The message remains emphatically to work from home wherever possible, and to avoid public transport, but it is vital that Londoners who must use TfL services feel safe and secure.

“We must drive an increase in services to support social distancing and ensure our capital keeps moving, driving the economic recovery of this country going forward.

“This deal will encourage a real move towards greener and healthier walking and cycling options, ease pressure on our public transport and provide certainty and stability for London’s transport services in the future.”

The package will also see the temporary suspension of free travel for some under-18s and the Freedom Pass, to reduce crowding on public transport and promote active travel among young people. The 60 plus card will also be temporarily suspended during peak times to discourage vulnerable groups from using public transport at the busiest times.

To put TfL on a sustainable footing for the longer term, the Mayor has agreed that the Government will carry out an immediate and broad-ranging review of the organisation's future financial position and structure, including the potential for efficiencies. Two special representatives will represent the Government on TfL's board, its finance committee and its programmes and investment committee.

The Mayor has also agreed to increase fares next year on all modes by RPI plus 1 per cent, in line with the proposals in TfL's own business plan.

The deal, a grant of £1.095bn and a loan of £505m, runs until October.

Further details of the agreement will be published in Parliament at the first opportunity.

Ends

- The devolved administrations will receive over £200m through the Barnett formula:
- the Scottish Government will receive over £100m.
- the Welsh Government will receive £65m.
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From: [Kilonback Simon](#)
To: [Everitt Vernon](#); [Lord Andy](#); [Brown Mike \(Commissioner\)](#); [Powell Gareth](#); [Carter Howard](#); [Wright Tricia](#); [Harvey Stuart](#)
Cc: [Gasson Sarah](#); [Brown Matt](#)
Subject: Re: DfT release
Date: 14 May 2020 22:26:56

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From: Everitt Vernon
Sent: Thursday, May 14, 2020 10:22 pm
To: Lord Andy; Brown Mike (Commissioner); Kilonback Simon; Powell Gareth; Carter Howard; Wright Tricia; Harvey Stuart
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Cc: [Gasson Sarah](#); [Brown Matt](#)
Subject: Re: DfT release
Date: 14 May 2020 22:44:02

Good for me

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From: Everitt Vernon
Sent: Thursday, May 14, 2020 10:39:40 PM
To: Powell Gareth ; Lord Andy ; Brown Mike (Commissioner) ; Kilonback Simon ; Carter Howard ; Wright Tricia ; Harvey Stuart
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“This deal will encourage a real move towards greener and healthier walking and cycling options, ease pressure on our public transport and provide certainty and stability for London’s transport services in the future.”

The package will also see the temporary suspension of free travel for some under-18s and the Freedom Pass, to reduce crowding on public transport and promote active travel among young people. The 60 plus card will also be temporarily suspended during peak times to discourage vulnerable groups from using public transport at the busiest times.

To put TfL on a sustainable footing for the longer term, the Mayor has agreed that the Government will carry out an immediate and broad-ranging review of the organisation's future financial position and structure, including the potential for efficiencies. Two special representatives will represent the Government on TfL's board, its finance committee and its programmes and investment committee.

The Mayor has also agreed to increase fares next year on all modes by RPI plus 1 per cent, in line with the proposals in TfL's own business plan.

The deal, a grant of £1.095bn and a loan of £505m, runs until October.

Further details of the agreement will be published in Parliament at the first opportunity.
Ends

- The devolved administrations will receive over £200m through the Barnett formula:
- the Scottish Government will receive over £100m.
- the Welsh Government will receive £65m.
- the Northern Ireland Executive will receive over £35m.

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From: [Kilonback Simon](#)
To: [Alexander Heidi](#)
Cc: [Brown Mike \(Commissioner\)](#); [Gasson Sarah](#); [Steer Tim](#); [Lucas Emma](#)
Subject: RE: Discussion with Government on financial support
Date: 25 April 2020 17:51:51
Attachments: [TfLs Emergency Budget 2020 21 270420.pdf](#)

Heidi

Please see attached. I can call you to discuss up to 6.30pm tonight, or in the morning.
In addition, we will draft a note covering some of the main assumptions which I will send you tomorrow.

Thanks

Simon

From: Heidi Alexander
Sent: 25 April 2020 16:59
To: Kilonback Simon
Cc: Brown Mike (Commissioner) ; Gasson Sarah ; Steer Tim
Subject: Discussion with Government on financial support
Simon

I've been thinking about the discussions with Government on finances and I'm aware from Mike of the broad sums we estimate we need from Government in both the period to the end of September and the 6 months thereafter.

It strikes that to have arrived at such a figure you have probably made some assumptions about in year revenue savings, capital deferrals (you mentioned road renewals a few days ago but I'm sure that is not the totality of it). I know there are some intensive discussions planned with Government on Monday and Tuesday and would like to understand what we are proposing – ie the detail of any movement from the budget we agreed in March.

I'd also like to better understand whether you think that Government will seek to claim that we could survive with a lower level of minimum cash balances and therefore expect us to eat our way through, say, half of the £1.2bn before they provide grant? I am keen to understand whether this is something that is an absolute red line from your point of view and what the implications are for us of falling below the £1.2bn level?

Happy to talk on the phone at any point. I know we have our usual meeting on Monday but as these discussions will be happening on Monday morning, thought I should drop you this email now.

Thanks

Heidi

Heidi Alexander

Deputy Mayor for Transport

NHS health information and advice about coronavirus can be found at [nhs.uk/coronavirus](https://www.nhs.uk/coronavirus)

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Coronavirus Update

TfL's Emergency Budget 2020/21

27 April 2020

Draft and TfL restricted



Introduction

This pack sets out our financial position as a result of the Covid 19 virus and the steps we are taking to manage the financial & operational impacts on TfL

- **We are actively discouraging all travel.** Tube and rail journeys are now down 95%. Bus journeys are down 85%. We are continuing to take actions to drive this lower in line with government direction...tube traffic reduction is now one of the **highest of any city globally**
- **We are already seeing the financial impacts:** Period 13, 2019/20 passenger revenue was £180m behind Budget; cash is down from £2.1bn at 31 March 2020 to £1.6bn. **Cash expected to reduce to £1.4bn by end of Period 1, 2020/21 without mitigations**
- [REDACTED]
- **We have started to furlough staff, with 7,000 staff (more than 25% of our workforce) furloughed for an initial 3-week from Monday 27 April, saving £15m per period**
- **Modelled revenue scenarios based on external modelling of the impact on the UK, ranging from £1.4bn to £3.5bn passenger revenue reduction by the end of 2020/21 – more than £4bn by the end of the 2021/22 - based on expected passenger demand volumes.**

Section 1

What have we seen to the end of 2019/20



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 **(£126m) in LU**



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

Bus journeys % year-on-year change **(£38m) in Buses**



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

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



We have already seen significant reductions in income

Period 13 of 2019/20 saw the initial impacts from government lockdown and social distancing – material impacts began from 16 March, ramping up to year end

Total impact on operating account	(£220m)
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Passenger income

Total passenger income impact	(£183m)
LU: journeys 61 million (50%) lower than revised Budget	(£126m)
Buses: journeys 67 million (35%) lower than revised Budget	(£38m)
Rail: journeys 10 million (32%) lower than revised Budget	(£15m)
EL: journeys 3 million (48%) lower than revised Budget	(£4m)

Total other operating income impact	(£8m)
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CC/ ULEZ income (£8m)

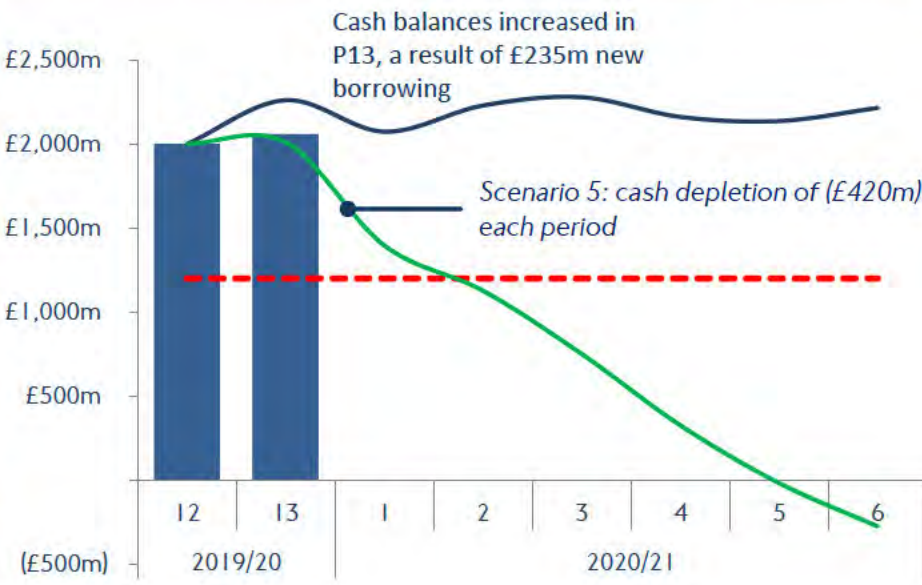
No impact on commercial and advertising income in Period 13; expect impact from Period 1, 2020/21

Operating costs

Total operating cost impact	(£28m)
Direct operating cost impacts	(£9m)
Streets bad debt provision (£7m)	
Bus network (£1m)	
Central items (£1m)	
Safe stop costs	(£19m)
LU (£5m)	
Surface Transport (£10m)	
MPD (£4m)	

Cash

Cash balances as of 31/03/2020	£2,056m
Variance to forecast	(£204m)
Variance to Scenario 5 – gradual return over 6 months	£48m



Section 2

2020/21

Emergency Budget



Central assumptions of TfLs Emergency Budget

- Revenue: based on a 6 month crisis period followed by muted recovery beyond that (see next slide)
- Staffing:
 - we are furloughing over 7,000 staff for a 2 month period in line with current government guidance. If the government guidelines are extended we will implement accordingly.
 - Furloughing savings are approximately £15m per period. Salary will be topped up to 100% to avoid lengthy consultation periods and TU negotiations
 - we are also releasing around 770 temporary resource
- Service levels and ramp up:
 - current assumption in buses is that normal operational activity is not resumed until H2. If we are required to resume activities earlier we will incur additional costs, which we are holding centrally
 - We may incur additional ramp up costs eg communication campaigns to manage demand, additional resource, temporary barriers (at the time of the Olympics these costs amounted to £30m) related to restarting services which are also being held centrally
- [REDACTED]
- [REDACTED]
- Working capital assumptions have not been changed from the original budget. We may see some changes in working capital over this period which will be picked up in the periodic reviews
- We have assumed no additional borrowing during the period of the emergency budget

Passenger income scenarios

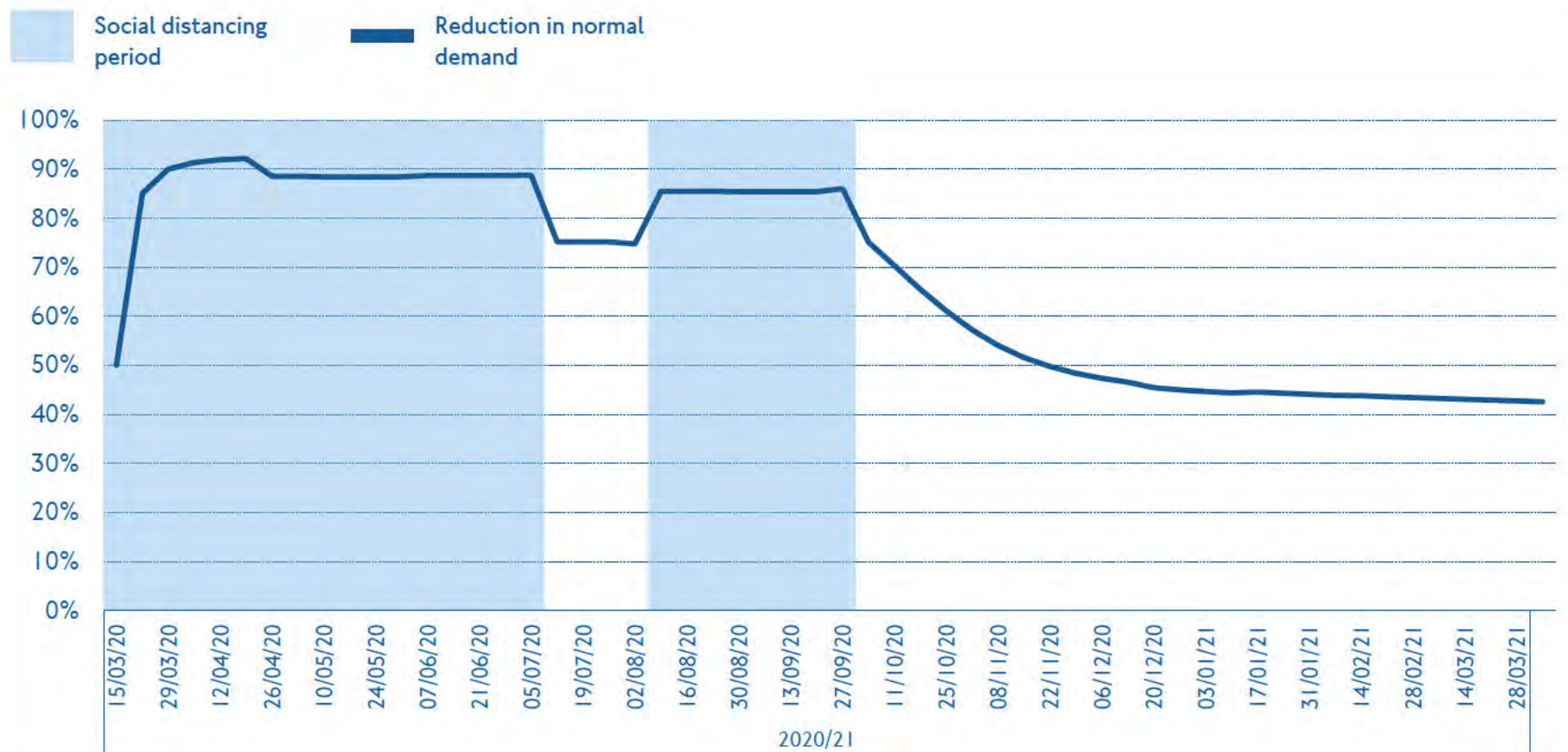
We have modelled a number of scenarios on the basis of Imperial College's COVID-19 modelling, all of which have a severe impact on our revenues.

The emerging scenario is two periods of lockdown during a six month crisis

6 month crisis & 55% demand gradual return

Based on current Government messaging of six months before UK 'returns to normal'. Initial peak of three months is followed by relaxation of measures and then a second peak. Only 55% of demand returns six months after the end of social distancing. Assumes strict government enforcement of travel restrictions during social distancing.

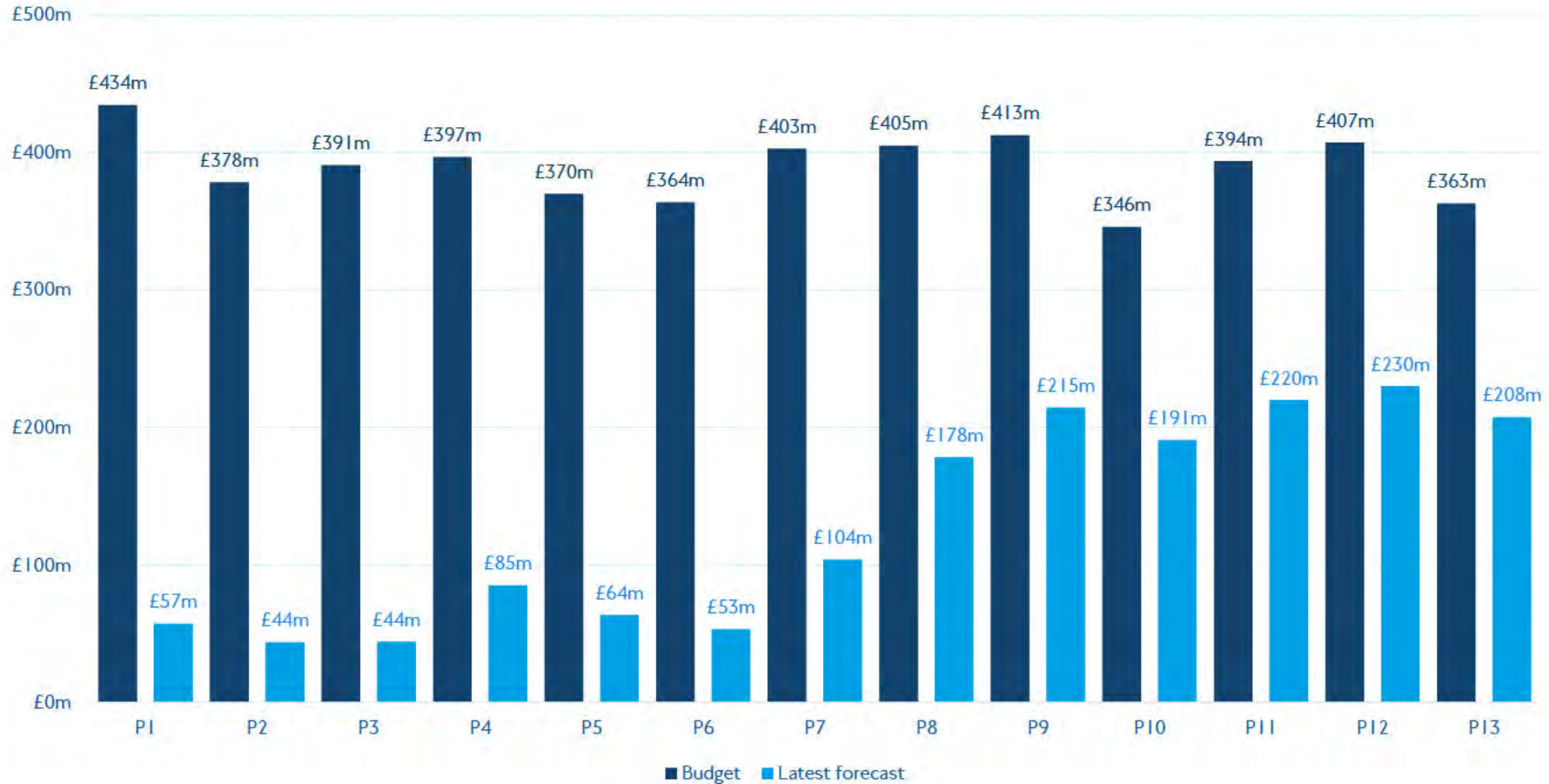
Passenger Revenue
2019/20: £0.2bn
2020/21: £3.5bn
Total: £3.7bn



Passenger income

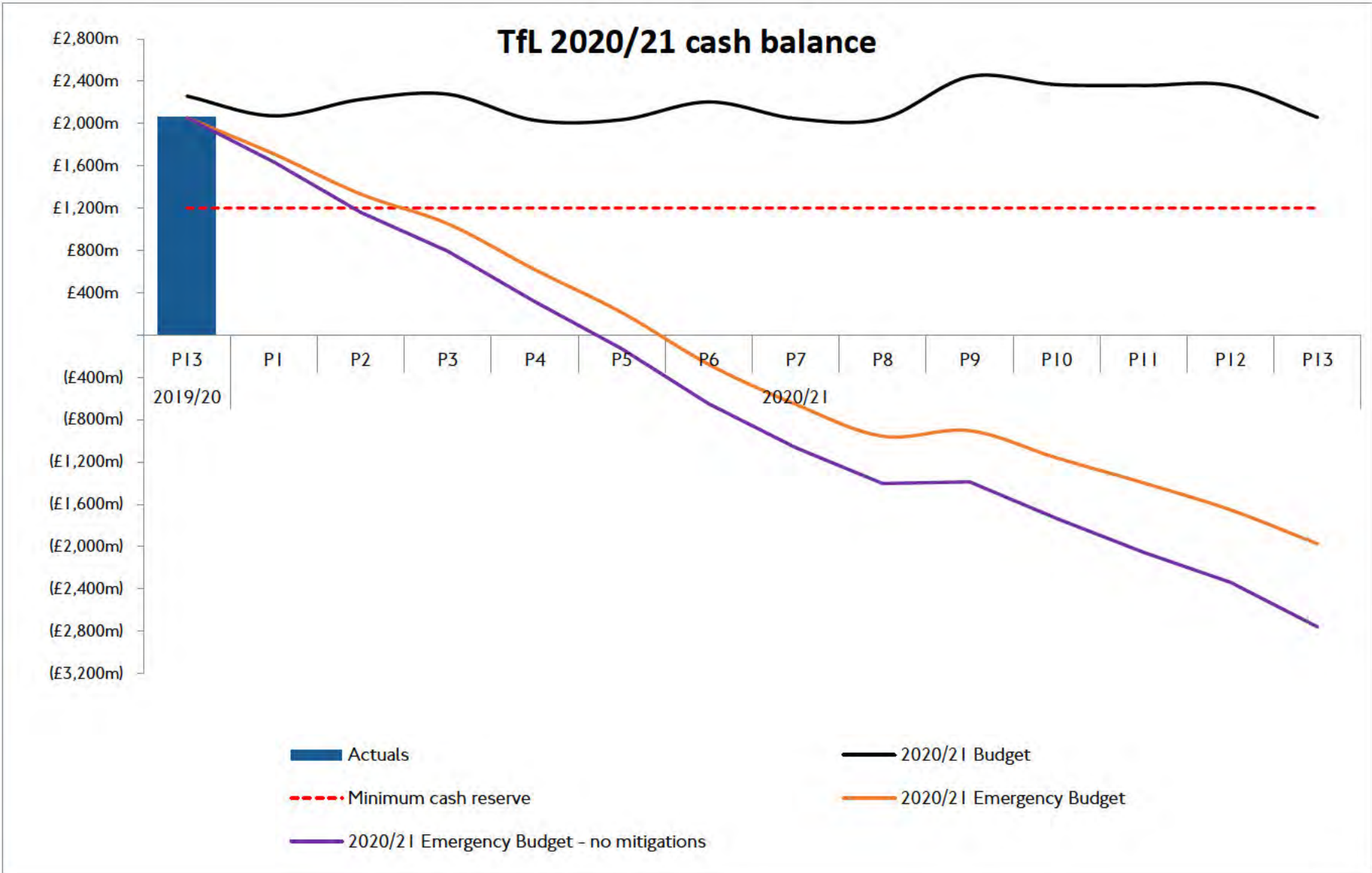
We are expecting a significant decrease in customer demand resulting in an estimated £3.5bn of lost revenue:

- (£2.4bn) in H1
- a further (£1.1bn) in H2



The impact on our cash balance is severe

Without support:
 By Period 3, we will breach our minimum cash threshold
 By Period 6 we will run out of cash altogether



Our Usable reserves are exhausted without Grant funding and are forecast to be £2.1bn negative by the end of 20/21

Forecast Reserves Position – Full Year

Reserves (£m)	2019/20 Actual	2019/20 Q3F	Variance to Q3F	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
Usable reserves	1,767	2,065	(298)	-14%	(2,181)	1,946	(4,127)	-212%
Unusable reserves	24,241	24,230	11	0%	24,826	24,717	109	0%
Total reserves	26,008	26,295	(287)	-1%	22,645	26,663	(4,018)	-15%

- Our useable reserves broadly mirrors cash reserves balance and therefore both balances would move equally with additional grant funding
- Per the original business plan our reserves under normal trading conditions were forecast to fall by a further £0.5bn in 2021/22 due to additional financing costs (Crossrail) and Elizabeth line start-up costs



London Underground

- A budgeted operating surplus of £1bn becomes a £1.1bn deficit in 2020/21 following the revenue collapse (see next slide for bridge on operating costs)

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	2,729	207	1,580	(1,373)	-87%	903	2,932	(2,028)	-69%	(1,826)	-67%
Other operating income	33	10	10	0	0%	18	18	0	0%	(16)	-47%
Total operating income	2,763	217	1,590	(1,373)	-86%	921	2,949	(2,028)	-69%	(1,842)	-67%
Operating cost	(1,944)	(1,086)	(1,064)	(21)	2%	(2,041)	(1,977)	(64)	3%	(97)	5%
Core costs	(1,951)	(1,058)	(1,044)	(14)	1%	(1,968)	(1,944)	(24)	1%	(17)	1%
Project costs	(32)	(8)	(8)	0	0%	(14)	(14)	0	0%	18	-57%
Exceptional costs	38	(20)	0	(20)	0%	(59)	(19)	(40)	211%	(97)	-253%
Direct operating surplus	819	(869)	526	(1,395)	-265%	(1,120)	972	(2,092)	-215%	(1,939)	-237%
Indirect net operating cost	(353)	(240)	(240)	0	0%	(445)	(445)	0	0%	(92)	26%
Net operating surplus before financing and renewals	466	(1,109)	286	(1,395)	-488%	(1,565)	527	(2,092)	-397%	(2,031)	-436%
Net financing costs	(293)	(159)	(159)	0	0%	(296)	(296)	0	0%	(3)	1%
Capital renewals	(311)	(43)	(181)	138	-76%	(137)	(317)	180	-57%	174	-56%
Net surplus/(cost) of operations	(138)	(1,311)	(54)	(1,256)	2323%	(1,998)	(86)	(1,912)	2223%	(1,860)	1348%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(71)	(7)	(35)	28	-80%	(35)	(58)	23	-40%	36	-51%

- The original budget is based on 100% operation of working timetables. Reduced services, on average 15 tph are currently operating across the network given the significantly lower levels of demand.
- The emergency budget assumes these temporary timetables operate until June with additional trains on certain lines to manage demand as lockdown restrictions are reduced.
- From July it is assumed that full services will need to operate to manage increasing demand whilst operating Social Distancing.

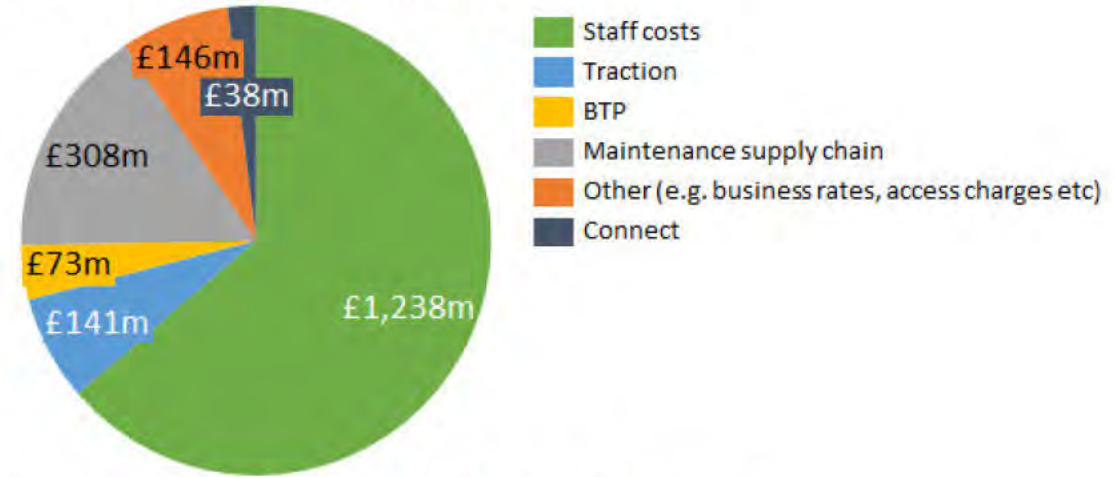


London Underground – Operating cost assumptions (full year)

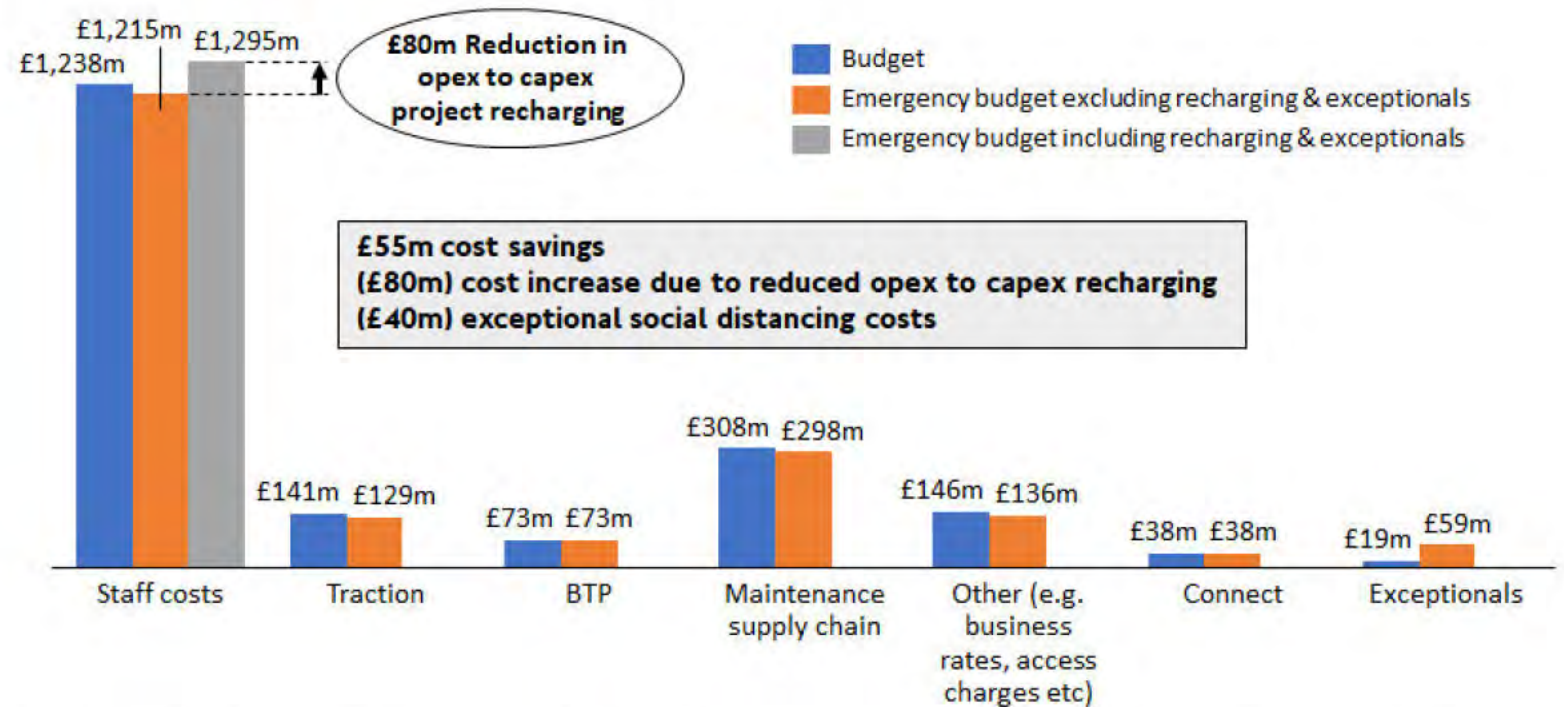
Cost	Assumption	Impact
20/21 Budgeted operating costs		(£1,977m)
Staff costs - furloughing	c.4,200 FTEs furloughed from P2-P3. 100% salary/benefits paid for those furloughed. No furloughing assumed from end of June onwards	£23m
Traction	Variable element reduced in line with service levels (15tph - 50% of original budgeted service assumed for P1-P3) . Full service assumed for rest of year from P4	£12m
Asset Ops supply chain	Major contract review with variable elements assumed to be reduced to varying degrees for P2-P3	£10m
Consultancy costs	50% reduction assumed	£10m
BAU cost savings		£56m
Opex to capex project recharging	Estimation of internal staff costs that would no longer be recharged out of opex due to the reduction project works	(£80m)
Exceptional cost: Social Distancing	Includes external labour costs for crowd management and barriers	(£40m)
20/21 Emergency Budget operating costs		(£2,041m)

London Underground cost base and savings (full year)

£1,944m budgeted core costs

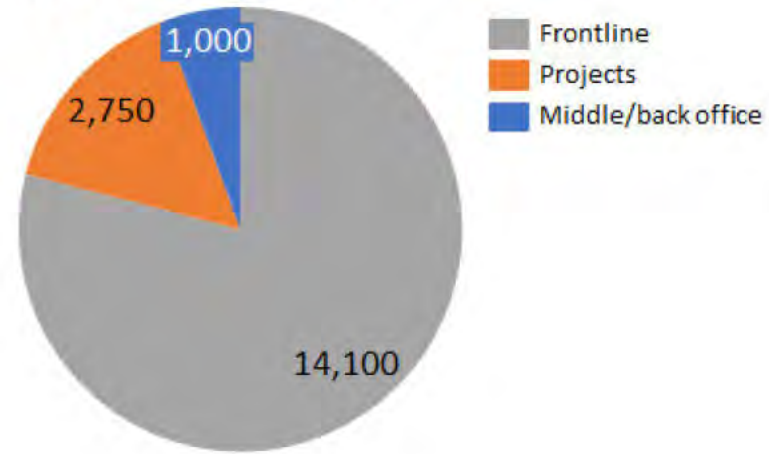


Emergency budget operating cost changes

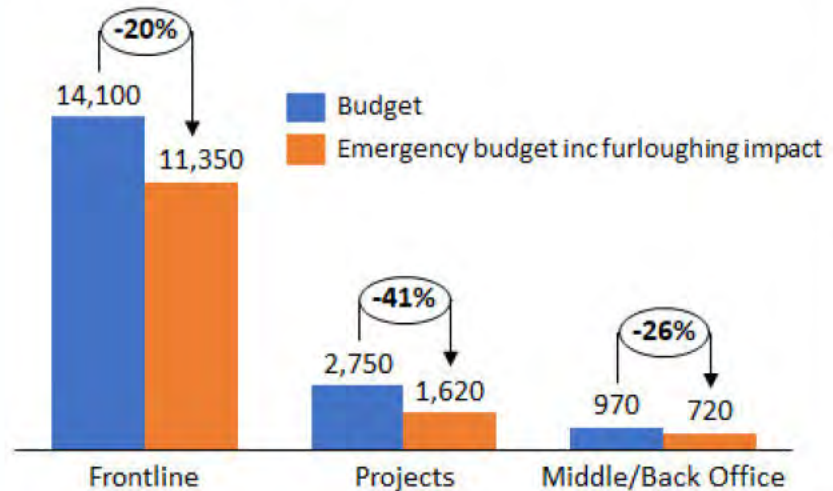


London Underground staff costs & FTEs (full year)

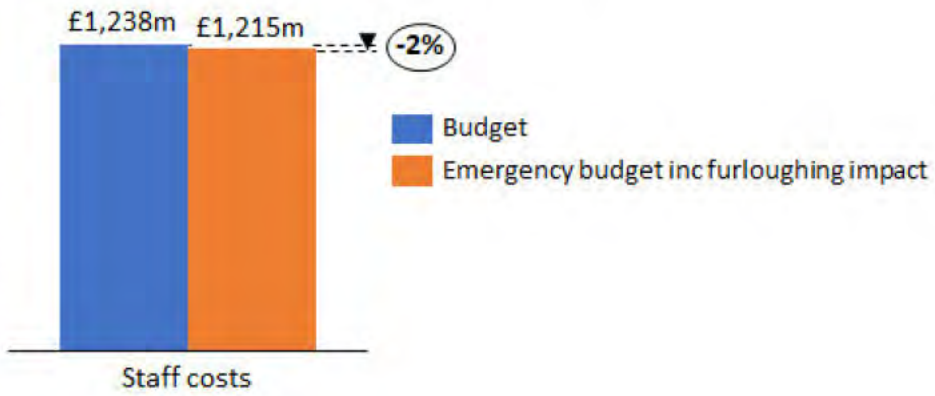
c.18,000 Budget FTEs



c.4,200 FTEs furloughed in Emergency Budget



Two periods of furloughing c.4,200 FTEs equates to a 2% saving on our full year staff costs



40% of costs associated with furloughed FTEs still incurred by TfL

	Full year average staff costs	2 periods average staff costs	2 periods furlough rebate	% furlough rebate
Front line	(58,900)	(9,062)	(5,218)	58%
Projects	(56,603)	(8,708)	(5,391)	62%
Middle / back office	(56,086)	(8,629)	(5,235)	61%
Total	(58,435)	(8,990)	(5,249)	58%

London

Underground: capex spend in HI reduces by £166m (76%)

2020/21 Budget: £377m

HI: £217m

Emergency Budget: £193m

HI: £51m

Risk to Opex

- Internal staff costs c£75m (to be partly mitigated by furloughing)
- Supplier penalties/restart costs estimated to be £35m to £50m (the Sensible Minimum option aims to mitigate these as far as possible)

We intend to reduce spend wherever possible while continuing to maintain safety. While 20/21 Capex will be reduced, the whole life costs of assets will increase.

Renewals	Reduction in spend – P1 to P7
Track – Reduction from £76m to £13m in P1 to P7	£63m
Fleet Heavy Overhauls – Reduction from £28m to £8m in P1 to P7	£20m
Fleet – Reduction from £30m to £10m in P1 to P7	£20m
Stations and buildings – Reduction from £18m to £3m in P1 to P7	£15m
Renewals – Reduction from £30m to £10m in P1 to P7	£20m
Investments	
Enhancements – Reduction from £10m to £2m in P1 to P7	£8m
Step-free Access (SFA) – Reduction from £19m to £3m in P1 to P7	£16m
Technology & Data – Reduction from £13m to £9m in P1 to P7	£4m
Total	£166m

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Rail (exc Elizabeth line)

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	414	38	236	(198)	-84%	146	441	(295)	-67%	(268)	-65%
Other operating income	22	5	5	0	0%	10	10	0	0%	(12)	-55%
Total operating income	437	44	241	(198)	-82%	156	451	(295)	-65%	(281)	-64%
Operating cost	(468)	(257)	(263)	7	-3%	(469)	(489)	19	-4%	(1)	0%
Core costs	(463)	(256)	(267)	11	-4%	(469)	(488)	19	-4%	(6)	1%
Project costs	(3)	(1)	(1)	0	0%	(1)	(1)	0	0%	2	-71%
Exceptional costs	(2)	0	0	0	0%	0	0	0	0%	2	-100%
Direct operating surplus	(31)	(213)	(22)	(191)	879%	(313)	(38)	(275)	724%	(282)	910%
Indirect net operating cost	(19)	(12)	(12)	0	0%	(22)	(22)	0	0%	(3)	16%
Net operating surplus before financing and renewals	(50)	(225)	(34)	(191)	569%	(335)	(60)	(275)	458%	(285)	570%
Net financing costs	(45)	(23)	(23)	0	0%	(43)	(43)	0	0%	2	-4%
Capital renewals	(37)	(24)	(20)	(4)	21%	(42)	(38)	(4)	11%	(5)	15%
Net surplus/(cost) of operations	(132)	(272)	(76)	(195)	256%	(420)	(141)	(279)	198%	(288)	218%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(44)	(3)	(25)	22	-89%	(3)	(41)	38	-93%	41	-93%

- Operating cost saving negotiated through contractors of £20m (FY).
- The operating costs assume current service levels until June (aligned to demand scenario). Any marginal increase in demand will require 100% service levels to maintain social distancing. A ramp up in mid-May would cost a further £5m (HI).
- For investment programme activity only Core activity impact is reflected in the table above. A further review of core activity has increased full year New Capital by £30m and reduced renewals projects by £11m - this update matches the Rail, Streets and Other summary slide (core activity)



Streets, Buses & Other Surface

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	1,436	68	806	(739)	-92%	395	1,480	(1,085)	-73%	(1,041)	-72%
Other operating income	581	308	308	0	0%	233	571	(337)	-59%	(348)	-60%
Total operating income	2,018	376	1,114	(739)	-66%	628	2,051	(1,423)	-69%	(1,390)	-69%
Operating cost	(2,879)	(1,511)	(1,529)	17	-1%	(2,595)	(2,839)	244	-9%	284	-10%
Core costs	(2,670)	(1,432)	(1,432)	0	0%	(2,552)	(2,674)	123	-5%	118	-4%
Project costs	(192)	(79)	(79)	0	0%	(42)	(164)	121	-74%	150	-78%
Exceptional costs	(17)	(1)	(1)	0	0%	(1)	(1)	0	0%	16	-95%
Direct operating surplus	(861)	(1,136)	(414)	(721)	174%	(1,967)	(788)	(1,179)	150%	(1,106)	128%
Indirect net operating cost	(142)	(86)	(86)	0	0%	(160)	(160)	0	0%	(18)	13%
Net operating surplus before financing and renewals	(1,003)	(1,222)	(501)	(721)	144%	(2,127)	(948)	(1,179)	124%	(1,124)	112%
Net financing costs	(30)	(16)	(16)	0	0%	(29)	(29)	0	0%	1	-3%
Capital renewals	(73)	(41)	(62)	22	-35%	(103)	(125)	22	-17%	(30)	41%
Net surplus/(cost) of operations	(1,106)	(1,278)	(579)	(700)	121%	(2,259)	(1,102)	(1,157)	105%	(1,153)	104%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(168)	(45)	(94)	49	-52%	(89)	(199)	110	-55%	79	-47%

- Income includes impact of middle door boarding. This assumes that it takes four months (from policy commencing) to install ticket readers on middle of the bus. Given current demand levels the income would have been £12m per period.
- Operating cost saving negotiated through contractors of £60m (FY), partly offset by £15m (FY) of additional cleaning costs. This includes 2300 bus drivers in furlough on 80% of salaries. Topping up these salaries would cost an additional £2-3m to end of June.
- The operating costs assume current service levels (circa 80% of normal timetable) until late June (aligned to demand scenario). Any marginal increase in demand will require 100% service levels to maintain social distancing. A ramp up in mid-May would cost a further £20m (HI).
- Congestion Charge, LEZ and ULEZ restored in early June. There is a three-week lead time between relaxation of restrictions and restarting services.
- Cost savings of £9m negotiated through suspension of the RUC schemes and further £15m of savings across streets through use of furlough and other operating cost savings (FY figures).
- For investment programme activity only Core activity impact is reflected in the table above. A further review of core activity has increased New Capital by £17m, Increase Renewals by £16m and reduced Projects costs by £4m - this update matches the Rail, Streets and Other summary slide (core activity)

Rail, Streets and Buses - Investment Programme

We have prioritised activities to support efforts in the COVID-19 crisis

<p>Core activity</p> <p><small>* Figures reflected in the emergency budget</small></p>	<p>Six months £145m <small>£144m saving</small></p>	<p>FY 20/21 £330m <small>£237m saving</small></p>	<ul style="list-style-type: none"> • Critical renewals and enhancements as per the exceptions list • TLRN, Rail and borough renewals to ramp up to full run-rate from August 2020. Design work to continue in the interim. • Under-utilisation of project staff due to lower levels of delivery than budgeted, and such costs will need to be written-off as exceptional costs.
<p>Social distancing</p> <p><small>** Figures NOT reflected in the emergency budget</small></p>	<p>Six months £55m</p>	<p>FY 20/21 £65m</p>	<ul style="list-style-type: none"> • Targeted pot of £45m for boroughs to support social distancing goals, in place of BAU LIPS • TLRN and Rail enhancement projects which support social distancing (e.g. ELL 18tph and CS9) • Funding for further TfL strategic projects (TBC Alex Williams)
<p>Economy / regeneration</p> <p><small>** Figures NOT reflected in the emergency budget</small></p>	<p>Six months £5m</p>	<p>FY 20/21 £25m</p>	<ul style="list-style-type: none"> • HIF and MRN bids, including ELL 20tph and funding for transformational schemes which support regeneration and growth (e.g. Fiveways Croydon)
<p>Total Activity</p>	<p>Six months £205m <small>£84m saving</small></p>	<p>FY 20/21 £420m <small>£147m saving</small></p>	

* Please note that only Core activity figures are included in the Emergency Budget account numbers at current

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Emergency Budget 2020/21

(£2.3bn) impact compared to our current Budget in H1 with an additional (£1.2bn) expected in H2

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%
Total income	6,874	1,089	3,749	(2,660)	-71%	3,046	7,055	(4,009)	-57%
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	464	(2,236)	259	(2,495)	-963%	(3,317)	429	(3,746)	-873%
Net financing costs	(435)	(248)	(252)	4	-2%	(455)	(468)	13	-3%
Net surplus/(cost) of operations before renewals	29	(2,484)	7	(2,491)	-35308%	(3,772)	(39)	(3,733)	9572%
Capital renewals	(452)	(131)	(288)	157	-55%	(332)	(532)	201	-38%
Net surplus/(cost) of operations	(423)	(2,614)	(281)	(2,334)	831%	(4,104)	(571)	(3,533)	619%

What have we done to reduce costs?

We are planning gross opex savings of over £400m – these are partly offset in the short term by direct COVID-19 costs and capital staff cost add back

	H1, 2020/21 Variance to Budget	H2, 2020/21 Variance to Budget	FY, 2020/21 Variance to Budget
Core costs	97	36	133
Reduction in service levels (excl. EL below)	82	17	99
Increase in bus operating costs	(10)	(5)	(15)
Bad debt and other reduction in charges	46	26	72
Staff costs saved through furloughing	28	0	28
Headcount and other savings	29	18	48
Staff costs no longer capitalised following safe stop	(78)	(21)	(99)
Projects	67	61	128
Buses, Streets and other operations – core activities only	62	59	121
Other	5	2	7
Elizabeth line reduced operations	19	16	35
Exceptional costs	(18)	(15)	(33)
LU social distancing measures	(20)	(20)	(40)
Defer procurement transformation	5	5	10
Other	(3)	-	(3)
Net savings	£165m	£98m	£262m
Remove capitalisation and COVID-19 direct costs	£108m	£46m	£154m
Gross savings	£273m 8%	£144m 5%	£416m 6%



Our emergency Budget

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

Planned incremental borrowing of £0.6bn no longer prudent in line with the Prudential Code and does not support a balanced Budget

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 (TfL)	544	0	320	(320)	-100%	0	603	(603)	-100%
Other capital grants	205	103	103	0	0%	123	123	0	0%
Total	1,793	590	945	(356)	-38%	1,095	1,856	(761)	-41%
Net capital account	712	202	313	(111)	-36%	287	523	(236)	-45%

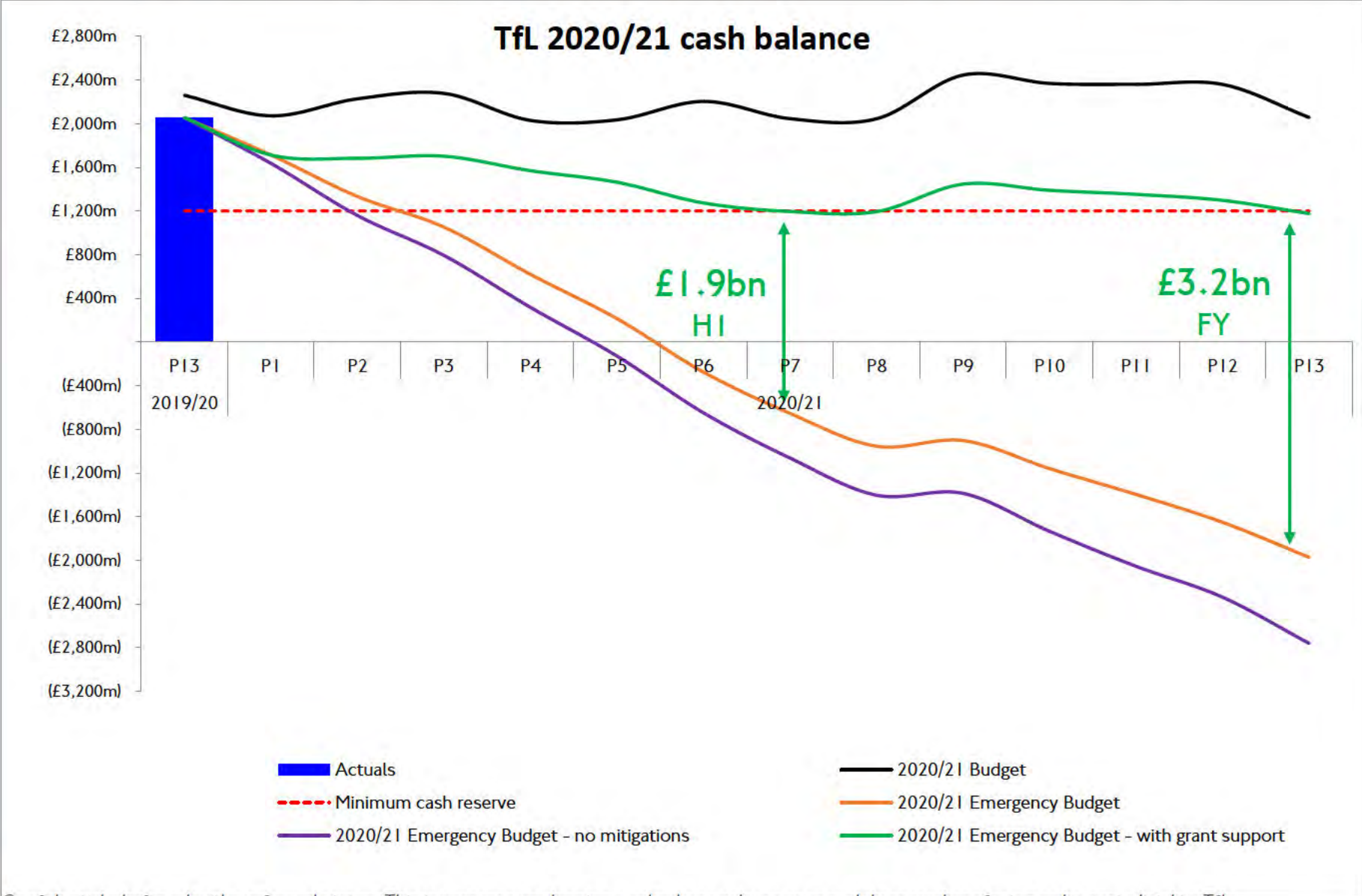
Total Capital (£m)	2019/20 Actual	2020/21 Emergency Budget to P7	2020/21 Budget to P7	Variance to Budget to P7	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
Renewals	(452)	(131)	(288)	157	-55%	(331)	(531)	201	-38%
New Capital Investment	(1,081)	(388)	(632)	244	-39%	(808)	(1,333)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

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%

Conclusion: the funding gap is beyond TfL's ability to close and therefore the requirement for government grant funding

Revenue grant is the only option that will allow TfL to return to a balanced budget position and continue meeting its financial obligations in the short term



Confidential, draft and with no formal status. This is emergency planning work whose release may unduly spread confusion or be prejudicial to TfL

Why we cannot breach our £1.2bn minimum Cash Reserves

Business Planning modelling concluded that a £2.2bn reserve was appropriate in Q3 2019. This was based on risks that included economic, Brexit, Cross Rail, operational and liquidity. Pandemic risks were not considered at that time.

£1.2bn minimum cash reserves represents only two months' worth of operating costs ignores renewal spend. This was benchmarked a number of international peers.

After annual debt service it represents *one months'* supplier and payroll costs. This is a minimum requirement for liquidity. On a single day we can have cash outflows as high as £300m.

[Redacted]

[Redacted]

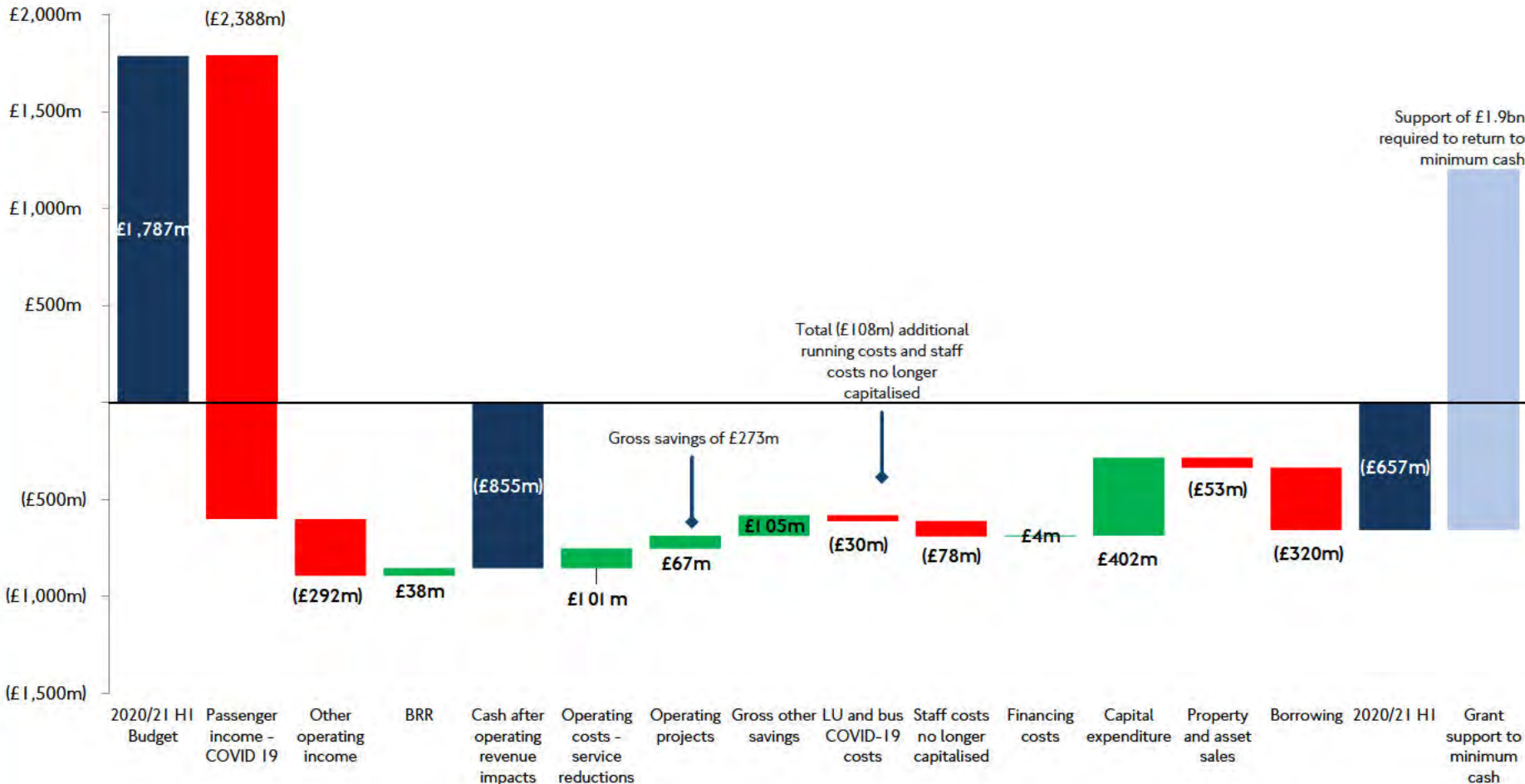
TfL are different to other public transport agencies who are wholly owned or guaranteed by the Government (and even they hold cash balances) and we have no shareholders to call upon.

[Redacted]

Cash bridge: H1 Budget to H1 Emergency Budget

Cash movements against 2020/21 Budget

H1 emergency position against 2020/21 Budget – total variance (£2,444m)



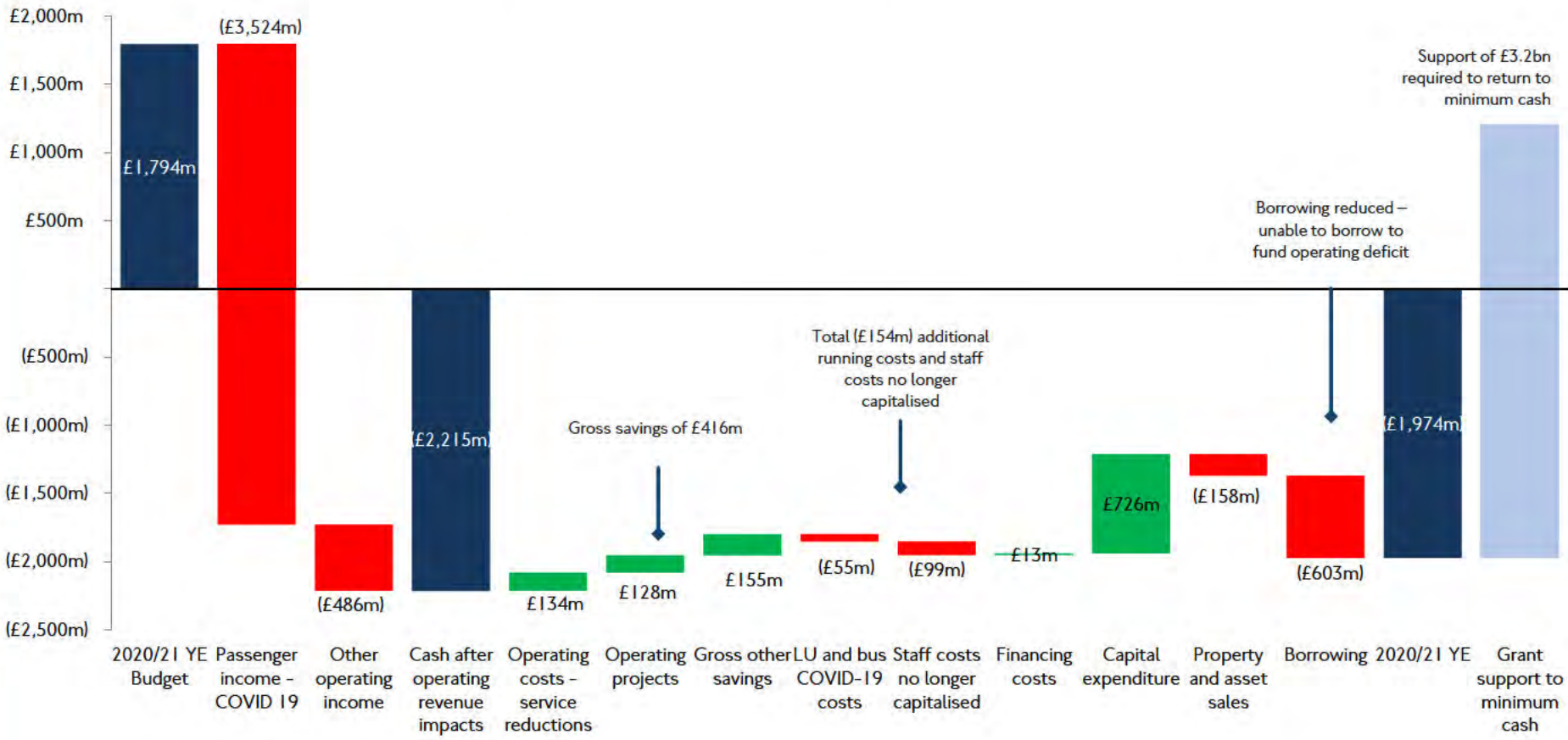
Budget position adjusted for 2019/20 YE balances

Confidential, draft and with no formal status. This is emergency planning work whose release may unduly spread confusion or be prejudicial to TfL

Cash bridge: FY Budget to FY Emergency Budget

Cash movements against 2020/21 Budget

Full-year emergency position against 2020/21 Budget – total variance of (£3,768m)



Budget position adjusted for 2019/20 YE balances

Confidential, draft and with no formal status. This is emergency planning work whose release may unduly spread confusion or be prejudicial to TfL

With Proposed Grant Funding, Usable reserves are supported and although reduced by £1bn, remain positive at £0.9bn

Forecast Reserves Position – Full Year – With Grant Funding

Reserves (£m)	2019/20 Actual	2019/20 Q3F	Variance to Q3F	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
Usable reserves pre grant funding	1,767	2,065	(298)	-14%	(2,181)	1,946	(4,127)	-212%
Grant funding	-	-	-	0%	3,150	-	3,150	0%
Usable reserves with grant funding	1,767	2,065	(298)	-14%	969	1,946	(977)	-50%
Unusable reserves	24,241	24,230	11	0%	24,826	24,717	109	0%
Total reserves	26,008	26,295	(287)	-1%	25,795	26,663	(868)	-3%

- Per the original business plan our reserves under normal trading conditions were forecast to fall by a further £0.5bn in 2021/22 due to additional financing costs (Crossrail) and Elizabeth line start-up costs
- Usable reserves will continue to need Grant support into 2021/2022 to ensure that we can maintain financial resilience and a balanced budget in the medium term

Further work & next steps

Further work required

As we have compiled this Emergency Budget in very short timescales there are a few areas we may need to refine:

- phasing of costs between months, which may also impact H1 / H2 split
- as we spend more time understanding the impacts in the different areas, we may uncover additional costs/ opportunities. We can feed these additional changes into the Q1 updated budget (see below)

Next steps

- we are looking to present an updated budget to the Board in July which will represent a more detailed 2-year view. This updated budget can be used for a more detailed review with the DfT
- We will work with DfT analysts to prepare the Q1 budget on a jointly agreed assumption around recovery and continued social distancing measures likely to be in place for the remainder of the year and into the following year



Section 3

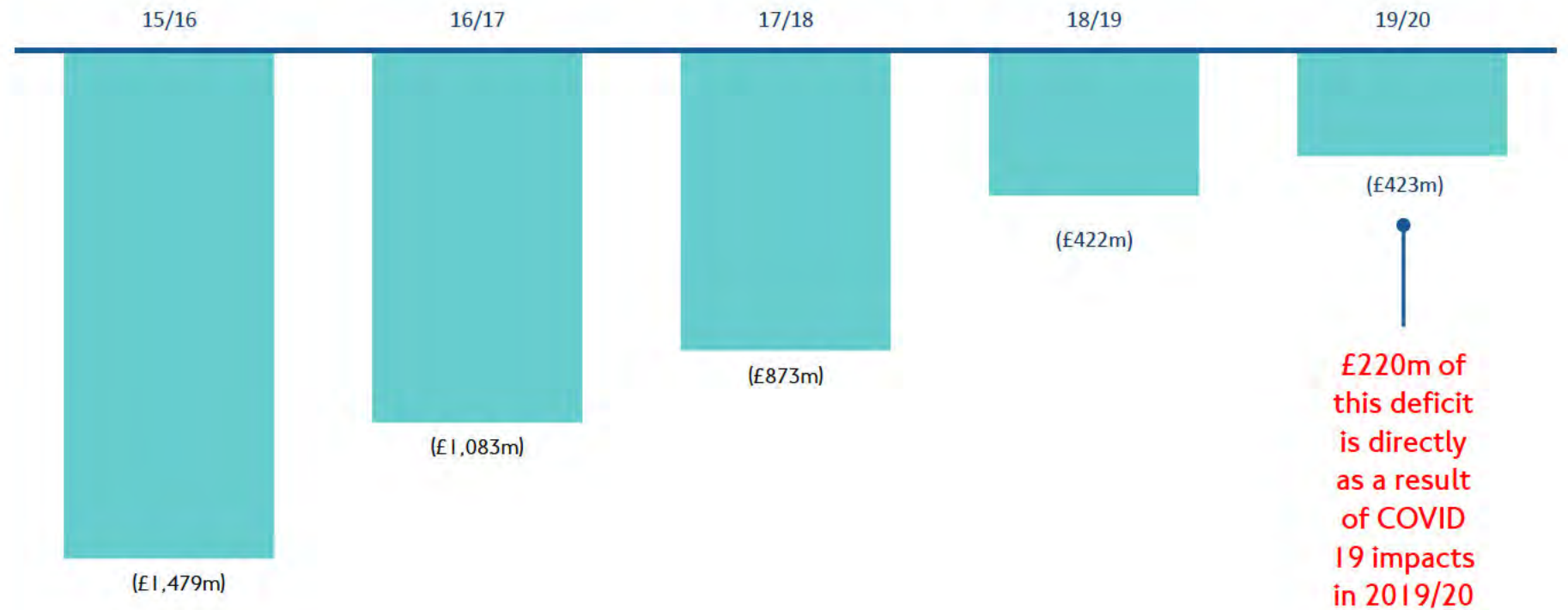
Our cost base and savings to date



We have already taken significant steps to structurally improve our cost base

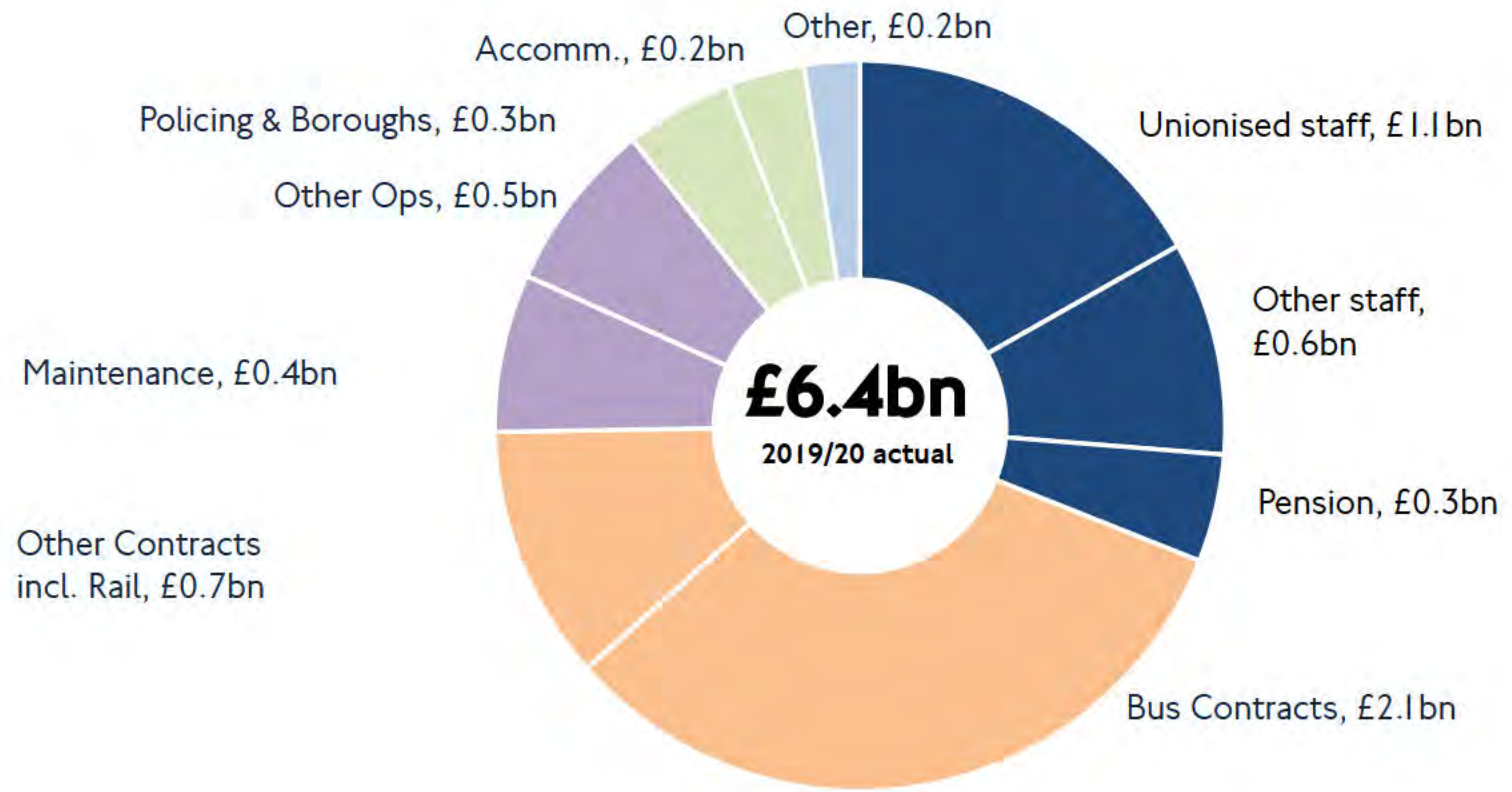
We have already reduced our operating costs since 2015/16

On a like-for-like basis, we have reduced our operating deficit by over £1bn



TfL operating cost base

Our operating costs are largely fixed with very limited scope for reductions in the short term



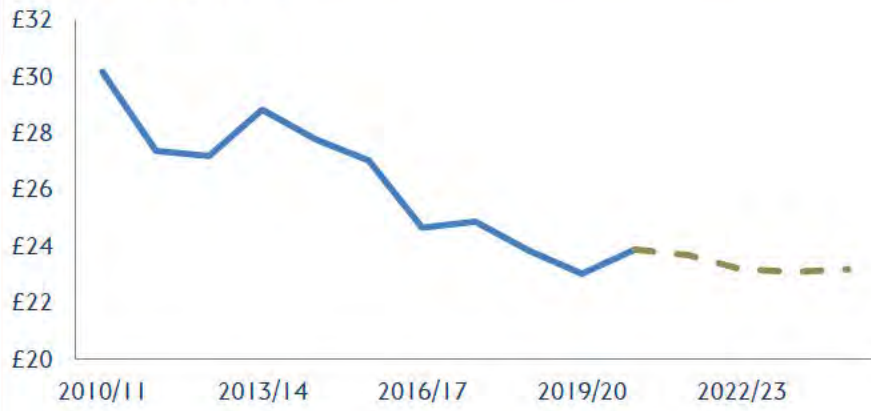
- 31% Staff cost which is largely unionised and a significant pension charge**
- 44% Third party contracts to deliver bus and rail services as well as support ticketing system**
- 15% Operational, reliability and safety related costs including maintenance, cleaning and traction**
- 8% Payments to other authorities including policing and boroughs as well as accommodation costs**

Savings and efficiencies to date

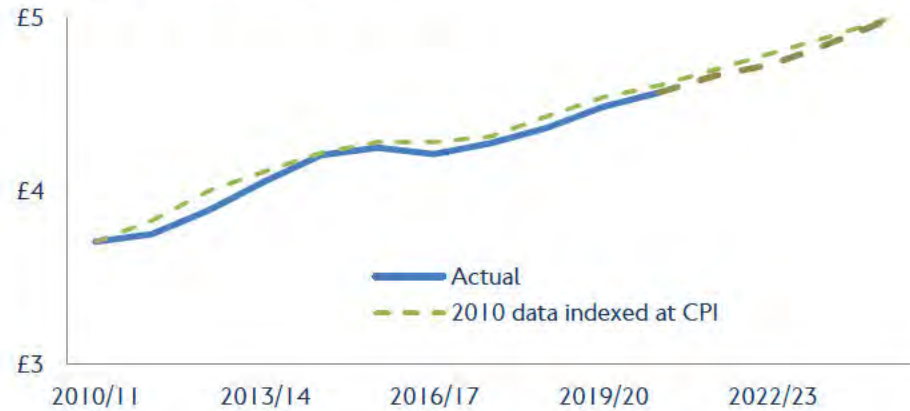
We have become a much more efficient organisation

Cost of running services

London Underground: cost per operated kilometre reduced 21% since 2010 (£)

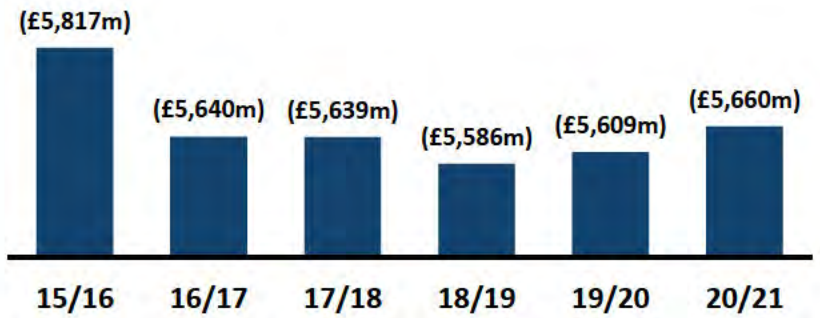


Buses: cost per operated kilometre +2.3% p.a. on average, improving safety, reliability and air quality without cost changes exceeding inflation (£)

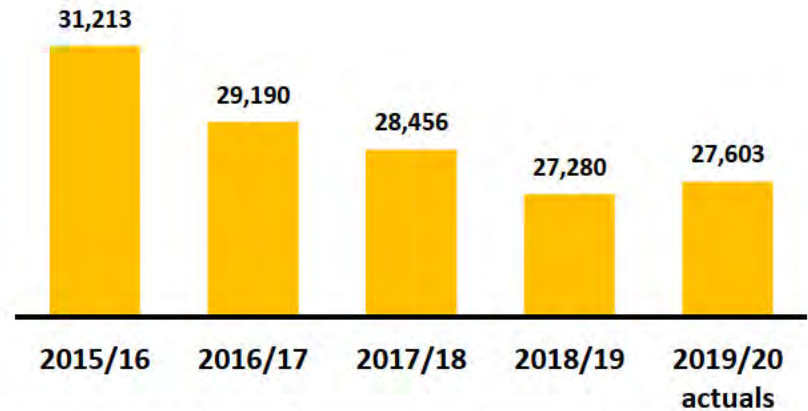


Size of our organisation

TfL's operating costs (like-for-like basis, £m) are £200m lower today than when compared to 2015/16

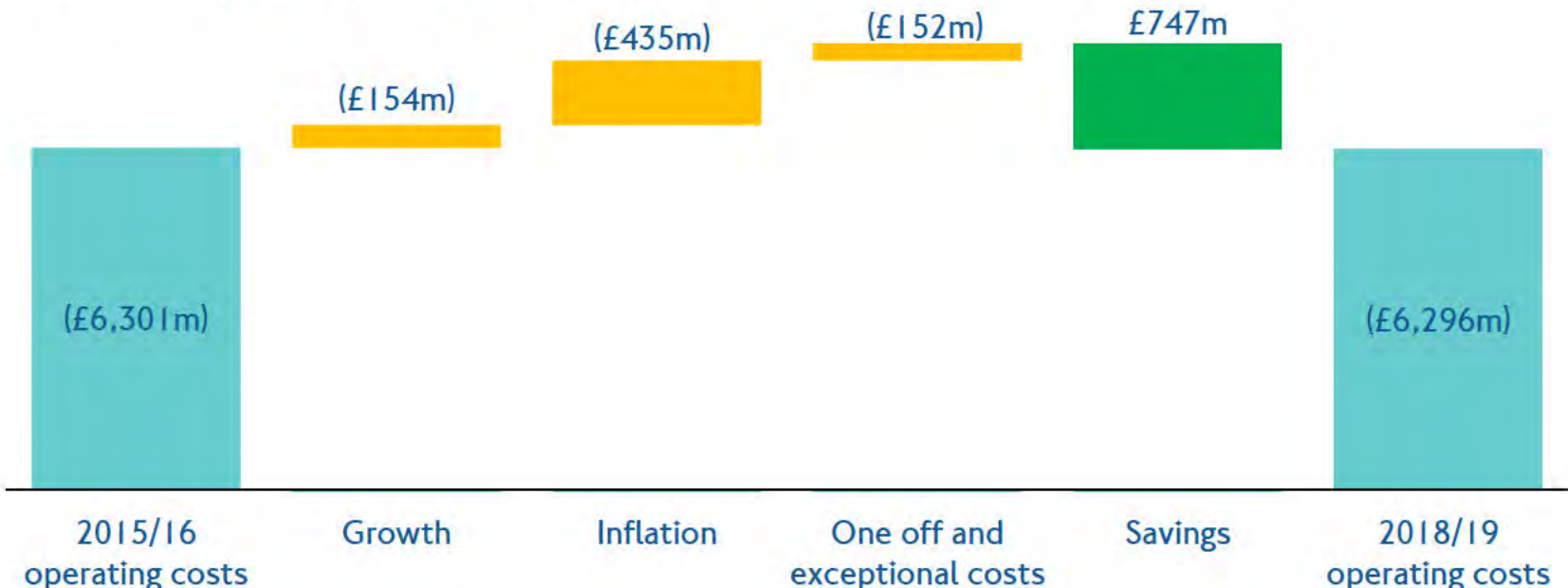


TfL's headcount (FTEs) reduced 12% since 2015/16



We took out almost £750m in costs from 2015/16 to 2018/19; further £200m

Our operating costs have decreased since 2015/16, with growth and inflationary pressures mitigated through savings

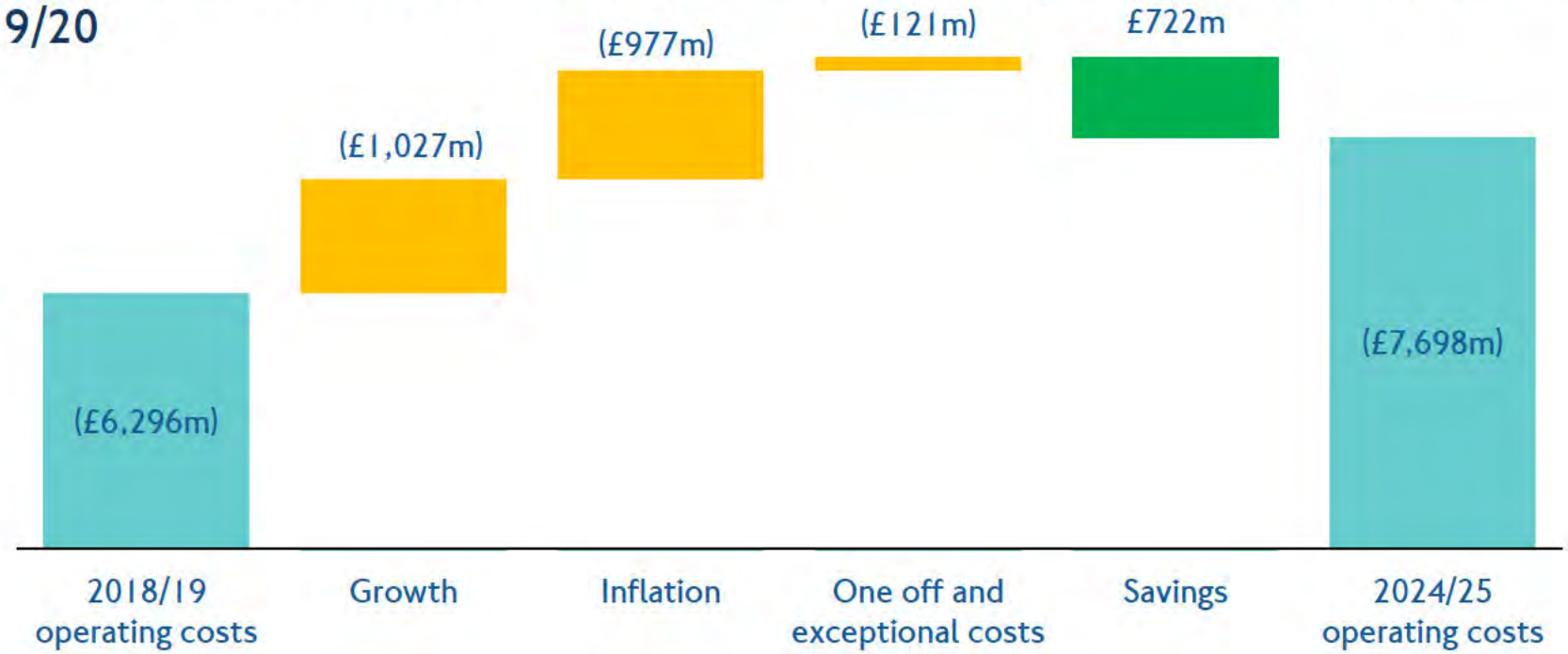


£747m
saved since
2015/16

£120m	LU maintenance modernisation	£60m	Surface Transformation	£20m	Finance and Commercial
£70m	Bus network right sizing	£55m	LU Stations	£25m	Property operations
£50m	Bus tender price	£90m	Tech & Data op model	£15m	Rail contracts

With further significant costs savings already embedded in our Business Plan

We had planned to make a further £722m of savings by 2024/25 - £200m achieved in 2019/20



Growth



Revenue generating services

- Elizabeth line costs increase by £800m
- ULEZ introduction
- New LO trains

Savings

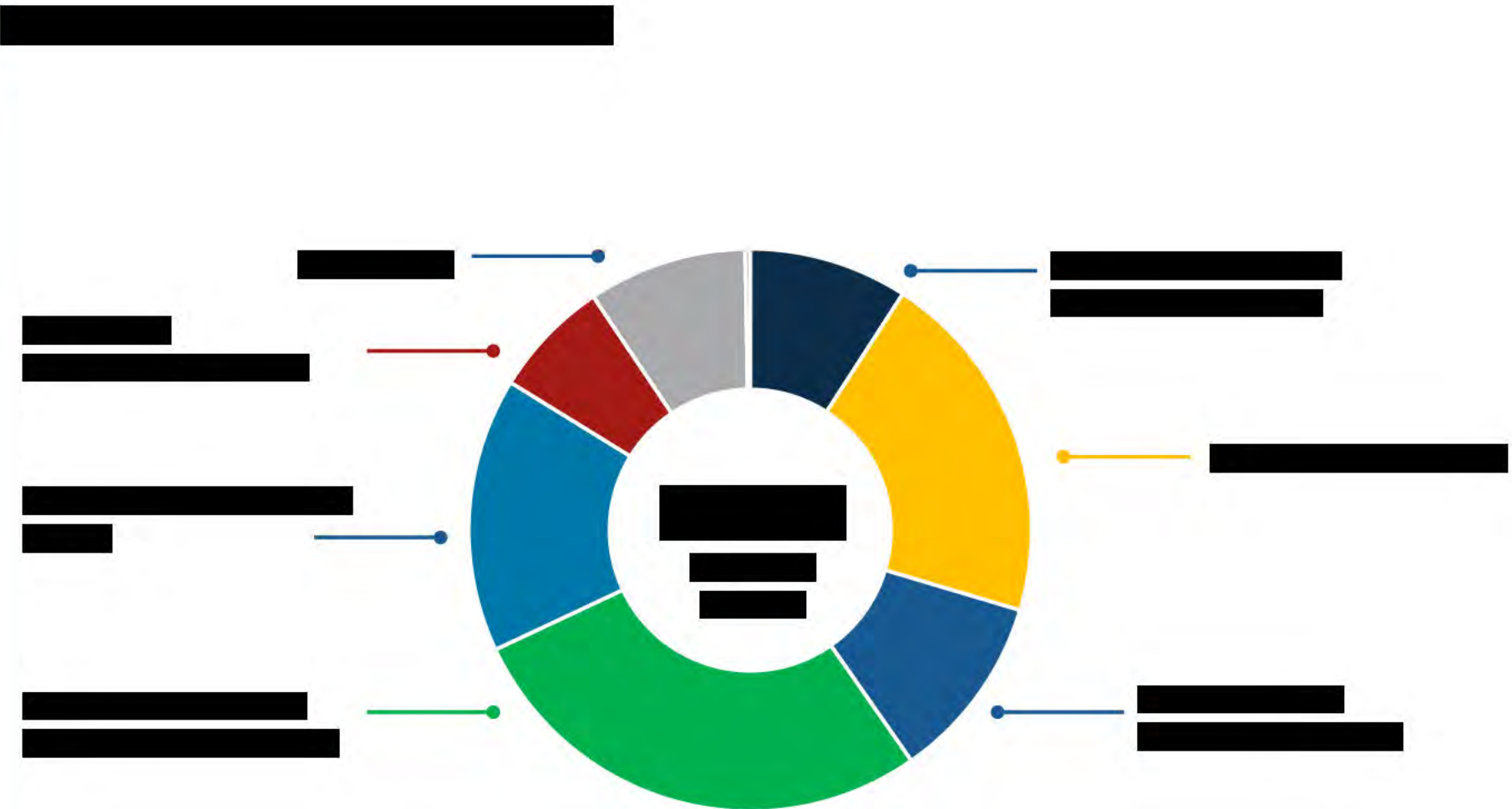
£722m

Mitigating almost 75% inflationary pressures

£200m

already achieved in 2019/20

Areas already targeted for further cost savings may become more of a challenge to achieve now



Section 3

Appendices: Divisional Slides

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	118	12	89	(78)	-87%	51	166	(115)	-69%	(67)	-57%
Other operating income	29	8	8	0	0%	41	41	0	0%	12	41%
Total operating income	147	20	98	(78)	-80%	92	207	(115)	-56%	(55)	-37%
Operating cost	(354)	(209)	(252)	43	-17%	(433)	(468)	35	-7%	(79)	22%
Core costs	(354)	(209)	(228)	19	-8%	(433)	(468)	35	-7%	(79)	22%
Project costs	0	0	0	0	0%	0	0	0	0%	0	0%
Exceptional costs	0	0	0	0	0%	0	0	0	0%	0	0%
Direct operating surplus	(207)	(189)	(154)	(35)	23%	(341)	(261)	(80)	31%	(134)	65%
Indirect net operating cost	(16)	(11)	(11)	0	0%	(20)	(20)	0	0%	(4)	25%
Net operating surplus before financing and renewals	(223)	(200)	(165)	(35)	21%	(361)	(281)	(80)	28%	(138)	62%
Net financing costs	(77)	(53)	(53)	0	0%	(99)	(99)	0	0%	(22)	29%
Capital renewals	0	0	0	0	0%	0	0	0	0%	0	0%
Net surplus/(cost) of operations	(300)	(253)	(218)	(35)	16%	(460)	(380)	(80)	21%	(160)	53%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(23)	(10)	(10)	0	0%	(41)	(41)	0	0%	(18)	78%

Property Development

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	102	16	58	(42)	-72%	42	115	(116)	-101%	(102)	-101%
Total operating income	102	16	58	(42)	-72%	42	115	(116)	-101%	(103)	-101%
Operating cost	(33)	(19)	(23)	4	-17%	(38)	(43)	43	-100%	33	-99%
Core costs	(33)	(19)	(22)	2	-11%	(38)	(43)	43	-100%	33	-100%
Project costs	0	0	0	0	0%	0	0	0	0%	0	0%
Exceptional costs	0	0	0	0	0%	0	0	0	0%	0	0%
Direct operating surplus	69	(3)	35	(38)	-109%	4	72	(73)	-102%	(70)	-102%
Indirect net operating cost	(9)	(1)	(9)	8	-94%	(1)	(16)	15	-94%	8	-90%
Net operating surplus before financing and renewals	60	(4)	27	(30)	-113%	3	56	(57)	-102%	(61)	-102%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	0	0	0	0	0%	0	0	0	0%	0	0%
Net surplus/(cost) of operations	60	(4)	27	(30)	-113%	3	56	(57)	-102%	(61)	-102%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(91)	(24)	(75)	51	-68%	(51)	(281)	280	-100%	90	-99%
Property receipts and asset sales	151	14	67	(53)	-79%	62	219	(220)	-100%	(152)	-101%



Commercial Development: all projects on hold, with minimal essential ongoing spend

Commercial Development capital spend/receipts vs current budget - £m

Project name	Details	HI	FY
Capital receipts (ex CRL)	<i>Erosion of receipts reflecting completion confidence in next 6 months</i>	(13.4)	(135.5)
Capital receipts – CRL	<i>Erosion of receipts reflecting completion confidence in next 6 months</i>	(40.0)	(22.2)
Capital spend	<i>All live developments on stop</i>	50.9	229.6
TOTAL		(2.5)	72.0

- incurring minimal safe stop costs on Blackhorse and Kidbrook
- Paddington project £100m has been removed from the Emergency Budget
- no new commitments are being made
- only minimal spends remain based on H&S considerations and planning and design expenditure to keep momentum across the portfolio

Facilities & Estates

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	14	7	7	0	0%	13	13	(13)	-100%	(14)	-100%
Total operating income	14	7	7	0	0%	13	13	(13)	-100%	(14)	-100%
Operating cost	(104)	(52)	(53)	1	-1%	(98)	(98)	98	-100%	104	-100%
Core costs	(104)	(51)	(54)	3	-6%	(96)	(98)	98	-100%	104	-100%
Project costs	0	0	0	0	0%	0	0	0	0%	0	0%
Exceptional costs	0	(1)	0	(1)	0%	(1)	0	0	0%	0	0%
Direct operating surplus	(90)	(45)	(46)	1	-2%	(85)	(85)	85	-100%	90	-100%
Indirect net operating cost	0	0	0	0	0%	0	0	0	0%	0	0%
Net operating surplus before financing and renewals	(90)	(45)	(46)	1	-2%	(85)	(85)	85	-100%	90	-100%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	0	0	0	0	0%	0	0	0	0%	0	0%
Net surplus/(cost) of operations	(90)	(45)	(46)	1	-2%	(85)	(85)	85	-100%	90	-100%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget	%	Variance to LY	%
New Capital Investment	0	0	0	0	0%	0	0	0	0%	0	0%
Property receipts and asset sales	0	0	0	0	0%	0	0	0	0%	0	0%



Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget H1	2020/21 Budget H1	Variance to Budget H1	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	17	0	0	0	0%	0	0	0	0%	(17)	-100%
Total operating income	17	0	0	0	0%	0	0	0	0%	(17)	-100%
Operating cost	(16)	(10)	(5)	(4)	80%	(15)	(10)	(5)	53%	1	-6%
Core costs	(10)	(7)	(4)	(3)	78%	(12)	(9)	(3)	35%	(2)	24%
Project costs	(2)	(0)	(0)	0	0%	(1)	(1)	0	0%	1	-69%
Exceptional costs	(4)	(2)	0	(2)	0%	(2)	0	(2)	0%	2	-50%
Direct operating surplus	1	(10)	(5)	(4)	80%	(15)	(10)	(5)	50%	(16)	-1600%
Indirect net operating cost	0	0	0	0	0%	0	0	0	0%	0	0%
Net operating surplus before financing and renewals	1	(10)	(5)	(4)	80%	(15)	(10)	(5)	50%	(16)	-1600%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	(19)	(7)	(7)	0	0%	(12)	(12)	0	0%	7	-35%
Net surplus/(cost) of operations	(18)	(17)	(12)	(4)	35%	(27)	(22)	(5)	23%	(9)	50%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget H1	2020/21 Budget H1	Variance to Budget H1	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(595)	(248)	(342)	94	-28%	(523)	(648)	125	-19%	72	-12%

Major Projects: around 40% capex deferred over the next 6 months

Major project versus budget (£m)

Project name	Details	6mnths	FY
Piccadilly Line Upgrade	<i>Deferred: protect critical path of delivery; remobilise in 6 months</i>	9.6	15.4
4 Lines Modernisation	<i>Deferred: remobilised to restart in 6 weeks</i>	28.9	65.1
DLR	<i>Deferred: protect critical path of delivery; remobilise in 4 months</i>	11.7	9.6
Northern Line Extension	<i>In final stages of delivery. Defer and remobilise to restart in 6 weeks</i>	16.5	5.8
Bank Station	<i>Deferred: remobilised to restart in 6 weeks</i>	13.8	11.2
Barking Riverside	<i>Deferred: remobilised to restart in 6 weeks</i>	4.9	4.1
Other		7.3	13.5
TOTAL		91.2	124.5



Professional Services

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	50	39	39	0	0%	71	71	0	0%	20	40%
Total operating income	50	39	39	0	0%	71	71	0	0%	21	42%
Operating cost	(522)	(263)	(277)	14	-5%	(486)	(514)	28	-5%	36	-7%
Core costs	(464)	(244)	(249)	5	-2%	(450)	(462)	12	-3%	14	-3%
Project costs	(50)	(19)	(23)	4	-15%	(36)	(42)	6	-15%	14	-29%
Exceptional costs	(8)	0	(5)	5	-104%	(0)	(10)	10	-96%	8	-94%
Direct operating surplus	(472)	(224)	(238)	14	-6%	(415)	(443)	28	-6%	57	-12%
Indirect net operating cost	0	0	0	0	0%	0	0	0	0%	0	0%
Net operating surplus before financing and renewals	(472)	(224)	(238)	14	-6%	(415)	(443)	28	-6%	57	-12%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	(15)	(17)	(18)	2	-9%	(37)	(40)	3	-8%	(22)	144%
Net surplus/(cost) of operations	(487)	(241)	(257)	16	-6%	(452)	(483)	31	-6%	35	-7%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(85)	(51)	(51)	0	0%	(73)	(73)	0	0%	12	-14%



Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	154	40	79	(40)	-50%	76	151	(76)	-50%	(78)	-51%
Total operating income	154	40	79	(40)	-50%	76	151	(75)	-50%	(78)	-51%
Operating cost	(4)	(2)	(2)	(0)	0%	(4)	(4)	0	0%	0	-10%
Core costs	(3)	(2)	(2)	0	0%	(3)	(3)	0	0%	0	-7%
Project costs	(1)	(0)	(0)	0	0%	(1)	(1)	0	0%	0	-18%
Exceptional costs	0	0	0	0	0%	0	0	0	0%	0	0%
Direct operating surplus	150	38	77	(40)	-51%	72	147	(75)	-51%	(78)	-52%
Indirect net operating cost	(2)	(1)	(1)	0	0%	(1)	(1)	0	0%	1	-50%
Net operating surplus before financing and renewals	148	37	77	(40)	-52%	71	146	(75)	-51%	(77)	-52%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	0	0	0	0	0%	0	0	0	0%	0	0%
Net surplus/(cost) of operations	148	37	77	(40)	-52%	71	146	(75)	-51%	(77)	-52%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(4)	(0)	(0)	0	0%	7	7	0	0%	11	-275%

From: [Kilonback Simon](#)
To: [Alexander Heidi](#); [King Antony \(Div Finance Director MPD\)](#); [Brown Mike \(Commissioner\)](#)
Cc: [Gasson Sarah](#); [Carter Howard](#); [Clarke Andrea \(Exc\)](#); [Lucas Emma](#); [Steer Tim](#); [Sachdeva Rajiv](#); [Patel Pritesh](#)
Subject: RE: Draft Public Paper for FinCom & Executive Summary of Emergency Budget
Date: 11 May 2020 13:10:05
Attachments: [Appendix 1 - Emergency Budget FinCom Exec Summary HA.pptx](#)
[FINANCE.COM COVID19 EMERGENCY BUDGET FUNDING- Draft PUBLIC HA.docx](#)

Thanks Heidi

Tony, Emma and Raj – please action Heidi’s comments in both the paper and the presentation (in the latter, changes highlighted in yellow and comments where the narrative is too categoric given where negotiations currently are) – I can talk you through

Thanks

Simon

From: Heidi Alexander

Sent: 11 May 2020 12:55

To: King Antony (Div Finance Director MPD) ; Brown Mike (Commissioner)

Cc: Gasson Sarah ; Kilonback Simon ; Carter Howard ; Clarke Andrea (Exc) ; Lucas Emma ; Steer Tim

Subject: RE: Draft Public Paper for FinCom & Executive Summary of Emergency Budget

I have made changes and comments on both of these

H

From: King Antony (Div Finance Director MPD) <[REDACTED]@tfl.gov.uk>

Sent: 10 May 2020 21:39

To: Mike Brown <[REDACTED]@tfl.gov.uk>; Heidi Alexander <[REDACTED]@london.gov.uk>

Cc: [REDACTED]@tfl.gov.uk; Kilonback Simon <[REDACTED]@tfl.gov.uk>; Carter Howard

<[REDACTED]@tfl.gov.uk>; Clarke Andrea (Exc) <[REDACTED]@tfl.gov.uk>; Lucas Emma

<[REDACTED]@tfl.gov.uk>

Subject: Draft Public Paper for FinCom & Executive Summary of Emergency Budget

Heidi/Mike,

Please find attached Draft of Public paper for the FinCom.

I have also included the Emergency Budget – Executive Summary, which I think you have both seen before, which is the appendix to the public paper.

Any comments, questions or concerns, let me know.

Regards

Tony

Tony King

Group Finance Director – Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

☎ Desk: [REDACTED] | Ext: [REDACTED] | ☎ Mob: [REDACTED] | Email: [REDACTED]@tfl.gov.uk

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Coronavirus Update

TfL's Emergency Budget 2020/21

Executive Summary

TfL Finance Committee
12 May 2020

Draft and TfL restricted



Introduction

This pack sets out our financial position as a result of the COVID-19 virus and the steps we are taking to manage the financial & operational impacts on TfL

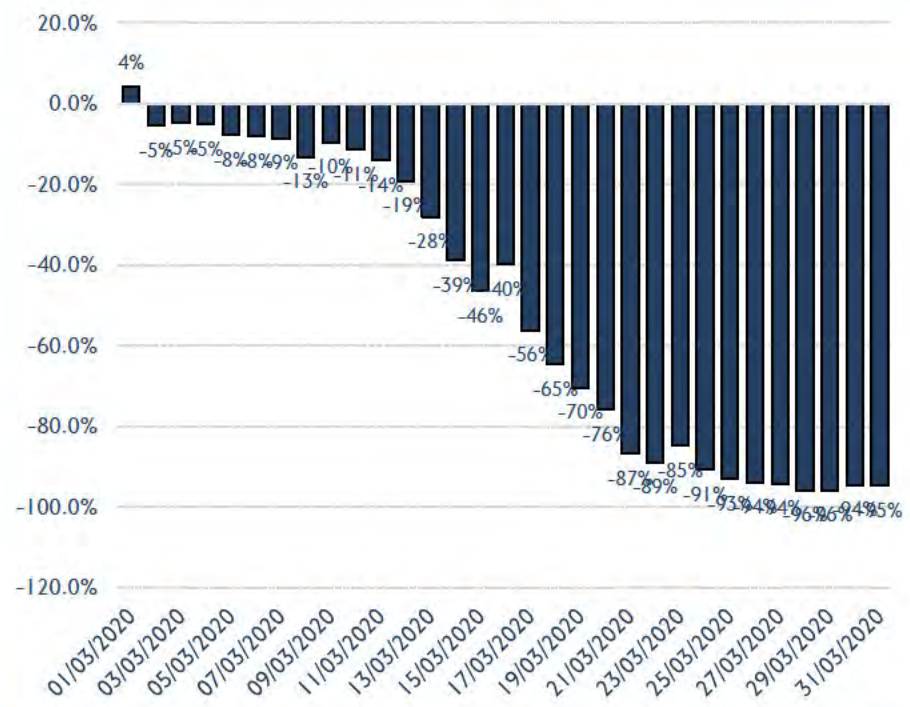
- We are actively discouraging all travel. Tube and rail journeys reduced by c95% on April 2020. Bus journeys were down c85%. Tube traffic reduction is one of the highest of any city globally
- We have already seen the financial impacts: Period 13, 2019/20 passenger revenue was £180m behind Budget; cash is down from £2.1bn at 31 March 2020 to £1.6bn. Cash expected to reduce to below £1.2bn in the next month
- [REDACTED]
- We have started to furlough staff, with 7,000 staff (more than 25% of our workforce) furloughed for an initial 3-week from Monday 27 April, saving £15m per period
- Modelled revenue scenarios based on external modelling of the impact on the UK, ranging from £1.7bn to £4.5bn total revenue reduction by the end of 2020/21 – and up to £7bn by the end of the 2021/22 - based on expected passenger demand volumes.

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

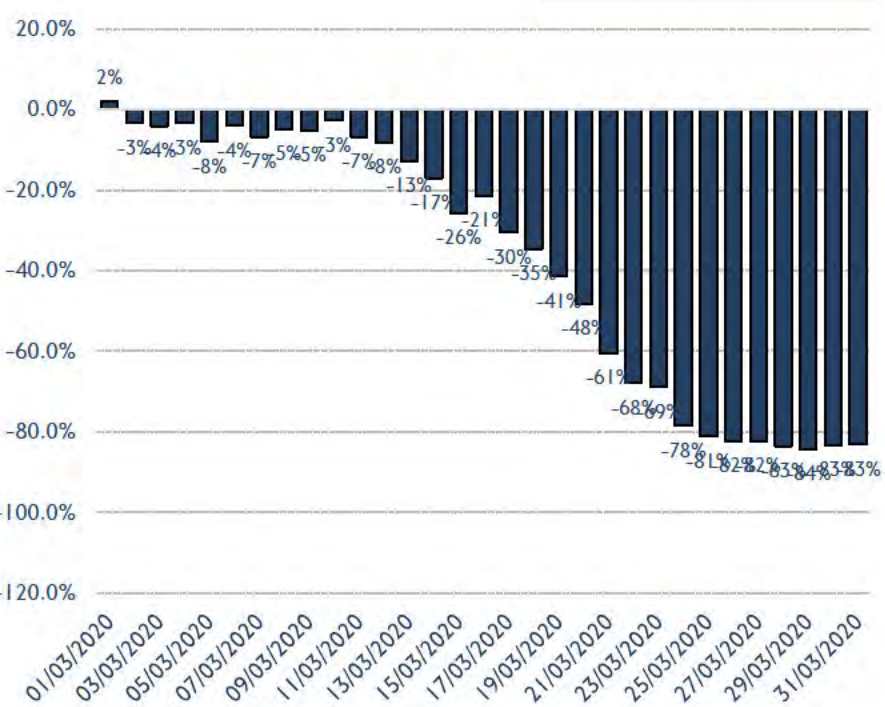
Tube journeys % year-on-year change **(£126m) in LU**



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

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

Bus journeys % year-on-year change **(£38m) in Buses**



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



Central assumptions of TfL's Emergency Budget

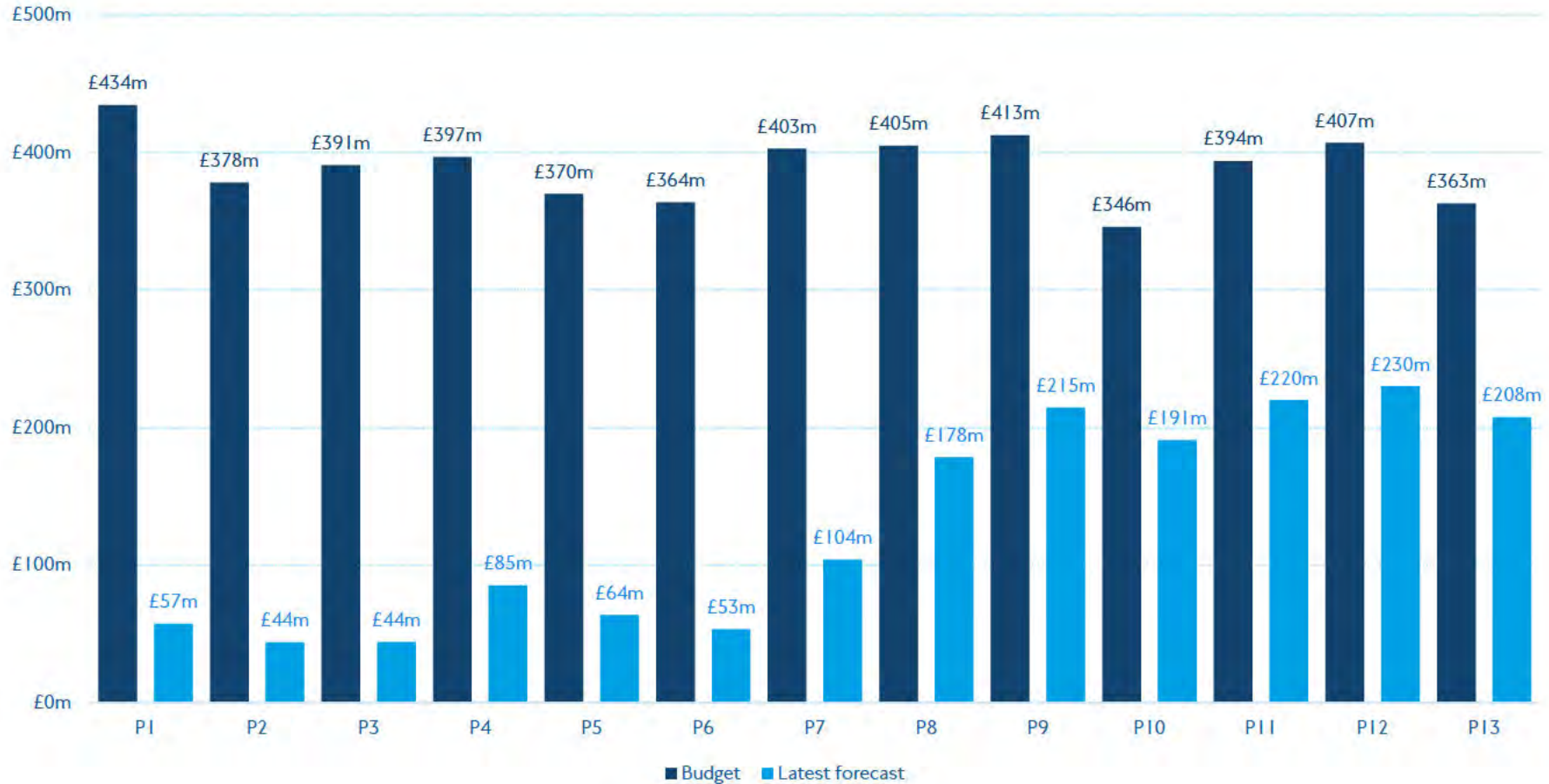
- Revenue: based on a 6 month crisis period followed by muted recovery beyond that (see next slide)
- Staffing:
 - we are furloughing over 7,000 staff for a 2 month period in line with current government guidance. If the government guidelines are extended we will review our arrangements accordingly.
 - Furloughing savings are approximately £15m per period. Salary will be topped up to 100% to avoid lengthy consultation periods and TU negotiations
 - we have released around 770 temporary resource
- Service levels and ramp up:
 - London Underground – it is assumed that we return to 70% of tube services from 18 May and that full services will need to operate as soon as is practicably possible to manage increasing demand whilst complying with social distancing
 - Buses - current service levels (circa 80% of normal timetable) until late June. Any marginal increase in demand will require 100% service levels to maintain social distancing
- [REDACTED]
- Working capital assumptions have not been changed from the original budget. We may see some changes in working capital over this period which will be picked up in the periodic reviews
- We have assumed no incremental long term borrowing during the period of the emergency budget



Passenger income

We are expecting a significant decrease in customer demand resulting in a estimated £3.5bn of lost passenger revenue:

- (£2.4bn) in H1
- a further (£1.1bn) in H2



Emergency Budget 2020/21

(£2.3bn) impact compared to our current Budget in H1 with an additional (£1.2bn) expected in H2

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%
Total income	6,874	1,089	3,749	(2,660)	-71%	3,046	7,055	(4,009)	-57%
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	464	(2,236)	259	(2,495)	-963%	(3,317)	429	(3,746)	-873%
Net financing costs	(435)	(248)	(252)	4	-2%	(455)	(468)	13	-3%
Net surplus/(cost) of operations before renewals	29	(2,484)	7	(2,491)	-35308%	(3,772)	(39)	(3,733)	9572%
Capital renewals	(452)	(131)	(288)	157	-55%	(332)	(532)	201	-38%
Net surplus/(cost) of operations	(423)	(2,614)	(281)	(2,334)	831%	(4,104)	(571)	(3,533)	619%

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%

Our emergency Budget

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

Planned incremental borrowing of £0.6bn no longer prudent in line with the Prudential Code and does not support a balanced Budget

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 (TfL)	544	0	320	(320)	-100%	0	603	(603)	-100%
Other capital grants	205	103	103	0	0%	123	123	0	0%
Total	1,793	590	945	(356)	-38%	1,095	1,856	(761)	-41%
Net capital account	712	202	313	(111)	-36%	287	523	(236)	-45%

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%

Crossrail – no changes assumed

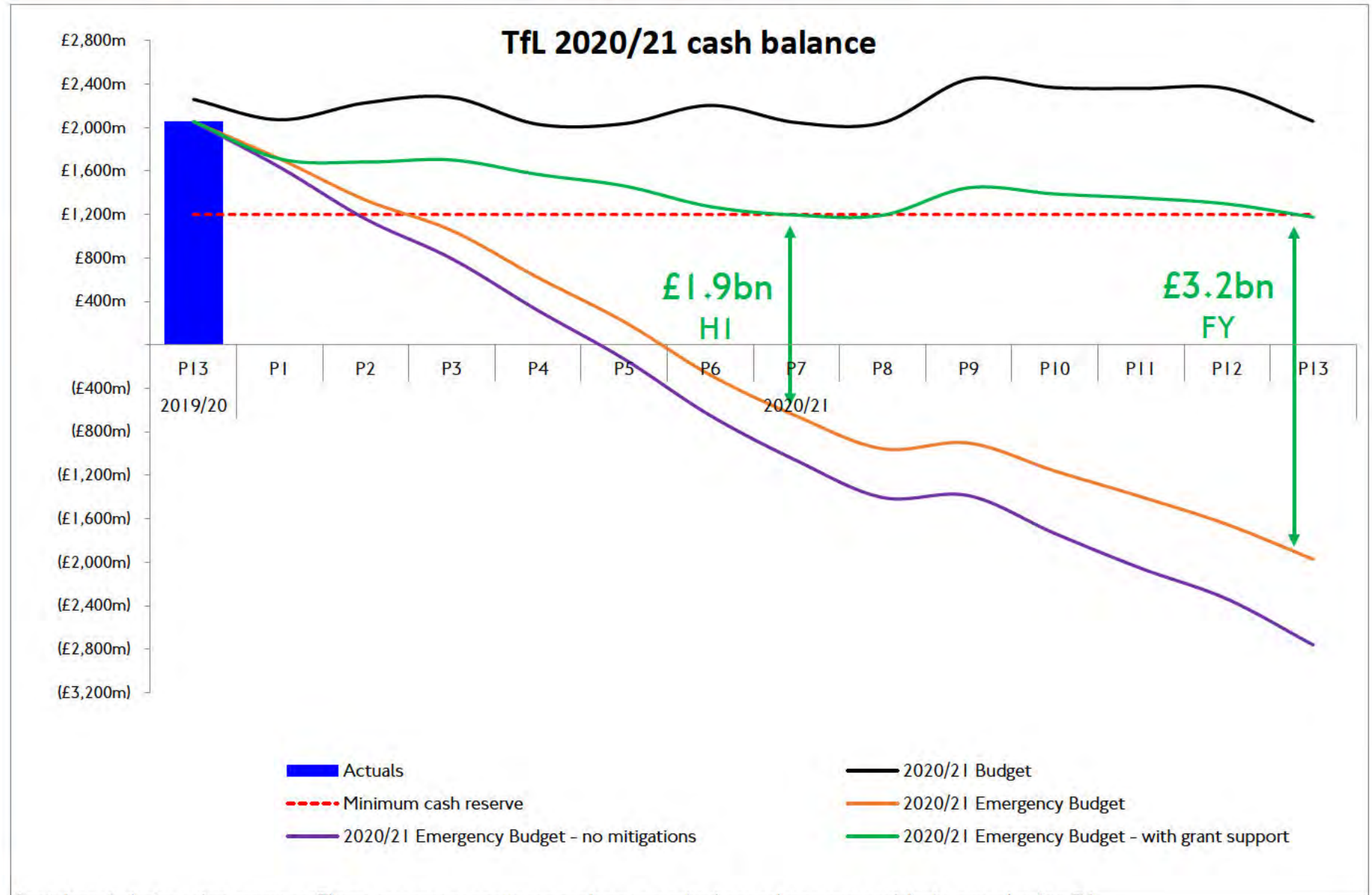
Capital Account (Crossrail) (£m)	2019/20 Actual	2020/21 Emergency Budget to P7	2020/21 Budget to P7	Variance to Budget to P7	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
Crossrail	(1,027)	(423)	(423)	0	0%	(725)	(725)	0	0%
Total Capital Investment	(1,027)	(423)	(423)	0	0%	(725)	(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%

Confidential, draft work in progress. This is emergency contingency planning work whose release may unduly be prejudicial to TfL



Conclusion: the funding gap is beyond TfL's ability to close and therefore the requirement for government grant funding

Revenue grant is the only option that will allow TfL to return to a balanced budget position and continue meeting its financial obligations in the short term



Confidential, draft work in progress. This is emergency contingency planning work whose release may unduly be prejudicial to TfL

Why we cannot breach our £1.2bn minimum Cash Reserves

Business Planning modelling in Q3 2019 concluded that a £2.2bn reserve was appropriate. This was based on risks that included economic, Brexit, CrossRail, Operational and Liquidity. Pandemic risks were not considered at that time.

£1.2bn minimum cash reserves represents only two months' worth of operating costs and ignores renewal spend. This was benchmarked against a number of international peers.

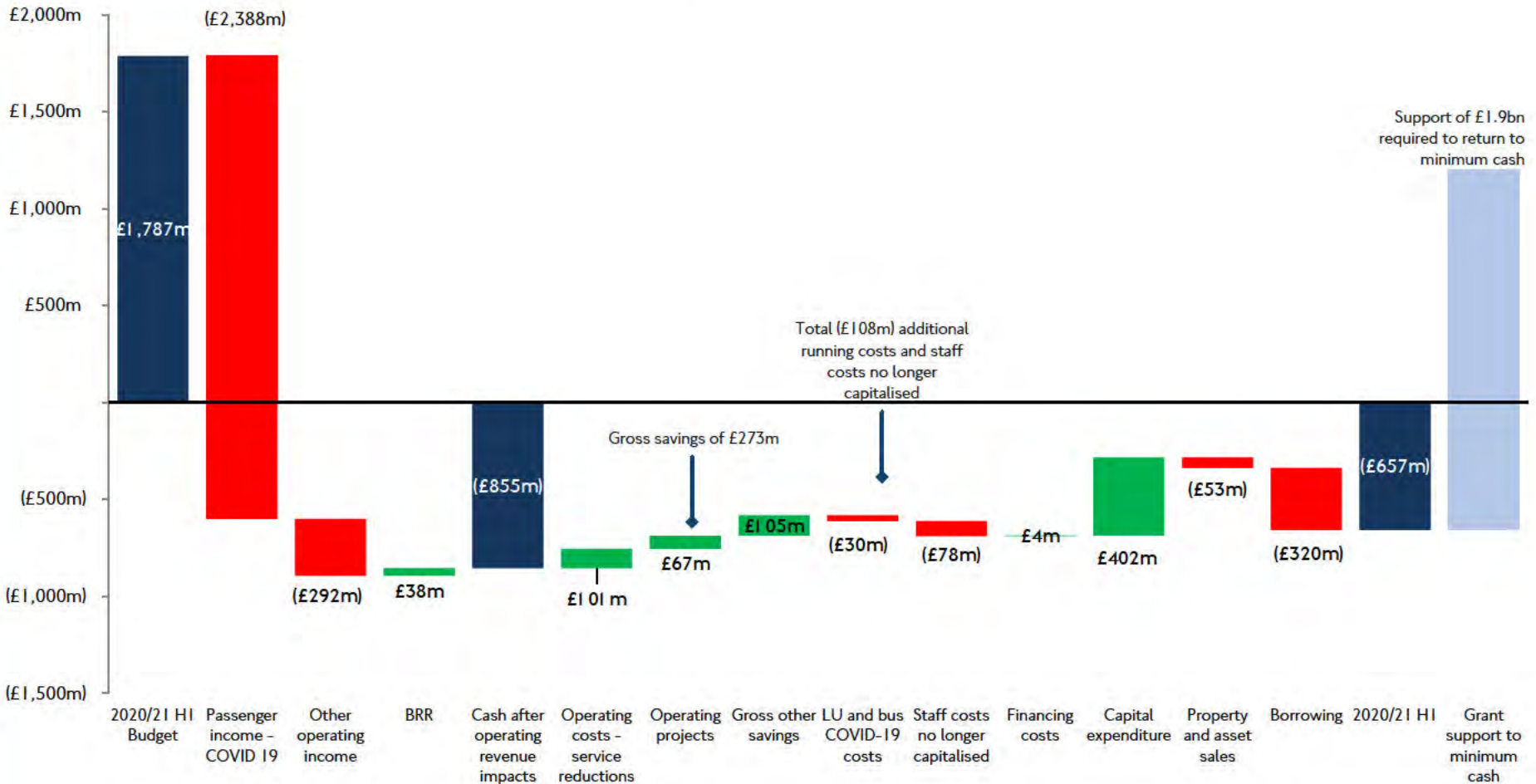


TfL are different to other public transport agencies who are wholly owned or guaranteed by the Government (and even they hold cash balances) and we have no shareholders to call upon.

Cash bridge: H1 Budget to H1 Emergency Budget

Cash movements against 2020/21 Budget

H1 emergency position against 2020/21 Budget – total variance (£2,444m)



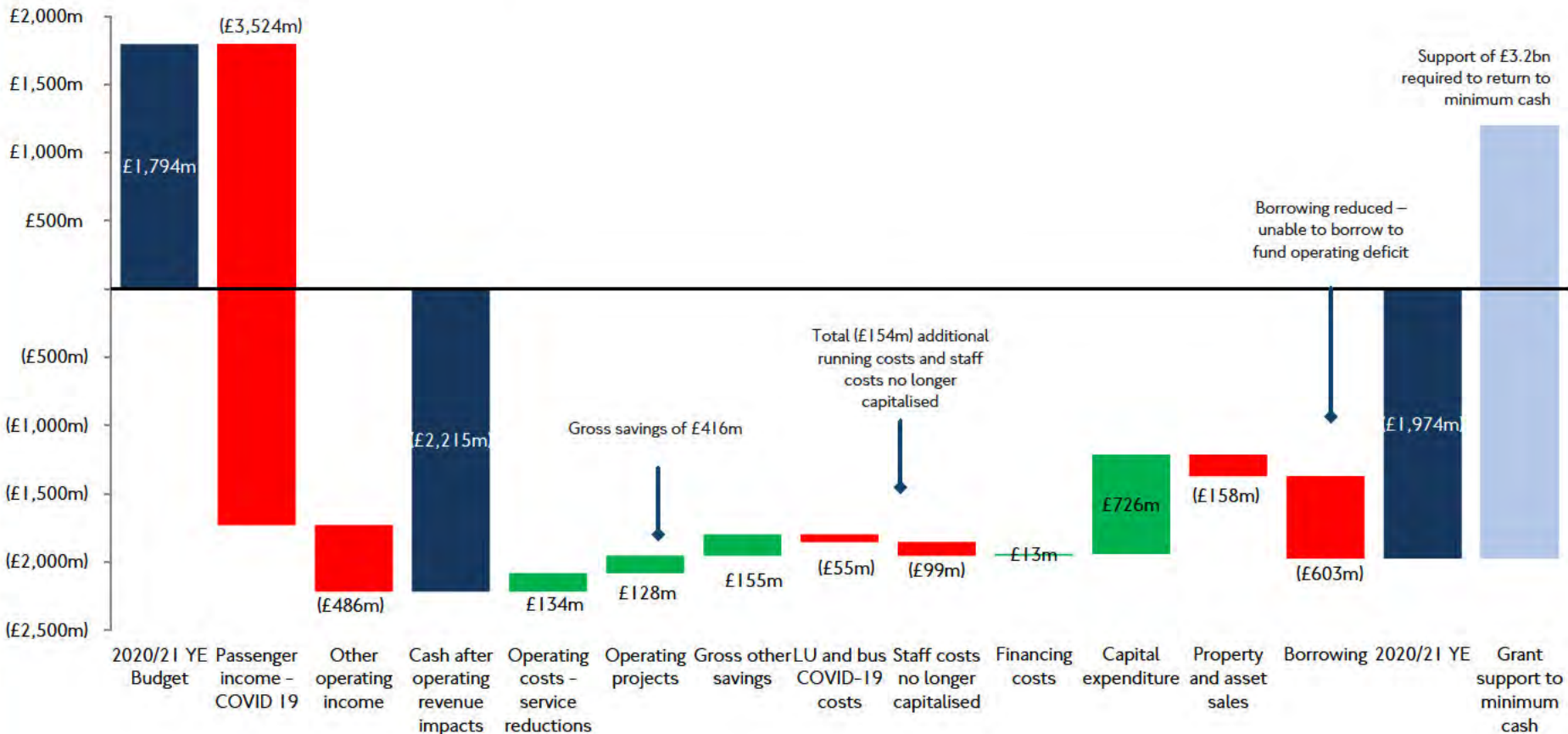
Budget position adjusted for 2019/20 YE balances

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Cash bridge: FY Budget to FY Emergency Budget

Cash movements against 2020/21 Budget

Full-year emergency position against 2020/21 Budget – total variance of (£3,768m)



Budget position adjusted for 2019/20 YE balances

Confidential, draft work in progress. This is emergency contingency planning work whose release may unduly be prejudicial to TfL



TfL Finance Committee



Date: 12 May 2020

Item: COVID-19 Financial Planning

This paper will be considered in public

1 Summary

- 1.1 This paper sets out the impacts of COVID-19 on TfL's finances and the need for additional funding as set out in the proposed Emergency Budget.
- 1.2 This paper also describes the position with Government and the constructive discussions regarding funding support. The Emergency Budget proposed in this paper is predicated on a funding package being provided by Government.
- 1.3 Although this paper primarily focuses on the financial impacts of COVID 19, it must be recognised that there is a significant impact on our operational teams who are continuing to deliver critical services for ~~TfL and London's critical workers~~London.
- 1.4 There is a paper on part two of the agenda that is exempt and is therefore not for publication to the public or press by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains legally privileged information and information relating to the business affairs of TfL.

2 Recommendations

- 2.1 **Members of the Committee are asked to note the paper and the related paper on Part 2 of the agenda and recommend that the Board:**
 - (a) **note the impact COVID 19 has had on TfL's approved Budget for 2020/21 and the urgent requirement for Government funding to be agreed as set out in the proposed Emergency Budget; and**
 - (b) **note that an update to the approved 2020/21 Budget will be presented to the Board in July 2020 based on funding arrangements agreed with Government.**

3 The COVID-19 Pandemic

- 3.1 Since mid-March, when the Government's measures ~~for to respond to~~ the COVID-19 pandemic ~~came into action~~ were implemented, we have continued to run a transport service so ~~critical workers can travel safely~~ 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, our 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.
- 3.2 We are still running the majority of our services so essential journeys can continue to be made safely, with around 80 per cent of our bus services and ~~around~~ 50 per cent of our regular service on the tube (with a higher proportion of services still running in the morning peak). We have suspended congestion charging to allow these journeys to be made without restriction for our critical workers.
- 3.3 It is costing TfL circa £600m a month on to run its network. We have already taken a significant amount of cost out of the organisation including the furlough of 7,000 staff and safe stop of our major project activities over 300 construction projects. These savings cannot, however, cover the loss from the steep decline in revenue, which for the full year are anticipated to be over £4.0bn.
- 3.4 We have modelled longer term revenue scenarios in line with modelling undertaken by Imperial College for the Government. These show an impact of up to £4bn of lost revenue this financial year. The majority of our costs are spent on our supply chain and internal labour costs: in the financial year 2019/20, we spent c.£6bn through our suppliers. Without a stable source of income or funding during the COVID-19 pandemic our supply chain will not be able to gain adequate assurance that TfL will be able to fund their future commitments.

Commented [HA1]: This just duplicates what was said in 3.3

4 Funding Support Discussions

- 4.1 We have been in regular discussions with Government since the COVID19 measures were put in place mid-March. The Government accepts that we 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.
- 4.2 Discussions with Government have been constructive, with TfL sharing significant information on travel demands to help inform the Government's approach to restart and recovery of the economy.

- 4.3 We have already accessed the Government's Coronavirus Job Retention Scheme (Furlough), and have approximately 7,000 staff, or 25 per cent of our workforce on furlough. TfL have also looked to reduce cash out flow through application for deferment of other government levy's such as business rates.
- 4.4 The remaining gap to balance our proposed Emergency Budget for 2020/21 is circa. £3.2 bn, and TfL are in ongoing discussions around how this should be funded with the Department for Transport and HM Treasury.

5 A Proposed Emergency Budget

- 5.1 TfL is required by law to have a balanced budget. We have, therefore, prepared a proposed Emergency Budget, prioritising only what is essential for maintenance of basic services to support COVID 19 government planning and safety related activities, ensuring our employees and contracted employees remain safe during.
- 5.2 The proposed Emergency Budget considers deliverable cost savings, TfL's best estimates of income as well as modelling our useable reserves. The revised budget maintains that we cannot breach our £1.2bn minimum cash balance. This balance represents only two months' worth of operating costs and is seen by TfL and its external financial stakeholders as its minimum requirements in order to operate. This was benchmarked against several international peers.
- 5.3 During our Business Planning for 2019/20, TfL concluded that a reserve of £2.2bn was appropriate in order to ensure that it could meet its future financial obligations. This was based on risks that included economic down turn, Brexit, Crossrail-completion and other operational and liquidity challenges. Pandemic risks were not considered at that time.
- 5.4 Our rating agencies have also validated the requirement for prudent cash balances. S&P said last year they regarded our liquidity as "adequate" at £2.0bn, which was pre-COVID-19. Moody's informed us on 23 April 2020 that they will downgrade us if our cash levels were depleted to below £1.2bn without certainty of any Government funding support.
- 5.5 Considering the above, our proposed Emergency Budget presents a funding gap of up to £1.9 bn in the first half of 2020/21 based on TfL revenue modelling which reflects our understanding of Government's COVID 19 scenarios and over £3.0bn to the end of 2020/21 on the same basis.

6 Contingency Planning

- 6.1 If the support indicated by Government as being available is not articulated and quantified in the very near term, we will need to consider alternatives to TfL's current budgetary position, including whether the Chief Finance Officer should consider issuing a report under section 114 of the Local Government Finance Act 1988.

7 Timetable and Next Steps

- 7.1 TfL is working to resolve the funding gap outlined in paragraph 5.5 with Government by mid-May, and discussions are ongoing. A meeting of the Board ~~has been called~~ is being considered for week commencing 18 May to consider review progress in these discussions and the matters described in this paper.

List of appendices to this report:

Appendix 1 – Proposed Emergency Budget Document.

List of Background Papers:

None

Contact Officer: Simon Kilonback, Chief Finance Officer
Number: [REDACTED]
Email: [REDACTED]@tfl.gov.uk

From: [Nick Joyce](#)
To: [ebeynon \(No10 Mail Contact\)](#); [Alexander Heidi](#); [Edward Lister](#); [agilligan \(No10 Mail Contact\)](#)
Cc: [Brown Mike \(Commissioner\)](#); [Kilonback Simon](#); [Kelly Bernadette](#)
Subject: RE: email chain for TFL [OFFICIAL]
Date: 14 May 2020 17:08:18
Attachments: [200514 Draft funding agreement letter for Tfl_v101.docx](#)

Thanks Emily. Adding Mike, Simon & Bernadette.

Best wishes

Nick

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

| | [REDACTED]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Emily Beynon [mailto:[REDACTED]@no10.gov.uk]

Sent: 14 May 2020 17:04

To: [REDACTED]@london.gov.uk'; Edward Lister ; Nick Joyce ; agilligan (No10 Mail Contact)

Subject: RE: email chain for TFL [OFFICIAL]

All,

With thanks for the discussions over the course of today, please see attached revised funding agreement.

Nick, you might want to cc others in.

Kind regards,

Emily.

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Draft letter from Secretary of State for Transport to Mayor of London

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.

From: [Kilonback Simon](#)
To: [Brown Mike \(Commissioner\)](#)
Subject: Re: Highly Confidential & Legally Privileged - Draft Funding Proposal for urgent discussion_FINAL
Date: 03 May 2020 22:52:37

Thanks mike

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From: Brown Mike (Commissioner)
Sent: Sunday, May 3, 2020 10:51 pm
To: Kilonback Simon
Subject: Re: Highly Confidential & Legally Privileged - Draft Funding Proposal for urgent discussion_FINAL
Simon.
Well done.
Not copied to anyone else, tough stuff.
Mike

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From: Kilonback Simon
Sent: Sunday, May 3, 2020 10:17 pm
To: David Bellamy; Alexander Heidi; Brown Mike (Commissioner); Clarke Andrea (Exc); King Antony (Div Finance Director MPD); Carter Howard
Cc: Gasson Sarah; Lucas Emma; Steer Tim; Curry Justine; Cox Nicola (TFL); Ware Julian; David Gallie
Subject: Highly Confidential & Legally Privileged - Draft Funding Proposal for urgent discussion_FINAL

David

I have accepted all of your changes except for the detailed third paragraph which may be points for you to raise in the negotiation, but don't add to the letter.

[REDACTED]

I fully understand your point on the business rates risk and have amended the line to limit it to talking to you about H1 – I don't think it is credible not to, it covers the Borough funding the Mayor is keen on and HMT see as a problem for the Mayor....

I am going to send this version as it doesn't commit GLA – it accepts a risk for TfL, where the choice for the Mayor is as described re Borough funding

Thanks to all for a lot of hard work

Simon

From: [Kilonback Simon](#)
To: [David Bellamy](#); [Brown Mike \(Commissioner\)](#); [Alexander Heidi](#)
Cc: [Clarke Andrea \(Exc\)](#); [Gasson Sarah](#); [Lucas Emma](#); [Steer Tim](#); [King Antony \(Div Finance Director MPD\)](#); [Carter Howard](#); [David Gallie](#)
Subject: Re: Highly Confidential and Legally Privileged - Draft Funding Proposal for urgent discussion
Date: 03 May 2020 21:47:40

Thanks David and, whilst I understand the problem, I do think that Government will expect some contribution to H1 and H2 is all up for grabs - we are taking about immediate survival here

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From: David Bellamy
Sent: Sunday, May 3, 2020 9:41 pm
To: Kilonback Simon; Mike Brown; Heidi Alexander
Cc: Clarke Andrea (Exc); [REDACTED] tfl.gov.uk; Lucas Emma; Tim Steer; King Antony (Div Finance Director MPD); Carter Howard; David Gallie
Subject: RE: Highly Confidential and Legally Privileged - Draft Funding Proposal for urgent discussion
Many thanks for that Simon. Attached is a version with my tracked changes/comments, overwhelmingly limited to the GLA section as all the TfL points make sense. I agree that mentioning ORR is wise, and to Mike's point I have removed the fares wording from the GLA section as linking fares and the Mayor will be unhelpful.
Some of the text I have added for the GLA may be viewed as too much detail – I'm not close to the negotiations, so strip it back if it would be unhelpful to document.

[REDACTED]

[REDACTED] David and I are working on a paper for him to summarise the Group financial position. After he has been briefed on this (expected to be tomorrow afternoon, but probably after our call given diaries), he will be able to take a decision – potentially we can discuss this in the Mayor-TfL meeting on Tuesday lunchtime, if the negotiating schedule allows.

Meanwhile, we need a holding position in the paper. A view has to be taken on whether the highlighted paragraph is suitably vague, or will lead the Government to have too much hope of what can be contributed.

Thanks,
David.

From: Kilonback Simon
Sent: 03 May 2020 18:31
To: Mike Brown ; Heidi Alexander ; David Bellamy
Cc: Clarke Andrea (Exc) ; [REDACTED] tfl.gov.uk; Lucas Emma ; Tim Steer ; King Antony (Div Finance Director MPD) ; Carter Howard
Subject: Re: Highly Confidential and Legally Privileged - Draft Funding Proposal for urgent discussion
Thanks all

[REDACTED]
[REDACTED]
[REDACTED]
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From: Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>

Sent: Sunday, May 3, 2020 6:27 pm

To: Alexander Heidi; Kilonback Simon; David Bellamy

Cc: Clarke Andrea (Exc); Gasson Sarah; Lucas Emma; Steer Tim; King Antony (Div Finance Director MPD); Carter Howard

Subject: RE: Highly Confidential and Legally Privileged - Draft Funding Proposal for urgent discussion

Thanks Simon

I think it is really good and very clear.

I think that in the last paragraph in section 5, we might say “an immediate fares increase” rather than just a “fares increase” because obviously further down we allude to the assumption already in the business plan for fares next year. As you know this is something that ministers keep raising.

On Heidi’s point on the ORR, I think it is probably worth explicitly raising it as to not do so runs a risk, perhaps, of them creating another mechanism (as they did post PPP, which was very unhelpful.)

Heidi’s other point on process and timing is also a good one; I think we could issue such a paper as late as Monday – subject to Howard’s view.

Otherwise all good for me.

Thanks to you, and all the team, for pulling this together over the weekend.

Mike

From: Heidi Alexander <[REDACTED]@london.gov.uk>

Sent: 03 May 2020 18:08

To: Kilonback Simon <[REDACTED]@tfl.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; David Bellamy <[REDACTED]@london.gov.uk>

Cc: Clarke Andrea (Exc) <[REDACTED]@tfl.gov.uk>; Gasson Sarah <[REDACTED]@tfl.gov.uk>; Lucas Emma <[REDACTED]@tfl.gov.uk>; Steer Tim <[REDACTED]@london.gov.uk>; King Antony (Div Finance Director MPD) <[REDACTED]@tfl.gov.uk>

Subject: Re: Highly Confidential and Legally Privileged - Draft Funding Proposal for urgent discussion

Hi Simon

Thanks for sending this through. It seems sensible to me and I note the careful use of language in the fifth bullet point (in the second batch of bullets) in section 1.

I am slightly worried about seeking to initiate the longer term conversation (ORR role etc) as it feels like it may be complicating things but I am content to trust your/Mike’s judgement on this.

My main comment is one related to process. I do wonder whether the finance committee should be set for Tues 12 May. If we were to issue the notice of the meeting this Tuesday coming, we could in theory publish a later paper for it on Monday 11.

I instinctively feel the Government may be seeking to announce financial support for TfL as part of their recovery plan. From their perspective, including it as part of such a massive announcement will distract attention from the quantum of support specifically for TfL.

Assuming the big announcement on recovery comes on Thursday (or possibly Sunday? I saw Sunday mooted by the press today), it may be wise for us to have the flexibility to publish a paper on Monday. I know that is far from ideal from a governance perspective but we are in exceptional times. Interested in your thoughts.

Thanks

Heidi

From: Kilonback Simon <[REDACTED]@tfl.gov.uk>

Sent: Sunday, May 3, 2020 17:36

To: Mike Brown; Heidi Alexander; David Bellamy

Cc: Clarke Andrea (Exc); [REDACTED]@tfl.gov.uk; Lucas Emma; Tim Steer; King Antony (Div Finance Director MPD)

Subject: Highly Confidential and Legally Privileged - Draft Funding Proposal for urgent discussion

All

As discussed, please find attached my draft funding proposal, reflecting the discussions I have had with Nick Joyce at DfT over what is needed to secure a deal.

It is very detailed, as it needs to form the basis of a senior level negotiation on Tuesday if possible, with TfL, GLA, DfT, HMT and No10 and therefore seeks to answer all of the questions we know they are likely to raise. It also addresses what is now apparent to Tony King and I over our medium term viability, given our high level of indebtedness, the lack of certainty over long term funding and the almost complete collapse of our revenues. We need a more appropriate capital financing structure than the current Local Authority regime and this can be combined more effectively with the Government's desire for additional oversight by looking to work with government to use the ORR to provide a monitoring role, and adopt the benefits of a regulated asset base for funding, whilst preserving the benefits of devolution and local democratic accountability. It is important to include this to ensure that Government understand the scale of the problem and whilst we need money now just to keep going, we will need to tackle some of these fundamental issues relatively quickly. Also, if we do not suggest this, we are likely to find less appropriate oversight and control imposed upon us and therefore it is my judgement that it needs to be included in this letter, rather than deferred for discussion later.

Andrea, copied, from our legal team, has provided legal advice on this.

I would like to be able to send this to Nick and Bernadette tonight so that I can follow up with Nick tomorrow. He is still awaiting feedback from HMT so I would like to pre-empt their calls for more borrowing and more savings and contributions from GLA.

Thanks

Simon

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From: [Kilonback Simon](#)
To: [Carter Howard](#); [Brown Mike \(Commissioner\)](#)
Cc: [Clarke Andrea \(Exc\)](#); [King Antony \(Div Finance Director MPD\)](#); [Gasson Sarah](#)
Subject: RE: Indicative timeline for the consideration of a CFO Report - TfL Confidential and Legally Privileged
Date: 30 April 2020 11:31:00

[Redacted]

From: Carter Howard
Sent: 29 April 2020 20:18
To: Brown Mike (Commissioner) ; Kilonback Simon
Cc: Clarke Andrea (Exc) ; King Antony (Div Finance Director MPD) ; Gasson Sarah
Subject: Indicative timeline for the consideration of a CFO Report - TfL Confidential and Legally Privileged

[Redacted]

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[REDACTED]

From: [Kilonback Simon](#)
To: [REDACTED] [dft.gov.uk](#)
Cc: [Kelly Bernadette](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#)
Subject: RE: Legally privileged and confidential: TfL Covid-19 funding
Date: 04 May 2020 14:25:19
Attachments: [200504 Revenue Scenarios Summary.pdf](#)

Dear Nick,

In response to your follow up question please find attached the revenue scenarios we have modelled.

Kind regards,

Simon

From: Kilonback Simon

Sent: 03 May 2020 22:56

To: [REDACTED] [dft.gov.uk](#)

Cc: [REDACTED] [dft.gov.uk](#); [Brown Mike \(Commissioner\)](#) ; [Carter Howard](#)

Subject: Legally privileged and confidential: TfL Covid-19 funding

Dear Nick

As discussed, please find attached a draft funding proposal for discussion. I have tried to address all of the points you and I have discussed and provide something that could form the basis of a senior official discussion to agree a funding deal, which would need to be on Tuesday, with Bernadette, Mike, you, me, Charles Roxburgh and Andrew Gilligan, (and possibly David Bellamy from GLA) to have any hope of resolving this this week.

I am at your disposal tomorrow (Monday) to discuss.

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra 11th Floor Yellow Zone 7 | 197 Blackfriars Road | London SE1 8NJ

[REDACTED] [tfl.gov.uk](#) | Direct dial: [REDACTED]



Covid-19 Revenue Scenarios Summary

Draft and TfL restricted



This crisis has a huge impact on revenue and cash

The revenue impacts are very large and immediate.

All scenarios (except #2 single peak) lead to us running out of cash by period 5-6 and require a significant and similar level of grant funding in H1 to bring us back to our minimum operating cash balance of £1.2bn.

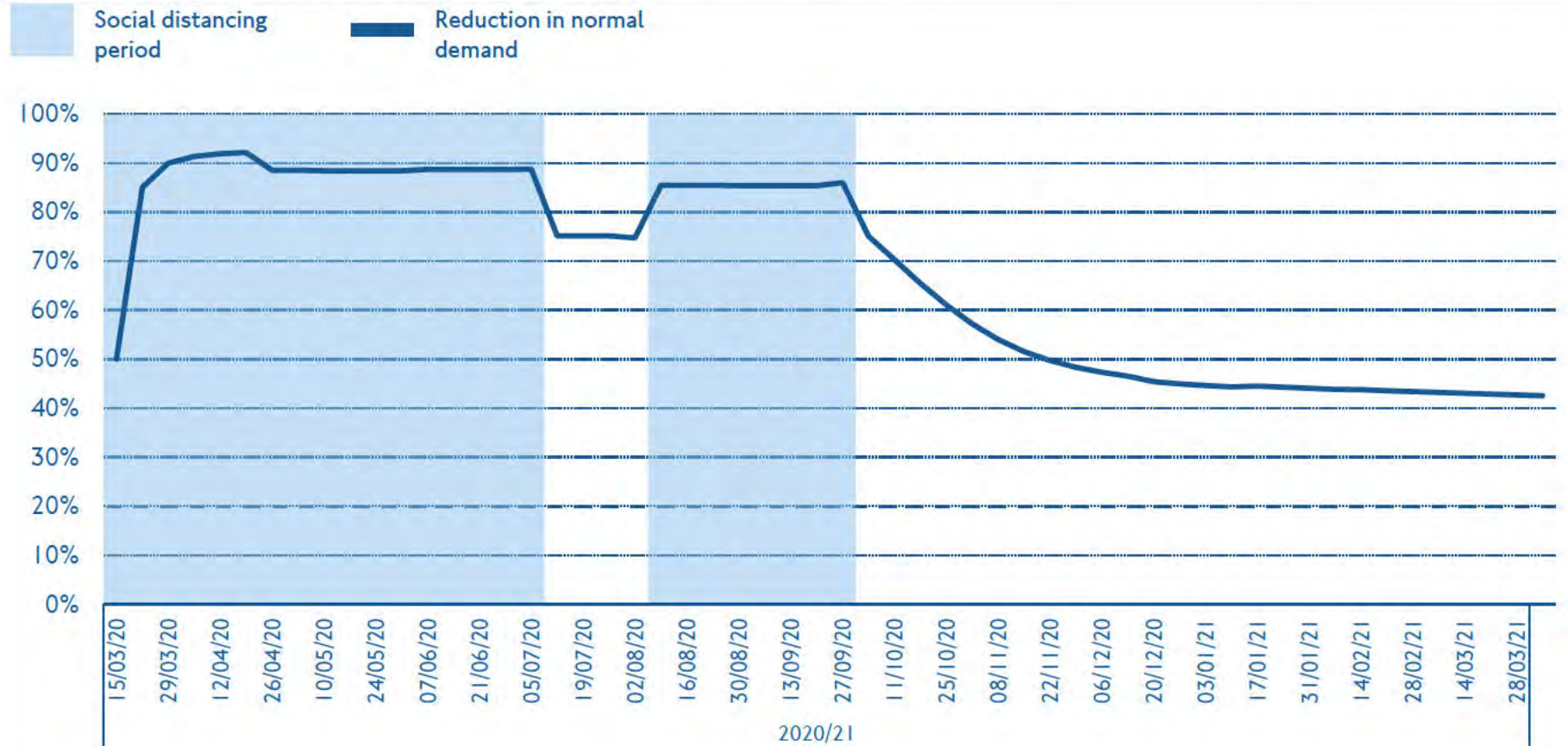
Revenue scenario	Total revenue lost
<p>1. Adaptive triggering</p> <p>Using Imperial College's modelling. Social distancing is toggled to manage ICU capacity until a vaccine is available (18 months). Turned 'on' for two thirds of this time.</p>	<p>£7.0bn</p> <p>Actual 19/20: £0.2bn 20/21: £4.3bn 21/22: £2.5bn</p>
<p>2. Single peak</p> <p>Three-month social distancing then policy can be lifted. However, a portion of our demand (e.g. 5-10%) doesn't immediately come back.</p>	<p>£2.0bn</p> <p>Actual 19/20: £0.2bn 20/21: £1.5bn 21/22: £0.2bn</p>
<p>3. Double peak</p> <p>Based on Imperial College's scenario of current peak managed by social distancing, followed by a second peak in late 2020 requiring similar measures.</p>	<p>£4.0bn</p> <p>Actual 19/20: £0.2bn 20/21: £3.4bn 21/22: £0.4bn</p>
<p>4. Gradual return over 6 months</p> <p>Based on current implied government view of length of shutdown (roughly 6 months with a one month easing in the middle). Demand returns to 80% for remainder of the year.</p>	<p>£3.3bn</p> <p>Actual 19/20: £0.2bn 20/21: £2.7bn 21/22: £0.5bn</p>
<p>5. Gradual return over 6 months then down 50%</p> <p>Based on current implied government view of length of shutdown (roughly 6 months with a one month easing in the middle). Demand returns to 50% for remainder of the year.</p>	<p>£5.3bn</p> <p>Actual 19/20: £0.2bn 20/21: £4.2bn 21/22: £1.0bn</p>
<p>6. Gradual return over 6 months then 55% return (Emergency Budget)</p> <p>Based on current implied government view of length of shutdown (roughly 6 months with a one month easing in the middle). Demand returns to 55% for remainder of the year. Note: 2021/22 not modelled for 2020/21 Emergency Budget</p>	<p>£4.2bn</p> <p>Actual 19/20: £0.2bn 20/21: £4.0bn 21/22: tbc</p>

Scenario 6 – Lead scenario for 2020/21 Emergency Budget

6 month crisis & 55% demand gradual return

Based on current Government messaging of six months before UK 'returns to normal'. Initial peak of three months is followed by relaxation of measures and then a second peak. Only 55% of demand returns six months after the end of social distancing. Assumes strict government enforcement of travel restrictions during social distancing. Note: 2021/22 not modelled for 2020/21 Emergency Budget

Total Income
 Actual 2019/20: £0.2bn
 2020/21: £4.0bn
 2021/22: tbc
Total: £4.2bn



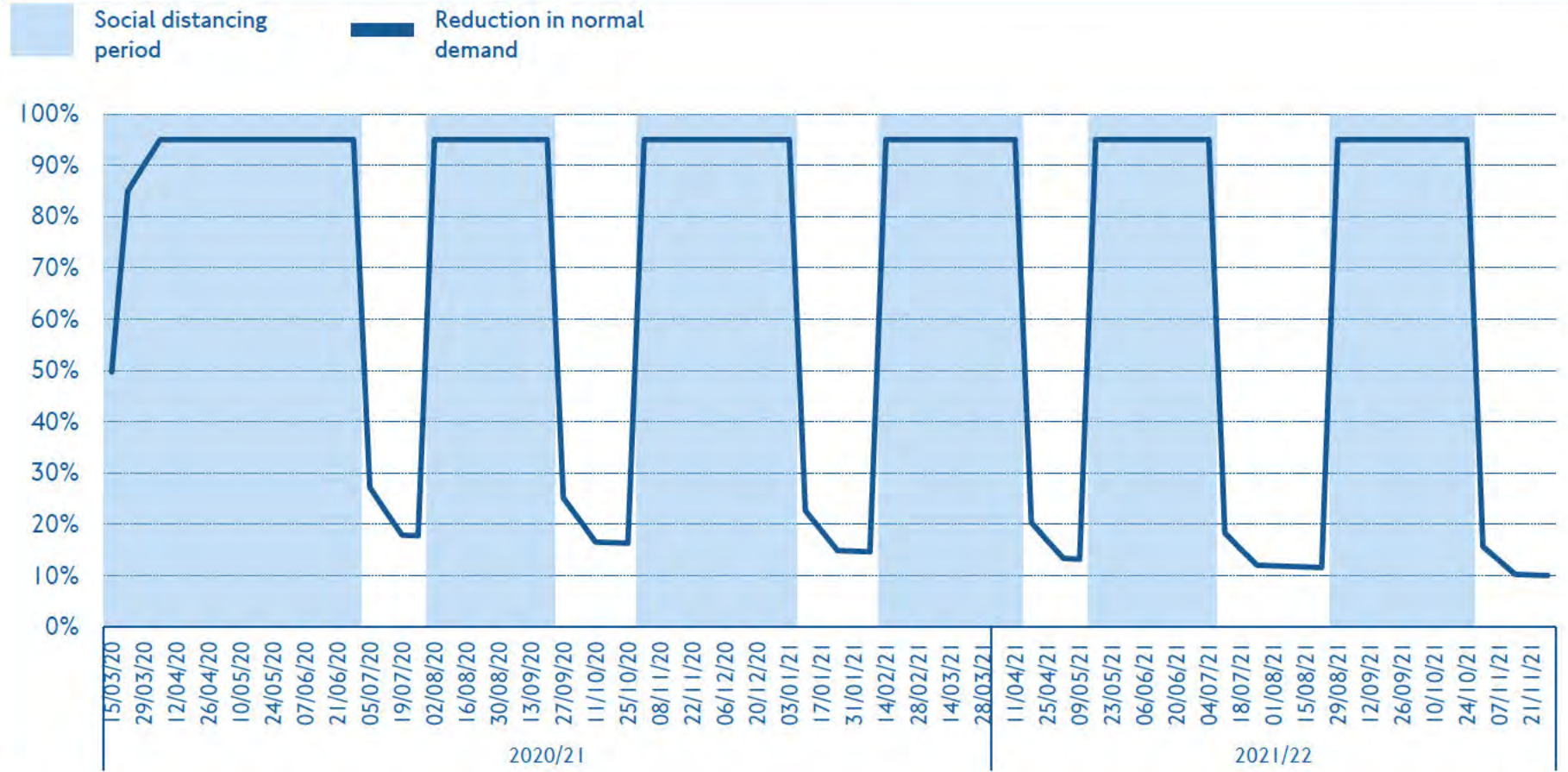
Confidential, draft work in progress. This is emergency contingency planning work whose release may unduly be prejudicial to TfL

Scenario 1: Adaptive triggering

Adaptive triggering (Imperial College modelling)

Using Imperial College's modelling which informed government action. Social distancing is turned on and off to manage ICU capacity until a vaccine is available (18 months). Turned 'on' for two thirds of this time. Assumes strict government enforcement of travel restrictions during social distancing.

Total Income
 Actual 2019/20: £0.2bn
 2020/21: £4.3bn
 2021/22: £2.5bn
Total: £7.0bn



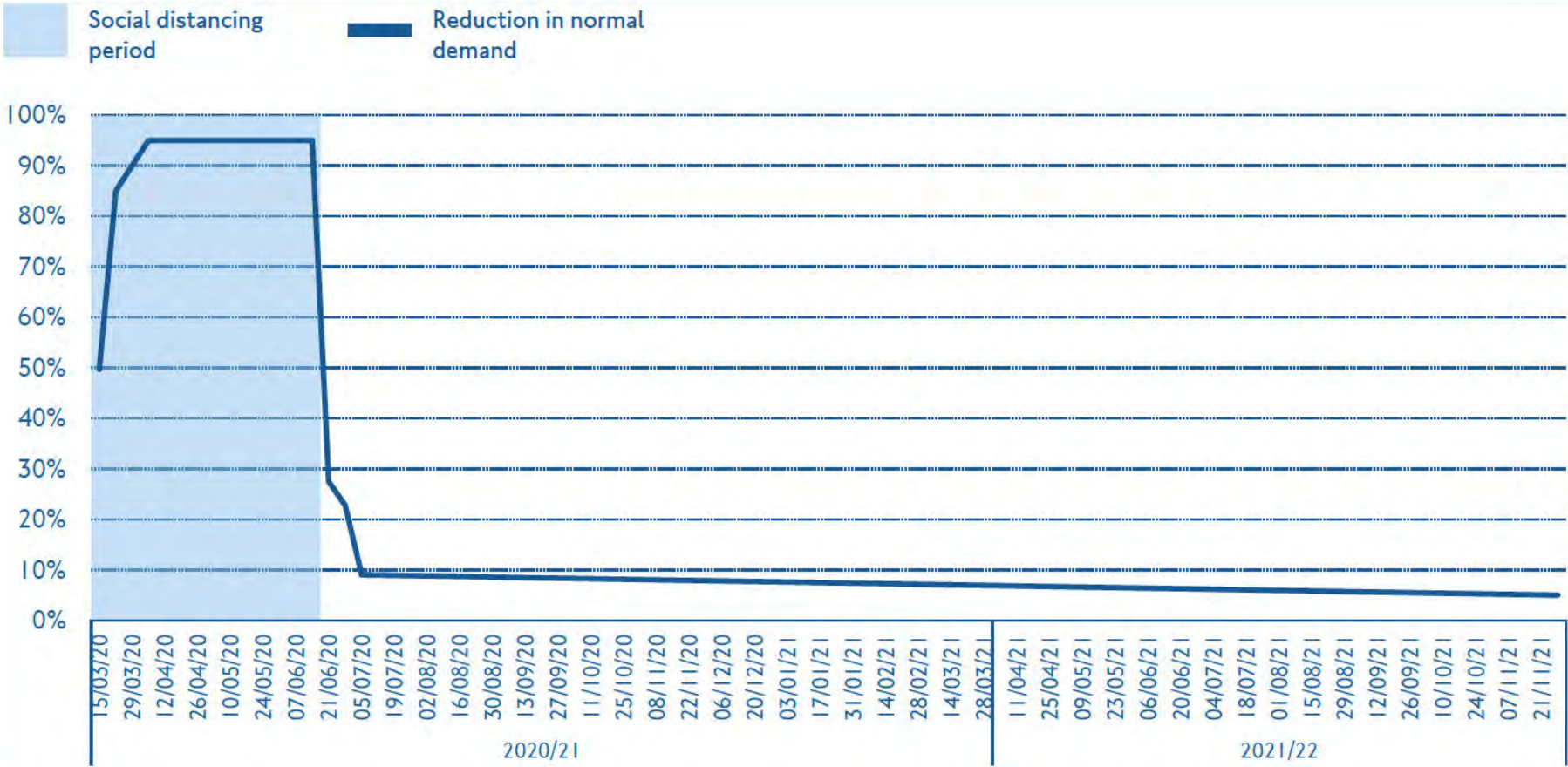
Confidential, draft work in progress. This is emergency contingency planning work whose release may unduly be prejudicial to TfL

Scenario 2: Single peak

Single peak

Three-month social distancing then policy can be lifted. However, a portion of our demand (e.g. 5-10%) doesn't immediately come back. Assumes strict government enforcement of travel restrictions during social distancing.

Total Income
 Actual 2019/20: £0.2bn
 2020/21: £1.5bn
 2021/22: £0.2bn
Total: £2.0bn



Scenario 3: Double peak

Double peak

Based on Imperial College's scenario of current peak managed by social distancing, followed by a second peak in Autumn / Winter requiring similar measures. Assumes strict government enforcement of travel restrictions during social distancing.

Total Income
 Actual 2019/20: £0.2bn
 2020/21: £3.4bn
 2021/22: £0.4bn
Total: £4.0bn

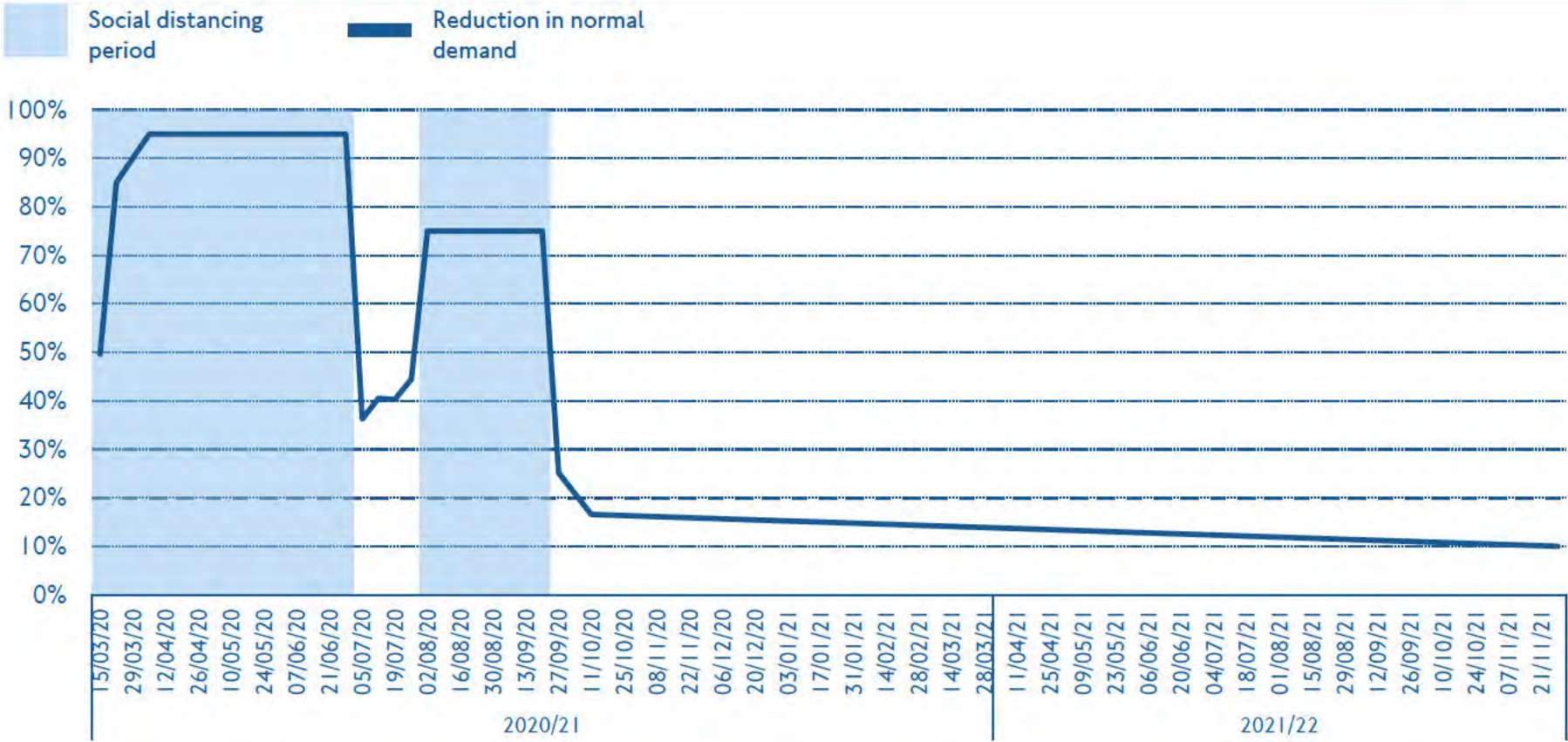


Scenario 4: 6 month recovery & 80% demand return

6 month recovery

Based on current Government messaging of six months before UK 'returns to normal'. Initial peak of three months is followed by relaxation of measures and then a second peak. Assumes strict government enforcement of travel restrictions during social distancing.

Total Income
Actual 2019/20: £0.2bn
2020/21: £2.7bn
2021/22: £0.5bn
Total: £3.3bn



Scenario 5: 6 month recovery & 50% demand gradual return

6 month crisis & 50% demand gradual return

Based on current Government messaging of six months before UK 'returns to normal'. Initial peak of three months is followed by relaxation of measures and then a second peak. Only 50% of demand returns six months after the end of social distancing. Assumes strict government enforcement of travel restrictions during social distancing.

Total Income
Actual 2019/20: £0.2bn
2020/21: £4.2bn
2021/22: £1.0bn
Total: £5.3bn



From: [Brown Mike \(Commissioner\)](#)
To: [Kilonback Simon](#); [Lord Andy](#); [Powell Gareth](#); [Wright Tricia](#); [Carter Howard](#); [Everitt Vernon](#); [Gasson Sarah](#); [Harvey Stuart](#)
Cc: [Thomson Linda](#)
Subject: Re: Letter from the Transport Secretary - TfL funding & finance agreement
Date: 14 May 2020 23:22:41

Yes

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From: Kilonback Simon
Sent: Thursday, May 14, 2020 11:21:46 PM
To: Brown Mike (Commissioner) ; Lord Andy ; Powell Gareth ; Wright Tricia ; Carter Howard ; Everitt Vernon ; Gasson Sarah ; Harvey Stuart
Cc: Thomson Linda
Subject: Re: Letter from the Transport Secretary - TfL funding & finance agreement
The letter is in so I think we set up the RNS to go out at 7 on market opening

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From: Brown Mike (Commissioner)
Sent: Thursday, May 14, 2020 11:19 pm
To: Kilonback Simon; Lord Andy; Powell Gareth; Wright Tricia; Carter Howard; Everitt Vernon; Gasson Sarah; Harvey Stuart
Cc: Thomson Linda
Subject: Fwd: Letter from the Transport Secretary - TfL funding & finance agreement

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From: TransportSecretary
Sent: Thursday, May 14, 2020 11:15 pm
To: mayor@london.gov.uk
Cc: [REDACTED]@tfl.gov.uk; [REDACTED]@tfl.gov.uk; Bernadette Kelly
Subject: Letter from the Transport Secretary - TfL funding & finance agreement
Good Evening,

Please see attached a letter from the Transport Secretary to the Mayor setting out an extraordinary funding and financing agreement for Transport for London.

Kind Regards,

Rachael



Miss Rachael Wadsworth
Private Secretary, Secretary of State for Transport
5/13, Great Minster House
33 Horseferry Road, London, SW1P 4DR

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From: [Kilonback Simon](#)
To: [Alexander Heidi](#); [Brown Mike \(Commissioner\)](#); [Lord Andy](#); [Powell Gareth](#); [Everitt Vernon](#)
Cc: [Gasson Sarah](#); [Steer Tim](#); [Claire Hamilton](#); [Walker Erica](#); [Stef Lehmann](#)
Subject: Re: Notes from call with Grant Shapps
Date: 09 May 2020 12:34:56

Thanks Heidi - sounds positive overall but I am worried about their timings on our funding.

FYI I asked for the top up £300m needs to be grant not more borrowing.

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From: Heidi Alexander
Sent: Saturday, May 9, 2020 12:25 pm
To: Mike Brown; Kilonback Simon; [REDACTED]@tfl.gov.uk; Powell Gareth; [REDACTED]@tfl.gov.uk
Cc: [REDACTED]@tfl.gov.uk; Tim Steer; Claire Hamilton; Walker Erica; Stef Lehmann
Subject: FW: Notes from call with Grant Shapps
I've just had 25 mins on the phone with Grant Shapps – have updated the Mayor, David and MDs and thought it would be useful for you to see a copy of my notes.
H

From: Heidi Alexander
Sent: 09 May 2020 12:18
To: 'zSK'
Cc: David Bellamy ; Nick Bowes ; Leah Kreitzman ; Jack Stenner ; Patrick Hennessy ; Will Norman
Subject: Notes from call with Grant Shapps

Hi

I've just had 25 mins on the phone with Grant Shapps. We had a good conversation covering a range of areas:

- He briefed me on what he will be announcing later today – a £1.7bn walking and cycling national fund and accelerating the legalisation of e-scooters (on the latter, I ran through our 3 asks – safety standards, don't allow them on the pavement, give TfL the power to license rental operators and limit numbers – he said he agreed on all 3 of these and that he will essentially move to make the trial a national one as opposed to the 3 or 4 areas that they had been planning)
- He said they will maintain the 2m social distancing requirement – he recognises that this means that even if you are running all services you might only be able to carry between 10-20 per cent of the passengers you did pre-COVID
- He is keen for us to work with BTP, and use LU staff and volunteers to manage queuing outside stations – I expressed some concern about practically how possible this is across London's 500 stations (it's over 500 once you count LU, DLR, LO, TOC stations) – I suggested if we had resources to buy-in event stewarding capacity this might help
- On finances, he said he thought we were nearing a resolution. Initially, he said that HMT wanted a 50/50 split between grant and borrowing. I set out our initial £1.9bn ask and told him that I understood the latest correspondence between SK and BK was pivoting around £1.6bn with possibility to top to £1.9bn if needed. I said we proposed £250M of

borrowing that could be increased to £600M if we got strong comfort letter from Govt to all of our lenders and the pension regulator. I suggested that £1bn of £1.9bn is essentially a 50/50 split. [REDACTED] I pushed him on timing – could we get this resolved in the next 24-48 hours? I referred to finance committee and said it would be good to give the public assurance on Tuesday that TfL was all set to play its part in the recovery. He said he thought that timeline should be possible but that he had new papers from his civil servants to look at today on it. He referenced Ed Lister’s positive involvement in finding resolution to this and said Ed had concerns re revenue impact of middle door loading only. I explained the urgent work we are doing to get back to point where passengers are paying on buses and the reason why we had to act in April. He referenced fares and congestion charge income. I pointed out that even if fares had gone up by RPI, it would have only been a couple of weeks’ worth of operating costs. I also pointed out we brought forward ULEZ charge – he commented that C-Charge hadn’t gone up for a long time.

- On face coverings – he said that he thought we would “get to a fairly consistent place on it”. I told him that if advice does change to travelling public, TfL will move quickly to offering masks to their staff. He seemed relaxed about that. I said we wouldn’t make it mandatory for staff but that we would have light touch approach to it.
- On tube service resumption – I talked him through the current plan about moving back to our pre-COVID working timetable with planned cancellations initially. We talked through latest absence figures – he did say he thought TfL’s were high but “that may be because you are a city”. I referred to the thousands of staff who have been off work and who have returned and said that last time I checked I saw that some TOCs serving London had some comparable figures.

All in all, I would say a positive discussion.

H

NHS health information and advice about coronavirus can be found at [nhs.uk/coronavirus](https://www.nhs.uk/coronavirus)

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From: [Kilonback Simon](#)
To: [Nick Joyce](#); [Kelly Bernadette](#); [Claire Gibbs](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#)
Cc: [Rachael Gilbert](#)
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Date: 14 May 2020 00:07:36
Attachments: [200513 Draft funding agreement letter for TfL SK revisions v6.docx](#)

Nick

I have attempted to mark up the document with my comments on your proposed changes.

I will summarise them below:

Para 5 – Rejection of PWLB Infrastructure Rate or equivalent – We should not be penalised in the cost of borrowing for our loss of revenue incurred in support of the Government’s strategy for fighting the coronavirus. This will impact TfL’s ability to invest in public transport and active travel.

[REDACTED]

Para 19 – Financial Management: TfL requests the right to review the external adviser’s commentary for factual accuracy and a right to management response which is common to well run audit and assurance processes.

Para 24 – The review must be conducted in an independent and open minded way to achieve the aim of putting TfL on a more sustainable financial footing and therefore must not be limited in subpara e to only reviewing the current fiscal devolution arrangements.

[REDACTED]

Para 28 – The London Pays principle for Crossrail cost overruns has to be predicated on the review delivering a sustainable funding model as TfL simply will not have the revenue to support further borrowing absent ongoing Government grant funding or further fiscal devolution.

[REDACTED]

I will accept the revised formula for the allocation of grant and borrowing but otherwise I urge you to accept the proposal I sent to you at 9.35pm on the 12th May.

Unless we achieve a resolution by 5pm tomorrow, I will have to conclude that we are unable to reach agreement with the Government on the emergency funding we have been requesting for 8 weeks now [REDACTED]

[REDACTED]

Until this point there has been good cooperation between TfL and DfT [REDACTED]

[REDACTED]

There is no more time – we must reach a reasonable agreement.

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[redacted] [tfl.gov.uk](mailto:[redacted]@tfl.gov.uk) | Direct dial: [redacted]

From: Nick Joyce
Sent: 13 May 2020 22:35
To: Kilonback Simon ; Kelly Bernadette ; Claire Gibbs ; Brown Mike (Commissioner) ; Carter Howard
Cc: Rachael Gilbert
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Simon

Many thanks for your further time today and useful discussions. I attach a tracked changes version of the draft letter and a clean version for convenience.

As discussed, I think some of the suggested changes we have not taken on board in paragraph 12 do not show up as changes in the tracked changes version.

These remain subject to final ministerial clearance.

Please treat these as confidential and with prejudice to any final agreement.

With best wishes

Nick

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

|| [redacted]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [[mailto:\[redacted\]@tfl.gov.uk](mailto:[redacted]@tfl.gov.uk)]

Sent: 12 May 2020 21:35

To: Nick Joyce <[\[redacted\]@dft.gov.uk](mailto:[redacted]@dft.gov.uk)>; Bernadette Kelly <[\[redacted\]@dft.gov.uk](mailto:[redacted]@dft.gov.uk)>; Claire Gibbs <[\[redacted\]@dft.gov.uk](mailto:[redacted]@dft.gov.uk)>; Brown Mike (Commissioner) <[\[redacted\]@tfl.gov.uk](mailto:[redacted]@tfl.gov.uk)>; Carter Howard <[\[redacted\]@tfl.gov.uk](mailto:[redacted]@tfl.gov.uk)>

Subject: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Dear Nick,

Further to our discussions with Bernadette and Mike yesterday and our discussions on your draft funding agreement today, please find attached both a clean and a tracked changes version of the funding proposal in a form that would be acceptable to the Mayor of London, the TfL Finance Committee and enable me to meet my statutory obligations.

I believe this fully represents the discussion you and I had earlier and there are no material changes other than the ones we discussed. I have asked, as you would expect me to, for the PWLB Infrastructure Rate or a close equivalent, to be applicable for the borrowing proposed.

I have agreed with the Mayor and the Finance Committee that we need to resolve the negotiations on this phase within the next 24-48 hours maximum, which again is consistent with our earlier discussions. [redacted]

[redacted]

I truly hope that this will not be necessary as I believe we are sufficiently aligned to be able to conclude these negotiations swiftly and in the spirit of cooperation that will enable us to continue to work in lockstep to achieve our shared objectives of a successful, safe and sustainable Restart, with ambitious plans for increasing the use of active travel.

Once we have concluded these negotiations, I look forward to agreeing a timeline with you to conduct the review of our future financial sustainability and to agreeing further funding to enable us to reach a Balanced Budget for the whole fiscal year.

I look forward to discussing with you at your earliest convenience.

With kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[redacted] [tfl.gov.uk](mailto:[redacted]@tfl.gov.uk) | Direct dial: [redacted]

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Draft letter from Secretary of State for Transport to Mayor of London

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.

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~~6.3.~~ 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.

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~~7.4.~~ 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.

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~~8.5.~~ 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:

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~~a)a.~~ Extraordinary Support Grant of ~~£800m~~ ~~£1.151,095bn~~ payable under S.101 of GLA Act 1999. This will be paid in ~~7~~ ~~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") commencing on ~~1 July~~, subject to the adjustment mechanisms described in paragraphs ~~86~~ and ~~97~~ below, with the sixth payment on the ~~20 September~~.

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~~b)b.~~ Additional borrowing by Transport for London from the Public Works Loans Board (PWLB) of ~~£800m~~ ~~£450,505m~~, drawn in proportion to the Extraordinary Support Grant payments made. ~~These loans will be made at the PWLB Infrastructure Rate.~~

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~~8.6.~~ 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~~ ~~pro rata~~ by ~~£150m~~ each to be drawn in proportion, up to a maximum of

Commented [KS1]: Forcing TfL to borrow at the full PWLB rate in these circumstances is outrageous and will reduce the funds available for investment in walking and cycling

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~~£1.9bn in aggregate, or reduce pro rata accordingly. [Drafting Note: variation mechanics may change subject to further discussion].~~

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~~9.7.~~ 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.

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~~10.8.~~ Government will continue to engage on and monitor the financing of Northern Line Trains Services contract. ~~if a contractual requirement for credit support arises under that contract [a notice under clause X.X (TfL to assist with wording)] is served, the Northern Line Train Services Contract, then 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 to avoid [a potential event of default under this contract] in meeting the contractual obligations set out in clause 25A of that contract and other associated provisions, or finding suitable alternative forms of support acceptable to the relevant counterparties, alternatives for such credit support.~~

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~~11.9.~~ 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 ~~expect that~~ a combination of future measures from TfL, GLA and HMG should enable TfL to do so.

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~~12.10.~~ This funding package is based on the assumption that Transport for London will maintain useable cash reserves of no more than (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 accordingly.

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Commented [KS2]: I read this that the total amount of grant and borrowing would be reduced accordingly on the basis of the formula set out

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~~13.~~ ~~To enable the borrowing from the Public Works Loans Board, we are temporarily suspending the restrictions on prudential borrowing under the Local Government Act 2003, Section 16.~~

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~~14.11.~~ This funding package is conditional on agreement from Transport for London that it will agree to conditions below.

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Commented [KS3]: This is untenable and legally unworkable. Taking operational decisions away from TfL would fetter TfL's statutory responsibilities. It would also cut across important health and safety obligations and change the responsibility for safety issues and safety cases. If decisions were taken jointly by a group that had no legal standing then the individuals could have personal liability for the decisions taken. In proposing "joint action" we tried very hard to reflect the spirit of the agreement without creating all these legal difficulties.

Service Levels

~~15.12.~~ 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 these decisions being made jointly by the London Covid Transport

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Task Force, terms of reference for which are attached. In particular:

- a) ~~a.~~ Maximise ~~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) ~~b.~~ Employ ~~Employing~~ traffic demand management agreed by the London COVID Transport Task Force;
- c) ~~c.~~ Agree ~~Agreeing~~ communication messages between DfT and TfL to ensure consistent advice is provided to travellers;
- d) ~~d.~~ Push ~~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) ~~e.~~ Bring ~~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 under-18s (subject to provision being made for poorer children to travel free to school, the criteria for which will need to be agreed) and temporary suspension of free travel for OAPs Freedom Pass and 60 plus card holders during peak hours;
- f) ~~f.~~ To support revenue collection, as soon as practicable, place ~~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) ~~g.~~ Provide ~~Providing~~ regular reporting to the London COVID Transport Task Force on the absence rates for its staff and take all necessary ~~practicable~~ steps to manage absence levels to support the efficient delivery of the agreed service levels, services, and
- h) ~~h.~~ Immediately reintroduce ~~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.

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~~16.~~ 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.

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~~17.~~ 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.

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~~18.~~ 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

~~19.16.~~ This emergency funding and financing package will require additional HMG governance and oversight, notwithstanding the existing legal framework under which TfL operates.

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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.

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~~18.~~ TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan.

19.18. 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.

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~~18.19.~~ 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.~~

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Commented [KS4]: We would expect to be given the right to ensure any commentary from an external adviser was checked for factual accuracy.

19.20. TfL will support continued and ongoing collaborative discussions with DfT on projected passenger numbers, revenues and non-operational expenditure.

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20.21. 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 ~~discussion~~discussions on a timely basis.

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Decision Making

~~21.22.~~ 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.

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22.23. One Special Representative will also be able to attend all ~~meetings,~~ formal and informal meetings, formal and informal, of the Finance Committee and the Programmes and Investment Committee.

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Future Financial Sustainability

23-24. 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 TfL will continue to take forward the fares assumptions set out in its 2019 Business Plan and eOptions~~ 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; ~~and~~
- e. ~~A review of t[The current fiscal devolution arrangements] and the opportunities for further fiscal devolution measures, including measures related to income from road users; and~~
- e.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.

24-26. ~~Notwithstanding the review it is acknowledged that TfL will raise all fares by at least RPI plus 1 per cent per year for the next four years, as The level of income from fares, commercial activities and Business Rates -proposed in the 2019 TfL Business Plan will need to be reviewed in the light of the Covid-19 crisis and its impact on demand for TfL's services in the current and future years.~~

Crossrail

25-27. 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.

26-28. 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 as part of 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.

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Commented [KS5]: The scope of the review should consider all options for ensuring future financial sustainability.

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Commented [KS6]:

Commented [KS7]: The statutory responsibility to set fares rests with the Mayor under the GLA Act 1999. It is not legally possible for the Mayor to fetter his statutory discretion to set fares and nor is it legally permissible for the Mayor to seek to bind himself or a successor as Mayor to follow a specific approach to fares in advance of the proper consideration of that annual decision. Anything which purported to bind the Mayor in this way would clearly be open to challenge by way of Judicial Review.

TfL cannot accept an obligation in relation to the level of fares because the statutory responsibility for setting fares rests with the Mayor and not TfL. In any case, the fundamental impact of Covid-19 on demand for TfL's services will need to be considered as part of the review.

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Commented [KS8]: We cannot agree to the London Pays Principle as there can be no certainty that sufficient demand for TfL's services will exist in the future to sustain any more borrowing. It is therefore necessary that the resolution of additional funding to complete the Crossrail project will need to be

Commented [KS9R8]:

~~27. TfL agrees that PPN 02/20 applies to Crossrail Limited and their suppliers and that it will be implemented fully.~~

~~29. TfL TfL basis.~~

~~30. 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.~~

~~28-31. 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.

~~26-32.~~ In relation to Crossrail, TfL will ~~agree by propose, as soon as practicable, and no later than~~ the end of ~~{MayJune 2020}~~, an action plan to support the successful ~~delivery~~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.

Commented [KS10]: I have rejected the new wording on PPN 02/20 as the lack of resolution of the further funding needed to complete the Crossrail Project means TfL cannot guarantee to support Crossrail in the implementation of PPN 02/20

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From: [Nick Joyce](#)
To: [Kilonback Simon](#); [Kelly Bernadette](#); [Claire Gibbs](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#)
Cc: [Rachael Gilbert](#)
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Date: 13 May 2020 22:36:04
Attachments: [200513 Draft funding agreement letter for Tfl DfT revisions V5.docx](#)
[200513 Draft funding agreement letter for Tfl DfT revisions V5 cv.docx](#)

Simon

Many thanks for your further time today and useful discussions. I attach a tracked changes version of the draft letter and a clean version for convenience.

As discussed, I think some of the suggested changes we have not taken on board in paragraph 12 do not show up as changes in the tracked changes version.

These remain subject to final ministerial clearance.

Please treat these as confidential and with prejudice to any final agreement.

With best wishes

Nick

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

| | [REDACTED]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [mailto:[REDACTED]@tfl.gov.uk]

Sent: 12 May 2020 21:35

To: Nick Joyce ; Bernadette Kelly ; Claire Gibbs ; Brown Mike (Commissioner) ; Carter Howard

Subject: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Dear Nick,

Further to our discussions with Bernadette and Mike yesterday and our discussions on your draft funding agreement today, please find attached both a clean and a tracked changes version of the funding proposal in a form that would be acceptable to the Mayor of London, the TfL Finance Committee and enable me to meet my statutory obligations.

I believe this fully represents the discussion you and I had earlier and there are no material changes other than the ones we discussed. I have asked, as you would expect me to, for the PWLB Infrastructure Rate or a close equivalent, to be applicable for the borrowing proposed.

I have agreed with the Mayor and the Finance Committee that we need to resolve the negotiations on this phase within the next 24-48 hours maximum, which again is consistent with our earlier discussions. [REDACTED]

[REDACTED]

I truly hope that this will not be necessary as I believe we are sufficiently aligned to be able to conclude these negotiations swiftly and in the spirit of cooperation that will enable us to continue to work in lockstep to achieve our shared objectives of a successful, safe and sustainable Restart, with ambitious plans for increasing the use of active travel.

Once we have concluded these negotiations, I look forward to agreeing a timeline with you to conduct the review of our future financial sustainability and to agreeing further funding to enable us to reach a Balanced Budget for the whole fiscal year.

I look forward to discussing with you at your earliest convenience.

With kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED] [tfl.gov.uk](#) | Direct dial: [REDACTED]

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Draft letter from Secretary of State for Transport to Mayor of London

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 accordingly.
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 these decisions being made jointly by the London Covid Transport Task Force, terms of reference for which are attached. In particular:
 - 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 under-18s (subject to provision being made for poorer children to travel free to school, the criteria for which will need to be agreed) and temporary suspension of free travel for Freedom Pass and 60 plus card holders during peak hours;
 - 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.
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. Notwithstanding the review it is acknowledged that TfL will raise all fares by at least RPI plus 1 per cent per year for the next four years, as proposed in the TfL Business Plan.

Crossrail

27. 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.
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32. 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.

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From: [Kilonback Simon](#)
To: [Alexander Heidi](#); [Everitt Vernon](#); [David Bellamy](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#); [King Antony \(Div Finance Director MPD\)](#)
Cc: [Gasson Sarah](#); [Lucas Emma](#); [Steer Tim](#)
Subject: Re: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Date: 12 May 2020 18:18:09

It says we need to consider it. I think many of the things we have just discussed with the Mayor will take some of the wind out of their sails as we will already be doing it

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From: Heidi Alexander
Sent: Tuesday, May 12, 2020 6:16 pm
To: [REDACTED]@tfl.gov.uk; Kilonback Simon; David Bellamy; Mike Brown; Carter Howard; King Antony (Div Finance Director MPD)
Cc: [REDACTED]@tfl.gov.uk; Lucas Emma; Tim Steer
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

I noticed that. I think we need a paper on this for next week's Mayor's meeting.

H

From: Everitt Vernon
Sent: 12 May 2020 18:14
To: Heidi Alexander ; Kilonback Simon ; David Bellamy ; Mike Brown ; Carter Howard ; King Antony (Div Finance Director MPD)
Cc: [REDACTED]@tfl.gov.uk; Lucas Emma ; Tim Steer
Subject: Re: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

This also requires suspension of u-18 free travel, so we need to look at that in the round with the discussion we've just had on older people. They might refer to Freedom Pass and 60 plus card holders rather than 'OAPs'.

Vernon

From: Heidi Alexander <[REDACTED]@london.gov.uk>
Sent: Tuesday, May 12, 2020 6:05 pm
To: Kilonback Simon; David Bellamy; Mike Brown; Carter Howard; [REDACTED]@tfl.gov.uk; King Antony (Div Finance Director MPD)
Cc: [REDACTED]@tfl.gov.uk; Lucas Emma; Tim Steer
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Simon

I have read through this and I think it's fine.

Thanks

H

From: Kilonback Simon <[REDACTED]@tfl.gov.uk>
Sent: 12 May 2020 14:52
To: David Bellamy <[REDACTED]@london.gov.uk>; Heidi Alexander <[REDACTED]@london.gov.uk>; Mike Brown <[REDACTED]@tfl.gov.uk>; Carter Howard <[REDACTED]@tfl.gov.uk>; [REDACTED]@tfl.gov.uk; King Antony (Div Finance Director MPD)

<[REDACTED]@tfl.gov.uk>

Cc: [REDACTED]@tfl.gov.uk; Lucas Emma <[REDACTED]@tfl.gov.uk>; Tim Steer

<[REDACTED]@london.gov.uk>

Subject: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Dear All

Please find attached a clean and a marked up version of the draft funding agreement reflecting all of the comments received.

Subject to the Mayor's views when we meet later this afternoon, I would like to get this back to DfT as soon as possible today as we have heard from officials that we might be able to get this agreed as soon as tonight.

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED]@tfl.gov.uk | Direct dial: [REDACTED]

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From: [Kilonback Simon](#)
To: [Nick Joyce](#)
Subject: Re: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Date: 14 May 2020 14:39:50

Nick - at an exec level we think we could agree to it if it as TDM measure for the peak as long as it is linked to a firm date for return to school and that through the task force the lead time to implement and the operational issues we have discussed of how on earth we would know are resolved.

This does not have political agreement at this stage.

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From: Nick Joyce
Sent: Thursday, May 14, 2020 2:09 pm
To: Kilonback Simon
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
As discussed, does this work:
including but not limited to a temporary suspension of free travel for Freedom Pass and 60 plus card holders during peak hours, and the suspension of free travel for under-18s, subject to provisions allowing children who qualify under the Education Act 1996 and DfE statutory guidance to travel free to school.

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [mailto: [REDACTED]@tfl.gov.uk]
Sent: 14 May 2020 09:52
To: Nick Joyce
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Nick – We can agree to the wording of Section 12 as set out below:

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** 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 will agree to :

- a. Maximise 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. Employ traffic demand management agreed by the London COVID Transport Task Force;
- c. Agree communication messages between DfT and TfL to ensure consistent advice is provided to travellers;
- d. Push 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. Bring 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 a temporary suspension of free travel for Freedom Pass and 60 plus card holders during peak hours and the consideration of staggered hours of operation for other concessionary fares including travel for Under-18s;
- f. To support revenue collection, as soon as practicable, place 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. Provide 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.

From: Nick Joyce < [REDACTED]@dft.gov.uk >
Sent: 14 May 2020 09:39
To: Kilonback Simon < [REDACTED]@tfl.gov.uk >

Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Thanks.

My suggestion would be: (1) agreement from TfL in taking forward the actions in the list; (2) these will be overseen by the joint SG; (3) implementation of all of the list will be subject to TfL's statutory responsibilities in relation to safety.

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

| [REDACTED]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [mailto:[REDACTED]@tfl.gov.uk]

Sent: 14 May 2020 09:35

To: Nick Joyce <[REDACTED]@dft.gov.uk>

Subject: Re: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Nick

I am comfortable with the below wording.

I will revert as soon as I am off the call with City Hall on service levels.

Kind regards

Simon

Sent from my iPad

On 14 May 2020, at 09:18, Nick Joyce <[REDACTED]@dft.gov.uk> wrote:

Simon

In the interests of seeking to resolve all this, just to play back some potential wording on some areas (which to be very clear I have not agreed with anybody) but would like to try to now:

- Crossrail/PPN: "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."
- Crossrail: funding package to be considered "alongside" the review.
- Review: "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."
- Fares: "Notwithstanding the review it is acknowledged that TfL will continue to take forward the fares assumptions in its 2019 Business Plan (RPI+1% for all modes for the next 4 years)."

I genuinely don't know if these will work but wanted to share now. Can you let me have something for the service levels para asap?

Nick

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

| [REDACTED]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [mailto:[REDACTED]@tfl.gov.uk]

Sent: 14 May 2020 00:08

To: Nick Joyce <[REDACTED]@dft.gov.uk>; Bernadette Kelly <[REDACTED]@dft.gov.uk>; Claire Gibbs <[REDACTED]@dft.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Carter Howard <[REDACTED]@tfl.gov.uk>

Cc: Rachael Gilbert <[REDACTED]@dft.gov.uk>

Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Nick

I have attempted to mark up the document with my comments on your proposed changes.

I will summarise them below:

Para 5 – Rejection of PWLB Infrastructure Rate or equivalent – We should not be penalised in the cost of borrowing for our loss of revenue incurred in support of the Government's strategy for fighting the coronavirus. This will impact TfL's ability to invest in public transport and active travel.

[REDACTED]

Para 19 – Financial Management: TfL requests the right to review the external adviser's commentary

for factual accuracy and a right to management response which is common to well run audit and assurance processes.

Para 24 – The review must be conducted in an independent and open minded way to achieve the aim of putting TfL on a more sustainable financial footing and therefore must not be limited in subpara e to only reviewing the current fiscal devolution arrangements.

[REDACTED]

Para 28 – The London Pays principle for Crossrail cost overruns has to be predicated on the review delivering a sustainable funding model as TfL simply will not have the revenue to support further borrowing absent ongoing Government grant funding or further fiscal devolution.

[REDACTED] It should be noted that TfL has already supported Crossrail in implementing measures to support and safeguard critical resources.

[REDACTED] I will accept the revised formula for the allocation of grant and borrowing but otherwise I urge you to accept the proposal I sent to you at 9.35pm on the 12th May.

Unless we achieve a resolution by 5pm tomorrow, I will have to conclude that we are unable to reach agreement with the Government on the emergency funding we have been requesting for 8 weeks now

[REDACTED]

Until this point there has been good cooperation between TfL and DfT [REDACTED]

[REDACTED]

There is no more time – we must reach a reasonable agreement.

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED] tf.l.gov.uk | Direct dial: [REDACTED]

From: Nick Joyce <[REDACTED]@dft.gov.uk>

Sent: 13 May 2020 22:35

To: Kilonback Simon <[REDACTED]@tf.l.gov.uk>; Kelly Bernadette <[REDACTED]@dft.gov.uk>;

Claire Gibbs <[REDACTED]@dft.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tf.l.gov.uk>; Carter

Howard <[REDACTED]@tf.l.gov.uk>

Cc: Rachael Gilbert <[REDACTED]@dft.gov.uk>

Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Simon

Many thanks for your further time today and useful discussions. I attach a tracked changes version of the draft letter and a clean version for convenience.

As discussed, I think some of the suggested changes we have not taken on board in paragraph 12 do not show up as changes in the tracked changes version.

These remain subject to final ministerial clearance.

Please treat these as confidential and with prejudice to any final agreement.

With best wishes

Nick

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

| [REDACTED]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [mailto: [REDACTED]@tfl.gov.uk]

Sent: 12 May 2020 21:35

To: Nick Joyce < [REDACTED]@dft.gov.uk>; Bernadette Kelly < [REDACTED]@dft.gov.uk>; Claire Gibbs < [REDACTED]@dft.gov.uk>; Brown Mike (Commissioner) < [REDACTED]@tfl.gov.uk>; Carter Howard < [REDACTED]@tfl.gov.uk>

Subject: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Dear Nick,

Further to our discussions with Bernadette and Mike yesterday and our discussions on your draft funding agreement today, please find attached both a clean and a tracked changes version of the funding proposal in a form that would be acceptable to the Mayor of London, the TfL Finance Committee and enable me to meet my statutory obligations.

I believe this fully represents the discussion you and I had earlier and there are no material changes other than the ones we discussed. I have asked, as you would expect me to, for the PWLB Infrastructure Rate or a close equivalent, to be applicable for the borrowing proposed.

I have agreed with the Mayor and the Finance Committee that we need to resolve the negotiations on this phase within the next 24-48 hours maximum, which again is consistent with our earlier discussions.

[REDACTED]

I truly hope that this will not be necessary as I believe we are sufficiently aligned to be able to conclude these negotiations swiftly and in the spirit of cooperation that will enable us to continue to work in lockstep to achieve our shared objectives of a successful, safe and sustainable Restart, with ambitious plans for increasing the use of active travel.

Once we have concluded these negotiations, I look forward to agreeing a timeline with you to conduct the review of our future financial sustainability and to agreeing further funding to enable us to reach a Balanced Budget for the whole fiscal year.

I look forward to discussing with you at your earliest convenience.

With kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED]@tfl.gov.uk | Direct dial: [REDACTED]

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From: [Kilonback Simon](#)
To: [Everitt Vernon](#); [Alexander Heidi](#); [David Bellamy](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#); [King Antony \(Div Finance Director MPD\)](#)
Cc: [Gasson Sarah](#); [Lucas Emma](#); [Steer Tim](#)
Subject: Re: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Date: 12 May 2020 18:27:11

That's fine Vernon we can make that case in the review

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From: Everitt Vernon
Sent: Tuesday, May 12, 2020 6:19 pm
To: Alexander Heidi; Kilonback Simon; David Bellamy; Brown Mike (Commissioner); Carter Howard; King Antony (Div Finance Director MPD)
Cc: Gasson Sarah; Lucas Emma; Steer Tim
Subject: Re: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Ok. There are several options for reforming it without totally giving up on it. This concession is one of the biggest instruments of mode shift away from cars. Vernon

From: Heidi Alexander
Sent: Tuesday, May 12, 2020 6:16 pm
To: [REDACTED]@tfl.gov.uk; Kilonback Simon; David Bellamy; Mike Brown; Carter Howard; King Antony (Div Finance Director MPD)
Cc: [REDACTED]@tfl.gov.uk; Lucas Emma; Tim Steer
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

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From: Everitt Vernon
Sent: 12 May 2020 18:14
To: Heidi Alexander ; Kilonback Simon ; David Bellamy ; Mike Brown ; Carter Howard ; King Antony (Div Finance Director MPD)
Cc: [REDACTED]@tfl.gov.uk; Lucas Emma ; Tim Steer
Subject: Re: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

This also requires suspension of u-18 free travel, so we need to look at that in the round with the discussion we've just had on older people. They might refer to Freedom Pass and 60 plus card holders rather than 'OAPs'.

Vernon

From: Heidi Alexander <[REDACTED]@london.gov.uk>
Sent: Tuesday, May 12, 2020 6:05 pm
To: Kilonback Simon; David Bellamy; Mike Brown; Carter Howard; [REDACTED]@tfl.gov.uk; King Antony (Div Finance Director MPD)
Cc: [REDACTED]@tfl.gov.uk; Lucas Emma; Tim Steer
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING

AGREEMENT

Simon

I have read through this and I think it's fine.

Thanks

H

From: Kilonback Simon <[REDACTED]@tfl.gov.uk>

Sent: 12 May 2020 14:52

To: David Bellamy <[REDACTED]@london.gov.uk>; Heidi Alexander <[REDACTED]@london.gov.uk>; Mike Brown <[REDACTED]@tfl.gov.uk>; Carter Howard <[REDACTED]@tfl.gov.uk>; [REDACTED]@tfl.gov.uk; King Antony (Div Finance Director MPD) <[REDACTED]@tfl.gov.uk>

Cc: [REDACTED]@tfl.gov.uk; Lucas Emma <[REDACTED]@tfl.gov.uk>; Tim Steer <[REDACTED]@london.gov.uk>

Subject: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Dear All

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Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

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From: [Brown Mike \(Commissioner\)](#)
To: [Kilonback Simon](#); [Carter Howard](#); [King Antony \(Div Finance Director MPD\)](#)
Subject: Re: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT
Date: 13 May 2020 22:56:09

Looks like it the fares that is the main issue?

Mike

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From: Kilonback Simon
Sent: Wednesday, May 13, 2020 10:37 pm
To: Brown Mike (Commissioner); Carter Howard; King Antony (Div Finance Director MPD)
Subject: Fwd: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

I haven't read it yet - forwarding to you as soon as I received

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From: Nick Joyce
Sent: Wednesday, May 13, 2020 10:36 pm
To: Kilonback Simon; Bernadette Kelly; Claire Gibbs; Brown Mike (Commissioner); Carter Howard
Cc: Rachael Gilbert
Subject: RE: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

Simon

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With best wishes

Nick

Nick Joyce | Director General, Resources and Strategy Group, Department for Transport

| [REDACTED]

Post to: Great Minster Hse, 33 Horseferry Rd, London, SW1P 4DR

From: Kilonback Simon [mailto:[REDACTED]@tfl.gov.uk]
Sent: 12 May 2020 21:35
To: Nick Joyce ; Bernadette Kelly ; Claire Gibbs ; Brown Mike (Commissioner) ; Carter Howard
Subject: OFFICIAL SENSITIVE - CONFIDENTIAL AND LEGALLY PRIVILEGED DRAFT FUNDING AGREEMENT

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[REDACTED]

I truly hope that this will not be necessary as I believe we are sufficiently aligned to be able to conclude these negotiations swiftly and in the spirit of cooperation that will enable us to continue to work in lockstep to achieve our shared objectives of a successful, safe and sustainable Restart, with ambitious plans for increasing

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I look forward to discussing with you at your earliest convenience.

With kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

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From: [Kilonback Simon](#)
To: [Edward Lister](#)
Cc: [David Bellamy](#); [Brown Mike \(Commissioner\)](#); [Carter Howard](#); [Liam Booth-Smith](#); [Stuart Glassborow](#)
Subject: RE: Sensitive and Highly Confidential: TfL request for government financial support
Date: 24 April 2020 18:39:00

Dear Ed,

I am sorry that I am writing to you again to request your help in securing financial support for TfL, however in the month since I last wrote to you, whilst we have received a letter recognising we need support, we have made no material progress in securing the funding necessary for us to continue to provide public transport services, following the 95% reduction in Tube ridership and 85% reduction in bus ridership that you will be very familiar with from the daily charts.

This has had a catastrophic effect on our income. We are losing over £100 million a week. We have now placed over 7,000 staff on furlough across the organisation, including over 4,000 in London Underground, and have today provided an emergency budget to DfT that shows, notwithstanding identifying over £400 million in gross operating cost savings and £500 million in capital expenditure that can be deferred, we need the government to provide £2 billion in grant funding to enable us to continue to run the current level of services and to support the Restart effort between now and the end of September this year.

This is because we will need to provide 100% of services as soon as ridership has reached 15% of normal volumes, in order to maintain any form of social distancing and protect public health. The only way we could reduce our costs further would be if we cut services substantially from the current levels, which we know would be diametrically opposed to what you need us to do.

[REDACTED]

We have reached the end of the road in what we can absorb ourselves. We now need explicit agreement to providing the £2 billion grant funding needed to keep our services going until 30th September in the first instance, and commitment to providing support thereafter, based upon further discussions with Government over the next few months.

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED] tfl.gov.uk | Direct dial: [REDACTED]

From: Edward Lister

Sent: 20 March 2020 21:39

To: Kilonback Simon

Cc: David Bellamy ; Brown Mike (Commissioner) ; Carter Howard ; Liam Booth-Smith ; Stuart Glassborow

Subject: Re: Sensitive and Highly Confidential: TfL request for government financial support

Thank you. I have copied to Treasury,

Ed

On 20 Mar 2020, at 18:47, Kilonback Simon <[REDACTED]@tfl.gov.uk> wrote:

Dear Ed

Thank you for your time earlier today. I would wish to speak to you for the first time in better circumstances.

Mike Brown and I have been in contact with Baroness Vere, Chris Heaton-Harris and Bernadette Kelly at the Department of Transport in the last few days as the Covid-19 crisis and response have escalated, firstly to offer our full support but also to raise the catastrophic impact the response to the crisis will have on TfL's finances.

As you will know, our Tube ridership is now down over 70% and bus ridership over 40% and we expect

that to further reduce in the immediate future as the additional restrictions on movement and social distancing take effect. It is our expectation that from early next week we will have effectively no discernible income from passenger revenues, and the removal of the congestion charge and ULEZ charges will impact us further.

Whilst we hold effectively 90 days cash reserves, the escalating situation means that our existing financial commitments now exceed our cash reserves. We now need confirmation that the Government will meet the costs of running the transport network and supporting our critical supply chain, where we have significant long term contractual commitments for rolling stock, signalling and major infrastructure projects, including Crossrail, for the duration of this crisis. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

We very much want to do the right thing to fully support your strategy together with continuing to fully employ our own workforce and that of our critical infrastructure supply chain, which of course we can continue to do with your support.

[REDACTED]
[REDACTED]

Kind regards

Simon

Simon Kilonback

Chief Finance Officer | Transport for London

Palestra, 11th Floor, Zone 11Y7, 197 Blackfriars Road, London, SE1 8NJ

[REDACTED] tfl.gov.uk | Direct dial: [REDACTED]

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From: [Kilonback Simon](#)
To: [Everitt Vernon](#); [Brown Matt](#); [Sorkina Alexandra](#); [Brown Mike \(Commissioner\)](#); [Gasson Sarah](#)
Cc: [Carter Howard](#); [King Antony \(Div Finance Director MPD\)](#); [Lucas Emma](#); [Hawkes Joanna](#); [Cox Nicola \(TFL\)](#); [Curry Justine](#); [Clarke Andrea \(Exc\)](#)
Subject: RE: statement for deal
Date: 14 May 2020 16:38:00

We always used to publish grant letters but I don't think we published the Crossrail funding agreement beyond announcing the headline terms? Howard can you confirm?
I'm not keen to publish this unless the Mayor wants to

From: Everitt Vernon
Sent: 14 May 2020 16:35
To: Brown Matt ; Sorkina Alexandra ; Kilonback Simon ; Brown Mike (Commissioner) ; Gasson Sarah
Cc: Carter Howard ; King Antony (Div Finance Director MPD) ; Lucas Emma ; Hawkes Joanna ; Cox Nicola (TFL) ; Curry Justine ; Clarke Andrea (Exc)
Subject: Re: statement for deal
Does the funding letter get published?

From: Brown Matt <[REDACTED]@tfl.gov.uk>
Sent: Thursday, May 14, 2020 4:32:24 PM
To: Everitt Vernon <[REDACTED]@Tfl.gov.uk>; Sorkina Alexandra <[REDACTED]@tfl.gov.uk>; Kilonback Simon <[REDACTED]@tfl.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Gasson Sarah <[REDACTED]@tfl.gov.uk>
Cc: Carter Howard <[REDACTED]@tfl.gov.uk>; King Antony (Div Finance Director MPD) <[REDACTED]@tfl.gov.uk>; Lucas Emma <[REDACTED]@tfl.gov.uk>; Hawkes Joanna <[REDACTED]@tfl.gov.uk>; Cox Nicola (TFL) <[REDACTED]@tfl.gov.uk>; Curry Justine <[REDACTED]@tfl.gov.uk>; Clarke Andrea (Exc) <[REDACTED]@tfl.gov.uk>
Subject: RE: statement for deal
Yes, I've had some feedback from Mike via Sarah too and will circulate a new version.

From: Everitt Vernon
Sent: 14 May 2020 16:31
To: Sorkina Alexandra <[REDACTED]@tfl.gov.uk>; Kilonback Simon <[REDACTED]@tfl.gov.uk>; Brown Matt <[REDACTED]@tfl.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Gasson Sarah <[REDACTED]@tfl.gov.uk>
Cc: Carter Howard <[REDACTED]@tfl.gov.uk>; King Antony (Div Finance Director MPD) <[REDACTED]@tfl.gov.uk>; Lucas Emma <[REDACTED]@tfl.gov.uk>; Hawkes Joanna <[REDACTED]@tfl.gov.uk>; Cox Nicola (TFL) <[REDACTED]@tfl.gov.uk>; Curry Justine <[REDACTED]@tfl.gov.uk>; Clarke Andrea (Exc) <[REDACTED]@tfl.gov.uk>
Subject: Re: statement for deal
and while TfL has reduced its costs 'during this period'

From: Everitt Vernon <[REDACTED]@Tfl.gov.uk>
Sent: Thursday, May 14, 2020 4:30:00 PM
To: Sorkina Alexandra <[REDACTED]@tfl.gov.uk>; Kilonback Simon <[REDACTED]@tfl.gov.uk>; Brown Matt <[REDACTED]@tfl.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Gasson Sarah <[REDACTED]@tfl.gov.uk>
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<[REDACTED]@tfl.gov.uk>; Clarke Andrea (Exc) <[REDACTED]@tfl.gov.uk>

Subject: Re: statement for deal

Can we say 'gradually eased' rather than 'relaxed' when talking about the restrictions?

From: Sorkina Alexandra <[REDACTED]@tfl.gov.uk>

Sent: Thursday, May 14, 2020 4:27:17 PM

To: Kilonback Simon <[REDACTED]@tfl.gov.uk>; Everitt Vernon <[REDACTED]@Tfl.gov.uk>;
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Gasson Sarah <[REDACTED]@tfl.gov.uk>

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Subject: RE: statement for deal

Thanks Simon

Happy to amend the latest draft (attached) once I have sight of any changes.

Alex

From: Kilonback Simon <[REDACTED]@tfl.gov.uk>

Sent: 14 May 2020 16:25

To: Everitt Vernon <[REDACTED]@Tfl.gov.uk>; Brown Matt <[REDACTED]@tfl.gov.uk>; Brown
Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Gasson Sarah <[REDACTED]@tfl.gov.uk>

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Subject: RE: statement for deal

[REDACTED]

From: Everitt Vernon

Sent: 14 May 2020 16:16

To: Brown Matt <[REDACTED]@tfl.gov.uk>; Brown Mike (Commissioner)
<[REDACTED]@tfl.gov.uk>; Gasson Sarah <[REDACTED]@tfl.gov.uk>

Cc: Kilonback Simon <[REDACTED]@tfl.gov.uk>; Carter Howard <[REDACTED]@tfl.gov.uk>

Subject: Re: statement for deal

[REDACTED]

From: Brown Matt <[REDACTED]@tfl.gov.uk>

Sent: Thursday, May 14, 2020 4:08:50 PM

To: Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Gasson Sarah
<[REDACTED]@tfl.gov.uk>

Cc: Everitt Vernon <[REDACTED]@Tfl.gov.uk>

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Transport Commissioner Mike Brown MVO said: "I welcome this support from

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“London’s transport network is absolutely fundamental to the economic, social and environmental health of the Capital. Throughout the pandemic, transport workers have played a heroic role in the response to the virus –ensuring NHS and care staff have been able to get to work and save lives.

“We have worked closely with the Government and Mayor as part of the national effort to fight the virus, rapidly reducing passenger numbers to levels not seen for 100 years. This has meant that our fare and other revenue has fallen by 90 per cent.

“We now need to help London recover as restrictions on movement are gradually lifted, with public health and more active forms of travel at the forefront of our thinking. Enormous challenges remain, including agreeing longer term sustainable funding for transport in the Capital. **In the meantime, we will continue to do everything in our power to help deliver a successful recovery for our great city.’**

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Subject: RE: statement for deal
Date: 14 May 2020 16:25:00

[REDACTED]

From: Everitt Vernon
Sent: 14 May 2020 16:16
To: Brown Matt ; Brown Mike (Commissioner) ; Gasson Sarah
Cc: Kilonback Simon ; Carter Howard
Subject: Re: statement for deal

[REDACTED]

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[REDACTED]

From: Gasson Sarah <[REDACTED]@tfl.gov.uk>
Sent: 14 May 2020 16:47
To: Brown Matt <[REDACTED]@tfl.gov.uk>; Everitt Vernon <[REDACTED]@Tfl.gov.uk>; Sorkina Alexandra <[REDACTED]@tfl.gov.uk>; Kilonback Simon <[REDACTED]@tfl.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>
Cc: Carter Howard <[REDACTED]@tfl.gov.uk>; King Antony (Div Finance Director MPD) <[REDACTED]@tfl.gov.uk>; Lucas Emma <[REDACTED]@tfl.gov.uk>; Hawkes Joanna <[REDACTED]@tfl.gov.uk>; Cox Nicola (TFL) <[REDACTED]@tfl.gov.uk>; Curry Justine <[REDACTED]@tfl.gov.uk>; Clarke Andrea (Exc) <[REDACTED]@tfl.gov.uk>
Subject: RE: statement for deal
Thanks Matt – cleared by Mike. Will this go via City Hall now? I know Heidi keen to see it.
Thanks
Sarah

From: Brown Matt <[REDACTED]@tfl.gov.uk>
Sent: 14 May 2020 16:41
To: Everitt Vernon <[REDACTED]@Tfl.gov.uk>; Sorkina Alexandra <[REDACTED]@tfl.gov.uk>; Kilonback Simon <[REDACTED]@tfl.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Gasson Sarah <[REDACTED]@tfl.gov.uk>
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<[REDACTED]@tfl.gov.uk>; Lucas Emma <[REDACTED]@tfl.gov.uk>; Hawkes Joanna
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<[REDACTED]@tfl.gov.uk>; Clarke Andrea (Exc) <[REDACTED]@tfl.gov.uk>

Subject: RE: statement for deal

Mike, new part added in green, which I think reflects what you want added. Please let me know if this looks fine and I will share with City Hall. Thanks,

Matt

Transport Commissioner Mike Brown MVO said: “I welcome this support from Government which will help us continue to get London moving and working again, safely and sustainably.

“London’s transport network is absolutely fundamental to the economic, social and environmental health of the Capital. Throughout the pandemic, transport workers have played a heroic role in the response to the virus –ensuring NHS and care staff have been able to get to work and save lives.

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“We now need to help London recover as restrictions on movement are gradually eased, with public health and more active forms of travel at the forefront of our thinking.

“In line with advice from the Government and Mayor we are encouraging people who can work from home to continue to do so to enable the people who must travel to do so safely. We are asking everyone to help spread demand and avoid the busiest times and are providing extensive new cycling and walking facilities to support journeys by these means.

“Enormous challenges remain, including agreeing longer term sustainable funding for transport in the Capital. In the meantime, we will continue to do everything in our power to help deliver a successful recovery for our great city.’

From: Everitt Vernon

Sent: 14 May 2020 16:31

To: Sorkina Alexandra <[REDACTED]@tfl.gov.uk>; Kilonback Simon
<[REDACTED]@tfl.gov.uk>; Brown Matt <[REDACTED]@tfl.gov.uk>; Brown Mike
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Subject: Re: statement for deal

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Sent: Thursday, May 14, 2020 4:30:00 PM

To: Sorkina Alexandra <[REDACTED]@tfl.gov.uk>; Kilonback Simon
<[REDACTED]@tfl.gov.uk>; Brown Matt <[REDACTED]@tfl.gov.uk>; Brown Mike

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Sent: Thursday, May 14, 2020 4:27:17 PM
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From: Kilonback Simon <[REDACTED]@tfl.gov.uk>
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To: Everitt Vernon <[REDACTED]@Tfl.gov.uk>; Brown Matt <[REDACTED]@tfl.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Gasson Sarah <[REDACTED]@tfl.gov.uk>
Cc: Carter Howard <[REDACTED]@tfl.gov.uk>; King Antony (Div Finance Director MPD) <[REDACTED]@tfl.gov.uk>; Lucas Emma <[REDACTED]@tfl.gov.uk>; Hawkes Joanna <[REDACTED]@tfl.gov.uk>; Sorkina Alexandra <[REDACTED]@tfl.gov.uk>; Cox Nicola (TFL) <[REDACTED]@tfl.gov.uk>; Curry Justine <[REDACTED]@tfl.gov.uk>; Clarke Andrea (Exc) <[REDACTED]@tfl.gov.uk>
Subject: RE: statement for deal
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To: Brown Matt <[REDACTED]@tfl.gov.uk>; Brown Mike (Commissioner) <[REDACTED]@tfl.gov.uk>; Gasson Sarah <[REDACTED]@tfl.gov.uk>
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From: [Brown Mike \(Commissioner\)](#)
To: [Gasson Sarah](#)
Cc: [Tagg Ella \(ST\)](#); [Thomson Linda](#); [Branks Kirsten](#); [Kilonback Simon](#); [Everitt Vernon](#); [Carter Howard](#)
Subject: RE: TfL Confidential and Legally Privileged: Draft letter to HMT from Mayor
Date: 29 April 2020 16:12:17

Thanks
Good with me
mike

From: Gasson Sarah
Sent: 29 April 2020 15:41
To: Brown Mike (Commissioner)
Cc: Tagg Ella (ST) ; Thomson Linda ; Branks Kirsten ; Kilonback Simon ; Everitt Vernon ; Carter Howard
Subject: TfL Confidential and Legally Privileged: Draft letter to HMT from Mayor

Mike,

We discussed this morning drafting a letter from the Mayor to the Chancellor to raise the fact it is likely he may need to seek an urgent meeting to resolve the funding situation next week.

I've drafted the below which Simon and Vernon are content with.

If you are also content I'll send on to Heidi and team now.

Thanks

Sarah

Dear Rishi,

I am writing to bring to your attention the critical position Transport for London (TfL) finds itself in due to the impact of the COVID-19 crisis.

As you are aware, TfL is continuing to provide transport services to enable essential journeys in London, particularly for NHS staff. TfL is actively encouraging people not to travel unless absolutely necessary, to support the message to stay home, support the NHS and save lives. Since the beginning of this crisis, TfL's passenger numbers have fallen significantly - Tube ridership is down by 95 per cent and bus ridership is down by 85 per cent. The impact of this on TfL's finances has been, and continues to be, catastrophic.

TfL is losing over £100 million a week. They have now placed over 7,000 staff on furlough, including over 4,000 from London Underground. Over the past month, they have been engaging in almost daily discussions on obtaining funding support with the Department for Transport (DfT). Whilst they have received a letter recognising they need support, no material progress has been made towards securing the funding necessary and this is now putting London's essential transport services at real and significant risk. It is also putting at risk the vital role TfL will play in the coming weeks and months in kickstarting our nation's economy.

As TfL is subject to the Local Government Finance Act and its subsidiaries are subject to Companies Act legislation, lost revenue at this level means TfL cannot continue to provide transport services or support its supply chain without confirmation of government revenue support.

Outside London, Train Operating Companies, light rail, bus operators and local authorities have all recently been given very clear financial assurances about grant funding in recognition that public transport services are needed to enable critical workers such as NHS, emergency services and food supply chain to function effectively at this time of national crisis.

It is extraordinary that TfL, whose integrated public transport system is classed as part of the UK's critical national infrastructure, is in a position where it does not have a clear unequivocal statement of Government support or any assurance that Government will not stand by and do

nothing whilst this immense loss of revenue is being sustained.

TfL has provided an emergency budget to the DfT that shows, notwithstanding identifying over £400 million in gross operating cost savings and £500 million in capital expenditure that can be deferred, they urgently need government grant funding of £2bn in order to continue operating the capital's transport network until 30 September.

On Friday, my Deputy Mayor for Transport, Heidi Alexander, is due to meet with Baroness Vere. I encourage you to ensure that discussion includes explicit agreement for Government to provide the grant funding needed to keep TfL services going until 30 September, and a commitment to providing support thereafter, based upon further discussions with Government over the next few months.

Due to the severity and speed with which TfL is burning through what little cash reserves it has left to keep London functioning, if its funding situation is not resolved on Friday, I must request an urgent meeting directly with you next week.

[sign off]

From: [Kilonback Simon](#)
To: [Brown Mike \(Commissioner\)](#); [Lord Andy](#); [Powell Gareth](#); [Everitt Vernon](#); [Harvey Stuart](#); [Wright Tricia](#); [Carter Howard](#)
Cc: [Gasson Sarah](#); [Lucas Emma](#)
Subject: TfLs Emergency Budget 2020 21 270420.pdf
Date: 27 April 2020 13:45:00
Attachments: [TfLs Emergency Budget 2020 21 270420.pdf](#)

Dear all

With apologies, I thought I had forwarded the emergency budget to you all on Friday, but maybe I didn't!

The purpose is to make the case for the interim funding amount to buy us time to replan and reprioritise properly.

Thanks

Simon



Coronavirus Update

TfL's Emergency Budget 2020/21

27 April 2020

Draft and TfL restricted



Introduction

This pack sets out our financial position as a result of the Covid 19 virus and the steps we are taking to manage the financial & operational impacts on TfL

- **We are actively discouraging all travel.** Tube and rail journeys are now down 95%. Bus journeys are down 85%. We are continuing to take actions to drive this lower in line with government direction...tube traffic reduction is now one of the **highest of any city globally**
- **We are already seeing the financial impacts:** Period 13, 2019/20 passenger revenue was £180m behind Budget; cash is down from £2.1bn at 31 March 2020 to £1.6bn. **Cash expected to reduce to £1.4bn by end of Period 1, 2020/21 without mitigations**
- [REDACTED]
- **We have started to furlough staff, with 7,000 staff (more than 25% of our workforce) furloughed for an initial 3-week from Monday 27 April, saving £15m per period**
- **Modelled revenue scenarios based on external modelling of the impact on the UK, ranging from £1.4bn to £3.5bn passenger revenue reduction by the end of 2020/21 – more than £4bn by the end of the 2021/22 - based on expected passenger demand volumes.**

Section I

What have we seen to the end of 2019/20

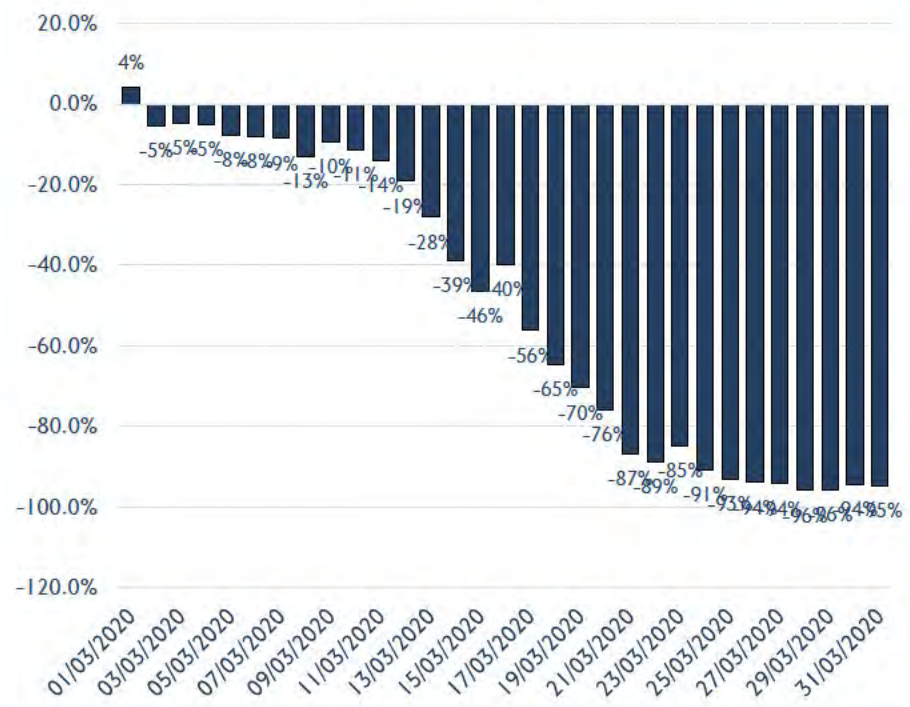


We have seen huge journey reductions at the end of 2019/20

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

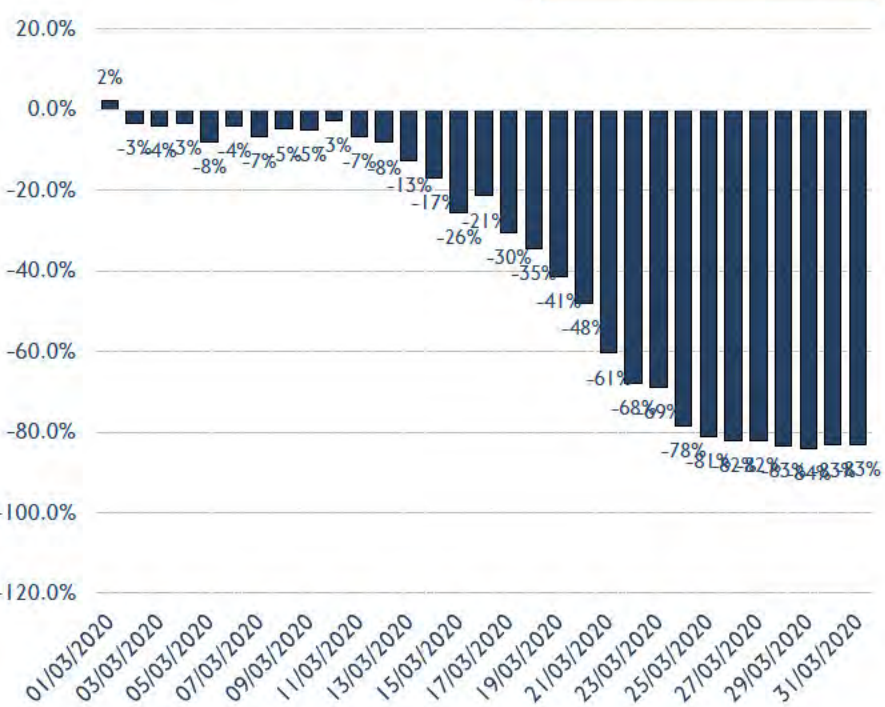
We lost over £80m in revenue per week at the peak, with these trends continuing to today

Tube journeys % year-on-year change **(£126m) in LU**



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

Bus journeys % year-on-year change **(£38m) in Buses**



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

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



We have already seen significant reductions in income

Period 13 of 2019/20 saw the initial impacts from government lockdown and social distancing – material impacts began from 16 March, ramping up to year end

Total impact on operating account	(£220m)
-----------------------------------	---------

Passenger income

Total passenger income impact	(£183m)
LU: journeys 61 million (50%) lower than revised Budget	(£126m)
Buses: journeys 67 million (35%) lower than revised Budget	(£38m)
Rail: journeys 10 million (32%) lower than revised Budget	(£15m)
EL: journeys 3 million (48%) lower than revised Budget	(£4m)

Total other operating income impact	(£8m)
-------------------------------------	-------

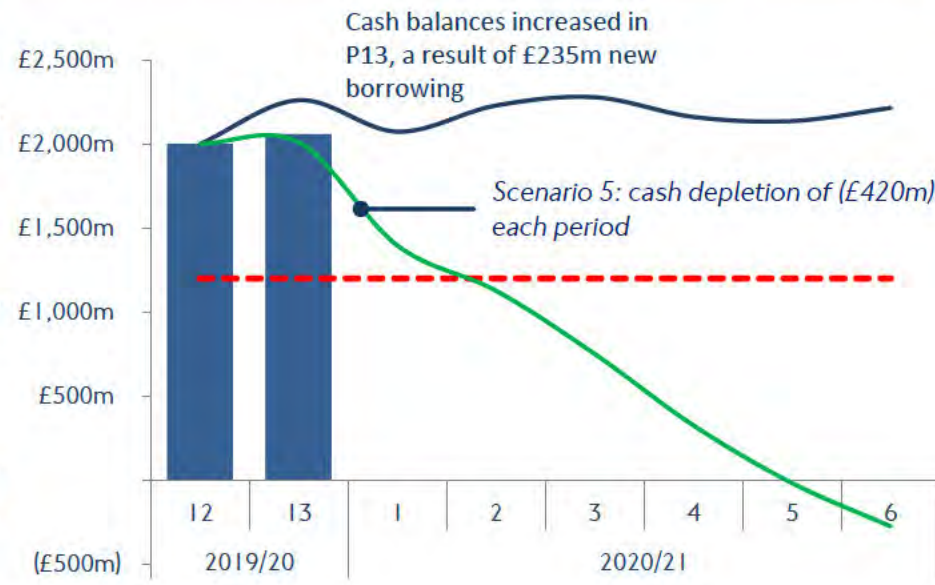
CC/ ULEZ income (£8m)

No impact on commercial and advertising income in Period 13; expect impact from Period 1, 2020/21

Operating costs

Total operating cost impact	(£28m)
Direct operating cost impacts	(£9m)
Streets bad debt provision (£7m)	
Bus network (£1m)	
Central items (£1m)	
Safe stop costs	(£19m)
LU (£5m)	
Surface Transport (£10m)	
MPD (£4m)	

Cash	
Cash balances as of 31/03/2020	£2,056m
Variance to forecast	(£204m)
Variance to Scenario 5 – gradual return over 6 months	£48m



Actuals Budget including borrowing Minimum cash reserve



Section 2

2020/21

Emergency Budget



Central assumptions of TfLs Emergency Budget

- Revenue: based on a 6 month crisis period followed by muted recovery beyond that (see next slide)
- Staffing:
 - we are furloughing over 7,000 staff for a 2 month period in line with current government guidance. If the government guidelines are extended we will implement accordingly.
 - Furloughing savings are approximately £15m per period. Salary will be topped up to 100% to avoid lengthy consultation periods and TU negotiations
 - we are also releasing around 770 temporary resource
- Service levels and ramp up:
 - current assumption in buses is that normal operational activity is not resumed until H2. If we are required to resume activities earlier we will incur additional costs, which we are holding centrally
 - We may incur additional ramp up costs eg communication campaigns to manage demand, additional resource, temporary barriers (at the time of the Olympics these costs amounted to £30m) related to restarting services which are also being held centrally
- [REDACTED]
- [REDACTED]
- Working capital assumptions have not been changed from the original budget. We may see some changes in working capital over this period which will be picked up in the periodic reviews
- We have assumed no additional borrowing during the period of the emergency budget

Passenger income scenarios

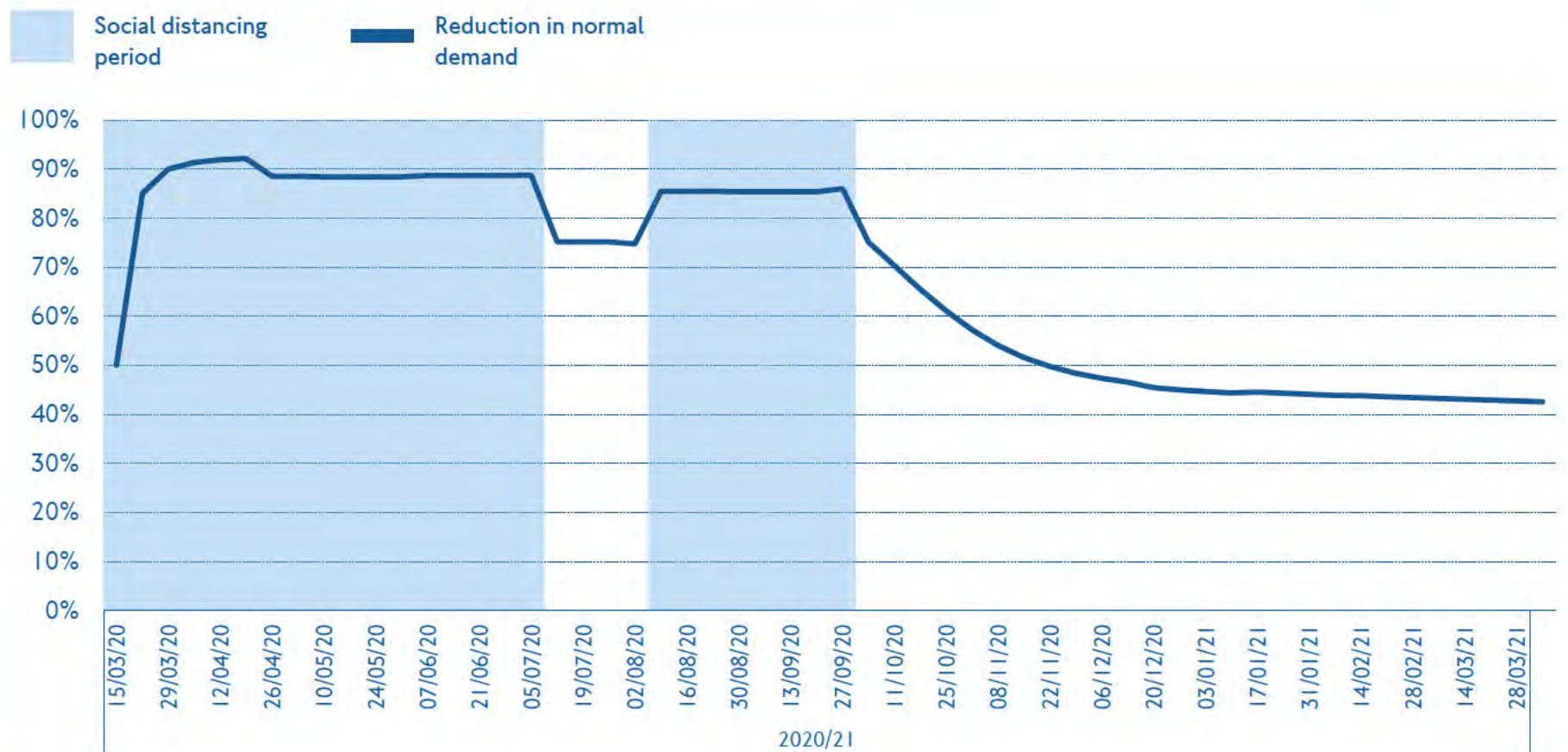
We have modelled a number of scenarios on the basis of Imperial College's COVID-19 modelling, all of which have a severe impact on our revenues.

The emerging scenario is two periods of lockdown during a six month crisis

6 month crisis & 55% demand gradual return

Based on current Government messaging of six months before UK 'returns to normal'. Initial peak of three months is followed by relaxation of measures and then a second peak. Only 55% of demand returns six months after the end of social distancing. Assumes strict government enforcement of travel restrictions during social distancing.

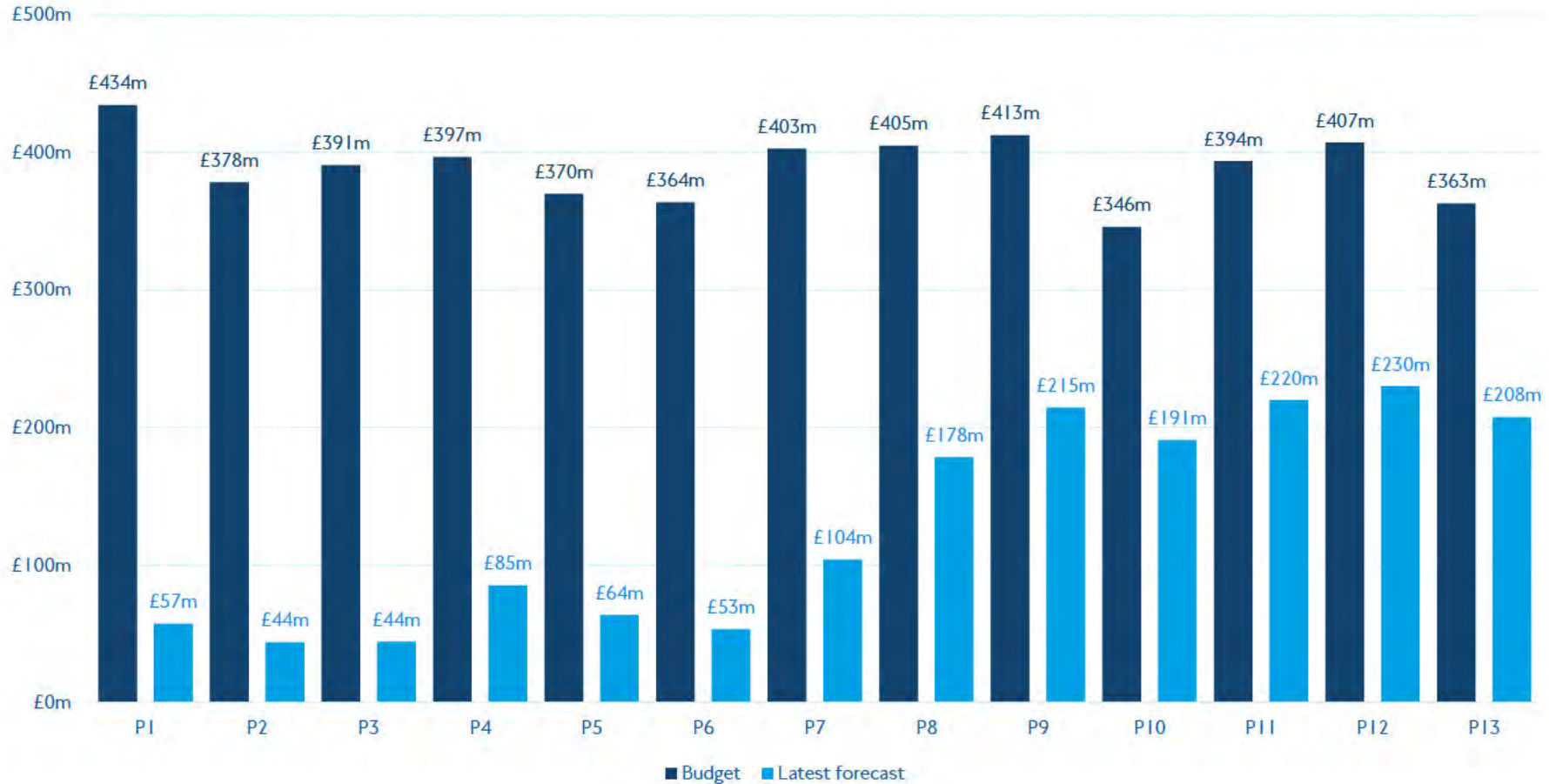
Passenger Revenue
2019/20: £0.2bn
2020/21: £3.5bn
Total: £3.7bn



Passenger income

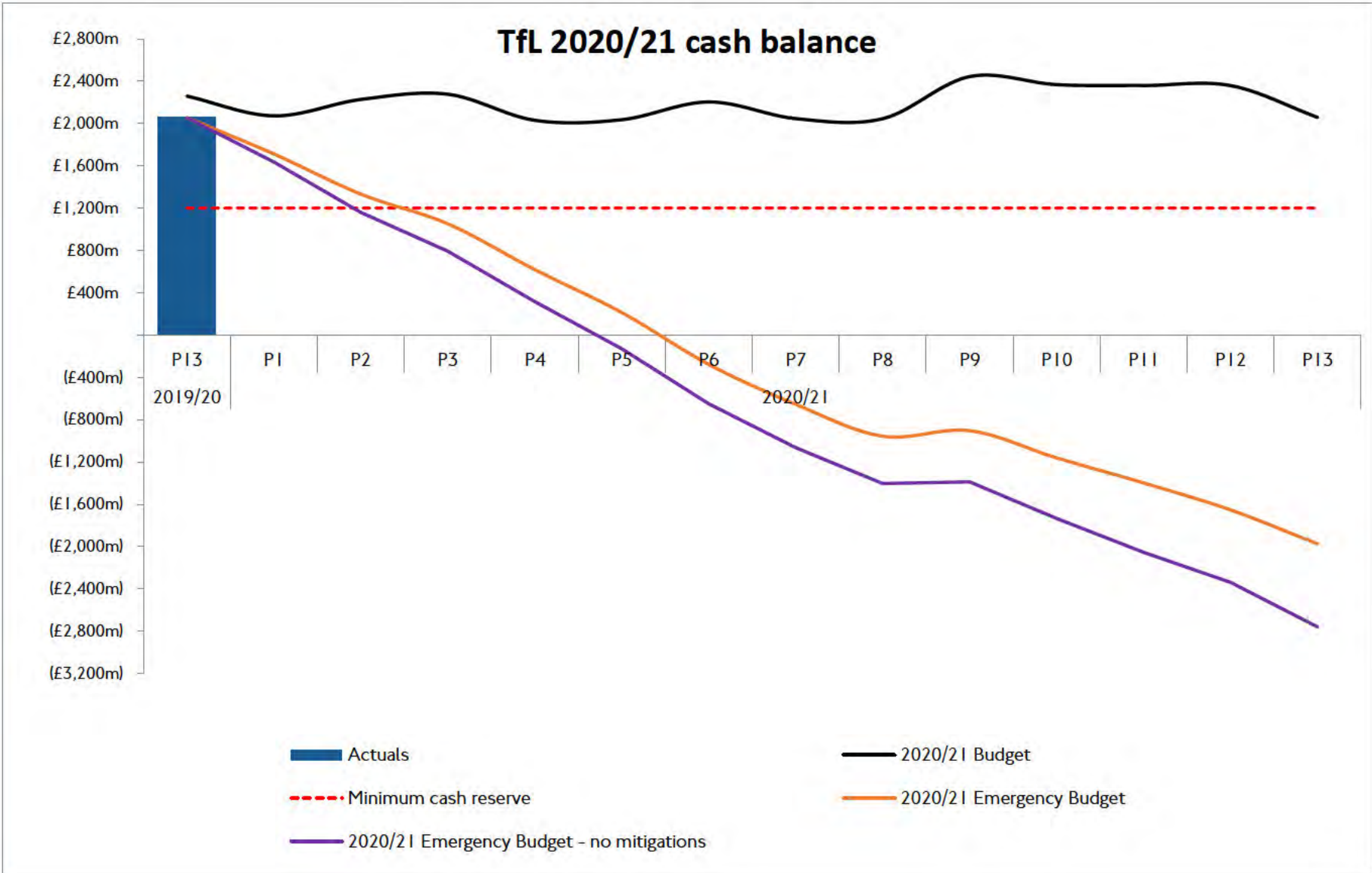
We are expecting a significant decrease in customer demand resulting in an estimated £3.5bn of lost revenue:

- (£2.4bn) in H1
- a further (£1.1bn) in H2



The impact on our cash balance is severe

Without support:
 By Period 3, we will breach our minimum cash threshold
 By Period 6 we will run out of cash altogether



Our Usable reserves are exhausted without Grant funding and are forecast to be £2.1bn negative by the end of 20/21

Forecast Reserves Position – Full Year

Reserves (£m)	2019/20 Actual	2019/20 Q3F	Variance to Q3F	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
Usable reserves	1,767	2,065	(298)	-14%	(2,181)	1,946	(4,127)	-212%
Unusable reserves	24,241	24,230	11	0%	24,826	24,717	109	0%
Total reserves	26,008	26,295	(287)	-1%	22,645	26,663	(4,018)	-15%

- Our useable reserves broadly mirrors cash reserves balance and therefore both balances would move equally with additional grant funding
- Per the original business plan our reserves under normal trading conditions were forecast to fall by a further £0.5bn in 2021/22 due to additional financing costs (Crossrail) and Elizabeth line start-up costs



London Underground

- A budgeted operating surplus of £1bn becomes a £1.1bn deficit in 2020/21 following the revenue collapse (see next slide for bridge on operating costs)

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	2,729	207	1,580	(1,373)	-87%	903	2,932	(2,028)	-69%	(1,826)	-67%
Other operating income	33	10	10	0	0%	18	18	0	0%	(16)	-47%
Total operating income	2,763	217	1,590	(1,373)	-86%	921	2,949	(2,028)	-69%	(1,842)	-67%
Operating cost	(1,944)	(1,086)	(1,064)	(21)	2%	(2,041)	(1,977)	(64)	3%	(97)	5%
Core costs	(1,951)	(1,058)	(1,044)	(14)	1%	(1,968)	(1,944)	(24)	1%	(17)	1%
Project costs	(32)	(8)	(8)	0	0%	(14)	(14)	0	0%	18	-57%
Exceptional costs	38	(20)	0	(20)	0%	(59)	(19)	(40)	211%	(97)	-253%
Direct operating surplus	819	(869)	526	(1,395)	-265%	(1,120)	972	(2,092)	-215%	(1,939)	-237%
Indirect net operating cost	(353)	(240)	(240)	0	0%	(445)	(445)	0	0%	(92)	26%
Net operating surplus before financing and renewals	466	(1,109)	286	(1,395)	-488%	(1,565)	527	(2,092)	-397%	(2,031)	-436%
Net financing costs	(293)	(159)	(159)	0	0%	(296)	(296)	0	0%	(3)	1%
Capital renewals	(311)	(43)	(181)	138	-76%	(137)	(317)	180	-57%	174	-56%
Net surplus/(cost) of operations	(138)	(1,311)	(54)	(1,256)	2323%	(1,998)	(86)	(1,912)	2223%	(1,860)	1348%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(71)	(7)	(35)	28	-80%	(35)	(58)	23	-40%	36	-51%

- The original budget is based on 100% operation of working timetables. Reduced services, on average 15 tph are currently operating across the network given the significantly lower levels of demand.
- The emergency budget assumes these temporary timetables operate until June with additional trains on certain lines to manage demand as lockdown restrictions are reduced.
- From July it is assumed that full services will need to operate to manage increasing demand whilst operating Social Distancing.

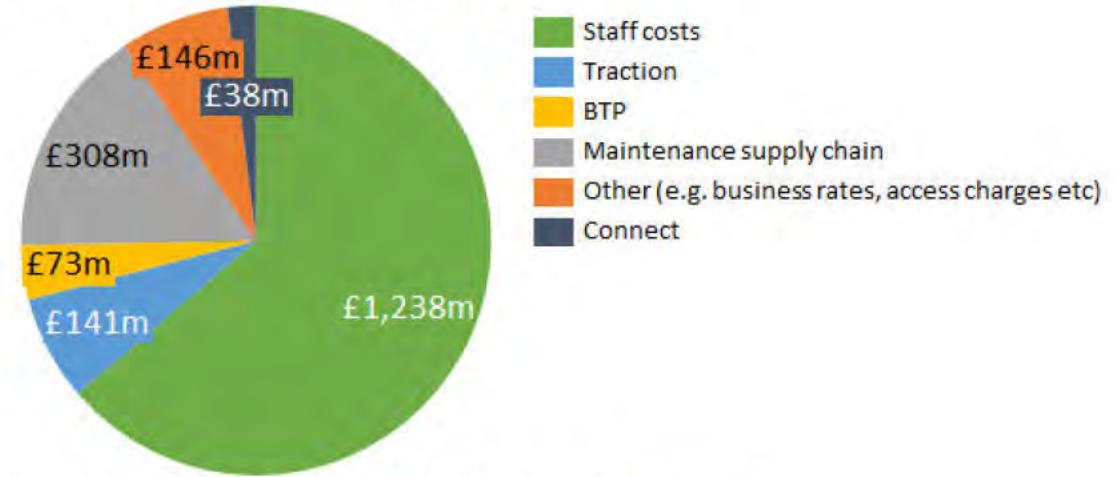


London Underground – Operating cost assumptions (full year)

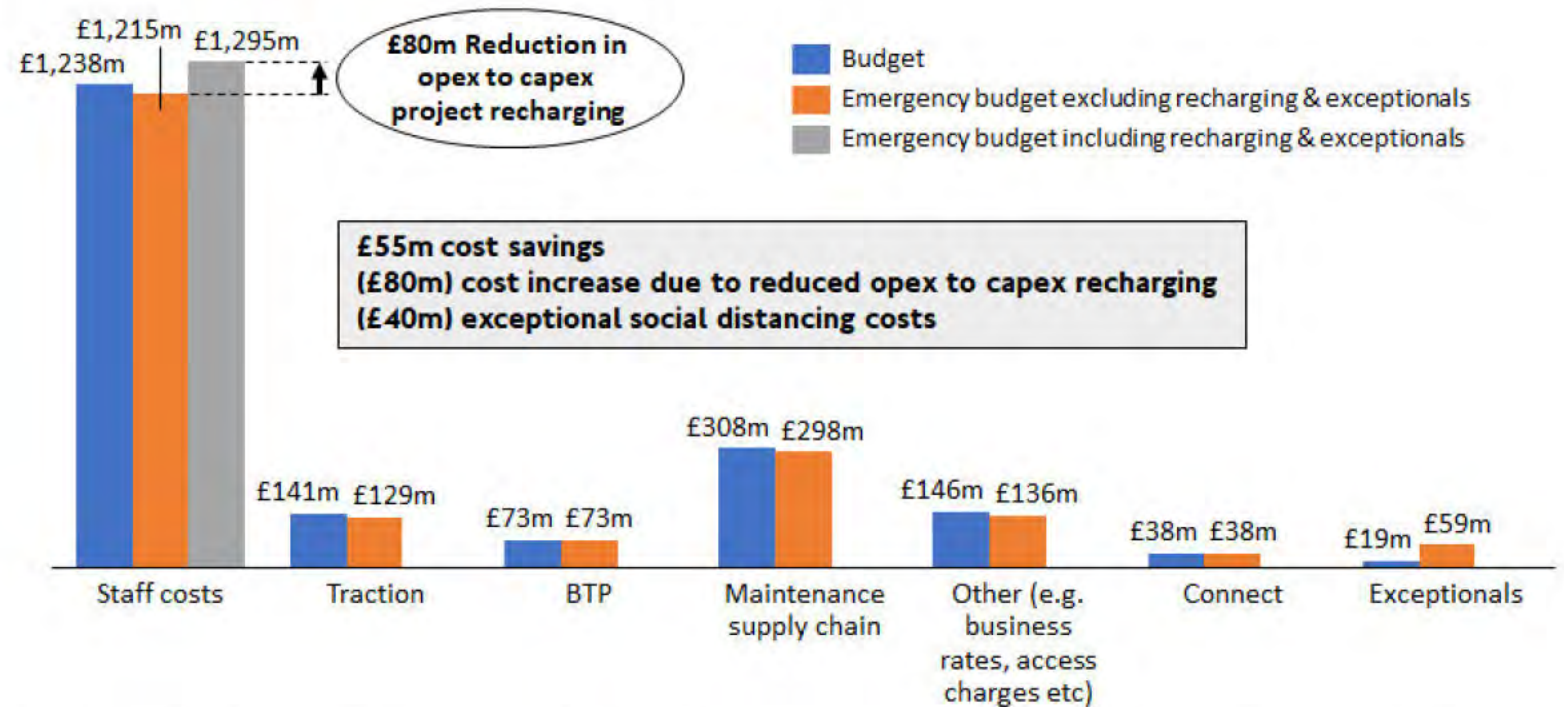
Cost	Assumption	Impact
20/21 Budgeted operating costs		(£1,977m)
Staff costs - furloughing	c.4,200 FTEs furloughed from P2-P3. 100% salary/benefits paid for those furloughed. No furloughing assumed from end of June onwards	£23m
Traction	Variable element reduced in line with service levels (15tph - 50% of original budgeted service assumed for P1-P3) . Full service assumed for rest of year from P4	£12m
Asset Ops supply chain	Major contract review with variable elements assumed to be reduced to varying degrees for P2-P3	£10m
Consultancy costs	50% reduction assumed	£10m
BAU cost savings		£56m
Opex to capex project recharging	Estimation of internal staff costs that would no longer be recharged out of opex due to the reduction project works	(£80m)
Exceptional cost: Social Distancing	Includes external labour costs for crowd management and barriers	(£40m)
20/21 Emergency Budget operating costs		(£2,041m)

London Underground cost base and savings (full year)

£1,944m budgeted core costs

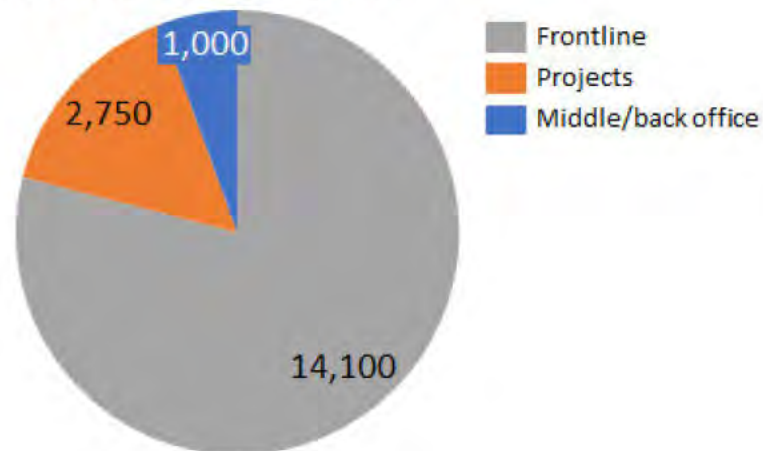


Emergency budget operating cost changes

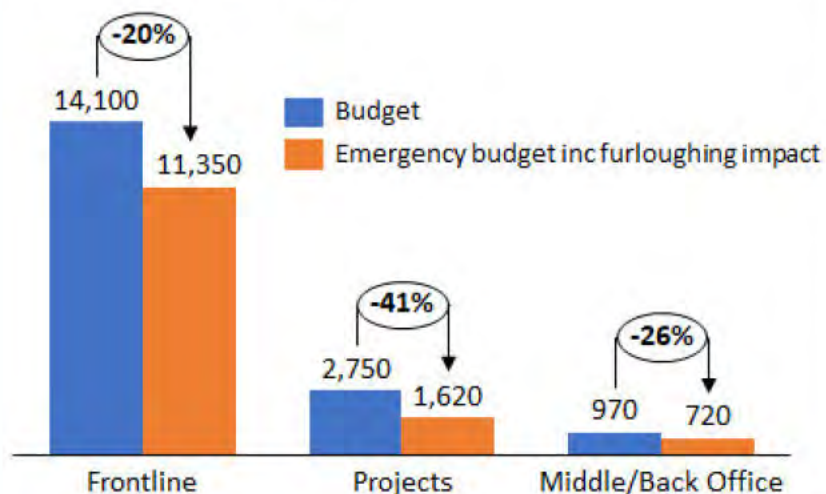


London Underground staff costs & FTEs (full year)

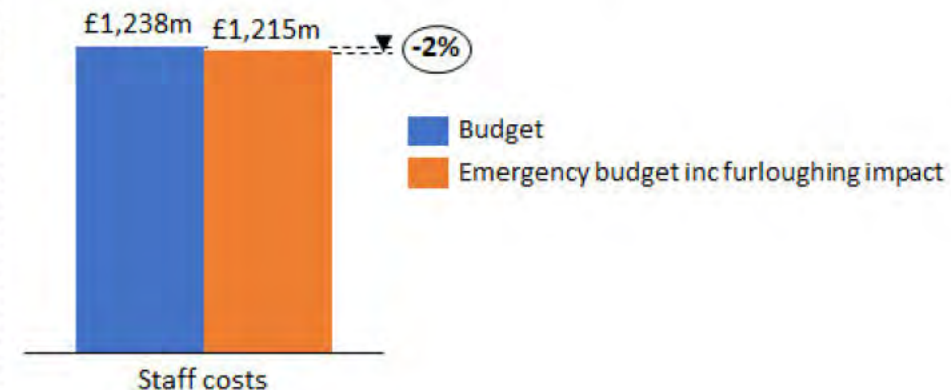
c.18,000 Budget FTEs



c.4,200 FTEs furloughed in Emergency Budget



Two periods of furloughing c.4,200 FTEs equates to a 2% saving on our full year staff costs



40% of costs associated with furloughed FTEs still incurred by TfL

	Full year average staff costs	2 periods average staff costs	2 periods furlough rebate	% furlough rebate
Front line	(58,900)	(9,062)	(5,218)	58%
Projects	(56,603)	(8,708)	(5,391)	62%
Middle / back office	(56,086)	(8,629)	(5,235)	61%
Total	(58,435)	(8,990)	(5,249)	58%

London

Underground: capex spend in HI reduces by £166m (76%)

2020/21 Budget: £377m

HI: £217m

Emergency Budget: £193m

HI: £51m

Risk to Opex

- Internal staff costs c£75m (to be partly mitigated by furloughing)
- Supplier penalties/restart costs estimated to be £35m to £50m (the Sensible Minimum option aims to mitigate these as far as possible)

We intend to reduce spend wherever possible while continuing to maintain safety. While 20/21 Capex will be reduced, the whole life costs of assets will increase.

Renewals	Reduction in spend – P1 to P7
Track – Reduction from £76m to £13m in P1 to P7	£63m
Fleet Heavy Overhauls – Reduction from £28m to £8m in P1 to P7	£20m
Fleet – Reduction from £30m to £10m in P1 to P7	£20m
Stations and buildings – Reduction from £18m to £3m in P1 to P7	£15m
Renewals – Reduction from £30m to £10m in P1 to P7	£20m
Investments	
Enhancements – Reduction from £10m to £2m in P1 to P7	£8m
Step-free Access (SFA) – Reduction from £19m to £3m in P1 to P7	£16m
Technology & Data – Reduction from £13m to £9m in P1 to P7	£4m
Total	£166m

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Rail (exc Elizabeth line)

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	414	38	236	(198)	-84%	146	441	(295)	-67%	(268)	-65%
Other operating income	22	5	5	0	0%	10	10	0	0%	(12)	-55%
Total operating income	437	44	241	(198)	-82%	156	451	(295)	-65%	(281)	-64%
Operating cost	(468)	(257)	(263)	7	-3%	(469)	(489)	19	-4%	(1)	0%
Core costs	(463)	(256)	(267)	11	-4%	(469)	(488)	19	-4%	(6)	1%
Project costs	(3)	(1)	(1)	0	0%	(1)	(1)	0	0%	2	-71%
Exceptional costs	(2)	0	0	0	0%	0	0	0	0%	2	-100%
Direct operating surplus	(31)	(213)	(22)	(191)	879%	(313)	(38)	(275)	724%	(282)	910%
Indirect net operating cost	(19)	(12)	(12)	0	0%	(22)	(22)	0	0%	(3)	16%
Net operating surplus before financing and renewals	(50)	(225)	(34)	(191)	569%	(335)	(60)	(275)	458%	(285)	570%
Net financing costs	(45)	(23)	(23)	0	0%	(43)	(43)	0	0%	2	-4%
Capital renewals	(37)	(24)	(20)	(4)	21%	(42)	(38)	(4)	11%	(5)	15%
Net surplus/(cost) of operations	(132)	(272)	(76)	(195)	256%	(420)	(141)	(279)	198%	(288)	218%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(44)	(3)	(25)	22	-89%	(3)	(41)	38	-93%	41	-93%

- Operating cost saving negotiated through contractors of £20m (FY).
- The operating costs assume current service levels until June (aligned to demand scenario). Any marginal increase in demand will require 100% service levels to maintain social distancing. A ramp up in mid-May would cost a further £5m (HI).
- For investment programme activity only Core activity impact is reflected in the table above. A further review of core activity has increased full year New Capital by £30m and reduced renewals projects by £11m - this update matches the Rail, Streets and Other summary slide (core activity)



Streets, Buses & Other Surface

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	1,436	68	806	(739)	-92%	395	1,480	(1,085)	-73%	(1,041)	-72%
Other operating income	581	308	308	0	0%	233	571	(337)	-59%	(348)	-60%
Total operating income	2,018	376	1,114	(739)	-66%	628	2,051	(1,423)	-69%	(1,390)	-69%
Operating cost	(2,879)	(1,511)	(1,529)	17	-1%	(2,595)	(2,839)	244	-9%	284	-10%
Core costs	(2,670)	(1,432)	(1,432)	0	0%	(2,552)	(2,674)	123	-5%	118	-4%
Project costs	(192)	(79)	(79)	0	0%	(42)	(164)	121	-74%	150	-78%
Exceptional costs	(17)	(1)	(1)	0	0%	(1)	(1)	0	0%	16	-95%
Direct operating surplus	(861)	(1,136)	(414)	(721)	174%	(1,967)	(788)	(1,179)	150%	(1,106)	128%
Indirect net operating cost	(142)	(86)	(86)	0	0%	(160)	(160)	0	0%	(18)	13%
Net operating surplus before financing and renewals	(1,003)	(1,222)	(501)	(721)	144%	(2,127)	(948)	(1,179)	124%	(1,124)	112%
Net financing costs	(30)	(16)	(16)	0	0%	(29)	(29)	0	0%	1	-3%
Capital renewals	(73)	(41)	(62)	22	-35%	(103)	(125)	22	-17%	(30)	41%
Net surplus/(cost) of operations	(1,106)	(1,278)	(579)	(700)	121%	(2,259)	(1,102)	(1,157)	105%	(1,153)	104%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(168)	(45)	(94)	49	-52%	(89)	(199)	110	-55%	79	-47%

- Income includes impact of middle door boarding. This assumes that it takes four months (from policy commencing) to install ticket readers on middle of the bus. Given current demand levels the income would have been £12m per period.
- Operating cost saving negotiated through contractors of £60m (FY), partly offset by £15m (FY) of additional cleaning costs. This includes 2300 bus drivers in furlough on 80% of salaries. Topping up these salaries would cost an additional £2-3m to end of June.
- The operating costs assume current service levels (circa 80% of normal timetable) until late June (aligned to demand scenario). Any marginal increase in demand will require 100% service levels to maintain social distancing. A ramp up in mid-May would cost a further £20m (HI).
- Congestion Charge, LEZ and ULEZ restored in early June. There is a three-week lead time between relaxation of restrictions and restarting services.
- Cost savings of £9m negotiated through suspension of the RUC schemes and further £15m of savings across streets through use of furlough and other operating cost savings (FY figures).
- For investment programme activity only Core activity impact is reflected in the table above. A further review of core activity has increased New Capital by £17m, Increase Renewals by £16m and reduced Projects costs by £4m - this update matches the Rail, Streets and Other summary slide (core activity)

Rail, Streets and Buses - Investment Programme

We have prioritised activities to support efforts in the COVID-19 crisis

<p>Core activity</p> <p><small>* Figures reflected in the emergency budget</small></p>	<p>Six months £145m <small>£144m saving</small></p>	<p>FY 20/21 £330m <small>£237m saving</small></p>	<ul style="list-style-type: none"> • Critical renewals and enhancements as per the exceptions list • TLRN, Rail and borough renewals to ramp up to full run-rate from August 2020. Design work to continue in the interim. • Under-utilisation of project staff due to lower levels of delivery than budgeted, and such costs will need to be written-off as exceptional costs.
<p>Social distancing</p> <p><small>** Figures NOT reflected in the emergency budget</small></p>	<p>Six months £55m</p>	<p>FY 20/21 £65m</p>	<ul style="list-style-type: none"> • Targeted pot of £45m for boroughs to support social distancing goals, in place of BAU LIPS • TLRN and Rail enhancement projects which support social distancing (e.g. ELL 18tph and CS9) • Funding for further TfL strategic projects (TBC Alex Williams)
<p>Economy / regeneration</p> <p><small>** Figures NOT reflected in the emergency budget</small></p>	<p>Six months £5m</p>	<p>FY 20/21 £25m</p>	<ul style="list-style-type: none"> • HIF and MRN bids, including ELL 20tph and funding for transformational schemes which support regeneration and growth (e.g. Fiveways Croydon)
<p>Total Activity</p>	<p>Six months £205m <small>£84m saving</small></p>	<p>FY 20/21 £420m <small>£147m saving</small></p>	

* Please note that only Core activity figures are included in the Emergency Budget account numbers at current

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Emergency Budget 2020/21

(£2.3bn) impact compared to our current Budget in H1 with an additional (£1.2bn) expected in H2

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%
Total income	6,874	1,089	3,749	(2,660)	-71%	3,046	7,055	(4,009)	-57%
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	464	(2,236)	259	(2,495)	-963%	(3,317)	429	(3,746)	-873%
Net financing costs	(435)	(248)	(252)	4	-2%	(455)	(468)	13	-3%
Net surplus/(cost) of operations before renewals	29	(2,484)	7	(2,491)	-35308%	(3,772)	(39)	(3,733)	9572%
Capital renewals	(452)	(131)	(288)	157	-55%	(332)	(532)	201	-38%
Net surplus/(cost) of operations	(423)	(2,614)	(281)	(2,334)	831%	(4,104)	(571)	(3,533)	619%

What have we done to reduce costs?

We are planning gross opex savings of over £400m – these are partly offset in the short term by direct COVID-19 costs and capital staff cost add back

	H1, 2020/21 Variance to Budget	H2, 2020/21 Variance to Budget	FY, 2020/21 Variance to Budget
Core costs	97	36	133
Reduction in service levels (excl. EL below)	82	17	99
Increase in bus operating costs	(10)	(5)	(15)
Bad debt and other reduction in charges	46	26	72
Staff costs saved through furloughing	28	0	28
Headcount and other savings	29	18	48
Staff costs no longer capitalised following safe stop	(78)	(21)	(99)
Projects	67	61	128
Buses, Streets and other operations – core activities only	62	59	121
Other	5	2	7
Elizabeth line reduced operations	19	16	35
Exceptional costs	(18)	(15)	(33)
LU social distancing measures	(20)	(20)	(40)
Defer procurement transformation	5	5	10
Other	(3)	-	(3)
Net savings	£165m	£98m	£262m
Remove capitalisation and COVID-19 direct costs	£108m	£46m	£154m
Gross savings	£273m 8%	£144m 5%	£416m 6%



Our emergency Budget

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

Planned incremental borrowing of £0.6bn no longer prudent in line with the Prudential Code and does not support a balanced Budget

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 (TfL)	544	0	320	(320)	-100%	0	603	(603)	-100%
Other capital grants	205	103	103	0	0%	123	123	0	0%
Total	1,793	590	945	(356)	-38%	1,095	1,856	(761)	-41%
Net capital account	712	202	313	(111)	-36%	287	523	(236)	-45%

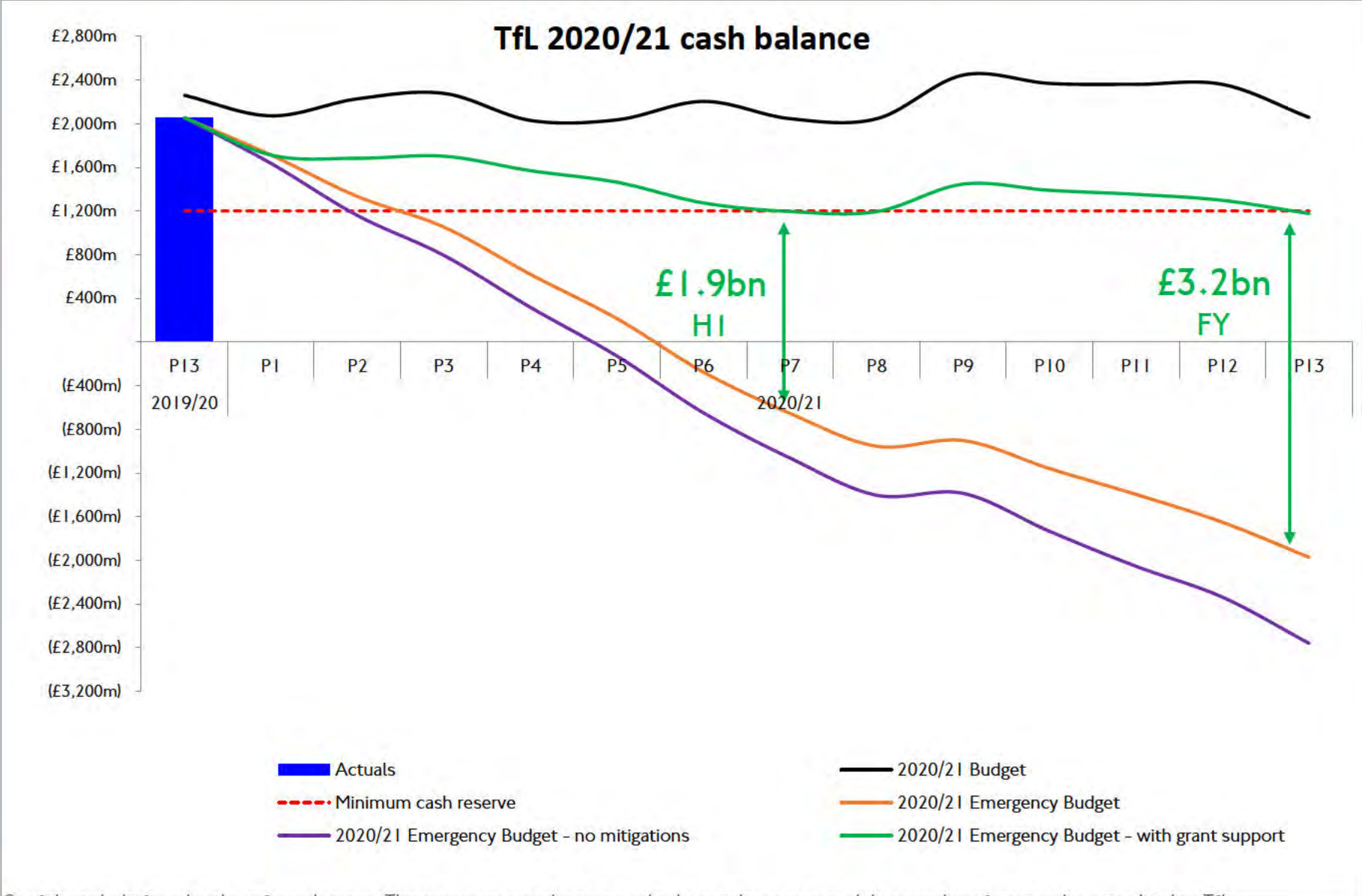
Total Capital (£m)	2019/20 Actual	2020/21 Emergency Budget to P7	2020/21 Budget to P7	Variance to Budget to P7	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
Renewals	(452)	(131)	(288)	157	-55%	(331)	(531)	201	-38%
New Capital Investment	(1,081)	(388)	(632)	244	-39%	(808)	(1,333)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

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%

Conclusion: the funding gap is beyond TfL's ability to close and therefore the requirement for government grant funding

Revenue grant is the only option that will allow TfL to return to a balanced budget position and continue meeting its financial obligations in the short term



Why we cannot breach our £1.2bn minimum Cash Reserves

Business Planning modelling concluded that a £2.2bn reserve was appropriate in Q3 2019. This was based on risks that included economic, Brexit, Cross Rail, operational and liquidity. Pandemic risks were not considered at that time.

£1.2bn minimum cash reserves represents only two months' worth of operating costs ignores renewal spend. This was benchmarked a number of international peers.

After annual debt service it represents *one months'* supplier and payroll costs. This is a minimum requirement for liquidity. On a single day we can have cash outflows as high as £300m.

[Redacted]

[Redacted]

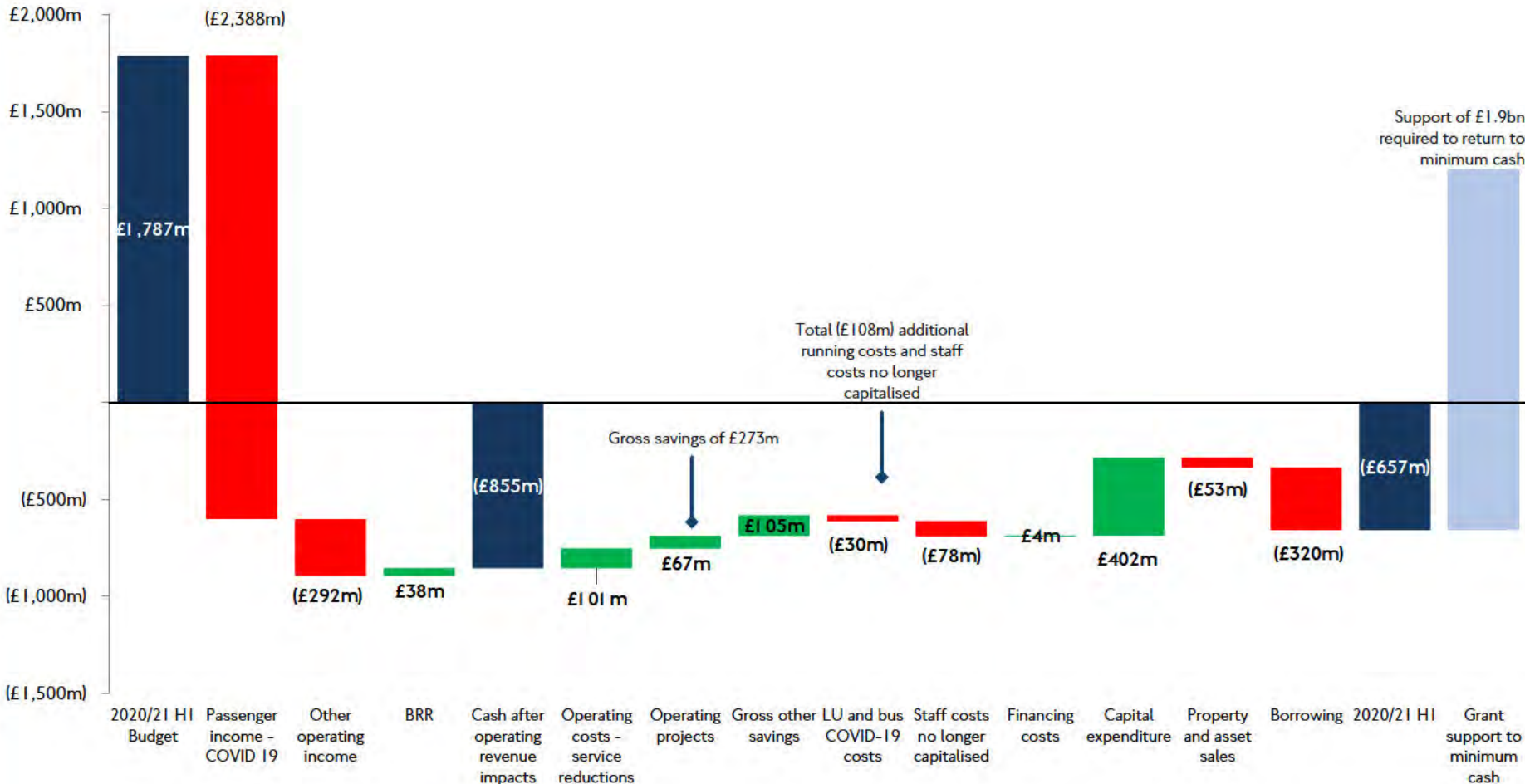
TfL are different to other public transport agencies who are wholly owned or guaranteed by the Government (and even they hold cash balances) and we have no shareholders to call upon.

[Redacted]

Cash bridge: H1 Budget to H1 Emergency Budget

Cash movements against 2020/21 Budget

H1 emergency position against 2020/21 Budget – total variance (£2,444m)



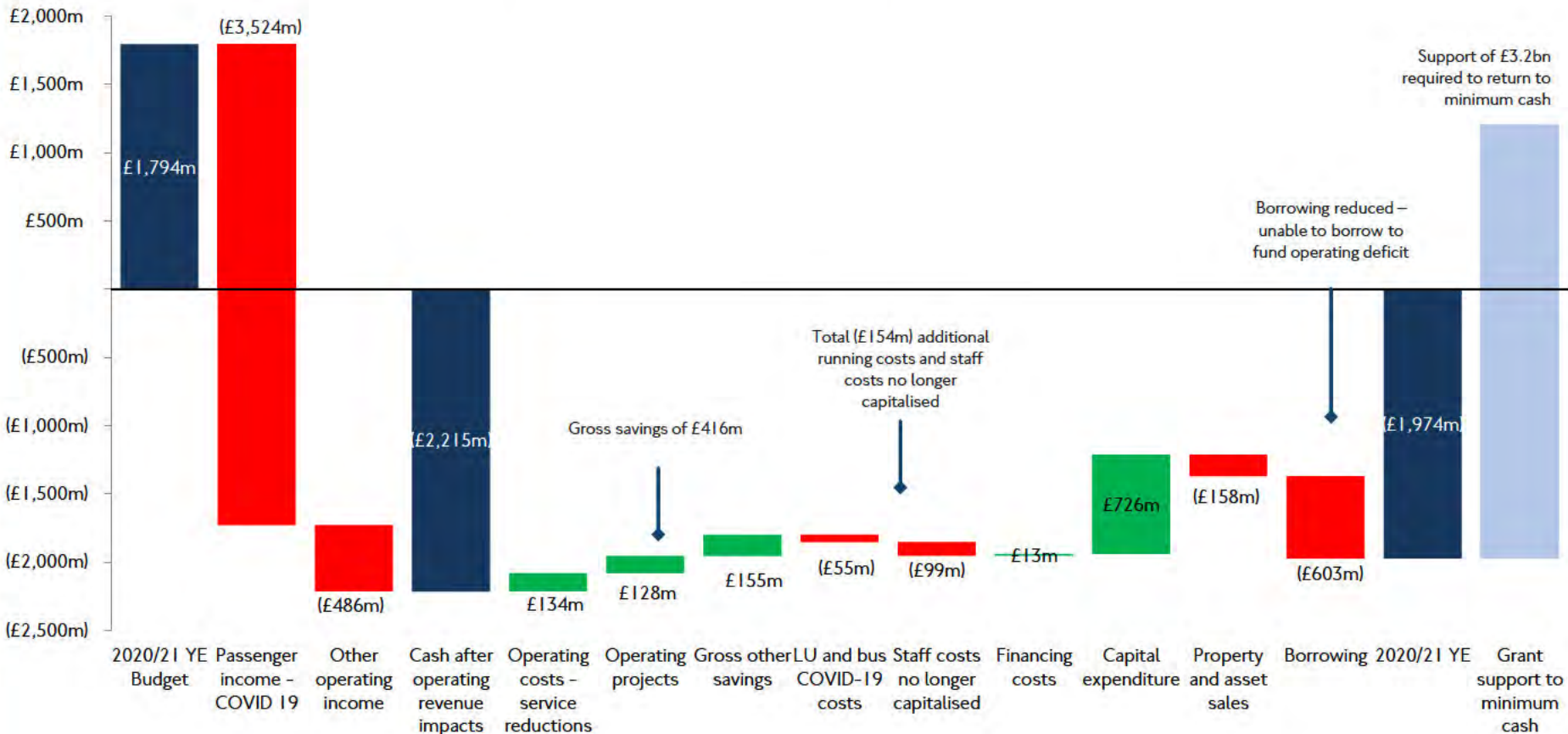
Budget position adjusted for 2019/20 YE balances

Confidential, draft and with no formal status. This is emergency planning work whose release may unduly spread confusion or be prejudicial to TfL

Cash bridge: FY Budget to FY Emergency Budget

Cash movements against 2020/21 Budget

Full-year emergency position against 2020/21 Budget – total variance of (£3,768m)



Budget position adjusted for 2019/20 YE balances

Confidential, draft and with no formal status. This is emergency planning work whose release may unduly spread confusion or be prejudicial to TfL

With Proposed Grant Funding, Usable reserves are supported and although reduced by £1bn, remain positive at £0.9bn

Forecast Reserves Position – Full Year – With Grant Funding

Reserves (£m)	2019/20 Actual	2019/20 Q3F	Variance to Q3F	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%
Usable reserves pre grant funding	1,767	2,065	(298)	-14%	(2,181)	1,946	(4,127)	-212%
Grant funding	-	-	-	0%	3,150	-	3,150	0%
Usable reserves with grant funding	1,767	2,065	(298)	-14%	969	1,946	(977)	-50%
Unusable reserves	24,241	24,230	11	0%	24,826	24,717	109	0%
Total reserves	26,008	26,295	(287)	-1%	25,795	26,663	(868)	-3%

- Per the original business plan our reserves under normal trading conditions were forecast to fall by a further £0.5bn in 2021/22 due to additional financing costs (Crossrail) and Elizabeth line start-up costs
- Usable reserves will continue to need Grant support into 2021/2022 to ensure that we can maintain financial resilience and a balanced budget in the medium term

Further work & next steps

Further work required

As we have compiled this Emergency Budget in very short timescales there are a few areas we may need to refine:

- phasing of costs between months, which may also impact H1 / H2 split
- as we spend more time understanding the impacts in the different areas, we may uncover additional costs/ opportunities. We can feed these additional changes into the Q1 updated budget (see below)

Next steps

- we are looking to present an updated budget to the Board in July which will represent a more detailed 2-year view. This updated budget can be used for a more detailed review with the DfT
- We will work with DfT analysts to prepare the Q1 budget on a jointly agreed assumption around recovery and continued social distancing measures likely to be in place for the remainder of the year and into the following year



Section 3

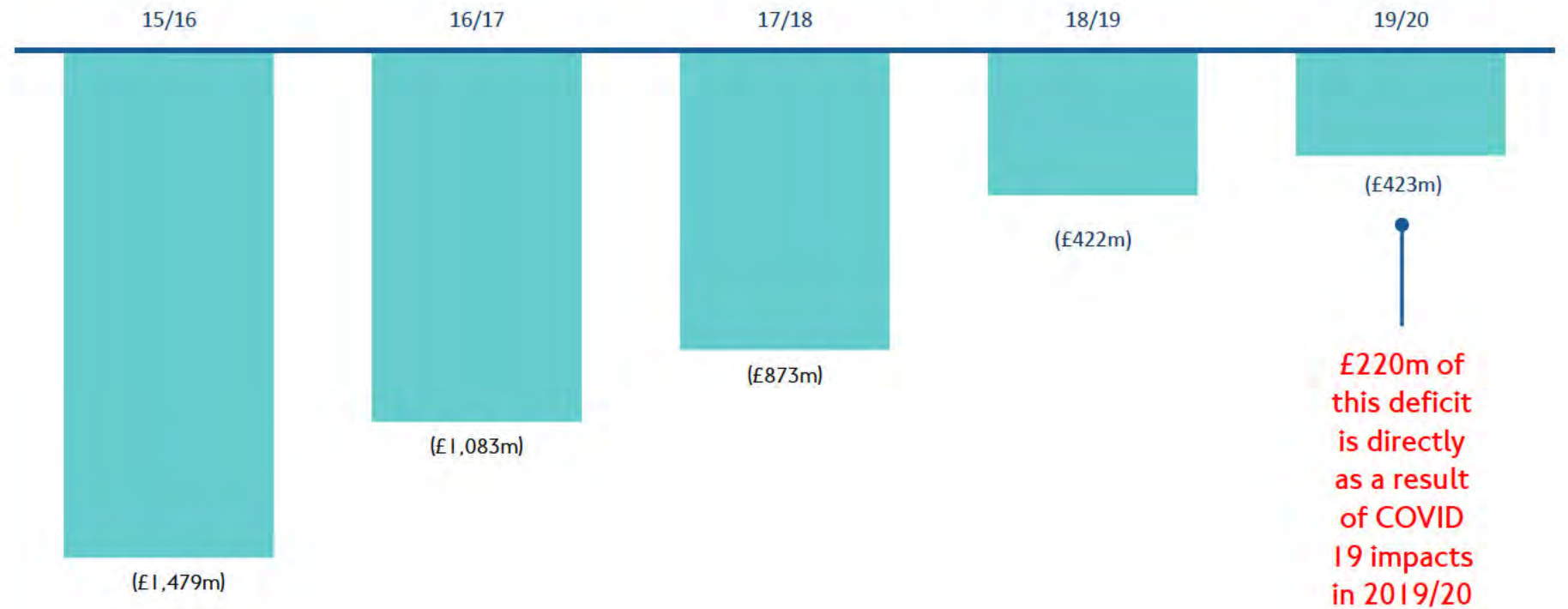
Our cost base and savings to date



We have already taken significant steps to structurally improve our cost base

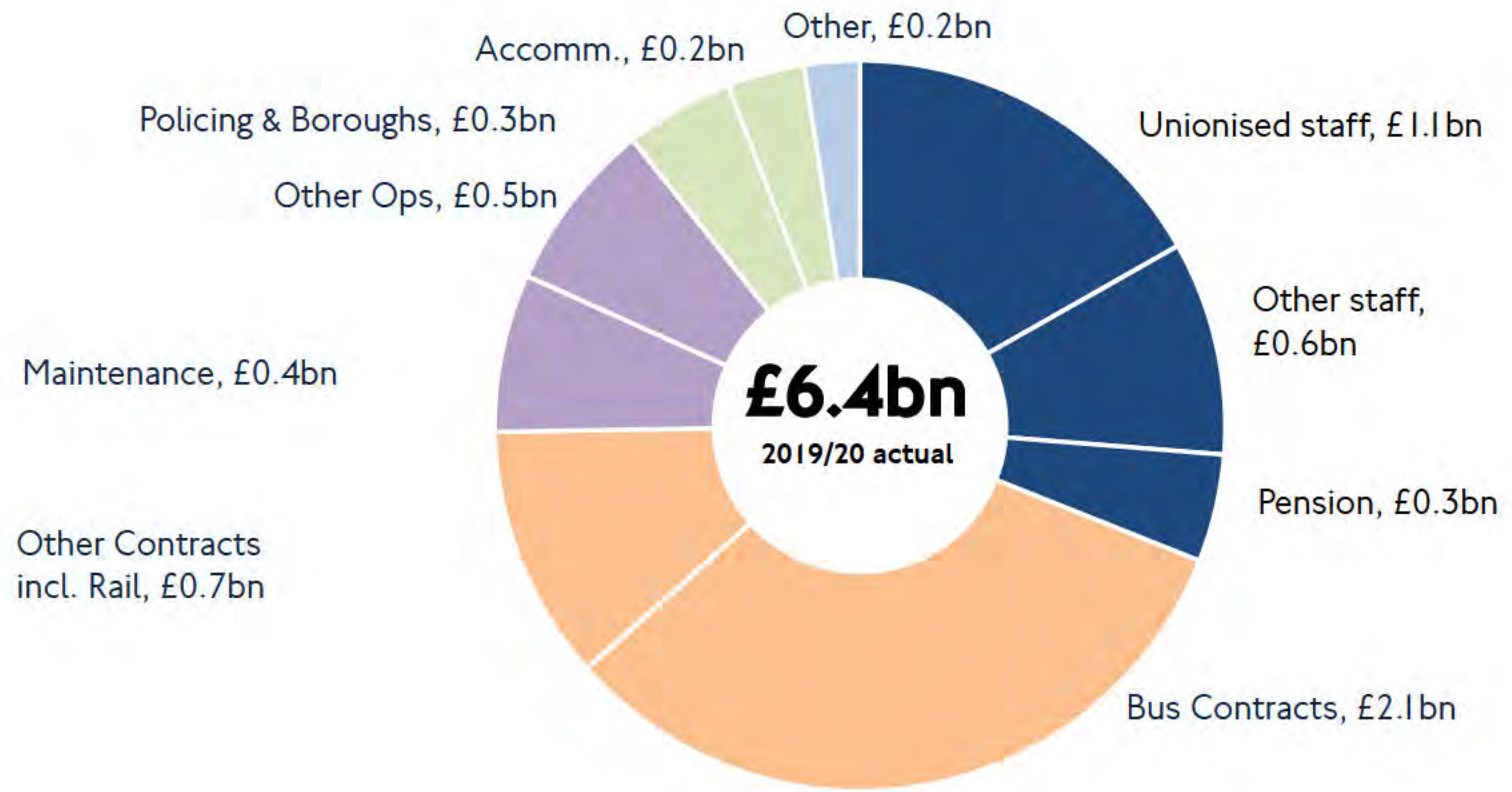
We have already reduced our operating costs since 2015/16

On a like-for-like basis, we have reduced our operating deficit by over £1bn



TfL operating cost base

Our operating costs are largely fixed with very limited scope for reductions in the short term



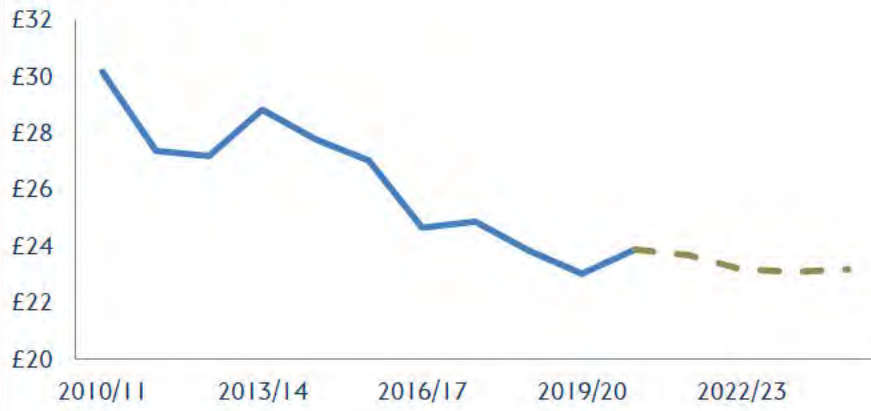
- 31% Staff cost which is largely unionised and a significant pension charge**
- 44% Third party contracts to deliver bus and rail services as well as support ticketing system**
- 15% Operational, reliability and safety related costs including maintenance, cleaning and traction**
- 8% Payments to other authorities including policing and boroughs as well as accommodation costs**

Savings and efficiencies to date

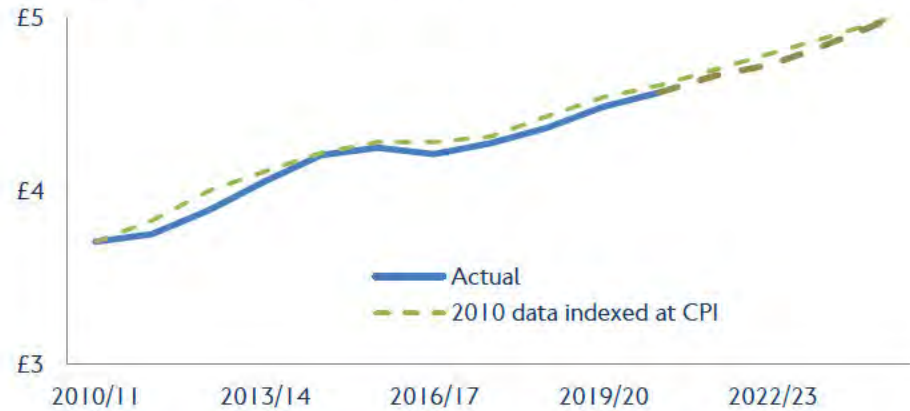
We have become a much more efficient organisation

Cost of running services

London Underground: cost per operated kilometre reduced 21% since 2010 (£)

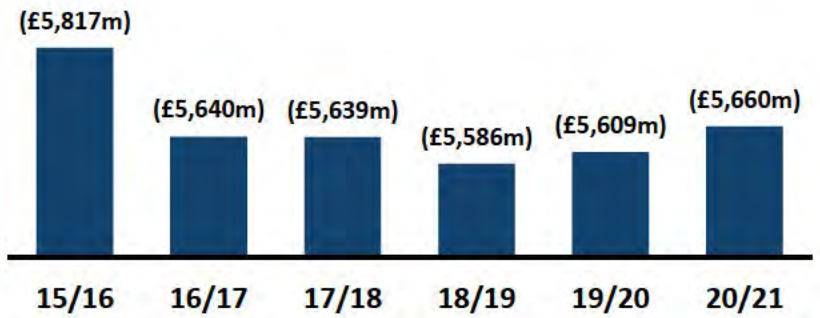


Buses: cost per operated kilometre +2.3% p.a. on average, improving safety, reliability and air quality without cost changes exceeding inflation (£)

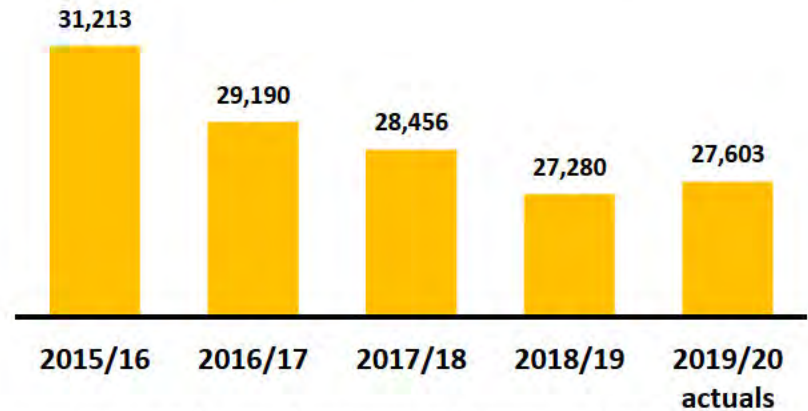


Size of our organisation

TfL's operating costs (like-for-like basis, £m) are £200m lower today than when compared to 2015/16

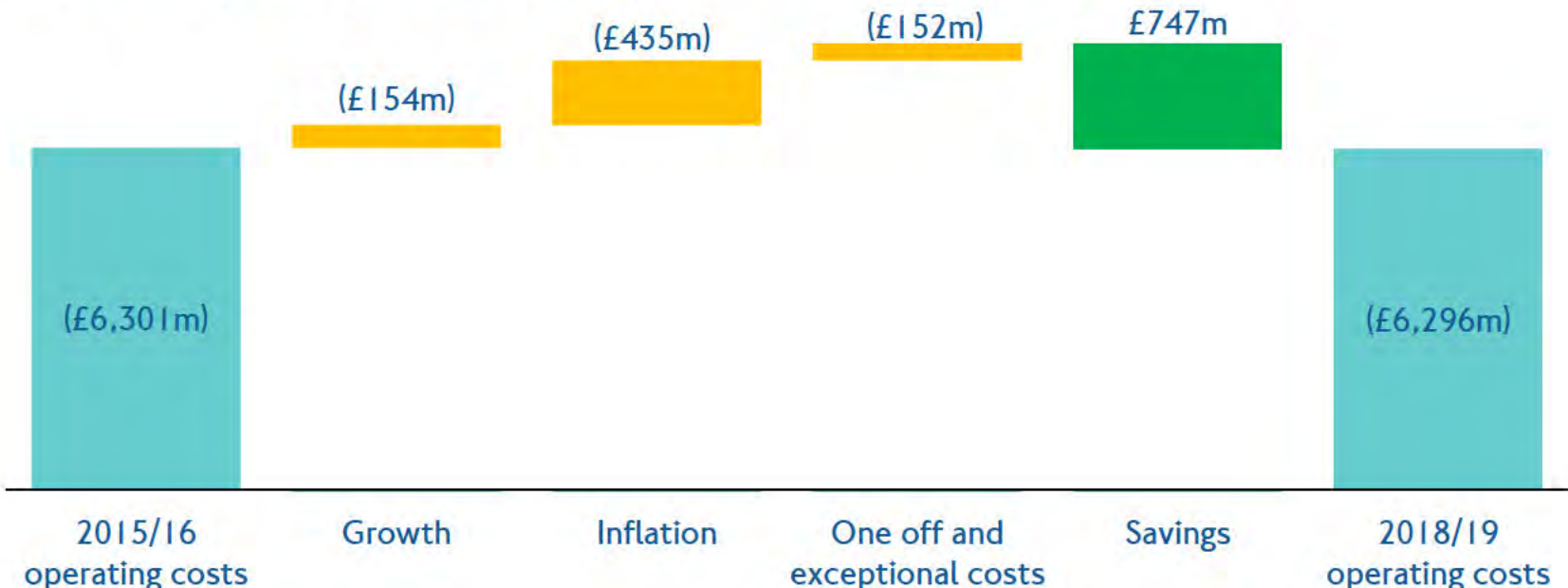


TfL's headcount (FTEs) reduced 12% since 2015/16



We took out almost £750m in costs from 2015/16 to 2018/19; further £200m

Our operating costs have decreased since 2015/16, with growth and inflationary pressures mitigated through savings

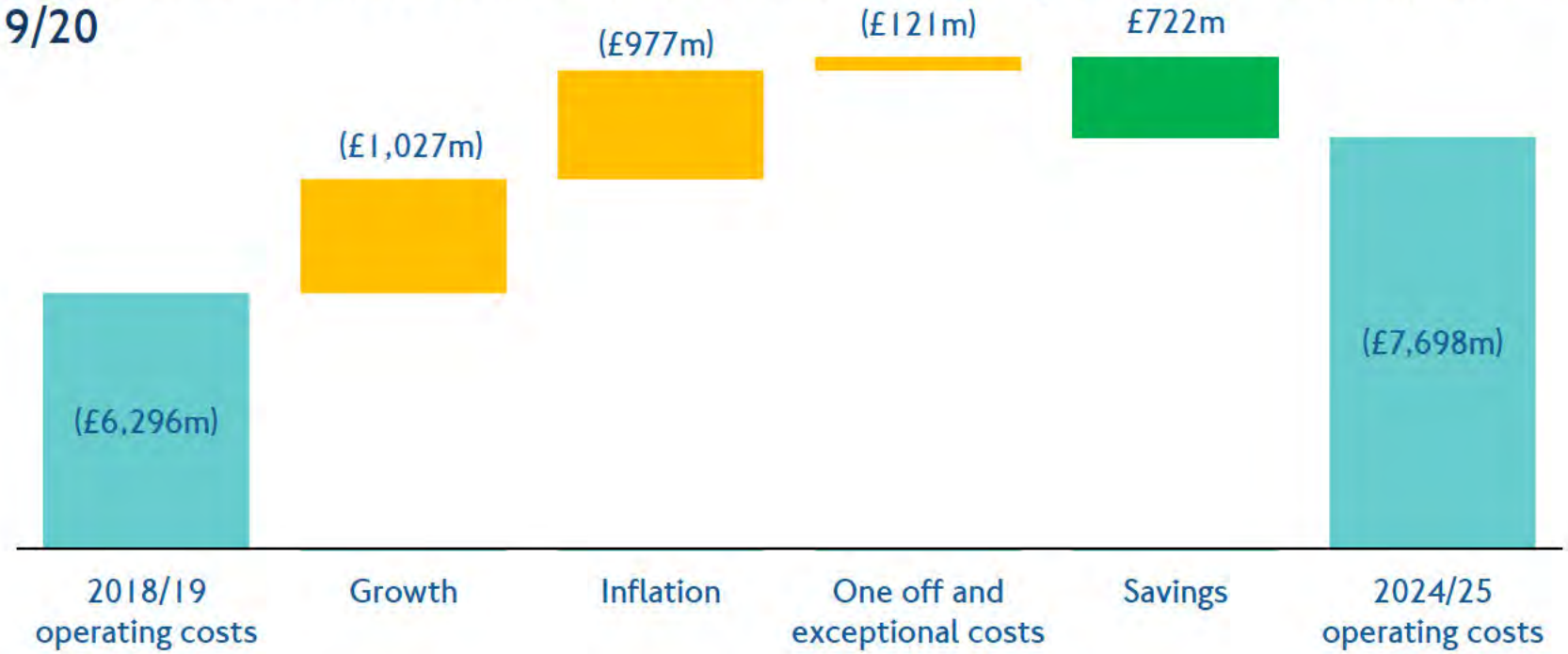


£747m
saved since
2015/16

£120m	LU maintenance modernisation	£60m	Surface Transformation	£20m	Finance and Commercial
£70m	Bus network right sizing	£55m	LU Stations	£25m	Property operations
£50m	Bus tender price	£90m	Tech & Data op model	£15m	Rail contracts

With further significant costs savings already embedded in our Business Plan

We had planned to make a further £722m of savings by 2024/25 - £200m achieved in 2019/20



Growth



Revenue generating services

- Elizabeth line costs increase by £800m
- ULEZ introduction
- New LO trains

Savings

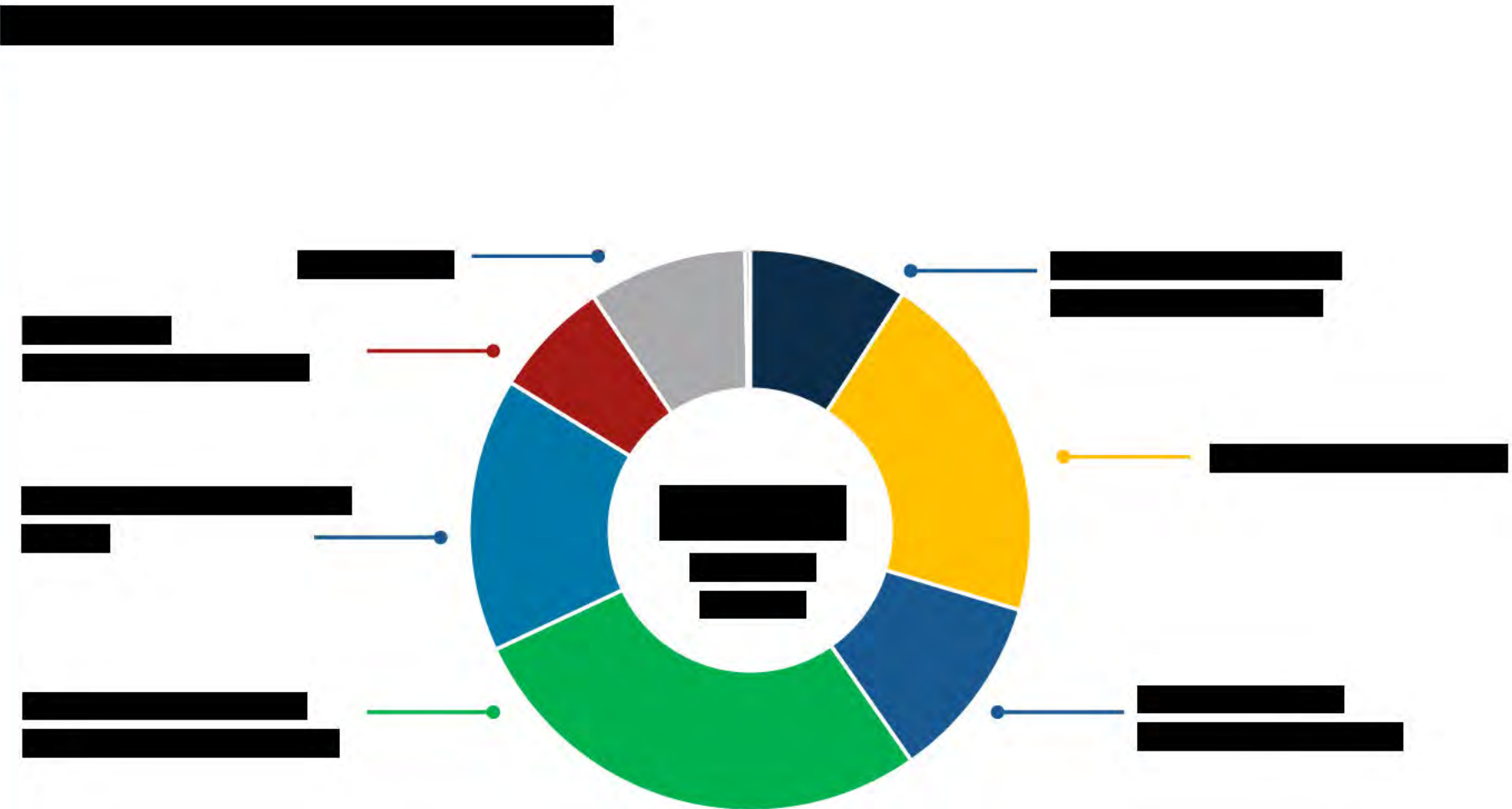
£722m

Mitigating almost 75% inflationary pressures

£200m

already achieved in 2019/20

Areas already targeted for further cost savings may become more of a challenge to achieve now



Section 3

Appendices: Divisional Slides

Elizabeth line

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	118	12	89	(78)	-87%	51	166	(115)	-69%	(67)	-57%
Other operating income	29	8	8	0	0%	41	41	0	0%	12	41%
Total operating income	147	20	98	(78)	-80%	92	207	(115)	-56%	(55)	-37%
Operating cost	(354)	(209)	(252)	43	-17%	(433)	(468)	35	-7%	(79)	22%
Core costs	(354)	(209)	(228)	19	-8%	(433)	(468)	35	-7%	(79)	22%
Project costs	0	0	0	0	0%	0	0	0	0%	0	0%
Exceptional costs	0	0	0	0	0%	0	0	0	0%	0	0%
Direct operating surplus	(207)	(189)	(154)	(35)	23%	(341)	(261)	(80)	31%	(134)	65%
Indirect net operating cost	(16)	(11)	(11)	0	0%	(20)	(20)	0	0%	(4)	25%
Net operating surplus before financing and renewals	(223)	(200)	(165)	(35)	21%	(361)	(281)	(80)	28%	(138)	62%
Net financing costs	(77)	(53)	(53)	0	0%	(99)	(99)	0	0%	(22)	29%
Capital renewals	0	0	0	0	0%	0	0	0	0%	0	0%
Net surplus/(cost) of operations	(300)	(253)	(218)	(35)	16%	(460)	(380)	(80)	21%	(160)	53%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(23)	(10)	(10)	0	0%	(41)	(41)	0	0%	(18)	78%

Property Development

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	102	16	58	(42)	-72%	42	115	(116)	-101%	(102)	-101%
Total operating income	102	16	58	(42)	-72%	42	115	(116)	-101%	(103)	-101%
Operating cost	(33)	(19)	(23)	4	-17%	(38)	(43)	43	-100%	33	-99%
Core costs	(33)	(19)	(22)	2	-11%	(38)	(43)	43	-100%	33	-100%
Project costs	0	0	0	0	0%	0	0	0	0%	0	0%
Exceptional costs	0	0	0	0	0%	0	0	0	0%	0	0%
Direct operating surplus	69	(3)	35	(38)	-109%	4	72	(73)	-102%	(70)	-102%
Indirect net operating cost	(9)	(1)	(9)	8	-94%	(1)	(16)	15	-94%	8	-90%
Net operating surplus before financing and renewals	60	(4)	27	(30)	-113%	3	56	(57)	-102%	(61)	-102%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	0	0	0	0	0%	0	0	0	0%	0	0%
Net surplus/(cost) of operations	60	(4)	27	(30)	-113%	3	56	(57)	-102%	(61)	-102%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(91)	(24)	(75)	51	-68%	(51)	(281)	280	-100%	90	-99%
Property receipts and asset sales	151	14	67	(53)	-79%	62	219	(220)	-100%	(152)	-101%



Commercial Development: all projects on hold, with minimal essential ongoing spend

Commercial Development capital spend/receipts vs current budget - £m

Project name	Details	HI	FY
Capital receipts (ex CRL)	<i>Erosion of receipts reflecting completion confidence in next 6 months</i>	(13.4)	(135.5)
Capital receipts – CRL	<i>Erosion of receipts reflecting completion confidence in next 6 months</i>	(40.0)	(22.2)
Capital spend	<i>All live developments on stop</i>	50.9	229.6
TOTAL		(2.5)	72.0

- incurring minimal safe stop costs on Blackhorse and Kidbrook
- Paddington project £100m has been removed from the Emergency Budget
- no new commitments are being made
- only minimal spends remain based on H&S considerations and planning and design expenditure to keep momentum across the portfolio

Facilities & Estates

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	14	7	7	0	0%	13	13	(13)	-100%	(14)	-100%
Total operating income	14	7	7	0	0%	13	13	(13)	-100%	(14)	-100%
Operating cost	(104)	(52)	(53)	1	-1%	(98)	(98)	98	-100%	104	-100%
Core costs	(104)	(51)	(54)	3	-6%	(96)	(98)	98	-100%	104	-100%
Project costs	0	0	0	0	0%	0	0	0	0%	0	0%
Exceptional costs	0	(1)	0	(1)	0%	(1)	0	0	0%	0	0%
Direct operating surplus	(90)	(45)	(46)	1	-2%	(85)	(85)	85	-100%	90	-100%
Indirect net operating cost	0	0	0	0	0%	0	0	0	0%	0	0%
Net operating surplus before financing and renewals	(90)	(45)	(46)	1	-2%	(85)	(85)	85	-100%	90	-100%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	0	0	0	0	0%	0	0	0	0%	0	0%
Net surplus/(cost) of operations	(90)	(45)	(46)	1	-2%	(85)	(85)	85	-100%	90	-100%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget	%	Variance to LY	%
New Capital Investment	0	0	0	0	0%	0	0	0	0%	0	0%
Property receipts and asset sales	0	0	0	0	0%	0	0	0	0%	0	0%



Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget H1	2020/21 Budget H1	Variance to Budget H1	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	17	0	0	0	0%	0	0	0	0%	(17)	-100%
Total operating income	17	0	0	0	0%	0	0	0	0%	(17)	-100%
Operating cost	(16)	(10)	(5)	(4)	80%	(15)	(10)	(5)	53%	1	-6%
Core costs	(10)	(7)	(4)	(3)	78%	(12)	(9)	(3)	35%	(2)	24%
Project costs	(2)	(0)	(0)	0	0%	(1)	(1)	0	0%	1	-69%
Exceptional costs	(4)	(2)	0	(2)	0%	(2)	0	(2)	0%	2	-50%
Direct operating surplus	1	(10)	(5)	(4)	80%	(15)	(10)	(5)	50%	(16)	-1600%
Indirect net operating cost	0	0	0	0	0%	0	0	0	0%	0	0%
Net operating surplus before financing and renewals	1	(10)	(5)	(4)	80%	(15)	(10)	(5)	50%	(16)	-1600%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	(19)	(7)	(7)	0	0%	(12)	(12)	0	0%	7	-35%
Net surplus/(cost) of operations	(18)	(17)	(12)	(4)	35%	(27)	(22)	(5)	23%	(9)	50%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget H1	2020/21 Budget H1	Variance to Budget H1	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(595)	(248)	(342)	94	-28%	(523)	(648)	125	-19%	72	-12%

Major Projects: around 40% capex deferred over the next 6 months

Major project versus budget (£m)

Project name	Details	6mnths	FY
Piccadilly Line Upgrade	<i>Deferred: protect critical path of delivery; remobilise in 6 months</i>	9.6	15.4
4 Lines Modernisation	<i>Deferred: remobilised to restart in 6 weeks</i>	28.9	65.1
DLR	<i>Deferred: protect critical path of delivery; remobilise in 4 months</i>	11.7	9.6
Northern Line Extension	<i>In final stages of delivery. Defer and remobilise to restart in 6 weeks</i>	16.5	5.8
Bank Station	<i>Deferred: remobilised to restart in 6 weeks</i>	13.8	11.2
Barking Riverside	<i>Deferred: remobilised to restart in 6 weeks</i>	4.9	4.1
Other		7.3	13.5
TOTAL		91.2	124.5



Professional Services

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	50	39	39	0	0%	71	71	0	0%	20	40%
Total operating income	50	39	39	0	0%	71	71	0	0%	21	42%
Operating cost	(522)	(263)	(277)	14	-5%	(486)	(514)	28	-5%	36	-7%
Core costs	(464)	(244)	(249)	5	-2%	(450)	(462)	12	-3%	14	-3%
Project costs	(50)	(19)	(23)	4	-15%	(36)	(42)	6	-15%	14	-29%
Exceptional costs	(8)	0	(5)	5	-104%	(0)	(10)	10	-96%	8	-94%
Direct operating surplus	(472)	(224)	(238)	14	-6%	(415)	(443)	28	-6%	57	-12%
Indirect net operating cost	0	0	0	0	0%	0	0	0	0%	0	0%
Net operating surplus before financing and renewals	(472)	(224)	(238)	14	-6%	(415)	(443)	28	-6%	57	-12%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	(15)	(17)	(18)	2	-9%	(37)	(40)	3	-8%	(22)	144%
Net surplus/(cost) of operations	(487)	(241)	(257)	16	-6%	(452)	(483)	31	-6%	35	-7%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(85)	(51)	(51)	0	0%	(73)	(73)	0	0%	12	-14%

Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
Passenger income	0	0	0	0	0%	0	0	0	0%	0	0%
Other operating income	154	40	79	(40)	-50%	76	151	(76)	-50%	(78)	-51%
Total operating income	154	40	79	(40)	-50%	76	151	(75)	-50%	(78)	-51%
Operating cost	(4)	(2)	(2)	(0)	0%	(4)	(4)	0	0%	0	-10%
Core costs	(3)	(2)	(2)	0	0%	(3)	(3)	0	0%	0	-7%
Project costs	(1)	(0)	(0)	0	0%	(1)	(1)	0	0%	0	-18%
Exceptional costs	0	0	0	0	0%	0	0	0	0%	0	0%
Direct operating surplus	150	38	77	(40)	-51%	72	147	(75)	-51%	(78)	-52%
Indirect net operating cost	(2)	(1)	(1)	0	0%	(1)	(1)	0	0%	1	-50%
Net operating surplus before financing and renewals	148	37	77	(40)	-52%	71	146	(75)	-51%	(77)	-52%
Net financing costs	0	0	0	0	0%	0	0	0	0%	0	0%
Capital renewals	0	0	0	0	0%	0	0	0	0%	0	0%
Net surplus/(cost) of operations	148	37	77	(40)	-52%	71	146	(75)	-51%	(77)	-52%

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	%	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY	%	Variance to LY	%
New Capital Investment	(4)	(0)	(0)	0	0%	7	7	0	0%	11	-275%

From: [Kilonback Simon](#)
To: [Brown Mike \(Commissioner\)](#); [Everitt Vernon](#); [Gasson Sarah](#)
Cc: [King Antony \(Div Finance Director MPD\)](#); [Lucas Emma](#); [Hawkes Joanna](#); [Ware Julian](#); [Cox Nicola \(TFL\)](#)
Subject: TfLs Emergency Budget 2020 21 Exec Summ 280420.pdf
Date: 28 April 2020 13:47:00
Attachments: [TfLs Emergency Budget 2020 21 Exec Summ 280420.pdf](#)

All

Please find attached an Executive Summary version of the Emergency Budget document which is more digestible than the full pack.

Thanks

Simon



Coronavirus Update

TfL's Emergency Budget 2020/21

Executive Summary

28 April 2020

TfL restricted



Emergency Budget: key points

Immediate grant funding is required to avoid TfL triggering a Section 114 notice, which could lead to a near total withdrawal of public transport services in the capital

- TfL is now facing an unprecedented decline in revenues since travel restrictions were imposed in March. Modelling has shown **we could lose in the region of £4 billion of total revenue this financial year.**
- Due to the high operating leverage of mass public transport businesses, the revenue decline cannot be mitigated through cost actions alone. At the current cash burn rate we will breach our minimum operational cash threshold in May and **run out of cash altogether approximately 2-3 months after that.**
- **Without immediate revenue grant funding we cannot avoid triggering a Section 114 notice imminently** which would see transport services cut to a statutory minimum to preserve cash
- **This Emergency Budget outlines the need for £1.9 billion of revenue grant funding to cover the period up to 30 September 2020 and avoid triggering a Section 114 notice**
- **Further support will be required to cover the second half of the year.** A provisional amount can be agreed as part of a more detailed budgeting exercise due to take place by July 2020.

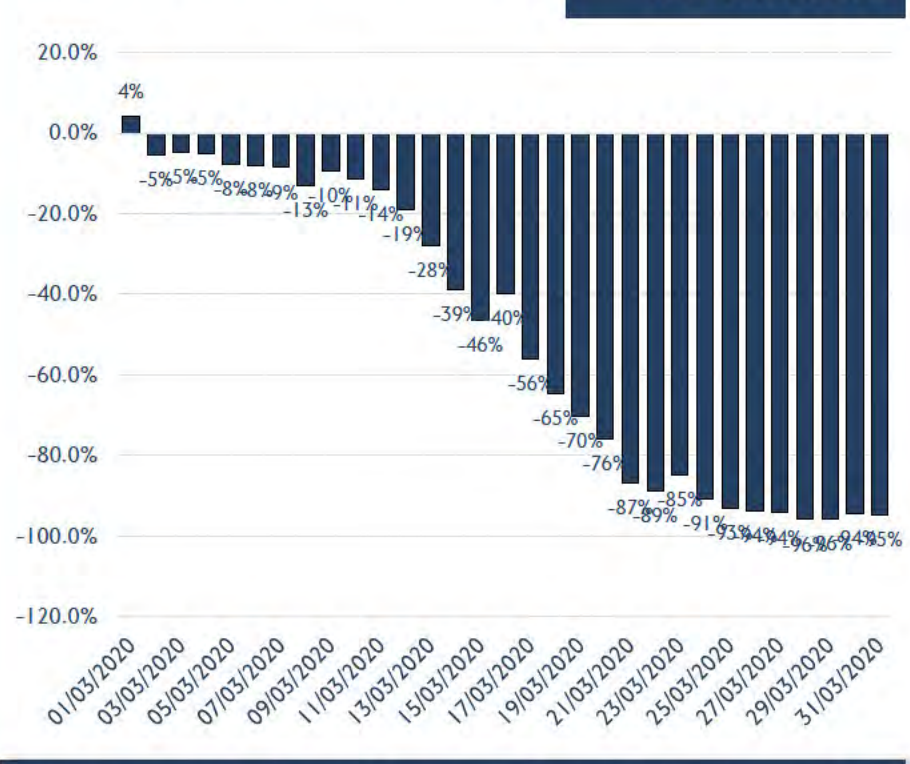


We have seen huge journey reductions at the end of 2019/20

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

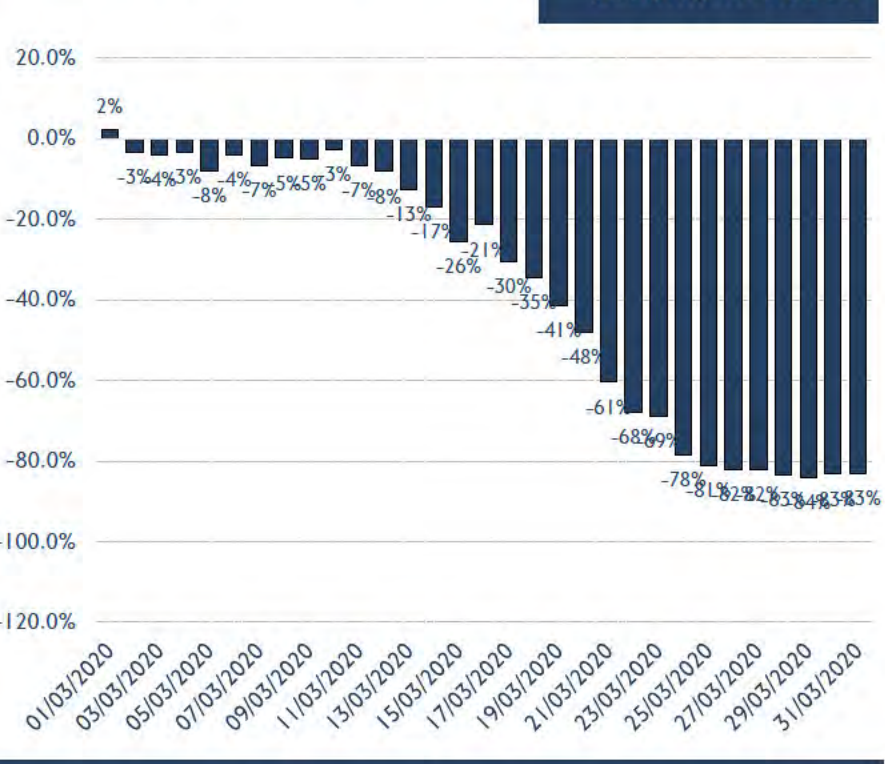
Tube journeys % year-on-year change **(£126m) in LU**



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

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

Bus journeys % year-on-year change **(£38m) in Buses**



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



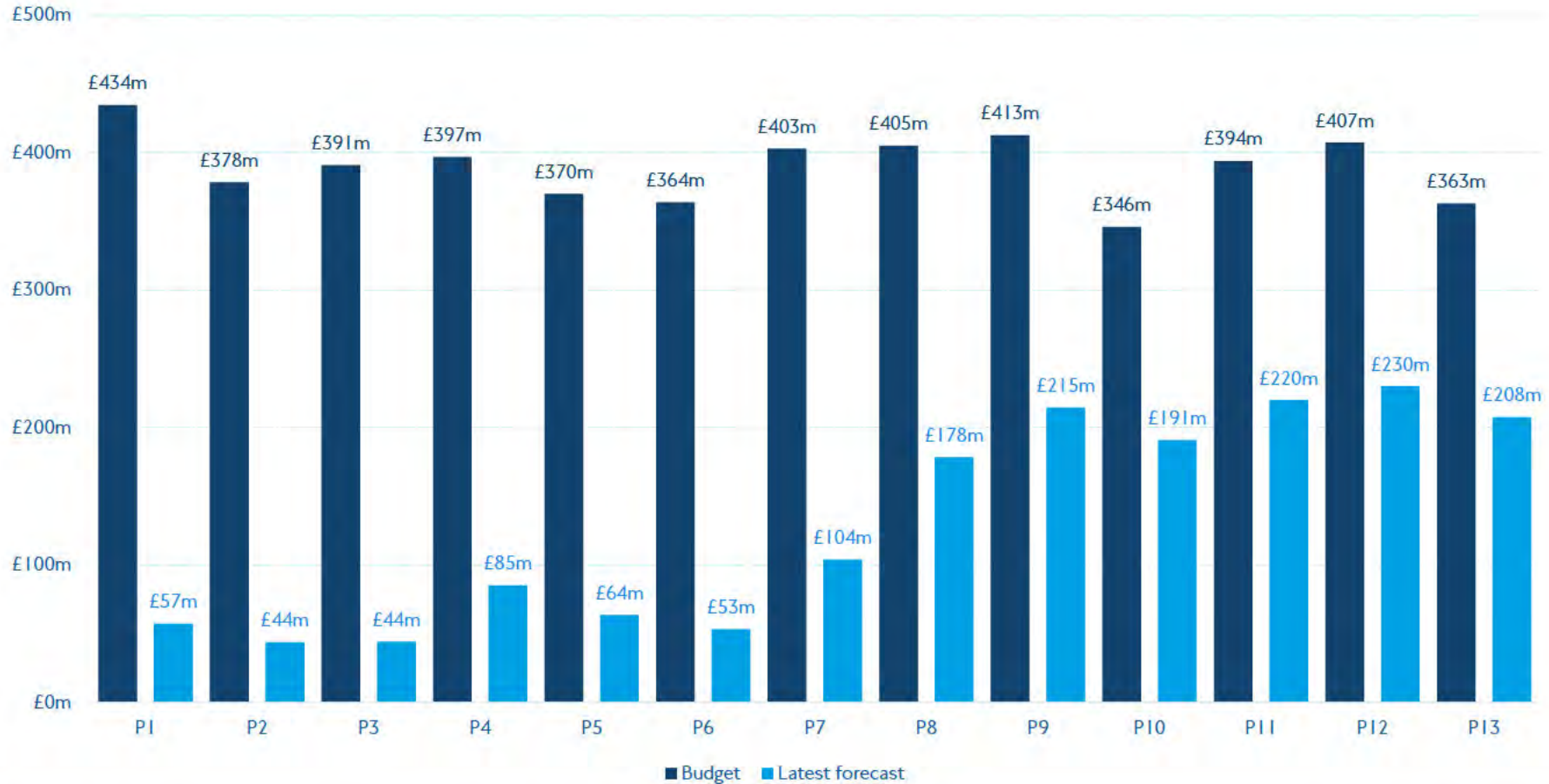
Underlying assumptions and actions underway

- Revenue is based on a 6 month period of travel restrictions followed by muted recovery, with the year ending at around 55% of pre-covid demand levels (see next slide)
- 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. Any marginal increase in demand will require 100% service levels to maintain social distancing
- Staffing:
 - we are furloughing over 7,000 staff for a 2 month period in line with current government guidance. If the government guidelines are extended we will implement accordingly.
 - Furloughing savings are approximately £15m per period. Salary will be topped up to 100% to avoid lengthy consultation periods and TU negotiations
 - we are also releasing around 770 temporary resource
- We have stopped most capital projects, bringing all non-critical projects to a safe stop in March; we have also assumed a reduction in property development receipts due to the current climate
- We have not assumed the full adoption of PPN 02/20 due to complexity to implement and the requirement of financial support to do so
- Planned incremental borrowing of £0.6bn no longer prudent in line with the Prudential Code and does not support a balanced Budget

Passenger income

We are expecting a significant decrease in customer demand resulting in an estimated £3.5bn of lost passenger revenue:

- (£2.4bn) in H1
- a further (£1.1bn) in H2



Based on recent Government messaging of six months before UK 'returns to normal'. Initial peak of three months is followed by relaxation of measures and then a second peak. Only 55% of demand returns six months after the end of social distancing. Assumes strict government enforcement of travel restrictions during social distancing.

Passenger Income
 2019/20: £0.2bn
 2020/21: £3.5bn
Total: £3.7bn



TfL Group Summary Financials 2020/21

Financial Summary

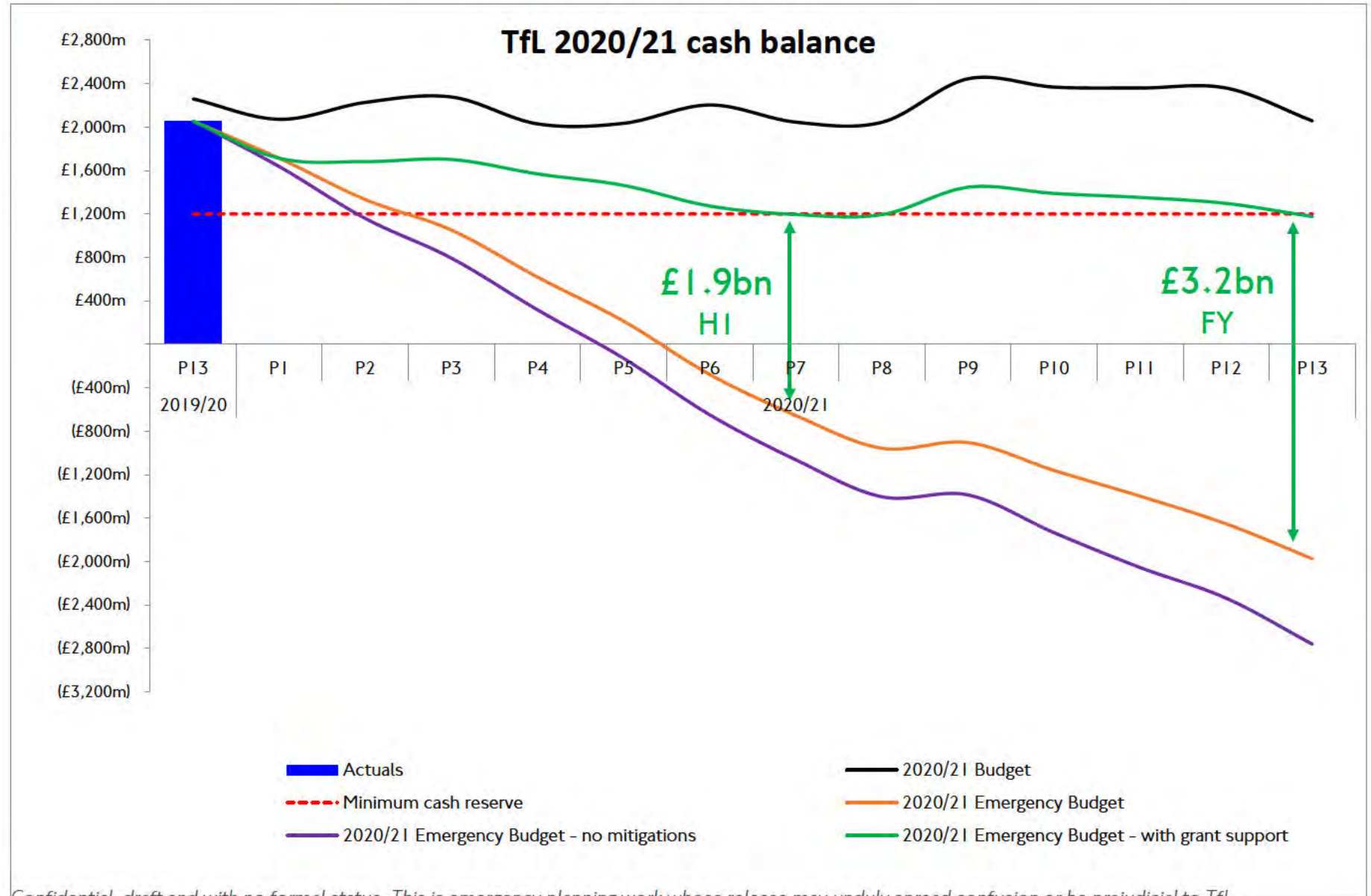
Operating Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY
Total income	6,874	1,089	3,749	(2,660)	3,046	7,055	(4,009)
Operating cost	(6,410)	(3,325)	(3,490)	165	(6,363)	(6,626)	262
Net operating surplus/deficit	464	(2,236)	259	(2,495)	(3,317)	429	(3,746)
Net financing costs	(435)	(248)	(252)	4	(455)	(468)	13
Net surplus/(cost) of operations before renewals	29	(2,484)	7	(2,491)	(3,772)	(39)	(3,733)
Capital renewals	(452)	(131)	(288)	157	(332)	(532)	201
Net surplus/(cost) of operations	(423)	(2,614)	(281)	(2,334)	(4,104)	(571)	(3,533)

Capital Account (£m)	2019/20 Actual	2020/21 Emergency Budget HI	2020/21 Budget HI	Variance to Budget HI	2020/21 Emergency Budget FY	2020/21 Budget FY	Variance to Budget FY
New Capital Investment	(1,081)	(388)	(632)	244	(808)	(1,333)	525
Crossrail Investment Programme	(1,027)	(423)	(423)	0	(725)	(725)	0
Total Capital Investment	(2,108)	(811)	(1,055)	244	(1,533)	(2,058)	525

Even after taking action on costs and capital investment programme, full year we are facing a £3 billion hit to net cash compared to our original approved Budget

The funding gap is beyond TfL's ability to close and therefore the requirement for government grant funding

Revenue grant is the only option that will allow TfL to return to a balanced budget position and continue meeting its financial obligations in the short term



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Why we cannot breach our £1.2bn minimum Cash Reserves

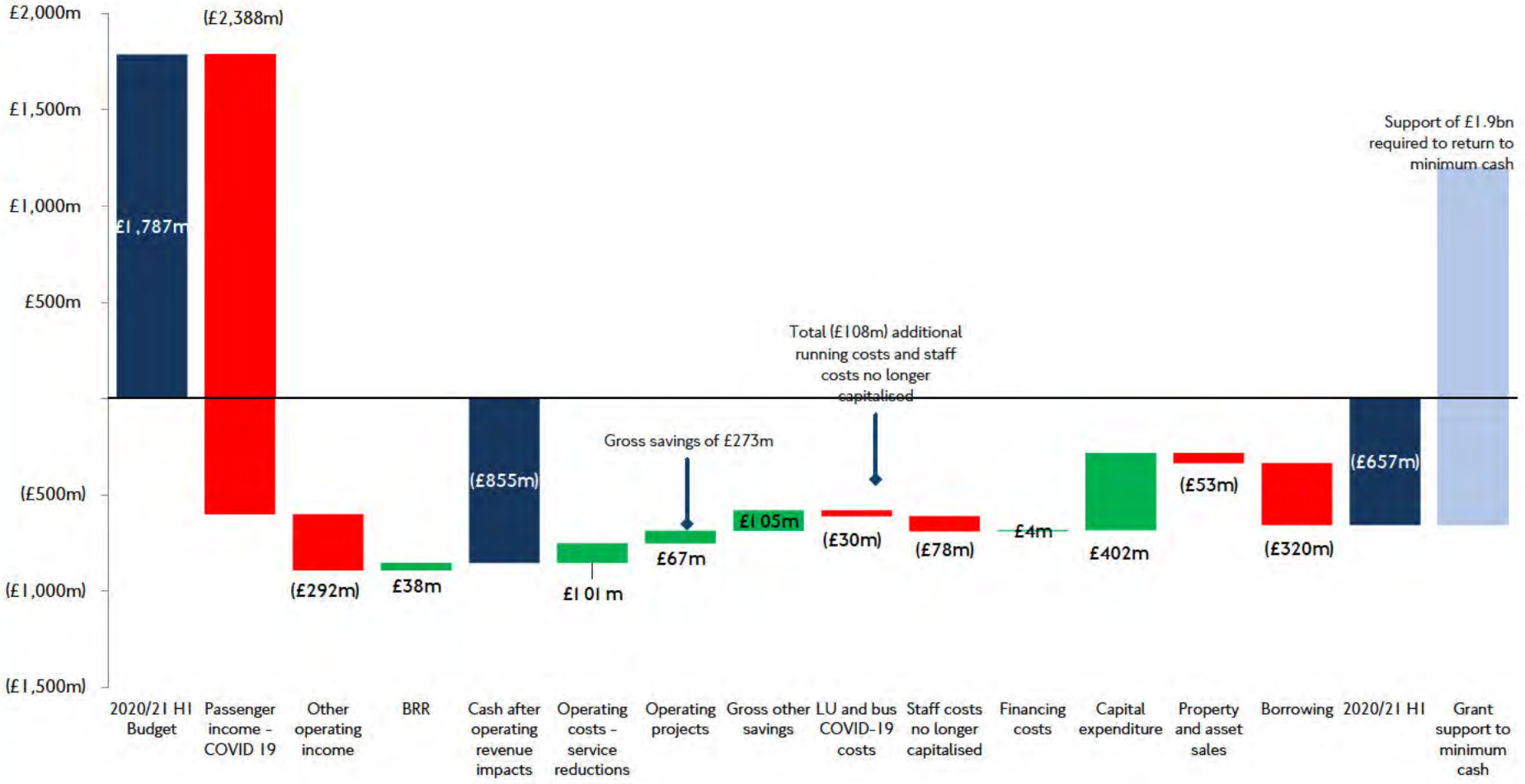
- Business Planning modelling concluded that a £2.2bn reserve was appropriate in Q3 2019. This was based on risks that included economic, Brexit, Crossrail, operational and liquidity. Pandemic risks were not considered at that time.
- £1.2bn minimum cash reserves represents only two months' worth of operating costs and ignores renewal spend. This was benchmarked against a number of international peers.
- After annual debt service it represents one months' supplier and payroll costs. This is a minimum requirement for liquidity. On a single day we can have cash outflows as high as £300m.
- Cash reserves are our only certain source of liquidity in the event of further distress, as envisaged in our business plan
- S&P said last year they regarded our liquidity as “adequate” at £2.0bn and this was pre-COVID-19. Moody’s informed us on 23 April 2020 that they will downgrade us when we get to £1.2bn absent any Government support
- TfL are different to other public transport agencies who are wholly owned or guaranteed by the Government (and even they hold cash balances), furthermore we have no shareholders to call upon.
- We would have no headroom for extensive and uncertain risks around COVID-19 as our initial government funding is for a period of only 6 months



Cash bridge: H1 Budget to H1 Emergency Budget

Cash movements against 2020/21 Budget

H1 emergency position against 2020/21 Budget – total variance (£2,444m)



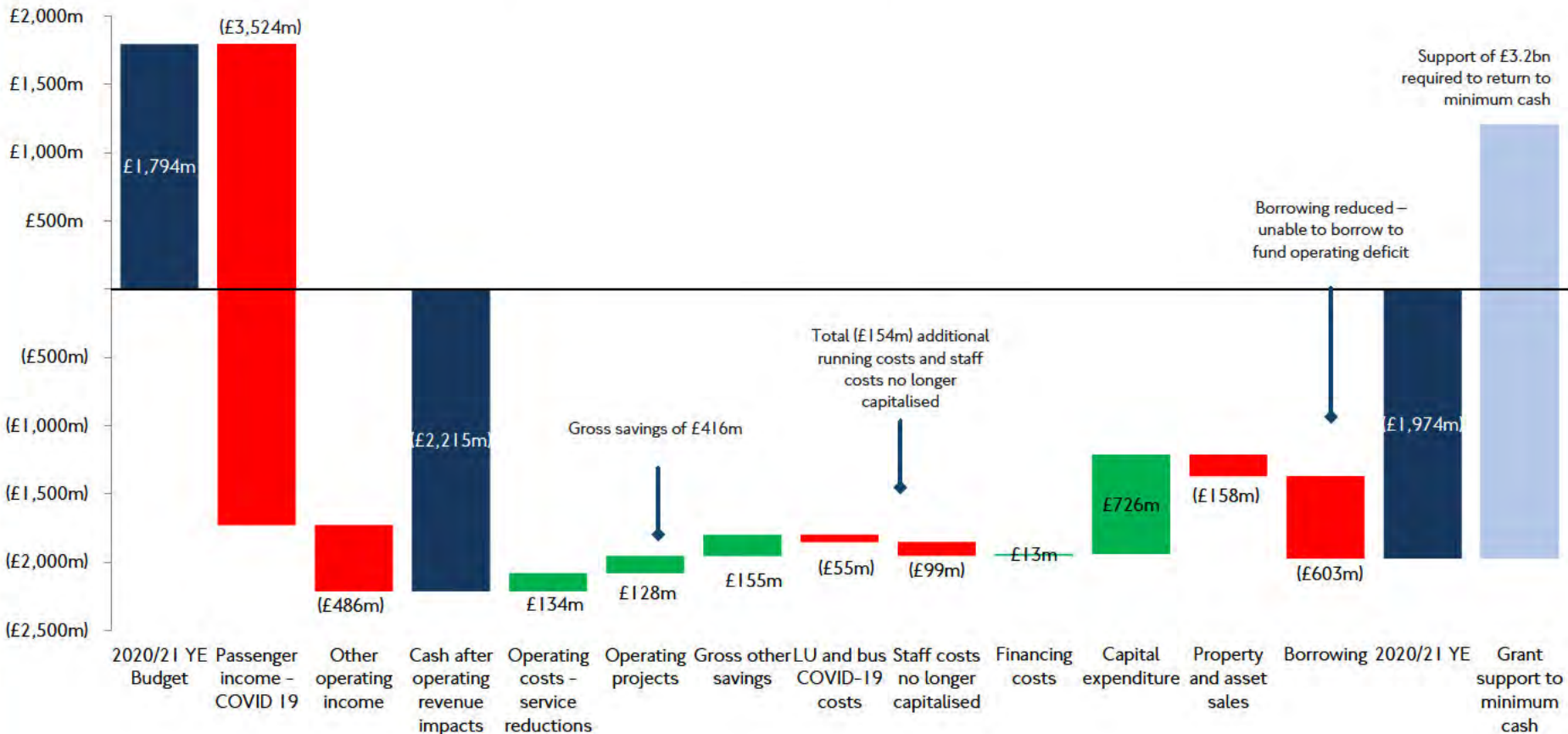
Budget position adjusted for 2019/20 YE balances

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Cash bridge: FY Budget to FY Emergency Budget

Cash movements against 2020/21 Budget

Full-year emergency position against 2020/21 Budget – total variance of (£3,768m)



Budget position adjusted for 2019/20 YE balances

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