MINUTES

Meeting: Budget and Performance Committee
Date: Wednesday 16 December 2020
Time: 2.00 pm
Place: Virtual Meeting

Copies of the minutes may be found at:
http://www.london.gov.uk/mayor-assembly/london-assembly/budget-performance

Present:

Susan Hall AM (Chairman)
Len Duvall AM (Deputy Chair)
Siân Berry AM
Tony Devenish AM
Dr Alison Moore AM
Caroline Pidgeon MBE AM
Murad Qureshi AM
Dr Onkar Sahota AM

1 Apologies for Absence and Chairman's Announcements (Item 1)

1.1 The Chairman explained that in accordance with Government regulations the meeting was being held on a virtual basis, with Assembly Members and guests attending remotely.

1.2 The Clerk read the roll-call of Assembly Members who were participating at the meeting. An apology for absence was received from Unmesh Desai AM, for whom Murad Qureshi AM attended as a substitute.

2 Declarations of Interests (Item 2)

2.1 The Committee received the report of the Executive Director of Secretariat.

2.2 **Resolved:**

That the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, be noted as disclosable pecuniary interests.

3 Minutes (Item 3)

3.1 **Resolved:**

That the minutes of the meeting of the Budget and Performance Committee held on 24 November 2020 be signed by the Chairman as a correct record.

4 Summary List of Actions (Item 4)

4.1 The Committee received the report of the Executive Director of Secretariat.

4.2 **Resolved:**

That the completed and ongoing actions arising from previous meetings of the Committee be noted.

5 The 2021-22 GLA Group Budget - TfL (Item 5)

5.1 The Committee received the report of the Executive Director of Secretariat as background to putting questions on the 2021-22 GLA Group Budget – TfL to the following invited guests:

- Heidi Alexander, Deputy Mayor for Transport;
- Andy Byford, Commissioner, Transport for London (TfL);
- Simon Kilonback, Chief Finance Officer, TfL;
- Patrick Doig, Director of Finance for Surface Transport and Major Projects, TfL; and
- David Gallie, Executive Director of Resources, GLA.

5.2 A transcript of the discussion is attached as **Appendix 1**.

5.3 During the course of the discussion, the Committee requested the following additional information:

- A breakdown in each year of the different sources of income for TfL including any budgeting assumptions;
- Further details on how the £413 million of efficiency savings in the 2019 Business Plan will be achieved;
- Details on the £266 million of savings over and above the level of savings in the 2019 Business Plan;
- Details of how TfL will increase its cash reserves;
- A copy of the Financial Sustainability Plan once finalised;
- An update on housing projects and anticipated start and completion dates for each project;

5.4 Members also requested a briefing on TfL housing projects and efforts to develop its property portfolio in the new year.

5.5 **Resolved:**

(a) That the report and discussion be noted; and

(b) That authority be delegated to the Chairman, in consultation with party Group Lead Members and Caroline Pidgeon MBE AM, to agree any output from the meeting.

6 Budget and Performance Committee Work Programme (Item 6)

6.1 The Committee received the report of the Executive Director of Secretariat

6.2 **Resolved:**

That the work programme for the remainder of the 2020/21 Assembly year be noted.

7 Date of Next Meeting (Item 7)

7.1 The next confirmed meeting of the Committee was scheduled for Tuesday 5 January 2021 at 10.00am.

8 Any Other Business the Chairman Considers Urgent (Item 8)

8.1 There were no other items of business.

9 Close of Meeting

9.1 The meeting ended at 4.30pm.

Chairman

Date

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London Assembly Budget and Performance Committee- Wednesday 16 December 2020

Transcript of Item 5 – The 2021-22 GLA Group Budget - TfL

Susan Hall AM (Chairman): That brings us to today's main item of business for the 2021/22 Greater London Authority (GLA) Group budget - Transport for London (TfL). The following guests are in attendance for today's meeting: Heidi Alexander, who is the Deputy Mayor for Transport; Andy Byford, our Commissioner for TfL; Simon Kilonback, Chief Finance Officer (CFO), TfL; Patrick Doig, Director of Finance for Surface Transport and Major Projects for TfL; and David Gallie, Executive Director of Resources at the GLA. Good afternoon, all.

I will start, as is normal practice, with the questions. These questions are, please, to Andy Byford, our Commissioner.

Andy, you project that ridership will return to 80% of normal passenger volumes in March 2022. What is that assumption based on?

Andy Byford (Commissioner, Transport for London): First of all, good afternoon, Chair. Good afternoon, Assembly Members, members of the public and media who are watching. It is based upon a number of inputs. We take our inputs to producing budgets from a variety of sources. We are mindful of what existing ridership looks like and what the various variables are contained therein, including lockdowns or otherwise. More fundamentally, we look at data that is produced by the Office of National Statistics (ONS), by the Confederation of British Industry (CBI) and by various other Government bodies in order to produce a projection of what we believe the future ridership will look like.

Moreover, because this is such an uncertain exercise, we have modelled five different scenarios. This ranges from a scenario that is probably a bit on the gloomy side, which shows very few people, at the lower end of the spectrum, coming back to central London - very little return to offices, very little return to commerce, and a very depressed impact on ridership that would accompany that - along a spectrum to one that would see a much more rapid return and pretty much a return to normality within a very short timeframe.

Each of the extremities, we would say, is probably unlikely. We think the most likely is that there will be a return to ridership of around 80% within the timeframe specified. That is not an exact science. It really does depend on what the Government's advice is to the members of the public, what major employers do in terms of wanting to populate their offices again and what happens with the Central Activities Zone (CAZ). We have modelled those five scenarios and our prediction is that certainly within two years we would potentially see a return to about 80% ridership.

Susan Hall AM (Chairman): OK. How is that split by mode?

Andy Byford (Commissioner, Transport for London): The experience to date has certainly been that the bus network is - let us put it more positively - more resilient in terms of maintenance of ridership. Right now, albeit the figures overnight will have shown a decline, typically the bus network has been around 50%, 55%

and even as high as 57% compared to the normality of last year, whereas the Tube has been stuck at around 30% to 32%.

There are reasons for that. The bus network really is the workhorse of London's transport system. It serves areas where there is no Tube. It also services very heavily those lower-income neighbourhoods that maybe work at night or in service industries, and so the bus is a very good option. The split is very much biased towards the bus.

As an overall average we would say that, at the higher end of the spectrum, we would look hopefully to get back to 80% over the next couple of years. It is something that we will keep very closely under review because it has an absolute direct impact upon our income, and therefore our need for Government support.

Susan Hall AM (Chairman): OK. Are you expecting the Tube, as an example, to start building back up again to more match the bus figures?

Andy Byford (Commissioner, Transport for London): It will take longer. It really does depend on what happens with central economic activity. As you know, right now we have the Waterloo & City [line] suspended. We also have the Night Tube suspended. The Waterloo & City is one of the key lines for serving the City of London and therefore very much allied to what goes on with central economic activity.

The Tube, having said that, carries a huge number of people, so progressively we would expect to see the Tube begin to recover. The work that we have done is all about preparing for that return. Our mantra, Chair, is that we are ready when you are. We have put huge effort into cleanliness, huge effort into a controlled environment, getting people to wear masks and enforcing that, and a huge effort via maintenance of schedules into giving people the opportunity to socially distance. Everything possible is being done to prepare for a return. We are not being passive to that. We are certainly not just being reactive. We are saying that the system will be able to cope when people do, in fact, return.

Susan Hall AM (Chairman): OK, although having travelled by the Tube, if it returns to as it was, you cannot socially distance if you are a sardine, which one felt one was before. In your modelling, when do you anticipate that the passenger volumes are going to be back at 100%?

Andy Byford (Commissioner, Transport for London): Not for some time, but I will ask Simon to comment specifically on that, please, as the CFO.

Simon Kilonback (Chief Finance Officer, Transport for London): Thanks, Andy. Thank you for the question, Chair. In our current modelling, we get back to pre-pandemic levels by the end of the 2020s. That is the current modelling based upon the scenarios. The next couple of years, as Andy said, particularly for the Tube, are based upon activity in the CAZ and in particular the constraints with people being able to work in offices, due to social distancing requirements on those things.

That is just a scenario. None of us knows what is going to happen after the pandemic, of course. We have other scenarios that would see demand return much more quickly, as it did after the global financial crisis in 2008/09, when it took 18 months to get back to 100% of demand, and other scenarios where there are significant changes in the way in which people use the City, which would see a different use of the City and therefore different transport patterns. That is why we have five scenarios for the short term and five scenarios for the long term.

The issue is, of course, that right now we are taking what we believe to be a sensible and prudent approach, but time will tell as we come out of the pandemic.

Susan Hall AM (Chairman): Yes. It is not an exact science and we all understand that, but we all have to model so that we know where we are going. Heidi, did you want to come in?

Heidi Alexander (Deputy Mayor for Transport): Yes, just briefly. The extent to which and speed with which ridership returns is really going to be dependent upon a whole number of things. We know that people are starting to be vaccinated now. The at-risk groups are being done first. As the vaccine starts to reach the working-age population, perhaps people will feel more confident again and will not be quite so conscious of how close they are to people on the Tube or the bus. That will have a big impact on travel patterns.

Also, we can sometimes forget in London how dependent our economy is on both international tourism and the visitor economy. Sometimes that is not about leisure trips; it may be about business trips. The number of people who come into London every day for some form of economic activity -- the point at which we will get close to 100% of ridership again is when that has really come back.

Even when people are confident because the vaccine has rolled out and perhaps there are very low levels of infection in the community, there may be a structural change to the way that people live their lives. We have all gone through this revolution with remote working. If people work from home just one day a week out of five, it does not necessarily follow that there would be an automatic 20% reduction in travel because people might travel more for leisure purposes in the evenings, but it is worth remembering that a 20% reduction in ridership equates to £1 billion worth of lost income. From a financial perspective, it is really important to keep that in mind.

Susan Hall AM (Chairman): Yes, we are mindful of that, but thank you for pointing that out. If I can go back to the Commissioner, although Simon may have this more, throughout the pandemic TfL has referred to reductions of 95% and 85% respectively in the Tube, rail and bus ridership. These figures appear on page 68 of your budget submission. For how long within reason were these actual levels of usage on the TfL networks present? Was it one week or a month or whatever?

Andy Byford (Commissioner, Transport for London): I will ask Simon to answer that question, please.

Simon Kilonback (Chief Finance Officer, Transport for London): For the entirety of the first lockdown, we were down at these very suppressed levels. Until the end of May or the beginning of June when restrictions began to be released, we had that catastrophic loss of ridership. Then, as things have ebbed and flowed in terms of the guidance on working from home, or restrictions on movement versus removing restrictions on movement, these things have changed quite a lot. We saw quite a build-up between the end of July towards the start of September when it looked like everything was beginning to open up again and we were thinking about, in particular on the buses, schoolchildren going back to school. That was when we were starting to see a trajectory that might have got us back to 65% overall ridership, but very soon after the September school period happened and we started to see more restrictions coming in, we saw a levelling out and then a significant reduction again as we went into the tier system, and then more recently into the latest lockdown.

During the lockdown, we saw the Tube back down at around the 20% level, and buses back down at around the high 40% level, somewhere between the full lockdown and the earlier days of June and July.

Susan Hall AM (Chairman): OK. Have you done modelling around if the 100% never gets back there? Going into the future, have you modelled your business cases around if it never goes back to the way it was before?

Simon Kilonback (Chief Finance Officer, Transport for London): That is what our long-term future scenarios are helping us think through. They have a broad range of outcomes from a return to business as usual. Something that we saw after the financial crisis in 2008/09 was that London started to accelerate because it is still a global city that people were transferring business to, and this is a global pandemic. That is at the very optimistic end of the spectrum.

Actually, we are more reflecting on, as the Deputy Mayor said, shifting patterns of how people will work and live their lives. We are thinking about scenarios in which there might be more of what we call a remote revolution, people working from home, more localism where people use their locality more for working and socialising. What does that mean for the CAZ? Those models really allow us to think about things being different in different geographies of London and in different services.

As we have set out, we need to maintain an overall bus service, but that might shift from central London towards having a greater bus service in outer London. Then the Tube has huge fixed and sunk investments, and it still has quite a high yield when people use it. We do think the Tube demand will return when activity returns, but also that people, as you mentioned, Chair, will want to travel in slightly more acceptable, socially distanced or spatial conditions than they did before. We might have to provide a significant level of capacity in order to encourage people to use public transport, which of course is the end game we all still want in terms of meeting our objectives with decarbonisation and not having a car-led recovery.

Susan Hall AM (Chairman): In your various scenarios, is there a date at which you think social distancing will end? What have you modelled for in that?

Simon Kilonback (Chief Finance Officer, Transport for London): Our budget is seeing social distancing of one form or another continue throughout the majority of the next financial year, and we come to an end of social distancing towards the end of the next financial year as vaccines are being fully rolled out. That is our current estimate of what happens. Andy?

Susan Hall AM (Chairman): I hope you are certainly right there.

Andy Byford (Commissioner, Transport for London): Chair, if I may just add, you hit the nail on the head in one of your earlier comments. It is an associated point. Even if the vaccine is 100% successful and universally applied, which we all hope it will be, this pandemic has created a somewhat seismic change in many ways. You are absolutely right. People will not want to be rammed in - and Simon made this point - which is all the more reason, firstly, why we need the additional capacity that the Elizabeth line will bring and, secondly, why we should resist wholesale short-sighted cuts to services because that would have the opposite effect in terms of cramming people in and not providing social distancing. People will not find that acceptable in the future. Less so with buses, and definitely with the Tube, it is quite hard to turn back on again, particularly if you have mothballed vehicles and if you have let capable operators go, because there is a real lead time in terms of training them.

Susan Hall AM (Chairman): Yes, I can imagine, but of course it is the cost implications. It is very difficult for you to balance. I do understand that.

The Government has said it is too early to rule out a national lockdown in the new year. How would that impact your passenger income? Equally, on the other side, if we get a very swift vaccine rollout, what sort of use of money are we looking at? If we get a quick rollout versus another lockdown, what sort of finance are you anticipating that will cost TfL?

Simon Kilonback (Chief Finance Officer, Transport for London): Over the course of an entire financial year rather than the remaining quarter, we are looking at different scenarios having risks of £500 million plus or minus in terms of the degree of variation we are having to think about. The funding deal that we concluded with the Government on 31 October took a long time because the funding mechanism has to be flexible to cope with whatever demand situation actually transpires rather than funding to a theoretical forecast that you can guarantee. The only thing you can guarantee is that it will not be right.

Susan Hall AM (Chairman): OK. Fair enough. I expect this goes back to the Commissioner: how long do you expect to continue the current Congestion Charge increase in price, days and hours?

Andy Byford (Commissioner, Transport for London): That is factored in for the remainder of this financial deal, which, if you remember, goes up to 31 March [2021]. It is hard to say beyond that because one of the big pieces of work we are doing at the moment is our Financial Sustainability Plan (FSP). This was itself an output and a requirement of the half 2 (H2) settlement, although one with which we entirely agreed because the real prize here is to move away from the six-month brinkmanship and last-minute deals and move to a position where we have long-term financial certainty. There will be a deal to be done there and we want to do that, but it is at that point that we will need to understand what the revenue streams are, including the Congestion Charge and the restrictions on concessions, and what the cost base looks like. The most accurate answer I can give you is up until 31 March [2021], after which it will be reviewed.

Susan Hall AM (Chairman): OK. Keeping the expanded hours and increased charge in place permanently is one of the long-term options put forward by the Mayor for funding London's concessionary fares schemes, as set out in the second deal letter with the Department for Transport (DfT). Has the Mayor indicated to you whether he is likely to want to proceed with this?

Andy Byford (Commissioner, Transport for London): I would ask the Deputy Mayor to comment on that, but certainly it is very much an ongoing discussion because there are so many variables. Perhaps the Deputy Mayor is best placed to comment.

Susan Hall AM (Chairman): Yes, she is. I apologise. I should have asked Heidi in the first place as it is more political. Heidi?

Heidi Alexander (Deputy Mayor for Transport): As has already been said, the Government made it a requirement that we maintain the temporary changes for the rest of this financial year. That takes us through until the end of March [2021]. The Mayor has been very clear over the course of the last nine months that he wants to retain the existing concessions for under-18s, with free travel for children and young people, and also the 60-plus photocard. It was certainly the case during the negotiations that the Government put forward a proposal to bring the concessions that were available in London in line with the rest of the country, which would have meant getting rid of the 60-plus photocard. The Mayor has said he is not going to do that.

I think am right in saying - and Simon will correct me if I am wrong - in the TfL budget the planning assumption - and it is only an assumption - is that the temporary changes to the Congestion Charge would remain in place for the whole of the financial year 2021/22, but there would need to be a Mayoral Decision about the exact balance between the income sources that cover the non-statutory elements of concessionary fares. You will recall from the H2 funding letter that it talks about either retaining the central London Congestion Charge changes or raising council tax, or a combination of both.

It is also worth reminding Assembly Members and people listening that the central London Congestion Charge changes were put in place as an emergency response to the pandemic. We need to review progress with the rollout of the vaccine. We need to understand how travel behaviours are changing as the threat of the virus recedes. It would be appropriate for the Mayor to ask TfL to do a review of the temporary changes to the central London Congestion Charge to understand whether they should stay in place and, if so, for how long. With the rollout of the vaccine, we do know that the at-risk groups are going to be done by about March or April [2021]. We do not know how much longer it is going to take to spread to the rest of the population. That is the sort of process we are looking at going forward.

Susan Hall AM (Chairman): Yes. They are certainly stepping the vaccines up, which I was very impressed by when I got the figures today. If the Mayor is going to do a review, when do you expect that review to be done?

Heidi Alexander (Deputy Mayor for Transport): As I say, the Government has required us to keep the temporary changes in place until the end of March [2021]. We are then in purdah and there is the small issue of a Mayoral Election. I would imagine that any review would be done in the summer months.

Susan Hall AM (Chairman): OK. Thank you for that. I am moving on now to the Ultra Low Emission Zone (ULEZ) and so I will go back to our Commissioner, if I may. Are preparations for the opening of the extended ULEZ in October 2021 on schedule?

Andy Byford (Commissioner, Transport for London): Yes, they are.

Susan Hall AM (Chairman): What is the total estimated cost both in revenue and in capital of extending the ULEZ next year?

Andy Byford (Commissioner, Transport for London): I will ask Simon to help me with that question, please.

Simon Kilonback (Chief Finance Officer, Transport for London): In fact, Chair, if we may, this is one of the reasons why we have Patrick Doig on. He is the Finance Director for Surface Transport. Perhaps Patrick could pick up that specific question on the ULEZ.

Patrick Doig (Director of Finance for Surface Transport and Major Projects, Transport for London): Good afternoon, Committee. Yes, the total cost of implementing the ULEZ is about £130 million. That is the capital cost of installing the cameras, upgrading our systems and preparing to run the scheme. The operating costs will be covered by the income that the scheme generates, and are in the order of £50 million a year in terms of the additional variable costs that the ULEZ expansion will create over and above the existing schemes.

Susan Hall AM (Chairman): OK. Your budget submission shows a near doubling of the ULEZ income in 2021/22 to over £750 million, increasing further to £1.1 billion in 2022/23. That is on page 80 of the submission. What is this based on and what is the split between the different charges that make up that figure?

Simon Kilonback (Chief Finance Officer, Transport for London): I will start on that and then I will ask Patrick to fill in the detail for you, Chair.

As we learned with the introduction of the first ULEZ, there is a period in which you receive a high amount of income from these policy measures whilst you are getting people to a desired level of compliance. Then, beyond the budget years, as you achieve that level of compliance, you expect the income to reduce substantially because the ULEZ is not a money-raising scheme. It is a policy measure to improve air quality.

Patrick, you might want to give a bit more detail, please.

Patrick Doig (Director of Finance for Surface Transport and Major Projects, Transport for London): Yes. That increase over those years is driven by the introduction of the expanded ULEZ, which comes in partway through that first financial year. That is why you see a step up in the following year and we have a full-year impact.

It is fair to say that the income generated from the scheme - which, as Simon said, is a secondary consequence, not the primary purpose - is highly uncertain. It is an area of London that we do not have a charging scheme for, unlike when the original ULEZ zone was introduced. That was in the central London charging zone, where we had strong volume data.

We are starting to roll out cameras. We have a limited number of cameras installed already. They have taken a snapshot of unique vehicles that are currently travelling through the expanded ULEZ. We have used that to estimate that there will be around 1 million unique vehicles travelling in that zone each day. We have assumed a starting compliance rate of about 87%. The good news is that there is already a high level of compliance with the Euro 6 standards in that zone already. As Simon says, we expect that compliance rate to increase quite quickly and, as we have seen with the central London ULEZ, to reach about 98% in about five years' time.

Although we see a step up in the next financial year due to the full-year impact, over time the income drops quite quickly as we achieve the desired benefit of people switching to cleaner methods of transport.

Susan Hall AM (Chairman): Yes, although it increases from £750 million to £1.1 billion, not bad for something that is not a money-making scheme, I must say.

Given that, does that include an uplift in the cost of the Congestion Charge? Is that modelled on an uplift in the Congestion Charge?

Patrick Doig (Director of Finance for Surface Transport and Major Projects, Transport for London): As Simon and the Deputy Mayor have already said, the budget for planning purposes assumes the current temporary changes are retained in those years, and so the current income we are receiving from those temporary changes is factored into those years but it does not increase further. The increase that we are seeing in those years is driven by the additional ULEZ. In 2021/22 it is about £300 million and in 2022/23 it is about £750 million. Those numbers are highly uncertain, not least because of the pandemic, but also because of the volume data. That is the best estimate we have at this moment in time.

Susan Hall AM (Chairman): OK. The budget includes plans to cut off-peak and weekend rail and Tube services. Can you tell me, please, which ones and how much that intends to save?

Simon Kilonback (Chief Finance Officer, Transport for London): We always keep service levels under review, and in particular in response to the pandemic we are always looking at how we can adjust off-peak and weekend services in order to either better service demand where it is needed, or to not incur expenditure where it is not needed.

We have made an assumption that we would save something in the order of £5 million to £6 million on a full-year basis by doing a small amount of off-peak and weekend services. The first one that we have identified to look at is on the Bakerloo line, but the rest of the lines we will be looking at over the course of the next few months as we get towards the start of the next financial year.

Susan Hall AM (Chairman): Can you only tell me the Bakerloo line and nothing else?

Simon Kilonback (Chief Finance Officer, Transport for London): As I said, we have made an assumption about a small amount of income. Then we need to do some work now over the coming months about where the remaining changes may be, because they will be dependent upon demand.

Susan Hall AM (Chairman): OK. All right. My colleague Assembly Member Berry wants to come in at this point. Thank you.

Siân Berry AM: Yes. Thank you. Thank you for all that information. That is really useful. I, too, am very interested in the two lines in the draft budget submission about the Congestion Charge, Low Emission Zone (LEZ) and ULEZ income and other income. In previous budgets we have had that merged together, although I can see that last year you had separated them already.

You have spoken there on some of your assumptions and numbers to do with those lines, but it would be great if the Committee could receive a table of the breakdown in each year of the different sources of income there. It is hard to separate the various things out and it would be useful, if any of us are thinking of making changes to the budget, to be able to pull out the impact of that. That would be really useful.

I have two questions. One is about the continuation of the increased Congestion Charge, which was an emergency measure. Is it the case that you can carry on with it for the entirety of the financial year without triggering the need to take a further decision? Actually, you need to consult on that, according to the rules and the law. At what point in the year would you need to start consulting on it if you are going to keep it going for the whole year?

My other question is about the other income line. I understand that that is mainly advertising income that is left in the other income line, but it could also be penalty charges to do with the Congestion Charge, LEZ and ULEZ income, exactly that. I need to know for the Congestion Charge line how much of that is penalty charges and whether that goes into other income. Can you give us a bit of a commentary on what is going on with advertising income? I can see that this year has been disastrous, but the projections in future years come nowhere near the previous estimates for income for advertising. You are assuming that that will not recover and will be far worse than the fares income, in fact. I am slightly confused about that. You would think it would go up alongside fares income along with the eyes on the adverts. If you can give us some idea of the assumptions there, that would be great.

Simon Kilonback (Chief Finance Officer, Transport for London): OK. If I go first, I might ask, again, Patrick to explain that specific question about where penalty income goes.

I am just looking at the breakdown for you. We will write to you with the specific breakdown of the other income rather than reading through tables now because I am not sure that is a good use of anybody's time, if that is OK.

Siân Berry AM: Yes.

Simon Kilonback (Chief Finance Officer, Transport for London): On the specific question of the media income, as you say, the media income has been completely devastated, just like our fares income, as it is driven by footfall. One of the reasons why it is slower to return is that it is linked to the build-up in ridership and therefore is following a similar pattern to the ridership, particularly on the Tube where the majority of the income is driven from.

Also, of course, the impact of the pandemic on the finances of the businesses that would choose to advertise with us has also been severe. There is an expectation built into this with our advertising partners that the people who advertise with us will be doing less activity themselves, not just because of the return of demand on the network. We will be working very closely with them to recover that as quickly as we can.

In a similar way, the income from our retail proposition that we had is one of the areas of focus for us. Driving increased commercial incomes to help with our financial issues, again, in the same way, has been significantly impacted by the pandemic. We would, as we get ridership back, continue to be more ambitious with our plans to do more with our estate to drive our rental income.

Patrick, do you want to answer the specific point about penalty notices?

Patrick Doig (Director of Finance for Surface Transport and Major Projects, Transport for London): Penalty notices are included in that ULEZ and Congestion Charge line. That budget line includes both the charging income from people paying the charge and the enforcement income from people paying penalty charge notices. It is a bit of an unusual income line because it is income we do not want to receive. We want people to comply with the ULEZ and drive clean vehicles or use public transport. If they do not, we want them to pay the charge rather than get a penalty notice, but we have to reflect that some people will receive and pay a penalty notice. We have used the same assumptions that we are seeing in the current ULEZ and have extrapolated that out to the wider zone. That is all wrapped up in that line and we can include that in the note we provide later.

Siân Berry AM: Fantastic. On the question of the final decision on the extent, can you last the entire financial year with the increased Congestion Charge?

Heidi Alexander (Deputy Mayor for Transport): As I said, Assembly Member Berry, when I was answering a question from the Chair, at some point, given that this was introduced as an emergency response to the pandemic, we will need to review its appropriateness for the current conditions within London, assess where the virus is at and look at travel patterns. If it were to remain permanently, there would have to be a thorough consultation on it. It very much depends upon the way in which the vaccine is rolled out, how the virus develops and what is going on in London next year. None of us really know. I would imagine there would be a review and there would have to be a consultation.

Siân Berry AM: That was not my question. My question was about how long before in law you have to hold a consultation to make it permanent. How long does the emergency power last? Can it last through the entire financial year 2021/22?

Heidi Alexander (Deputy Mayor for Transport): If you look at the way in which the Government legislated for emergency powers on the roads so that local authorities did not have to go through consultation processes around things such as pop-up cycle lanes and low-traffic neighbourhoods, that legislative change is in place for 18 months, which would take us through until the autumn of 2021. In the first six months of the next financial year, we would both have to do a review and potentially have to start a consultation if we were going to keep that measure in place for longer. I hope that is helpful.

Siân Berry AM: Yes. Thank you. Great.

Susan Hall AM (Chairman): OK. I see my colleague Caroline Pidgeon is asking to come in at this point.

Caroline Pidgeon MBE AM: Thank you, Chair. Just picking up, you said that the current £15 a day for the Congestion Charge is built into your budget assumptions for the next few years. Does that also build in the fact that you have removed the discount for residents living within the Congestion Charge Zone? Is that also currently built in for the next few years as well on your planning assumptions?

Simon Kilonback (Chief Finance Officer, Transport for London): In terms of financial planning, we have taken the approach that we are treating the next two financial years as if the COVID conditions still apply, and that the Congestion Charge and any of the discounts, suspensions or anything else remain in place while the pandemic emergency measures remain in place. That is our business planning assumption, but I am sure, as Heidi said, all of those things will continue to be reviewed by the Mayor and Heidi at the appropriate time.

Caroline Pidgeon MBE AM: Thank you. It is built in but, if there is a consultation as Heidi described and a review, it will be reviewed in the summer next year. Thank you.

I want to start off our questions on the second Government funding agreement. This came out on 31 October [2020] in a letter to the Mayor. It was a £1.8 billion extraordinary funding and financing package.

Perhaps I can start with the Commissioner. The latest settlement states that funding amounts are based on passenger demand at 65% of pre-COVID levels. Simon started talking about this a bit earlier. Can you just clarify for us? How was this figure derived and how realistic is it? Simon has indicated to answer that one, or Andy, whoever wants to. I do not mind.

Andy Byford (Commissioner, Transport for London): Sure, Simon, I am happy to speak to this one. This was one of the reasons why this was such a complex and quite time-consuming negotiation, Assembly Member. We had to get the funding mechanism right. Effectively, it is a floating mechanism whereby there is a base amount that the Government was prepared to fund us. Do not get me wrong, we were very grateful for that funding, but it was predicated on what we felt was an overly optimistic ridership projection, namely the 60% that you talked about. That was the subject of a lot of backwards and forwards with us.

We ended up in a fair place and that was to say, because our figures and our forecasting showed a much more pessimistic likely ridership - which, by the way, is proving to be correct - we needed a floating mechanism whereby over and above the base amount the Government identified it would be prepared to pay, if indeed the ridership was less than what the Government's model had assumed, and if thereby of course the revenue was similarly depressed, the actual amount payable to TfL would rise accordingly. That mechanism allows for up to £1.8 billion and in fact could go a bit higher. We felt that ultimately we could agree to that, and that is how we managed to get the deal settled.

In a nutshell, that is why it took so long. This was a very complex piece of negotiation. Ultimately, we got to a mutually agreeable situation.

Caroline Pidgeon MBE AM: Lovely. Thank you. Heidi, you have indicated you wanted to come in.

Heidi Alexander (Deputy Mayor for Transport): Yes. There was a presentational issue here for the Government. The Government, in order to be consistent with its narrative, which is about not wanting to invest in London and being seen to be investing in areas outside of London like the North and the Midlands, wanted to downplay the amount of money that it would ultimately be seen to be giving to TfL. We were saying that we think the 65% is an overestimate and it is not going to reach that high, but it was preferable for the Government to be announcing that it has a £1 billion arrangement with TfL when, in reality, everything that we had said at that point in time and what has happened subsequently points to us being much closer to a £1.8 billion outcome, which is permitted under this flexible mechanism that Andy describes. There was an attempted sleight of hand there in order to try to describe the overall quantum in a certain way.

Caroline Pidgeon MBE AM: You clearly have a deal that seems to work and it is not that fixed price, which is important.

Perhaps you could talk to us about - I do not mind who takes it - the main sticking points in reaching an agreement for this second funding package? I do not envy you. Heidi, Andy and Simon, you must have spent hours and days and weeks in these discussions with the Government. It was very painful, but it is public money and it has to be spent correctly. What were the main sticking points and are you satisfied with the deal you reached?

Heidi Alexander (Deputy Mayor for Transport): Shall I go first, Andy, and then perhaps you might want to say something as well.

We talked about some of the technical discussions that we had a bit earlier in the process, which did take longer than they should have done, to be honest. This question about ridership assumptions and the question about the mechanism by which they would flex the payments to take account of actual ridership took longer than it should have done to resolve.

There were also discussions about things like the Oversight Group, who sits on it and the mechanism by which TfL might be docked money if the conditions in the funding deal are not met. That was a source of some discussion.

Politically, concessions were a sticking point. The Mayor was adamant that he was not going to take them away and the Government was adamant that it wanted to equalise, as it is called, the concessions between London and the rest of the country.

Then we had quite a remarkable series of proposals from the Government, which included things such as extending the Congestion Charge out to the North and South Circular in October of next year, on the same day as the ULEZ is being expanded. The Government also said to us that it wanted us to put fares up by more than the Retail Price Index (RPI) plus 1%, which would have been more than fares were going up on National Rail. The Secretary of State [for Transport] said in a meeting with the Mayor in September [2020], "We think we are going to have to put council tax up. We think you are going to have to do it". That was not the Mayor's proposal. Those were words that came out of the Secretary of State's mouth. All of these things were a source of a fair amount of back and forth, as you might imagine.

Am I satisfied with it? I am satisfied that the mechanism works to get the money to go into the Tube and to keep the Tube and buses running. I would rather we were not having to put up fares by RPI plus 1% but we are. I would rather that we just had not experienced the political gameplaying that we did because that was an issue.

Caroline Pidgeon MBE AM: Andy, do you want to add anything else?

Andy Byford (Commissioner, Transport for London): What I would add is twofold. Heidi has summarised what the sticking points were. I would say number one that he is too humble to say but the CFO, Simon, and his team were just fantastic. As you rightly say, this thing was gruelling. In many ways, so it should be. At the end of the day, this is not our money. It is taxpayers' money. We would expect there to be quite tough negotiation, and indeed there was. However, on the whole, we can live with it.

What we do not want is to keep having these last-minute six-monthly brinkmanship types of deals. As I have previously said publicly, it is no way to run a £10 billion organisation like TfL.

To be fair to the Government, it agreed with that, which is why we are now engaged for a fourth time, when you think of H2, half 1 (H1), Crossrail and now the FSP. Now we engaged in the real prize, which is to secure the long-term sustainable funding deal for TfL that will aid not just London, I would argue, but the United Kingdom (UK) if we can get London really firing again with TfL as its engine.

Caroline Pidgeon MBE AM: I will come on to how that is going for the next deal, but I did want to ask how you felt this deal compared with the support given to the train operating companies (TOCs). I was looking into this. They are very similar to you with huge drops in passenger numbers, but between March and September [2020] the TOCs received over £4 billion from the Government. If we work it out to date, it is probably over £5 billion.

Do you feel you are being treated the same as the train companies or do you feel this is, again, part of the agenda of perhaps being anti-London?

Andy Byford (Commissioner, Transport for London): It is hard in some ways to do a like-for-like comparison. We have looked into this. I am tenacious in sticking up for TfL. At the end of the day, that is my job. That is what you hold me accountable for. My job is to go out and get the best possible deal for TfL, and thereby Londoners, ultimately. We have had a look at the TOC deals. It is not exactly a like-for-like comparison. The TOCs look like they are going to go into a fundamentally different management structure in any case.

I would say that, on the whole, certainly we can live with this deal for six months. That is why we signed it. However, I do want to move to a much fairer mechanism going forward or a much more realistic mechanism going forward, and certainly one that does reflect the fact that a pandemic has viciously exposed just how precarious our funding is if our revenue base drops catastrophically as a result of something out of our control, the pandemic being the example in this case. We are where we are. We need to secure the long-term deal.

Caroline Pidgeon MBE AM: Heidi, did you want to add anything?

Heidi Alexander (Deputy Mayor for Transport): Yes. The real difference between what the TOCs got and the way TfL has been treated is that the TOCs got that 18-month deal, in effect, with no strings attached.

There is a different way that these negotiations with the Government could have played out in the last year and that would have been for the Government in May of this year to say, "We recognise that there is going to be a period of huge uncertainty for the next year. We recognise that there is a Mayoral Election. Let us do an 18-month deal now instead of, potentially, three six-month deals". That would have enabled us to really focus as an organisation on a lot of the recovery work and planning that we want to be involved in.

No one should underestimate the extent to which this constant cycle of going through these financial negotiations with the Government really ties up the top team in TfL in a huge way. I am not sure that that is the best use of anyone's time, to be honest. I would have rather seen that 18-month deal that the TOCs got.

Caroline Pidgeon MBE AM: Lovely. Thank you for that. How are the negotiations? You started to talk about it, Andy. How are the negotiations going for further funding for future years? Linked to the current settlement you have, how much of the £413 million cumulative efficiency savings have you managed to achieve to date? Can you give us some examples on how that works, Andy?

Andy Byford (Commissioner, Transport for London): The savings are baked into our plans going forward and so it is important that we deliver them. As a direct condition of the H2 settlement, we were required to find another £160 million worth of savings and that process is underway. We have set up a mechanism, the

CFO and I, not only to absolutely control costs but also to track savings. At the moment we are on target and are proceeding against the trajectory for savings that we need to achieve.

In terms of the negotiations for the FSP, they are progressing. We engage with the DfT pretty much daily. Simon and I were on a conference call just this morning about that. There has been a further working group this afternoon. It needs to be that intensive, Assembly Member, because we are under a very tight timeframe, Christmas and New Year notwithstanding, to deliver a plan in mid-January [2021]. We will do that. I do not underestimate - and I would ask you not to underestimate - the point that Heidi made. The pressure on our teams is almost intolerable, but they are professionals and we will submit this plan.

Caroline Pidgeon MBE AM: Thank you. Once you have fleshed out some more of these savings that you are finding, perhaps we could have in writing some of the details so that we understand what you are doing.

Andy Byford (Commissioner, Transport for London): Sure.

Caroline Pidgeon MBE AM: Thank you. I will leave my questions there. Thank you, Chair.

Susan Hall AM (Chairman): OK. I am bringing in Assembly Member Moore in a minute. I will say that political gameplaying is not what we do when billions of pounds of taxpayers' money, as was rightfully said by our Commissioner, is at stake here. I will say that the Government is not anti-London. Can we just stick to the budget? If not, I will retort in this way. Assembly Member Moore?

Dr Alison Moore AM: Thank you, Chair. I have two quick follow-ups, if I may. The first concerns the issue of the funding mechanism, which you have talked about. Simply, can you confirm that the Government will fund the shortfall if, as now seems very likely, passenger demand will be below 65%? Are you confident in that mechanism and that it will make that up?

Heidi Alexander (Deputy Mayor for Transport): Yes.

Simon Kilonback (Chief Finance Officer, Transport for London): Yes. We are confident that the mechanism allows for that. The letter makes very clear that the Chief Secretary to the Treasury has to go through a governance process once we get above the £1 billion funding, but the mechanism is set up to allow for that, or any other variations, between now and the end of the year.

Dr Alison Moore AM: Due diligence is absolutely fine, but it is there and you will get that. The other one is coming back to this issue about the gruelling and complex process. I guess you have referred very strongly, several of you, to the huge pressure it puts on you as an organisation to have to go through this process again.

The Mayor called for an 18-month deal but the agreement only lasts until March [2021] and we all know that. Did the Government press for the deal to cover that shorter timeframe? If so, did it explain the rationale? The Chair's comments about public money notwithstanding, in terms of value for money and the pressure and the time it has taken you as a top team, was there a rationale behind the Government holding you to another six-month deal?

Andy Byford (Commissioner, Transport for London): If I might answer that, I would say that in fairness to the Government what it said was that it wanted to do this shorter deal in order that we then focus our attention on the prize of the long-term sustainable financial deal that we all want. To a certain extent, I was happy to go along with that because that is the real prize here. I want to get on with that sooner rather than later. If the price to be paid for engaging positively and actively with the Government on the long-term deal is a suboptimal deal this time - in other words, shorter than we might have wanted - I will sign up to that. Ultimately, that is exactly what we did. As a professional public servant, I am not interested in the politics and I am not going to get engaged in the politics. I just want the funding to enable me to do my job, which is to provide excellent transport for this wonderful city.

We took the deal but, equally, now the quid pro quo is, "OK, Government, we accepted the shorter deal. We will now hold you to your word in that you said you wanted to work with us to come up with a longer deal. Let's start talking". That is exactly what we are doing.

Dr Alison Moore AM: Your professionalism is commendable and, at the risk of getting ticked off by the Chair, particularly in relation to the issue around the TOCs. Thank you very much, Chair.

Susan Hall AM (Chairman): Thank you. Assembly Member Devenish?

Tony Devenish AM: Thank you very much, Chair. Good afternoon, all. Good afternoon, Commissioner. Under the conditions of the settlement, you are due to submit a plan next month on how you are going to achieve financial stability by April 2023. Are you on schedule to deliver this, in your view, please?

Andy Byford (Commissioner, Transport for London): Good afternoon, Assembly Member. Yes, we are. We are very focused on the fact that we have an immovable deadline. In many ways, again, notwithstanding the festive period coming up, sometimes having an immovable deadline has the upside of totally focusing your mind. We are fully engaged on that. We will meet that deadline.

Tony Devenish AM: Could you take us through, slowly, each of the key features for your emerging plan, please?

Andy Byford (Commissioner, Transport for London): Yes. The key there is that it is an emerging plan, and I would not want to in public talk about it until we have had the opportunity to run it past stakeholders.

The key elements will be that we want a long-term sustainable plan, one that weans us off a dangerous over-reliance on the fare box because that has proven to be our Achilles' heel. We have a 72% reliance on the fare box, which, in my international experience, is practically unheard of. I can think of only Hong Kong with a very different model that has such a high level of fare box recovery. Most transport systems have a way lower reliance. My old stomping ground of New York has around 32%. That is one of the factors.

The other factor is of course that we have to factor in a whole bunch of variables. What income projections should we factor in? By income, I mean not only revenue through the fare box. What should we assume by way of maybe new revenue streams? What should we assume by way of funding through existing revenue streams such as the Congestion Charge, the ULEZ and the things we talked about earlier? What will ridership look like? What do the savings requirements look like? It is very much a work in progress, but we are building it around a range of scenarios.

It ultimately depends on what the Government wants us to do. I would leave it there because it is very much a work in progress, but we are on the case.

Tony Devenish AM: When we met in October [2020], it was clear that your aspirations involved some sort of devolved funding or income from direct taxation, as in many other cities. I know this is difficult, again, for you to answer, but is this something you will be exploring in your plan? Is it an argument that has had much quarter with the DfT? If you can be specific at all - I know that is a big ask - that would be helpful.

Andy Byford (Commissioner, Transport for London): Sure. At the risk of not being specific, we should explore everything. I guess in some ways, ultimately, I am fairly sanguine about income streams. There is a political connection there because it depends on what is palatable either to City Hall or to central Government. Our job as the civil servants whom you entrust with the running of the transport system is to come up with the best advice that we can in terms of moving away from a dangerous over-reliance on the fare box, towards a more diverse revenue stream.

The key issue for me on the revenue stream is that it should be something upon which you can rely and should not be subject to the whims of things such as pandemics and that we bake in a revenue stream - or probably more likely a bunch of revenue streams - that enable you to plan with confidence. Planning with confidence is inherently more efficient. You can extract much better deals from contractors. You can drive much harder bargains with suppliers because you can plan with certainty and, to be honest, they also have the certainty that you are not going to default on your payment schedule.

I am really leaving nothing off the table, but, clearly, there will also be some political choices to be made, which is something I would have to secure via stakeholders.

Tony Devenish AM: You will appreciate many of us are or have been councillors. The agreement suggests that council tax may go up to fund the concessions. How much will these concessions cost, in your view?

Andy Byford (Commissioner, Transport for London): It is too early to say, Assembly Member, because we would have to look at which options we would want to choose, the level at which it would be fair to set them, and what revenue they would generate. We simply have not done that work yet but, clearly, that needs to factor into the FSP that we put forward. By the way, I can safely say that that will not just be a plan of one scenario. It will be a plan for a bunch of scenarios that provides choices for stakeholders to pick from.

Tony Devenish AM: Does the Deputy Mayor want to add anything on any of those points before I move on?

Heidi Alexander (Deputy Mayor for Transport): No. I would just say that the work that Andy references about the notional lost income from the concessionary fares in London, which are additional to what is offered elsewhere in the country, is quite a difficult calculation to do because we have inherent demand uncertainty still. How much are children and young people and over-60s going to be travelling next year? It is not going to be the same as it was back in 2018/19, for which we have data available.

Also, you will recall in all the conversations we had about free travel to school for children under the age of 16, when we were looking into who might be eligible still for free travel based on the statute, it could be about half of children in London eligible for free school travel. In the last six months - not even that - since the schools have been back, we have seen a lot more children walking and cycling to school and not using the buses much.

We have to plug all of those variables into the calculation about what the notional lost income is and therefore the amount of money that we need to raise.

As I said in response to the questions I was asked earlier, the Mayor has not made a decision yet about the proportion or the balance, if you like, and where the income will come from. Will it come from, say, the current changes to the Congestion Charge in central London staying in place for the first six months of the financial year and then possibly a modest council tax increase? The Mayor needs to look at the provisional local government finance settlement. We have not seen that yet and once he has had a chance to review and consider that, he will be making a decision. As per that letter that has come from the Secretary of State to the Mayor, we are required to tell the Mayor by 11 January [2021] what our proposal is for funding that element of concessions. That is all still work in progress.

Tony Devenish AM: Thank you. Moving on to David, good afternoon. Again, I know this will be difficult but can you tell us how much council tax would need to rise in order to fund these concessions not available nationally? Again, I am sure you are going to have difficulty answering that question but I will ask it anyway.

David Gallie (Executive Director of Resources, Greater London Authority): Thank you, Assembly Member Devenish, for that question. As I said earlier with the Mayor at a previous session, the only way that I can really answer that question is to give you the denominator here. Every 1% increase in the non-police precept raises just under £3 million[1]. You can see that to address the scale of number that is required for the discretionary concessionary fares, albeit those numbers are still to be calculated, it would require a significant council tax increase.

Tony Devenish AM: OK. The deal letter specifically refers to "existing TfL elements" of the precept potentially being increased to fund these concessions. If that is what the Mayor is minded to do, that precept is just under £2 on a band D bill. To make it a bit clearer about what all this means and what this could potentially increase to, is there anything else you are able to add at this stage?

David Gallie (Executive Director of Resources, Greater London Authority): Not at this stage. As the Deputy Mayor has said, the Mayor will need to make that decision on how the discretionary fares are to be funded. There is an issue he needs to consider around the council tax element of that. However, as I say, the ability to raise council tax is very limited given that the scale of increase is generating only a relatively small sum of money compared with the pressures on TfL more generally, and in particular the scale of costs of those discretionary concessionary fares.

Tony Devenish AM: OK. I will move off this point and back to the Commissioner, please. Which Tube lines, in your view, are best suited to the implementation, potentially, of driverless trains?

Andy Byford (Commissioner, Transport for London): That is a big question. There is a lot that goes into providing driverless trains. People sometimes assume that you can just convert the train and then it will drive itself and it is as easy as that. It is actually a hugely complex issue.

[1] After the meeting, the Executive Director of Resources clarified that a £1 increase in the non-police precept would raise just under £3 million, not 1%.

You have to, in most cases, change the train because a lot of our older trains - take as an example the 1972 Tube stock on the Bakerloo [line] - would not be capable of driving itself. Modern rolling stock can be converted but, typically, you would have to have new trains.

You would have to have a signalling system that could be adjusted to allow for automatic train control (ATC) and automatic train operation (ATO). There is a third element, which is called automatic train supervision (ATS).

Without question, you would have to fit platform screen doors. The Rail Regulator would not let us operate trains without drivers unless there was an absolute protection of the track, which would stop people falling onto the track or jumping in front of trains. Platform screen doors would have to be fitted.

In order to fit platform screen doors, ideally you need straight platforms. You can fit platform screen doors to curved platforms, but it is inherently more difficult because of the nature of the curvature of the platforms. You would have to make sure that the platforms themselves were capable of accommodating the weight of the doors, which is not insubstantial.

Finally, you would also have to adjust ventilation systems. Because of the presence of platform screen doors, you fundamentally change the dynamics - the physics, if you like - of the passage of air through what at the moment are open Tube stations.

You would be looking to choose a line where the minimum number of those factors were present, which is why it is actually very difficult to do. It would take, I would suggest, around a decade and it would cost literally billions of pounds. My preference would be to spend that money on upgrading the signalling with communications-based train control (CBTC) across the whole network.

Tony Devenish AM: Commissioner, that is probably your best Sir Humphrey Appleby answer so far in your tenure.

My actual question though, with the greatest of respect is: which Tube lines are best suited? You managed to go through the whole answer giving reasons not to. I am going to give you a couple of Tube lines that perhaps may be easier than others. I am sure you will demolish these but I am going to give them to you anyway. One is the Victoria line and one is the Waterloo & City line.

Are you minded at all to seriously look at this? I know the Associated Society of Locomotive Engineers and Firemen (ASLEF) is against it and came up with a wonderful figure. You could probably send a man to the moon for the figure it came up with. Is this something that you could look at that would save us money?

Andy Byford (Commissioner, Transport for London): In answer to your question, we are bound to look at it because this was a condition to which we signed up. We are looking at it, absolutely.

Tony Devenish AM: Are you seriously looking at it?

Andy Byford (Commissioner, Transport for London): We are looking at it in that we will participate in a working group with an expert yet to be determined and to be appointed by the Government.

The Waterloo & City line I would suggest at face value looks like a candidate because it is basically a shuttle with a station at either end. However, the reason I gave you the answer I gave you is because it is not a simple solution. There are a lot more factors than people realise. The Waterloo & City in many ways would be one of the worst lines to equip because, although it has a lot of users, it is very peaky, with a lot of people in the morning peak and a lot of people in the evening peak. It has only two stations and so the cost-benefit ratio for that short line would not be great.

The Victoria line does meet some of those criteria that I checked off. It already has semiautomatic trains. The Victoria line trains are semiautomatic. It does have straight platforms and so it would be more appropriate for that treatment.

Let us let the working group do its job, taking into account the various factors that I just described. Yes, we saw the line in the funding settlement that said we should engage and, indeed, we will.

Tony Devenish AM: Can you give me an idea of the timescales for when this piece of work will be finished so that we have a full timescale for when we could potentially have driverless trains on the network?

Andy Byford (Commissioner, Transport for London): Let me do that the other way around. For driverless trains on the network, you are looking at least five years - and probably more like a decade - away, but it really depends on which line you choose. The working group timeframes are hard to determine because we do not have the working group together yet. We are reliant on the Government coming up with the expert who is going to set the terms of reference. It can be done. Paris has converted a line - I think it is line 14 - to driverless operation.

The other issue that would have to be taken into account and that we should not underestimate is the societal acceptability of driverless trains, particularly - and this point does need to be made - particularly on lines that were not designed for that purpose. Bear in mind that the deep-level Tube does not have catwalks. There is no evacuation platform. If a Tube train today fails in the tunnel - and these are one-person-operated trains - you have only two options to evacuate: out of the front or out of the back. There is no catwalk along the side. You would, again, with a driverless train, need to figure out what to do if that train fails midsection. What do you do if someone pulls an emergency alarm midsection?

These are complex issues. That is why I have given you quite a lengthy answer. There are a lot more factors to it. I am a railwayman. There are a lot more factors to it than simply thinking, "Great, let us have driverless trains". It is a very complex equation, which is why they are not the norm on old systems. They are if you are building brand new - do not get me wrong - because you build in all of the factors from the start. Conversion of existing legacy subways is very difficult, time-consuming and expensive.

Tony Devenish AM: I am looking forward to coming with you with the Transport Committee and Heidi to line 14 in Paris in the near future. I will leave it there, Chair.

Susan Hall AM (Chairman): Thank you. This is why I love the Budget Committee. You learn so much. I am going to bring Assembly Member Berry in because she asked to come in on the council tax, and then we will go to Assembly Member Moore after that.

Siân Berry AM: Yes. This is a question for David Gallie, if that is all right. It is about the treatment of the deficit in this year's council tax within the draft consultation budget that came out yesterday.

I am slightly confused as to where the shortfall in this year's council tax gets reflected and what the assumptions are about that. Will part of this year's council tax requirement be covering last year's deficit? Where does it sit? It does not seem to be in any of the tables. Please explain. If we are going to look for council tax money to cover the concessions, then we might need to also be covering the deficit from last year. I am not sure if we do or where it is written down.

David Gallie (Executive Director of Resources, Greater London Authority): Thank you. That is a really good question for us, Siân. Thank you.

What happens is that the billing authorities - the boroughs and the City of London - are required statutorily to pay the sum of council tax as set out in the Mayor's precept, and boroughs are actually paying those sums over to us. From a cash point of view, in 2020-21, the council tax will come through fully and there are no shortfalls in boroughs' cash payments to us. However, as part of their returns at the end of January [2021], they will set out the real deficit on council tax that they are anticipating and that will then generate, as you say, a collection fund deficit on council tax, which we will then have to budget for.

We have made assumptions in the consultation document around that. That is the generation of that original £493 million figure that you can recall from the Mayor's budget guidance. We are dependent upon those returns to set out the exact scale of the deficit that will come through in this financial year and also the boroughs' anticipated reduction in the council tax base that they will come through.

We are anticipating not only a deficit in 2020/21 but also a further reduction in the council tax income that we can generate in 2021-22. The number that I quoted earlier, 1% equating to £3 million[2], is based upon the council tax base at the moment. We could anticipate there would be a fall on that council tax base in 2021/22. To generate that £1 increase may generate somewhat less than £3 million depending on the scale of reduction[3]. As you probably recall, we had assumed there would be an overall 7% reduction in the council tax base for 2021/22, albeit that would be offset by the growth we are seeing. Overall, we are looking at about a 5.6% reduction on our budget assumptions, which is the figure you have in the consultation document.

As I say, these numbers are based upon our best forecasts and are based upon borough returns. We need to wait for the billing authorities' actual returns at the end of January or early February [2021].

Siân Berry AM: The shortfall from the current financial year is covered by the in-year savings we have tried to make and we do not have to carry anything forward? The 5.6% reduction next year is purely to do with the reduction in the council tax base for the next year?

David Gallie (Executive Director of Resources, Greater London Authority): There are two things going on. There will be the anticipated reduction in the council tax base in 2021/22 but there will also be the impact of the boroughs catching up with what has happened in 2020/21. At the moment they have already paid those sums and so there is a double whammy going on, which is why from a budgeting point of view, we were

[2] Please see clarification at footnote 1.
[3] As above.

keen to ensure activity takes place in this financial year, in anticipation of the double hit we are anticipating on council tax over the two financial years.

Siân Berry AM: OK. I can follow that. Thank you very much, Chair.

David Gallie (Executive Director of Resources, Greater London Authority): Thanks.

Susan Hall AM (Chairman): Thank you. I am going to hand over now to Assembly Member Moore. Colleagues, we are going to have to pick up the pace a little bit because we are running over. Thank you.

Dr Alison Moore AM: Before I pick up the questions I was going to ask, I did want to come in about the driverless trains. I had a question first off: when the Government talks about driverless trains, do you know what grade of automation is being referred to?

Andy Byford (Commissioner, Transport for London): My understanding is not full automation because, as you rightly say and as your question suggests, there are various levels of automation. To have absolutely no one on board and full automation is the highest level of automation. My understanding is that they are talking about still having a person on board akin to the train captain on the Docklands Light Railway (DLR), so any savings you would be looking to achieve by not having personnel on board would be somewhat offset by the fact that you would still have to have a presence on the train.

Dr Alison Moore AM: Correct me if I am wrong, it is that capacity? We have talked about the Victoria line and I remember from the strikes in the early 1980s that it was designed in that way. The Jubilee line is a new line. Could it be driverless as it stands?

Andy Byford (Commissioner, Transport for London): The three lines that currently have modern signalling are the Jubilee, the Northern and the Victoria lines. They have CBTC. Progressively, we are rolling out modern signalling on the District, the Hammersmith & City, the Circle and the Metropolitan lines. Certainly, having modern signalling is one of the elements that I listed out in my answer to Assembly Member Devenish. Those have that advantage that we have already made a start. The Jubilee line has platform screen doors for part of its length, on the part that was built as the Jubilee line extension.

However, as I said in my earlier answer, there are a lot more elements than apparently meet the eye. If you are going to still require an onboard presence - and our early discussions with the Government have suggested that would be the case - then you would still incur the cost of having that person.

That is really why I argue that the better use of money - again, public money - is to use that money to re-signal the whole of the Tube. Why do I say that? We would get inherently more reliable operation. We could run more trains because we could run them safely closer together. Look at the Victoria line with 100-second headways, which is second only to Moscow in terms of frequency. We would have way less lineside equipment to maintain. That is where you would get your biggest bang for your buck, not driverless trains. We are required to cooperate with this study and so of course we will.

I would say for the record by the way that I am very proud of my train operators and what they do every day.

Dr Alison Moore AM: To flesh that out, finally, I understand there is a report that talks about £7 billion being the estimated cost of all of those works. I would ask you if the Government is going to fund that programme, but it does give a sense of the enormity of the retrofitting you have into the old lines. You indicated you are looking at signalling and presumably, where it is appropriate, as you upgrade lines you will be doing some of that work as you progress to improve the current experience?

Andy Byford (Commissioner, Transport for London): We will. We are very keen. For example, the rolling stock needs to be replaced on the Bakerloo line at some point. It is now 48 years old. At this rate we will be - safely - running 60-year-old trains way beyond their design life. The signalling on the Piccadilly line is safe but is increasingly unreliable. That needs to be replaced. Much better use of scarce public funds is to bite the bullet and to get these lines re-signalled, and to provide the rolling stock that is compatible with that new signalling. That is a much better use of funds than all of the huge cost that comes with implementing driverless trains. Again, we know what our marching orders are in terms of compliance with funding deals and so we will engage and will do so properly with the working party once it is established.

Dr Alison Moore AM: Maybe it will increase the justification and the arguments around some of that capital funding for that upgrade work. I will move on to the questions I was going to ask but thank you for that because there is a misapprehension that it would be a relatively straightforward thing. One of the things that Crossrail has taught me in my relatively short period on the London Assembly, is that many of the things you are talking about retrofitting into these lines are things that come as part of the Crossrail package, like that issue around ventilation and a whole range of other things. I recognise that they are not simple things to do on some of those lines. Some of the tunnelling is more than a century old. That is an interesting question. Thank you.

Moving on and back, in a way, to the second deal issue, the second deal ends just before the Mayoral and [London] Assembly Elections. What challenges does reaching a deal with the Government present when it is going to be done in, perhaps, the heat of an election campaign or a pre-election period? Do you see that as being a difficult situation to deal with?

Heidi Alexander (Deputy Mayor for Transport): Perhaps I might go first, Andy, and you might want to make a comment as well.

Yes, if I were cynical, I would say that the Government had set this thing up so that we were negotiating at the end of March [2021] five weeks out from an election. I know I may be testing the patience of the Chair with these remarks - I can see her nodding - but I am concerned that there will be a temptation on the part of the Government to enter into even more gameplaying than we have seen previously.

There is a timing issue around the fact that the rollout of the vaccine is going to have happened to those at-risk and vulnerable groups by the end of March. We will not have had any period of time in the warmer summer months when we know that people are, on the basis of this year, more likely to go out, go to work, go into the office, see friends and socialise. The timing issue is one of perhaps politics again getting in the way.

Also, in the spring and going into the summer, without the benefit of seeing how people are living their lives, the assumptions we are going to make about how quickly and to what extent the demand is going to rebound make it difficult as well. There is a genuinely difficult question about the assumptions that underpin that deal. That is some of what we are playing out through our work on the FSP.

I have been surprised, to be honest. In fact, I have been astonished at the extent to which the Government has played politics through this pandemic. I recall back in March [2020] in the first meeting that we had with the Secretary of State when nearly 30% of our workforce on the Tube was off sick or self-isolating. We genuinely woke up every morning worried about whether we could keep that service running. I remember in that first meeting, the Secretary of State raising the fares freeze with the Mayor. It did feel to me as if they were seeking to settle old political scores in the middle of a global pandemic. I found that deeply disappointing.

People can be unhappy about the fact that I express that view and I am open in saying it, but it is the truth. It is the truth of the matter. I really hope that come March [2021], when we have submitted the FSP, we can move away from that, because it is not helping the city. We want the outcomes that are best for London and best for Londoners.

Dr Alison Moore AM: Thank you very much. That is really helpful. You reference this FSP as one of those working-forward elements.

The deadline is 11 January [2021]. Are you on schedule to deliver on 11 January? What options are you currently considering? Is there anything you can talk about? I do have a couple of follow-up questions.

Heidi Alexander (Deputy Mayor for Transport): Andy really went through that in response to a question that Assembly Member Devenish spoke about earlier. In the interests of time I will not go over those sorts of themes that Andy talked about, but I will confirm that we are on track to submit it by 11 January.

Dr Alison Moore AM: That is great. I wanted to ask a couple of key questions in terms of funding sources and some of the ways in which elements are being dealt with. We talked earlier about the concessionary fares and I would have come in at that point but, to make things move more smoothly, the Chair indicated that I would come in at the end.

On concessionary fares, I wanted to clarify. Other transport systems provide concessionary fares for young people. For example, Sheffield offers cheaper tram travel to young people. Does the Government's emergency COVID funding for these transport systems require those local authorities to cover the cost or is it a unique demand for London? Is that something that has been raised? It does slightly run counter to the line that the Government is taking.

I will set that in context. One of the things that the COVID crisis has done very much is to reveal the levels of inequalities across London. I have become very aware that the number of Londoners owning cars is far lower than elsewhere in the country. It, for me, strengthens the case for young Londoners being more reliant on public transport. Has that been taken into account in considering that element?

Heidi Alexander (Deputy Mayor for Transport): I do not know the specific situation with the trams in Sheffield and so I cannot comment on that. I do not know and I suspect that neither Andy nor Simon nor Patrick would know the answer to that, either.

I do agree with you, though, that the importance of public transport in London, given the level of car ownership, which is much lower than elsewhere in the country, cannot be overstated. Therefore, the affordability of that system, especially to people on lower incomes, is absolutely critical. The availability of concessionary travel in London, given our dependence upon it and the number of people who are over the age of 60 and still in work and perhaps feel that they have put into the system all their lives, and the way our city functions is different from many other places in the UK. Sometimes in the negotiation with the Government, I felt that the Government has not really appreciated the criticality of the Tube and the buses to Londoners' lives.

We could not have known that the pandemic was coming. We could not have planned for it. What we have done prior to the pandemic hitting was to be very disciplined with regard to TfL's finances. I will not rehearse those figures again because we have talked about them a lot, but part of this process of negotiation with the Government at the moment needs to be getting it to a place where the Government understands the importance of the public transport system, not just for London, but for the UK as a whole. Andy has quoted those figures before about the amount that we spend on our supply chain out of London. This really is national infrastructure that we are talking about. We have to protect it and we have to invest in it. That is what we are going to be working with the Government to achieve through this FSP.

Dr Alison Moore AM: Not least in terms of London producing a £39 billion tax surplus, which feeds back into that wider economy.

Heidi Alexander (Deputy Mayor for Transport): Indeed, yes.

Dr Alison Moore AM: As a longer-term financial option, has the Government responded to your request to allow London to retain that £500 million a year that Londoners pay in vehicle excise duty? It is one of those conversations that has been had in the Transport Committee several times.

Heidi Alexander (Deputy Mayor for Transport): The Government has discounted it to date.
Assembly Members and people listening may have seen the press coverage at the end of last week when the Mayor renewed his call to retain vehicle excise duty in London. Every year £500 million is paid by Londoners who own cars, money which goes into the Treasury but which is spent almost exclusively on roads outside of London. We have not had any further contact from the Government since the Mayor made that call again on Friday. It has dismissed it in the past, but it does seem unfair that Londoners are paying to maintain roads outside of the capital but that the reverse is not true.

Dr Alison Moore AM: I do not underestimate the challenge of working through this negotiation and thinking about that medium and longer-term funding set of options.

Will the plan be published when you submit it or when the Government has had a chance to look at it? If not, can the Committee receive a copy?

Heidi Alexander (Deputy Mayor for Transport): No decisions have been made at the moment about planned publication. There are arguments on both sides, are there not? Clearly there is a transparency argument but there is also the need for us to have some meaningful discussions with Government. It may feel a bit to me like that would break the tradition that we have been in, but we should aspire to that nonetheless. However, there has not been a decision taken about the publication of the FSP.

Dr Alison Moore AM: In other circumstances I would have asked you about publishing the results of your own independent financial review but that is now published --

Heidi Alexander (Deputy Mayor for Transport): That is correct.

Dr Alison Moore AM: -- so I am sure that is playing into your discussions, and is forming part of those.

I will not ask about the KPMG report and whether you see a less redacted form. Thank you very much, Chair.

Susan Hall AM (Chairman): On that section, I can assure you that the Government is more than aware of how important the transport systems are, not least here in London, hence the - what is it - £3.5 billion bailout.

Now I shall move on to the next questions, and they are for Simon really. We will steam through these, Simon, if we may so we can get back into some sort of time zone. Your budget submission shows progress against the £160 million in savings that you are required to make as part of the second agreement with the Government. Which of these are one-off savings and which are recurring?

Simon Kilonback (Chief Finance Officer, Transport for London): Chair, the majority of the £160 million are one-off savings, given the requirement to find them in short order for the second half of the year. Our focus was on the £413 million and making the majority of that recurring savings and, in fact, building forward into the next two financial years, with about £260 million of further savings over and above our previous plans that we are anticipating to be recurring.

The £160 million was all about reducing the amount of money that needed to be found for H2. Therefore half of the money is in reducing the amount of ambition that we have previously been talking to Government about for the Active Travel programme. The other £80 million is broadly half deferrals that can be put off to next year, but no longer, and therefore will come back next year, and half actual savings that we are making because we are, year to date, £80 million of our operating cost budget. Those are savings that we feel confident we can actually find in the end.

Susan Hall AM (Chairman): What are the headline ones on deferrals?

Simon Kilonback (Chief Finance Officer, Transport for London): We set that out in our budget presentation. They were largely around renewals work on the Tube network and the rail network, together with about £80 million of reduction of activity on the Streetspace and Active Travel plan.

Susan Hall AM (Chairman): Your submission mentions income generation as part of meeting this £160 million, which is on page 29, "This has been a challenge for TfL and indeed many functional bodies during COVID-19". What avenues of this are you considering?

Simon Kilonback (Chief Finance Officer, Transport for London): Clearly we will look at every avenue we possibly can to raise our income. In the first instance, our focus is on recovering the income we have lost, predominately in terms of fares, in terms of the charges we have already talked about and in working with our partners in the advertising and media world in order to recover those as quickly as we can. We will be putting forward as part of the FSP an ambition to go further with our housing and property development and our retail activities, which will require investment but will allow us to generate significantly greater ongoing recurring revenue streams.

Susan Hall AM (Chairman): The submission states that you have £36 million in savings from the Government's Coronavirus Job Retention Scheme, but you previously told us it would be £50 million. What are the differences between the two figures?

Simon Kilonback (Chief Finance Officer, Transport for London): We are actually saving £60 million this year as a result of the application to the Coronavirus Job Retention Scheme. The line you refer to in the budget document includes some increases in small grant funding that we are expecting to set off against those other ones. Therefore it is a £36 million net increase in those various grant items, of which the total saving that we expect to get from the use of the Coronavirus Scheme is £60 million.

Susan Hall AM (Chairman): Simon, at the Plenary meeting in September you said in relation to the furlough scheme, I quote, "The Government insisted that we use the furlough scheme first before we got any other funding". We asked the Mayor for a copy of the letter setting this out, he provided one and it was dated 12 April [2020]. It was to the former Commissioner, Mike Brown. That stated that both TfL and its supply chain will "be able to benefit from the Coronavirus Job Retention Scheme".

With respect, there is no insistence or conditional element to the statement, or indeed anywhere else in that letter at all. Can you clarify why this seems to contradict what you said or has the Mayor just given us the wrong letter, is there a letter that states exactly what you said?

Simon Kilonback (Chief Finance Officer, Transport for London): There is a letter as you describe. Then there were ongoing funding negotiations in which we tried to get the Government to agree to funding early rather than towards the end of May [2020] when the first funding deal came into place. As a result of that we were heavily encouraged by senior officials and Government Ministers to make maximum use of the schemes that the Government had set out that were not specific to TfL, of which the Coronavirus Job Retention Scheme was one. We made the point very clearly - for both ourselves and in particular more so for our supply chain both in TfL and on Crossrail - that that would be at odds with the policy the Government had adopted for Network Rail and Highways England, where the funding of those bodies allowed them to continue to advance money to the supply chain rather than seeking to push them towards the Coronavirus Job Retention Scheme. It is the same money but it has a very different impact. Our desire was to be funded early in the process and to work with our supply chain and our people in order to carry on doing as much as we possibly could, but that is what we were encouraged to do in the course of the discussions.

Susan Hall AM (Chairman): This was brought up to the Mayor and he said he would send us the letter that stated it, and the letter he sent did not actually say that. Has he sent me the wrong letter, 12 April [2020], or was there something else with them insisting?

Simon Kilonback (Chief Finance Officer, Transport for London): Chair, I have just answered that question. There was a letter sent and then there were ongoing discussions where we were told to pursue this route.

Susan Hall AM (Chairman): To put a line under that, if there was a letter where they were insisting you do it can you get me a copy please?

Simon Kilonback (Chief Finance Officer, Transport for London): Sorry, I have just answered your question. The letter is the letter you received. There were discussions where we were encouraged to avail ourselves of this long before we got to a funding deal with the Government.

Susan Hall AM (Chairman): Therefore, in actual fact, you do not have anything in writing from that?

Simon Kilonback (Chief Finance Officer, Transport for London): That is what I have just answered very clearly.

Susan Hall AM (Chairman): It was not very clear to me. I will look at this later, because of the time aspect, and then if I am not happy I will write to you and perhaps you will get back to me and I will share it with the Committee.

Andy, on the issue of topping up salaries of furloughed workers, you wrote to us on 23 November [2020] stating:

> *"Topping up furlough payments was not only the right thing to do but also the only thing we could do. In order to pay one of our employees less than their full contractual salary we would need to amend their contract of employment. This can only be done with the agreement of the employee. Where an employee declines to give such agreement we may choose to make the employee redundant, which may trigger a requirement for a period of statutory consultation."*

At the time you made the decision to top up, were you aware of the possibility of either an individual or an *en masse* refusal to agree to a lower salary?

Andy Byford (Commissioner, Transport for London): It has predated me, Chair. When you say "were you", I personally was not because I did not work for TfL then. If "you" means was TfL aware of that, I am confident that was the case. We know the legislation and what our machinery of negotiation, our agreements, with the unions say. Therefore we took the pragmatic decision it was better to top the individuals up and to keep them usefully working rather than not be able to get the benefit of the money that was available from Government while we went through consultation exercises.

Susan Hall AM (Chairman): How many people do you believe would not agree to coming in under that scheme?

Andy Byford (Commissioner, Transport for London): If someone feels that they were not going to be topped up and their job was at risk, most people - it is human nature - would absolutely say, "In that case I will see my union", and expect the consultation to be triggered.

Susan Hall AM (Chairman): You are assuming. Does anybody know - does Simon know - if anybody actually triggered that?

Simon Kilonback (Chief Finance Officer, Transport for London): Chair, we engaged properly with our people in the trade unions through the company counsel and trade union machinery and agreed that this was the course of action open to us at the time. Given that the scheme only ran until the end of May or beginning of June at that point in time we could not even get into a 90-day consultation when we had to start looking at using the scheme.

Susan Hall AM (Chairman): It would have had to have been triggered though. I am asking if anybody triggered it.

Heidi Alexander (Deputy Mayor for Transport): Andy was not here but I was part of those discussions with Mike Brown, the former Commissioner, and Simon. We were desperately trying to get Government to commit to a funding agreement with us.

Susan Hall AM (Chairman): I was talking about the furlough scheme. Heidi, I just want to talk about the furlough scheme.

Heidi Alexander (Deputy Mayor for Transport): It is a really important context. I am really sorry, but it is important context that the funding deal was not concluded until 14 May [2020]. There was an expectation that we would avail ourselves of the furlough scheme. You will also recall that Government said to private sector employers, as well as other employers, "If you are using the furlough scheme you can take a decision as to whether you will be topping individual salaries up". ONS data suggests that 42% of private sector companies did that because they believed it was the right thing to do for their employees. That is the process that Simon has explained and that we went through with Mike at the time.

Susan Hall AM (Chairman): I know that. I will just stop you because you are going over it. More than half of the private sector could not afford to top it up, that is my point. In order for you to have had to top it up, my question - it was quite simple - was based on how many people objected to it, which would have triggered you then having to put it in. I am not going to get an answer to that. I am assuming you spoke with the unions, which is what you have said.

I will go on to my last question. You are asking for further funding of £3.1 billion in 2021/22, £1.8 billion in 2022/23 and approximately £1.5 billion to £2 billion after that. Do you envisage a time when you will not be dependent on Government funding, Andy?

Andy Byford (Commissioner, Transport for London): Certainly for the short term, no. That is the whole purpose of engaging with Government on the FSP, with all the variables that we have previously described. There can come a point where we are back to being in a better place in terms of our operating budget because once before, under my predecessor's leadership, we took the cost base down remarkably to the point that the Tube almost broke even, which is practically unheard of in world transport systems. At the end of the day, COVID has decimated our finances so I do not see any situation under which we will not rely on some form of Government funding for the next few years for operating expenditure.

For capital expenditure, for the really big-ticket items - buying new trains, buying new signalling systems - I would always expect there to be some sort of Government support for something that is as fundamental as that. I would also, and I do intend to, make the argument that is good investment because it also keeps London moving, which ultimately generates the £39 billion that Assembly Member Moore referenced earlier on.

Certainly not in the short term, and I do not think for capital that we would ever be completely un-reliant on some form of Government funding.

Susan Hall AM (Chairman): You say not in the short term. If you were going to project a date that you would hope to not be going to the Government for funding, for taxpayers' money to shore up things, when would you like not to be so dependent?

Andy Byford (Commissioner, Transport for London): The best answer really is that we should let the FSP Working Group do its work, because that is exactly the exam question that it has been set. We have been set that objective from Government. It has said it would like us to provide a plan to enable TfL to be financially self-sufficient by 2023/24. My personal view is that is still a big ask but we are working through various scenarios at the moment, informed by the various variables that I have referred to earlier. Only once that work has been done, Chair, will we be able to credibly answer that question.

Susan Hall AM (Chairman): OK. You are aiming for it and so that is good news. Now we go on to the next section, so I will call upon my colleague Dr Onkar Sahota, please.

Dr Onkar Sahota AM: Thank you, Chair. My questions are towards the Commissioner and they are about the cash reserves. The GLA Group is expected to make savings of £493 million, of which £297 million is from TfL. How do you intend to make those savings?

Andy Byford (Commissioner, Transport for London): Assembly Member, I am going to actually ask my CFO, as my resident expert, to take that question, please.

Dr Onkar Sahota AM: Thank you.

Simon Kilonback (Chief Finance Officer, Transport for London): Thank you, Chair, and thank you for the question. The savings that we need to make in response to the reduction in business rates and council tax are already baked into our budget for the next two years. That is the - I will get the number slightly wrong - £266 million savings we set out in our budget presentation over and above the level of savings we otherwise would have been looking for in the 2019 Business Plan. That has been set out. Again, we will be happy to set the detail out for you. It is already published on our website but we can happily write in and set it out again for you, it is baked into our budget though.

Dr Onkar Sahota AM: Perhaps you could write to the Chair. Other GLA bodies are using their reserves to release the pressure on them. Why are you not doing that?

Simon Kilonback (Chief Finance Officer, Transport for London): We have - with respect, Assembly Member - already contributed £1 billion of our reserves before we got any Government funding to offset the funding pressures this year. In working with the Government and its advisers at KPMG, they have set us the task of being financially sustainable. The Government and its advisers recognise that for an organisation of our scale and complexity, with over £30 billion of forward liabilities, we will need to rebuild our cash reserves in order to give confidence to our supply chain and our lenders that we can meet our obligations as they become due. There is no sense from Government or from its advisers that they are looking for us to go below the £1.2 billion. Indeed, what we have seen of those reports shows that everybody is aligned with the need to rebuild a higher level of reserves so that if a shock less than a pandemic were to occur, TfL could weather it on its own and not require further financial assistance.

Dr Onkar Sahota AM: Are you able to tell me why the credit agency is asking you to increase your cash reserves? They are currently at 30 days, you want to go back to 60 days, but now they are asking to look forward to 120 days' reserves. Why is that, why would the credit agency want you to do that?

Simon Kilonback (Chief Finance Officer, Transport for London): The credit rating agency's job is to give confidence to lenders that a borrower can repay the money that they have borrowed. In the face of a global pandemic and in the very obvious situation - not just for TfL but for all public transport agencies worldwide, as well as for many other businesses - we have not been holding cash reserves that have allowed us to weather a shock of this magnitude. Now, nobody would expect cash reserves in order to weather a shock of a COVID magnitude, but a Brexit-related shock or other risks that are still out there on the time horizon globally are still pushing rating agencies to say that publicly funded businesses should have between four and six months' worth of money in order to ensure that they can continue to deliver their functions in the event of business interruption.

Dr Onkar Sahota AM: If you did only hold reserves for 30 days would it affect your credit rating and would it also affect the cost of the money you are raising from financial markets?

Simon Kilonback (Chief Finance Officer, Transport for London): Absolutely. If we were to go below our current level, if we were to go below the £1.2 billion - one of the things that took a long time but was recognised by the Government in our funding agreement was that we cannot go below £1.2 billion - we would very likely see an immediate rating downgrade. That would have an implication not only for our cost of borrowing, but actually for many of our suppliers who themselves borrow against contracts from TfL. It would also have implications for other liabilities we have, to our pensioners and the trustees of our pension fund, and to many other stakeholders who rely upon the promise that TfL, if you like, as a public body, will always be around and will always be able to meet its obligations. Otherwise you would face much higher costs and much shorter contract lengths, both of which would make costs very much higher than they are today.

Dr Onkar Sahota AM: If I can ask that you will write to us on how you plan to increase you cash reserves and at the same time deliver the GLA savings expected of you. You will write to us about those plans, yes?

Simon Kilonback (Chief Finance Officer, Transport for London): Absolutely, about the savings, we can set that up. The rebuilding of the cash reserves will be the subject of discussion in the FSP with the Government and the trajectory back to that. There is a shared sense of the need to rebuild the reserves above the level that we have today.

Dr Onkar Sahota AM: Great, thank you very much. Thank you.

Susan Hall AM (Chairman): That is lovely. Thank you, Assembly Member Sahota. We are now moving on to the capital programme and the questions will be started by Assembly Member Qureshi.

Murad Qureshi AM: Thank you, Chair. Can I address these capital programme questions to the Commissioner? Hello, Commissioner. I will start with asking, how did you decide which projects submitted as part of the Spending Review submission represented value for money? It seems like a long shopping list.

Andy Byford (Commissioner, Transport for London): No, absolutely not a shopping list. In any Capital Spending Review or in any capital submission, my direction to my team is always to start with state of good repair. You start by aiming to make sure that you keep your various assets - whatever they may be, roads, bridges, rolling stock, signalling systems, etc, etc - maintained in good repair, because if you let that degrade, ultimately you could end up with a situation whereby they are not safe. The first gate for me is always maintenance; a state of good repair for the system. Then you look to see what enhancements and renewals you want to make to the system. Enhancements might be where, for example, you want to rebuild a station to add capacity. Thirdly, you would look to the extensions to the network - for example such as Crossrail 2, such as the Bakerloo line extension - that will be linked to projected future demand.

When it comes to cutting your cloth, if I can use that expression, job one is to maintain a safe state of good repair. It is certainly not a wish list. It is something that is informed by not only a comprehensive understanding of your asset condition but also on future ridership projections and on future business need.

Simon Kilonback (Chief Finance Officer, Transport for London): If I may also, Assembly Member and Commissioner, in the context of the Comprehensive Spending Review, the Government set out a list of strategic objectives it wanted submissions to meet, namely the decarbonisation of public transport, supporting the electrification of the bus network, and the promotion of active travel rather than a car-led recovery. Therefore, on top of the absolute core of maintaining our exist assets, the Spending Review submission was based upon meeting the Government's strategic objectives, which are also aligned with the Mayor's strategic objectives as set out in the Mayor's Transport Strategy (MTS).

Murad Qureshi AM: Thank you, Simon. Can I come back to Andy? I am glad you have mentioned state of repair, which surprises me on the Bakerloo line. It has been mentioned a few times this afternoon and rightly so. It is a line I grew up on. Those carriages are older than me, for god's sake. We deserve the service that is maintained on the other lines on the Bakerloo line beyond Paddington. One of the best bits of constituency work I did when I was last here was getting the seats refurbished, which had been left in a very, very bad state. I do not want them to do that again. That is my case for the Bakerloo line. I was supporting the extension, but we have to maintain the service at least because it is not just us on the north end, but it is those of us on the south.

Andy Byford (Commissioner, Transport for London): I actually started my career on the Bakerloo line so I have an inherent affection for that line. Certainly, we are very mindful that we need to make sure that there is a logic behind the order in which we upgrade everything. Ideally, I would upgrade everything today to have state-of-the-art carriages and state-of-the-art signalling across the whole network, unfortunately the available funding will not enable us to do that. However, rest assured I do not see the Bakerloo as some sort of poor relation and job one is to make sure that it is kept safe and kept reliable.

Murad Qureshi AM: OK, I am glad you have a historical relationship with the Bakerloo line. Are you confident you will receive the substantial capital receipts you are projecting in the next few years?

Andy Byford (Commissioner, Transport for London): It is one of those many areas, Assembly Member, which is subject to sudden vagaries. Once upon a time, the real estate scenario or the real estate market was fairly predictable and we have done well out of it, a former headquarters (HQ) at 55 Broadway sold for more than £120 million. We have been successful in the past at achieving capital receipts to a pretty high level. However, right now - just the same as everything else with COVID - that has taken a hit. What we should resist at all costs, I believe, is some sort of fire sale where you would end up getting way less in a buyers' market than you should be aiming to achieve. We have to be really careful about that. We have experts within the company who can advise us on such things.

One more quick point. As a newbie to TfL, I like the fact that we have a more enlightened approach to the use of capital in that rather than just sell things in a fire sale and get the one-off benefit to the bottom line, we actually do things like work with developers to develop, say, a redundant carpark, build some houses with a developer and thereby get some revenue on an ongoing basis through the rentals that accrue.

It is a moving feast but we will proceed carefully to make sure that we do get the revenue receipts that we are looking for.

Murad Qureshi AM: On that, the actual reality is that there is frequently underspend on the capital budget, yet you are suggesting you are set to increase threefold the expenditure there by 2024/25. Are you confident you have the capacity to spend as much as you are planning?

Andy Byford (Commissioner, Transport for London): I am going to ask the CFO to answer that question, please.

Murad Qureshi AM: OK, Simon?

Simon Kilonback (Chief Finance Officer, Transport for London): Thanks, Andy. Yes, first of all remember this year, as a comparator year that you are seeing, has had the activity reduced by almost half given the conditions we find ourselves in and the lack of money, so we do need to build back to a sustainable level of investment.

The big thing that has happened, that we have been working really hard on over the last couple of years, is to put in place a long-term asset strategy that underpins our capital plans and is assessed by Andy and me with the managing directors and chief engineers for deliverability. One of the other things we are doing is continuing our programme of improving the capability of the organisation in areas such as programme management, commercial and procurement contracting, and the other things that are absolute dependencies in order to deliver those things.

We do recognise that we have underspent in the past. Some of it was because we did not have the granularity of the asset strategy we are now working on, and some of it is because we need to continue to improve our delivery capability. The need is there in particular - and Patrick might want to say a bit more about this - in that there are some big assets that when they fail they fail and need to be replaced in their entirety. The Rotherhithe Tunnel and the restrictions on that physical asset mean that we now have to spend a significant amount of money in order to get it back into a state such we can allow buses and other users to use that tunnel. We have problems with the A40 Westway, and similarly there is building debt because we have had to defer renewals this year on the Underground in terms of things like track replacement and other really critical things.

Also, we are coming to the end of one capital cycle that has lasted 20 years and has seen us modernise about half of the Tube and build Crossrail. We need to embark on the next cycle that will see us modernise the rest of the Tube, accelerate the decarbonisation of buses and the safer junctions and enhancements on the road networks. Therefore, there are normal peaks and troughs in this that we need to plan for. That is also why the

FSP is so important. We need long-term certainty of funding to plan and deliver. One of the reasons why you underspend is when you have to constantly stop and start work because you have lack of certainty over your funding.

Murad Qureshi AM: Thank you for that response. I am keen to see the South Kensington Tube Station proposal up and running again. That has, I think, been a victim of stopping and starting and I am sorry it seems to be stopping again. The whole system could do with that contribution, as well as the good folk of South Kensington.

My final question, Commissioner, is you mentioned housing. With my housing hat, can you confirm the new target date for starting the 10,000 homes you are funding now with some Government assistance up until April 2021?

Andy Byford (Commissioner, Transport for London): I sound like a broken record, but it just shows the universal impact of a pandemic, it is another area that the pandemic has hit. It has had an impact on construction, on site handovers and the planning process, so we are not able to now achieve our original start date of 10,000 homes by March 2021. We are reviewing the programme in light of these delays. It is something that we still want to be able to do. Once we get funding certainty from Government, we will be able to confirm the start date. It is something to which we are committed. I have been up to one of the sites at Blackhorse Road and it was great to look around and see formerly redundant land now providing homes for Londoners. As soon as possible we can confirm that start date, but it is linked to when we get the certainty of Government funding.

Murad Qureshi AM: I am glad to hear that. When you get a moment if you could write to me and the Committee and give us some dates possibly for starts on sites and completions against all the sites. We have to remember when the London County Council (LCC) used to run and build the Tube system, it built places like the mansion blocks above Baker Street Tube Station. You have not been asked to do that. However, things can be done at the end of the Tube lines, as you are concentrating on at the moment. Thank you.

Andy Byford (Commissioner, Transport for London): We will happily take that action.

Susan Hall AM (Chairman): All right. I have five Members waiting to come in on this and so can I ask everybody to be as succinct as possible, please? Our first one is Assembly Member Pidgeon.

Caroline Pidgeon MBE AM: Thank you, Chair. I was looking through the papers that went to the Board last week and I wanted to get some clarification on the new London Underground trains. You signed a contract - I think it was with Siemens, possibly in the summer - and you were starting with the Piccadilly line but ultimately it will be all of those deep Tube lines as you are able to upgrade them.

Is that still on track, or was I reading that you are looking perhaps to slow down the pace of delivery on the contracts to, effectively, help your cash flow? Could you confirm where we are with those new trains and that contract, please? I do not know who would like to take it, Andy or Simon.

Andy Byford (Commissioner, Transport for London): I will kick off and I will ask Simon to comment on cash flow. These trains, you are correct, are being built by Siemens. The factory is in Goole in East Yorkshire. It is a great example of how funding in TfL meets the Government's objectives around levelling up, because that is money being spent in East Yorkshire and providing tangible and meaningful employment, skilled employment, to people who live up there. It is fantastic. The intention is that if we get this right it could be a prototype - or not even a prototype, it could be a forerunner - of rolling out similar trains across the other lines that still require upgrading.

Absolutely we need those trains. I am a big advocate of having the signalling to go with them. What is the point of having brand new trains if you do not have signalling? I will ask Simon to talk on cash flow.

The work is underway. I had a discussion with the Chief Executive Officer (CEO) of Siemens just, I am going to say, two days ago. They are absolutely crystal clear that we want these trains, we want the prototype, we want it on time and we want it to work reliably out of the box, and he gave me those assurances.

Simon Kilonback (Chief Finance Officer, Transport for London): Thanks, Andy.
Assembly Member Pidgeon, to be very specific, the Piccadilly line trains order has options in it for the Bakerloo and Central line and then Waterloo and City at the end. It is a massively important order. Long-term certainty is needed to exercise the orders for the next fleet of trains.

We did not slow this fleet down because of cash flow reasons. There was a small COVID impact in terms of the work by Siemens on these trains and also by Construcciones y Auxiliar de Ferrocarriles (CAF) on the DLR replacement trains. We reviewed every single project in our capital programme to stop, start or continue from a cash-flow perspective. When we did that we took into account things such as whether it will cost us more to slow it down or to stop it than it would continue with it, or would it have other outcomes such as hurting us in other ways financially to do so.

We did not slow down the Piccadilly line trains because of cash, there was a COVID impact on the programme timeline on both this and the DLR trains that we are now working to recover with the suppliers.

Caroline Pidgeon MBE AM: Is it a just few months' delay to the programme?

Simon Kilonback (Chief Finance Officer, Transport for London): Yes.

Caroline Pidgeon MBE AM: There is no overall impact on the budget, it is still there and you are going to deliver these new trains?

Simon Kilonback (Chief Finance Officer, Transport for London): Yes.

Caroline Pidgeon MBE AM: Lovely, thank you for the clarification.

Susan Hall AM (Chairman): Thank you. Assembly Member Devenish.

Tony Devenish AM: Thank you. Andy, you almost blamed the lack of progress on the property portfolio on COVID. Most other developers have not found they have had that much of a delay this year because of COVID so I am not sure I agree. However - in terms of time, because we do not have much time - could I, with the Chair's agreement, suggest, in previous years on TfL housing we have scrutinised it one year on, the Housing Committee one year on, the Transport Committee - maybe we could have a separate meeting, at least it is set by projects now that are going through, and maybe Graeme Craig [Commercial Development Director, TfL] and

Lester [Hampson, Property Development Director, TfL] could come and brief us in the spring because we do not have time to discuss it in the detail that we need to now. However, it is a hugely important project that TfL has and I would love to hear where you are and, because of COVID, we have not really looked at it much this year, which we normally would. If I could ask for that meeting, I will shut up now and go on to the next item.

Len Duvall AM (Deputy Chair): I have two very quick points. I presume that if anything drops out of this list you put together, this programme, there will be added cost implications to it. Secondly, on that earlier conversation that we were having - the exchange about driverless trains - if the Government decides to impose driverless trains as a condition it would have an impact on this programme and delay some of the issues, the economic advantages, of buying in, procurement issues from other parts of the country and/or against some of the environmental issues that the Government wishes to pursue and we would agree with them doing. I do not know whether it is Andy or Simon who is best to answer that.

Andy Byford (Commissioner, Transport for London): Thank you for the question. It is Andy here and I might have a go at the second one, if I am understanding the gist of the question correctly.

Certainly, if the billions that would be needed for driverless trains were not a net additional amount of budget, then those billions would have to be substitutions for something else in the capital programme, which would also give me concern. As per my answer earlier to one of your colleagues, it is not a wish list, it is not nice-to-have, typically things on that list are things that we absolutely need to have. Certainly, if we were ever to go down the road of driverless trains then the billions needed would need to be net additions to our capital account, not substitutions.

Len Duvall AM (Deputy Chair): Thank you.

Simon Kilonback (Chief Finance Officer, Transport for London): If I may, if I understand your question correctly, Len - and further to that previous question about the Piccadilly line trains, for example - what I should have said, to be very clear, is that it is our full intent to progress with the Piccadilly line trains, but that is subject to agreeing a funding deal with the Government that will allow us to pay for them. Therefore, wrapped up in the funding discussions going forward is whether or not we can continue with projects that are already in full flow, as well as projects that are yet to start. Of course, if there is insufficient money to be able to do those things and we have to stop some projects then, yes, there will be significant costs associated with abandoning projects as a result of a lack of funding.

Len Duvall AM (Deputy Chair): We do not have time to talk about the devolution debate here. However, in essence, all of this programme is subject to Government agreement, is it fair to say that, and it is the Government that will decide?

Simon Kilonback (Chief Finance Officer, Transport for London): In terms of the funding in the short run. Yes, in terms of the funding in the longer term it would depend where we get to in the context of the FSP and whether further fiscal devolution to London is agreed as part of that, or whether there is a reversion to more centrally Government-led funding.

Len Duvall AM (Deputy Chair): Thank you very much. Thank you.

Susan Hall AM (Chairman): Heidi, did you want to say something briefly?

Heidi Alexander (Deputy Mayor for Transport): Yes, very briefly. It is worth recognising that in the settlement letter we got from Government about the H2 funding deal, it did recognise that London is not able to fully fund very significant capital enhancements and renewals. It is probably one of the first times we have seen Government actually put pen to paper and write down that when it comes to rolling stock replacement and signalling upgrades, it recognises TfL cannot pay for that out of its own budget. That is a discussion we need to have with it through the FSP. I know I have been critical of some things that the Government has done, but that is a positive.

Susan Hall AM (Chairman): There are many positives, Heidi. We just have to look for them sometimes.

Tony Devenish AM: Hear, hear.

Susan Hall AM (Chairman): We are going on to our last section, which is going to be led by Caroline Pidgeon, thank you.

Caroline Pidgeon MBE AM: Thank you, Chair. On that optimistic note, let's talk about Crossrail. In August Crossrail announced that it was forecasting £1.1 billion extra was needed to complete this project. Let us just put on the table, we are all desperate for this railway line to open and are passionate about that but, of course, the costs are overrunning. We had previously been told it was going to be £400 million to £650 million extra it was going to need. Now, the agreement you got with Government was £825 million. Is that going to be enough for the project to be completed? Andy, may I start with you, please?

Andy Byford (Commissioner, Transport for London): You may indeed, Assembly Member. As you know, I share your passion for this. In fact, I stuck my hand up and asked from day one to be transferred accountability for Crossrail because I felt that was its best possible chance. That is not because it is me, but because it enables us to have one single controlling mind and because it enables us to apply also the full resources of TfL to help our colleagues at Crossrail to get the project finished and to get the Elizabeth line open.

You are absolutely right that in its last act the Crossrail Limited (CRL) Board said two things: that for the central section, Paddington to Liverpool Street, the earliest opening opportunity on the most likely scenario is the first half of 2022, and that the project overall would need an additional £1.1 billion to complete. I have previously said - before anyone asks me to confirm - I have committed to no further delays to that timeframe and no further call on public funds. I am confident in that regard, but that is against that £1.1 billion and spring date of the opening.

I do not mind saying to you I have challenged the team on both issues, on timeframe and on budget. I have challenged them to try to finish off the job for no more than that additional £825 million. That was the maximum that we managed to secure in what were really tough negotiations. We did get £825 million, with a big shout-out to the GLA for the ingenious work that David [Gallie] and his team did on getting that. Will it be enough for the project to be completed? There is my challenge to my team to do just that: the project does carry an element retained for risk. The other thing that the CRL Board did in its dying days was to initiate a review of the costs of the project, which is yet to finalise, and that will be looking to minimise the costs. However, ultimately, we did leave the door open. If we need the additional amount, the additional £275 million, it was not written into the deal expressly but there is an understanding with the DfT we may need to go back and talk to them.

Caroline Pidgeon MBE AM: Thank you. David, you were behind this clever negotiation with Government and obviously the GLA is borrowing and so it is costing Londoners, even though this project goes beyond London and out to Reading and so on. Could you give us a bit more information on this £825 million? Why was it capped and how can we go back for further funding if it is needed?

David Gallie (Executive Director of Resources, Greater London Authority): Thank you. The £825 million completely maxes out the GLA's capacity to borrow against the business rates supplement (BRS) and the Mayor's Community Infrastructure Levy (MCIL) as we currently have authority to do so. It completely exhausts the existing basis on the BRS, which allows us to levy that until 2041. Similarly, with the deal with the Government, it also completely uses our anticipated MCIL up to the new period of 2043. We are looking at a long period of time, but also it removes all the flexibility and all the prudence that previously we had had on the borrowing commitments that the GLA has entered into to fund Crossrail.

That is why in the detail of the deal there are two elements to that £825 million. There is £500 million of that which is recourse. We have to pay that sum of money, but the balance of £325 million is non-recourse, which means that ultimately if the Government were to change the business rates regime or the MCIL regime, which of course is more than possible with the business rates review underway. There is also a charging review of planning that is underway as well. If the Government were to change the basis of those resources or, indeed, if those funding sources were to be less than we have prudently assumed, ultimately, the GLA through independent arbitration with the Government could walk away from that £325 million.

That is the way in which I have sought to balance the requirement upon me to advise the Mayor, ultimately, that the borrowing is within the Chartered Institute of Public Finance and Accountancy's (CIPFA) prudential code.

Caroline Pidgeon MBE AM: OK. That is very helpful but it does mean that there is nothing else in the bank for any other projects for many years to come through this source of funding?

David Gallie (Executive Director of Resources, Greater London Authority): Absolutely. One of the things that it prevents is any of those funding sources being available, particularly for Crossrail 2 where the balance of the BRS and also MCIL, has been proposed for other transport schemes. That source is now effectively completely eliminated for the period of the BRS up to 2041 and for MCIL up to 2043, so it is a huge take on resources that were previously hopefully planned for other schemes.

Caroline Pidgeon MBE AM: If it does go over the £825 million, is it just the door is open - as Andy said - that you will go back to Government to discuss or do you have other things up your sleeve to help meet that gap?

David Gallie (Executive Director of Resources, Greater London Authority): It would be nice to think that the GLA had, but the two bespoke funding sources of BRS and MCIL, as I say, are exhausted and so we would need to look to go back to Government— clearly we would have negotiations with the Government about other funding sources. It depends when that money would be needed. We are constantly monitoring and reviewing those income sources. It is possible those income sources might improve, but what we have done is also allow for the fact that we have had significant losses compared with our budget on the BRS because of the pandemic.

Already, on our existing projections we are under pressure, certainly in the short term, around BRS. As I said, the GLA has nowhere to go and so we would look to negotiate with the Government around reviewing what other income sources are potentially available across the whole of the GLA group, but, clearly, that is going to be extraordinarily difficult for the Mayor to consider. Obviously, we would look to return to the conversation with the Government about it making a contribution.

Caroline Pidgeon MBE AM: Thank you very much. Let us hope it does not come to that and we get it delivered within this funding envelope but thank you very much. Back to you, Chair.

Susan Hall AM (Chairman): Thank you. Assembly Member Qureshi.

Murad Qureshi AM: It is a perspective from Paddington. Are there lessons to be learned on a project management front, Andy? I look around the world - particularly East Asia - and it makes me wonder, because I have been hearing about Crossrail since I was a schoolkid. I can even remember the first Secretary of State for Transport bringing it up, Cecil Parkinson. You have to go that far back.

Andy Byford (Commissioner, Transport for London): Yes, sure. Look, on any big project there is always lessons learned, which need not be a negative thing. There are always positives to be learned from a big project. At the end of the day, this was always going to be difficult. This is a high-speed railway through the centre of London with all the complexity that that has, and it is also one of the world's first digital railways, so it is a very sophisticated railway. It has numerous signalling systems with which the trains have to interface.

There are lessons learned. Some of the problems that the project has grappled with go right back to the very start: the way it was procured, the way the system was designed. The seeds were sown for the delay a long time ago. That will come in due course, Assembly Member. Occasionally I have to remind my team, "Never mind looking back. We will deal with that later. Let us get the job done". That remains my absolute direction: focus on the finish line.

Susan Hall AM (Chairman): OK. Thank you. Assembly Member Moore.

Dr Alison Moore AM: Thank you, Chair. From a Transport Committee perspective, we can assure Assembly Member Qureshi that we will be the first in the queue having that discussion. As Andy Byford knows, we are very keen to have that discussion.

I would like to come back to the tail-end of the funding discussion and come back to this issue about the balance from that £1.1 billion. In August, the Crossrail Board was clear about the need for the £1.1 billion, having gone through that review of the project that you needed that to complete it. They began speaking to the Government about that then. Last month you had put together that deal, David, finding that £825 million, difficult that it was, and the implications that it has. You needed help from the Government for that remaining £275 million, and so the question I would ask is: why has the Government decided not to fund this? Why has it left Londoners to foot the bill, given that there are very clear benefits from that functional Elizabeth line for the business recovery, not just for London but actually for the south-east?

David Gallie (Executive Director of Resources, Greater London Authority): I wonder if that is a better question for the Deputy Mayor to answer rather than myself.

Dr Alison Moore AM: I am happy with that, thank you.

Heidi Alexander (Deputy Mayor for Transport): Yes, it is a very good question, Assembly Member Moore. We talked about this when we had the Transport Committee session on Crossrail a few weeks ago. I pointed out back then that the vast majority of economic benefit accrues to the Treasury as a result of Crossrail. Assembly Member Pidgeon pointed out that, if you look at this route, 32% of it is outside of London. Ten of the 41 stations that will ultimately serve the whole of the Elizabeth line fall outside of greater London.

It is going to bring significant benefit to the regional and national economy, and so your guess is as good as mine as to why the Government has not wanted to come forward on this. I do personally believe it is part of the narrative that I referred to earlier, which is that it wants nationally to be seen to be prioritising its investment in the Midlands and in the North. That is a real issue for London. It is a real issue for Londoners. It would have been absolute madness to have reached a stage where we were not completing Crossrail, having spent £15 billion on it. There was a prospect a couple of weeks ago of Andy, as the Commissioner, taking a decision to put the hoardings up and say, "We cannot continue with this".

I was disappointed that we were not able to conclude the negotiations more quickly. We put the proposal to the Government, in essence, back in September around the £825 million. It went on for two months. It created unnecessary uncertainty for the project team that is trying to take very basic decisions about reappointing staff on contracts and letting small contracts for pieces of work. You would have to put that question to a Government Minister.

When it does open, this is going to be a great symbol of not just London recovery but national recovery. It is going to be one of the best train lines anywhere in the world. All of the phenomenal difference that it will make to accessibility in London, 10% extra rail capacity, it is going to be impressive. I would have thought that the Government would have met us halfway on it. Sadly, it did not. We may be back having conversations again next year if it is not possible to bring it in for the £825 million, but I know that Andy and the team are doing everything they can to achieve that.

Dr Alison Moore AM: Yes, and we interrogated that at the beginning of the month at the Transport Committee, absolutely. I would make two reflections. The first is that that new line will be part of tempting not just Londoners but a wider range of passengers back onto London transport.

Secondly, if the narrative is around London paying, it is very clear from the description here that London is paying the lion's share of this last period. I would reflect that the danger is that if you have to front up with that money for this project, which has those wider benefits, it may also have a knock-on effect to other projects in the medium and longer term, where you would be procuring from that wider supply chain across the country, perhaps, if it is delaying you renewing parts of the Tube line. It seems a pity. That is my reflection, but thank you, Chair.

Susan Hall AM (Chairman): Thank you. That concludes our questions today. Thank you. I have learnt so much about the railways today, which is always helpful. Can I thank all of our guests for attending today and for their answers to our questions?

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