

London Assembly Budget and Performance Committee – 3 January 2018

Transcript of Item 6 – The 2018-19 GLA Group Budget – (TfL)

Gareth Bacon AM (Chairman): I would like to welcome our guests for the second session, firstly Sarah Bradley, the Group Financial Controller at Transport for London (TfL); Simon Kilonback, the Interim Chief Finance Officer at TfL; Mike Brown, the Commissioner of TfL; Valerie Shawcross, whom we know very well indeed, the Deputy Mayor for Transport; and David Gallie, who drew the short straw and has to stay for both parts of the meeting today. Welcome back, David.

As Members will have worked out, the second session is about TfL. I will ask the opening question, which I suppose is a matter really for the Commissioner and the Deputy Mayor. What are the most difficult decisions you have had to take when developing your new business plan and budget for 2018/19?

Valerie Shawcross CBE (Deputy Mayor for Transport): I will say a word and then I will ask the Commissioner, if I may. Thank you. Anyway, good morning, Chairman, and happy New Year, Committee Members.

We had in 2016 produced the first five-year Business Plan and we had also in 2017 produced the first draft of the Mayor's Transport Strategy. It was necessary, as part of both the alignment of the Business Plan to the Mayor's Transport Strategy (MTS) draft and to respond to some issues of risk - including, very significantly, some softening of passenger numbers on the [London] Underground - to review the five-year Business Plan just to make sure that it is absolutely solid and sustainable going forward to the future. There have been additional savings found within the Business Plan, but it does continue to deliver the largest-ever modernisation programme for TfL, particularly on the [London] Underground. It has continued to deliver. In fact, it more heartily delivers the Mayor's aspirations around Healthy Streets, for improving the public realm in London, where we see £2.2 billion being invested over future years and it does continue the programme of generating income from commercial venture and investment. It has been a very worthwhile exercise, because we are very confident that we have managed to realign the Business Plan and make sure that it is sustainable going forward.

There are some financial challenges. In particular, the largest one I would say is that we are now a public organisation without any annual revenue subsidy at all from the Government and that does affect the resilience of the organisation. It does require TfL to be faster about its adaptive changes, because if you are now operating, as we essentially are, more like a commercial organisation, which has to respond quickly to shifts and changes in income from passenger sources because we do not have the cushion of governmental revenue subsidy, that is something that we have had to do. It is difficult sometimes for external agents to understand and it is a change that we have had to make. We can be satisfied, as I have said to the Transport Committee last year, that TfL has shown that it can be fleet of foot and make sound, correctly-prioritised decisions relatively quickly and within our decision-making framework.

Mike Brown MVO (Commissioner of Transport for London): Chairman, if I may add to that - and also if I may wish you and all the Committee Members a happy New Year as well - the reality is that the confidence we have in this Business Plan and its construct has evolved from last year in two particular aspects. One is that last year we were working in a sort of transitional arrangement, if you like, responding to the new Mayor's

manifesto commitments and the things that he was elected upon, but kind of in parallel with the development of his draft Transport Strategy. This year of course that draft Transport Strategy has been published and therefore there is a very coherent framework within which my executive team in the organisation can work to in delivering a properly-costed Business Plan to deliver the first phase of the Transport Strategy in concrete terms over the next five years.

The other thing is that of course last year when we developed the Business Plan, we had some very ambitious savings targets outlined within the Business Plan, but we had not actually had any track record of delivering savings. However, now we have delivered £153 million worth of real savings in our operation over the last year and therefore that, in terms of informing our decisions and the confidence of our decisions going forward for a credible plan, has been a really important piece of real evidence, of real experience of delivering cost savings in front of us. Just to echo everything that Valerie [Shawcross CBE] has said as well, we are in a more mature place in terms of our ability to construct the plan going forward, notwithstanding some of the external factors that we also faced in terms of some risks that have materialised.

Gareth Bacon AM (Chairman): Yes, thank you for that last point. By the way, can I also apologise for not saying happy New Year at the beginning of your section? I did say it at the beginning of the first session.

Valerie Shawcross CBE (Deputy Mayor for Transport): We were the second up, Chairman, and so the New Year was done and dusted before we arrived.

Gareth Bacon AM (Chairman): The last word you mentioned there, Commissioner, was 'risk'. This is by way of the introductory parts of the meeting and we will do a deeper dive on much of what you have both said a bit later on, but in terms of risk, what do you both see as the key risks to TfL going forward?

Mike Brown MVO (Commissioner of Transport for London): What we have seen, as Val alluded to, is over the last few months just an element of softening of Tube demand in particular, which we have not seen for over 20 years, apart from a small blip in 2008, with the financial crisis there. I would say that there is increasing and very real evidence that the fares freeze that applies to Tube fares and bus fares in London is showing that that decrease in demand, slight as it is, has been less material, significantly less material, than on train operating companies (TOCs) serving London, where of course there has been the full impact of above inflation fares increases.

Gareth Bacon AM (Chairman): Sorry, just on that point, what evidence are you referring to?

Mike Brown MVO (Commissioner of Transport for London): The evidence is that if we look at the demand that is in the public domain for Tube journeys into London and around London, then the evidence is the percentage of Tube journeys that are down from where they were before is significantly less than for TOCs serving London and the south-east, so that evidence is out there. If you look at the big TOCs, Govia Thameslink Railway (GTR), South Western Railway (SWR), of the other operators serving London, Southeastern, there is real evidence that their decline in passenger numbers is more marked than ours.

Of course, there are some factors that we all faced this year that we did not foresee in terms of demand on the Tube and in buses in London. Members will be very well aware, we all are, of the very sad terrorist events, the tragic terrorist events we had earlier on in the year. That was clearly not foreseen when we constructed the last plan. That did show some short-term at least decline in discretionary leisure evening trips and weekend trips into London, particularly into zones 1 and 2. That could not have been foreseen, I do not believe, when we constructed the last Business Plan. That did show some signs of recovering towards the later stages of the summer and into the autumn, but of course intelligence of our Oyster data and contactless card data can tell

us station by station and by time of day where there are particular challenges and where there are particular issues.

That is why, notwithstanding the public nature of the evidence of the TOC numbers, we can tell as well entries from those of our stations that sit adjacent to or in a similar location as the National Rail stations in and around London. Certainly there are some issues there, and that is something that we have put into play in our business planning process this year. Whereas we took, if you like, a mid-range risk approach to the planning process and the budgeting process within the Business Plan last year, this year I have been very determined, with the executive team, that we take, I suppose, a much more significant risk profile in terms of what the revenues might do going into next year, just because of the experience we have seen this year, which as I say, was not something we have seen for over 20 years in London.

Gareth Bacon AM (Chairman): Sorry to interrupt you, but when you say, “a more significant risk profile”, do you mean a more conservative one in terms of your projected income?

Mike Brown MVO (Commissioner of Transport for London): Yes, I do. That is a prudent and correct thing to do, because clearly any upside then that we do see in revenue will allow us to get ourselves to an operating surplus ahead of where we currently propose to get to, which is 2021/22 in the current projection. That is without the operational subsidy from Government that Val already referred to.

Gareth Bacon AM (Chairman): Deputy Mayor, do you want to add anything to that?

Valerie Shawcross CBE (Deputy Mayor for Transport): Obviously, there are a basket of risks which have to be looked at by an organisation like TfL, but I would say that looking forward probably the most significant level not of risk itself, but the volume of income that could be affected would be if, for any reason, we failed to deliver the Elizabeth line. As we are now an organisation which is so much more completely reliant on Tube income for our revenue expenditure, any failure to deliver the Elizabeth line on time would be a major revenue risk. So far, and looking at it every day, as we do in detail, all is well on the Elizabeth line and things are moving ahead very well, but it is a very, very significant project. It is 10% of London’s rail capacity uplifted overnight, and of course the income projections are baked into the Business Plan. That definitely is one to watch.

Leonie Cooper AM: I just wanted to come back to the point about the comparators with other organisations and the weakening of demand. I just wondered if we could be sent the comprehensive comparators, if you have got those available, because I was not clear before when you said that that there had been even more significant weakening of demand. You did mention in your remarks about the fact that the previous occasion when there was a big downturn was 2008, when there was a global financial crisis, which some people believe was engineered personally by Gordon Brown [former British Prime Minister], but I do not personally subscribe to that view. You talked about the terrorist events having an impact. Are you suggesting though that some of the downturn is to do with economic changes that are going on at the moment which may or may not be linked with Brexit, for example, being the obvious thing, or is there something else underlying this that yourselves and the other TOCs know why the downturn has taken place?

Mike Brown MVO (Commissioner of Transport for London): It is a very reasonable question and of course it is very difficult to be categorical as to the cause.

Leonie Cooper AM: I realise I am being slightly --

Mike Brown MVO (Commissioner of Transport for London): The terrorist events were one thing where it was very clear quite immediately afterwards that people who were making discretionary journeys into London with their families or whatever in the evenings or weekends were not doing that in the immediate aftermath of those terrible events that we saw. However, if it is just if you get a handful fewer journeys at Canary Wharf or at Bank and Monument in the morning peak or an evening peak, it is a bit hard to determine the core reason for that. Is it an element of economic uncertainty? Is it a handful of jobs here or there maybe not being there this year compared to last year or is it actually just that people are working from home more or adjusting their lifestyle with the onset of technology, which we are all very much aware of? It is a bit difficult to be categorical. Obviously, we keep a very close eye on revenue trends. I, with my executive committee, review it every single week in quite a lot of granular detail as to what the revenue trends are. As I say, the advantage of the technological systems of Oyster and contactless payments allow you to do just that.

Leonie Cooper AM: I just wonder whether you might be being slightly hoisted by your own petard in the sense that the more attractive roads become and the more cycle super-highways there are, the less attractive it is to go and squeeze yourself into the Northern line and the more attractive it becomes to say, "Do you know what, I am going to walk and get a bus, maybe a couple of buses, because of the Hopper fare or I am going to cycle to work because it is just so much more pleasant than being on the Northern line". I am sorry to mention the Northern line, but that is my mode of transport on a general daily basis and it is pretty hideous still.

Valerie Shawcross CBE (Deputy Mayor for Transport): Just to reinforce the point the Commissioner makes about the TOCs and the National Railway, there has been a national impact of reduction of journeys, but for the ones in London, the GTR has been showing a 3% fall-back in the first half of 2017/18, SWR a 9% fall-back, and that is probably a large element of the Waterloo closure, then Southeastern 4%. They are running a lot of London passengers, and so it is comparable.

Can I just say that TfL does have market and customer research going on, on all of these things, but sometimes it is a complex mix of issues? If there is more economic uncertainty, there are more options available to people now, so it is quite interesting that it is the leisure-time traffic that has particularly shown a reduction for London, because of course now there are options like Deliveroo for food at home, Netflix for your cinema, so there are cheaper options, which do not involve the journey, available to people. There is a complex mix of people's propensity to change their behaviour.

The whole point of the Healthy Streets policy is that we should get more people on to their legs and on to bikes and on to public transport, but there is clearly a very strong correlation between public transport use and walking in particular. Although the forward programme does show an increase in passengers, we are looking to get the modal shift out of the roads and on to public transport and on to sustainable modes.

Leonie Cooper AM: Yes, so staying in is the new going out, but my understanding was also that some of the visitor numbers stayed reasonably high from people coming in from Europe. I also do not know how this is measured, but there are data points where you can do these measurements, but there was generally less visitor numbers from other parts of the United Kingdom (UK).

Mike Brown MVO (Commissioner of Transport for London): That is exactly right, yes.

Leonie Cooper AM: I would find it really useful to see those comparator figures, because a 9% decrease is not what we have had. That is very large for SWR.

Gareth Bacon AM (Chairman): What we will do, as usual at the end of the meeting, we will write to you and we will request that. If you could send it to me and we will circulate it, that will be very useful, I think.

Leonie Cooper AM: Thank you.

Keith Prince AM: It is fascinating, those figures. You have got a figure for the Tube. I do not think you mentioned what it is and I do not know whether you can tell me what the reduction figure is for the Tube. Can you tell me what that is?

Gareth Bacon AM (Chairman): We are going to do a bit more of a dive on this in the next section.

Keith Prince AM: Just two quick questions.

Simon Kilonback (Interim Chief Financial Officer, Transport for London): The Tube passenger numbers are 2% down year on year.

Keith Prince AM: Do we have a figure for TfL rail, which would be more of a comparator to the metro services?

Mike Brown MVO (Commissioner of Transport for London): We do. It is slightly confused, that figure, because you will be aware that because of the Network Rail electrification work, we have had long periods of time where the Gospel Oak to Barking service has not been operating. I do not know if you have that.

Keith Prince AM: I have.

Simon Kilonback (Interim Chief Financial Officer, Transport for London): London Overground, which again is directly comparable - and you will find in the Office of Rail Regulation (ORR) data that compares these TOCs - is 0%, so it is flat year on year against its comparators, who are all down year on year as we currently stand. The Docklands Light Railway (DLR) is also flat year on year, but as Mike [Brown] said, the TfL rail is down by about 4% or 5%, but that is largely as a result --

Keith Prince AM: Is that like for like though, as they say, and not --

Simon Kilonback (Interim Chief Financial Officer, Transport for London): It is not. It is because of the engineering work.

Mike Brown MVO (Commissioner of Transport for London): There is a huge amount of Crossrail enabling works.

Keith Prince AM: I was looking for like for like figures really, rather than looking at the Barking figures.

Mike Brown MVO (Commissioner of Transport for London): Yes. We would need to do a bit more work on the TfL rail figures because there has been a lot of weekend --

Keith Prince AM: Yes. If we could just have like-for-like figures, that would be useful. Great. Thank you.

Gareth Bacon AM (Chairman): One final question before we move on then. In terms of the comparative data, the TOCs, does any of their data factor in things like the London Bridge redevelopment as a potential negative factor on their journey times or journeys?

Mike Brown MVO (Commissioner of Transport for London): Yes. As Val alluded to, in reference back to the SWR figures, a proportion of that 9% is certainly due to the closure that we had at Waterloo or they had at Waterloo in the summer, the closure of a number of platforms and therefore there was a change in passenger behaviour and in passenger numbers there. They will have an element of that, but the important thing is if you look in the aggregate overall, there is still very clear evidence. As Simon [Kilonback] says, these are official figures from the ORR, which show that there have been differences between the TOCs and TfL services.

Gareth Bacon AM (Chairman): It will be interesting to read that when it comes. Thank you.

Caroline Pidgeon MBE AM: I want to pick up with you, Mike and Val, about revenue issues. How can we have confidence in your projections, given your forecasts have been wrong in recent years?

Mike Brown MVO (Commissioner of Transport for London): Perhaps if I take that first, first of all, if you look at the margin of error of our forecasts, if we were a Financial Times Stock Exchange (FTSE) 100 company, which we are in broad terms by turnover equivalent to, any FTSE 100 company would be delighted with a forecast that was as close to what materialised, as we are. However, notwithstanding that, I do take it on the chin and would say to you that that is precisely why, going back to the question earlier on, I have insisted that this year we do take this much more conservative approach to revenue projections and to other risks that may emerge in the Business Plan as it is delivered during this financial year. It is right and proper that we do that, because we are in some element of uncertain economic times. There are a number of external factors that are potentially out there that could emerge in the fullness of time and it is important that we are mindful and cognisant of that. If you look at the range of risk provision, the reason you should be confident is because we have significantly tightened up our approach to such risks that might materialise.

The other thing I would say, Chairman, through you, if I may, that if it would be helpful, Simon [Kilonback] and his colleagues would be more than happy to run a detailed session with this Committee or in this Committee, on the forecasting process and demonstrate the transparency of that process, because we have done that with our Board and they found it incredibly useful. We would be more than happy to share that with Committee Members just to give confidence as to the factors we take into consideration in determining the level of risk.

Gareth Bacon AM (Chairman): Can I jump in, please, because that would be very useful indeed? What we can do is arrange a Members' briefing, as we have in the past. If we were to do that, could we do that fairly soon? That is clearly part of the budget process, from our perspective.

Mike Brown MVO (Commissioner of Transport for London): By all means, yes.

Gareth Bacon AM (Chairman): When we write to you, we will see if we can get a date in the diary in the next two or three weeks, if it is possible.

Mike Brown MVO (Commissioner of Transport for London): That would be fine.

Caroline Pidgeon MBE AM: It is all forecasting or just fares forecasting?

Mike Brown MVO (Commissioner of Transport for London): No, on the forecasting process generally for the business plan.

Caroline Pidgeon MBE AM: Just in terms of fares, particularly the last four Business Plans, you have then had to revise it downwards. What detailed research and work are you doing? We have talked about lots of

factors and I have seen a presentation from September that TfL has done on this, but it is about technology, reducing the need to travel and people's work patterns, Travelcards, people are not getting annual Travelcards in the same way. What work are you doing to look at the sorts of fares you are offering to meet how people use transport now and how is that factoring into your projections?

Mike Brown MVO (Commissioner of Transport for London): We do look at that. Again, we are more than happy to share with you more detail of the very specific nature of that research about people's individual journeys. Most recently, for example, we did some work in being able to track journeys - in an anonymised way, I should emphasise, of course - about particular journey patterns around the city and within the city. That is important on two counts. First is, it does, as you rightly say, give you that detailed level of analysis on which to base forecasting and budgeting going forward, but also, very importantly, it helps you in your prioritisation process for any station works or other capacity enhancement works that you might wish to do around the network. It is an important balance.

Again, going back to the point that Assembly Member Cooper made a short while ago around whether we are being hoisted by our own petard, I think was your expression, around walking and cycling, again just to emphasise what Val said, of course the evidence is very much that walking and cycling is increased by having decent public transport, because people who walk and cycle tend to be doing so as part of their journey. Some people do it of course for the whole of their journey, but a lot of people do it for part of their journey and then are encouraged to use public transport rather than a private car.

Caroline Pidgeon MBE AM: You are going to be more conservative in terms of your projections going forward, but what is the impact then of that on a fall in your revenue forecasts? What are you going to be doing to make the budget balance? Are you looking at more savings, cuts to capital? What part of the business is going to be hit?

Mike Brown MVO (Commissioner of Transport for London): In headline terms, and again, it goes back to my earlier point to the Chairman around our savings programme, having taken £153 million of real cost out of our operational delivery last year, while delivering more services than ever before, that gives us confidence that we will be able to continue to do that. That of course is around ensuring we have the right commercial deals with our suppliers. One particular example is that we have now ended the maintenance contract. We had the last hangover, if you like, of the public private partnership (PPP) arrangements with an organisation that used to do the maintenance on the Jubilee, Northern and Piccadilly lines. That is quite significant savings. There are other savings with our supply chain that we are continuing to work through in more detail as we have developed the confidence that what we have done so far is helpful.

We have had a totally different accommodation strategy, where we are going to have basically three hubs for central head office accommodation, including a new state of the art hub at Stratford, which allows our employees to work in different ways. We do not have anything like the number of desks for the number of people who are based in that building, which again requires a freshness and a different approach to collaborative working in a modern context, which you will be very well familiar with. Those sorts of things are really material because it allows you to free up space, buildings and costs therefore from our accommodation. Previously we had something like over 30 offices scattered around London for non-frontline use and that was clearly not a sustainable position and we have cracked on on it.

Caroline Pidgeon MBE AM: You are confident that even if fares income continues to fall, you will be able to balance your budget without affecting frontline services?

Mike Brown MVO (Commissioner of Transport for London): I am confident that given our conservative approach to the Business Plan overall, both in terms of cost savings and in terms of revenue issues, that it is a credible, deliverable budget and Business Plan. The amount of work that we put into this this year and the amount of scrutiny we had from our Board and from the Deputy Mayor and others, I really do believe this is the most credible Business Plan we have had and one that really stands up to the test of any scrutiny.

Caroline Pidgeon MBE AM: I do not know who would like to answer my next question. It is about buses. You have a target to increase bus passengers, but you are reducing the bus service by about 7% in terms of kilometres service. How is that going to work in practice?

Mike Brown MVO (Commissioner of Transport for London): If you look at the experience of what we have done so far, where we have already - in advance of what we hope will be a pedestrianised western half of Oxford Street - managed to reconfigure quite a number of bus routes in central London, as a result of the work leading up to that, people often would have conversations with me in the past about all these empty buses running around in central London. Reconfiguring the routes to prioritise services in those areas of potential growth, particularly in outer London, where we recognised that encouraging people to use public transport where perhaps they have not done so before is a very important strategic objective. It is in the Mayor's draft Transport Strategy, as you will be aware.

This is about how you configure the service to create the greatest need for service where latent demand exists and where new demand can be created, rather than just continuing to pile bus services into routes that frankly have other alternatives, including of course the Elizabeth line, because the thing that has been the catalyst both for Oxford Street pedestrianisation and for the bus reconfiguration as a result is that huge increase in capacity, as Val [Shawcross] alluded to, within central London along the route of course of Oxford Street, among other locations.

Caroline Pidgeon MBE AM: I understand the point about reconfiguring services to meet that and we had been told there was going to be a huge push of services out to outer London from central, which we have not seen yet, but it is clear that you are looking at reducing mileage of buses, yet you expect to also see an increase in passengers. It does not quite add up to me.

Mike Brown MVO (Commissioner of Transport for London): Mileage does not necessarily equate to the number of passengers you can carry, for the reasons that I outlined. In fact, if you look at the bus network over the last year, bus demand has held steady in the last year, which has been ahead of our budget projections for the year. That is because we put a number of mitigations in place to ensure that the bus service gets properly prioritised, ensuring that we re-examine bus prioritisation in parts of London and we keep the bus service moving. If you are able to run a bus service that is less held up because of traffic congestion in the centre of London and indeed in parts of outer London, your ability to churn the service through much more quickly allows you to carry greater capacity over the same or even a reduced number of kilometres. It is a bit like putting a modern signalling system on a railway so that you can run fewer trains more closely together and increase the number of people you carry.

Caroline Pidgeon MBE AM: Previously when we pushed you on this we had not been told you would be looking for a drop in overall mileage. That was a change from 2016 to the 2017 Business Plan. Are you still planning to shift buses from central London to outer London, which we had been told previously?

Mike Brown MVO (Commissioner of Transport for London): Yes, we are. There are definitely growth opportunity routes in outer London. Again, I am more than happy to get you a briefing as our thinking evolves on the detail of all of that. That is a key objective because there are parts of outer London, particularly in

south London, that are not very well served by the Tube network, as you well know, and buses play a hugely important role in affordable travel for people in that part of the city.

Caroline Pidgeon MBE AM: You are planning still to reduce frequency further on bus routes? We have started to see that. It is very noticeable.

Mike Brown MVO (Commissioner of Transport for London): We look route by route at demand levels and what is an appropriate level of service for each route, as we should do. The bus network gets a subsidy to the tune of £600 million every year and it is very important that we get value for money from every penny of that subsidy while ensuring, very importantly, that we keep communities connected and that people have a very frequent bus service to get around.

Caroline Pidgeon MBE AM: Over the next year, what are you planning on making in terms of bus service savings? It was £60 million we were told last year, from my memory, without affecting bus passengers at all, yet there is reduced service so people are having to wait longer. It is an impact.

Mike Brown MVO (Commissioner of Transport for London): Yes. I will just have to --

Caroline Pidgeon MBE AM: Simon, do you want to dig that out?

Simon Kilonback (Interim Chief Financial Officer, Transport for London): Yes, I will dig that out.

Keith Prince AM: Can I start by congratulating you, Deputy Mayor and Commissioner, on the promise of the introduction of the Hopper fare being unlimited? Just for clarity, that also includes trams, does it not?

Mike Brown MVO (Commissioner of Transport for London): It does, yes.

Keith Prince AM: OK. That is useful information. Could I also therefore ask you what the additional cost to TfL of that would be, please, in revenue terms?

Valerie Shawcross CBE (Deputy Mayor for Transport): £30 million.

Mike Brown MVO (Commissioner of Transport for London): Yes, £30 million has been the cost so far and extending the Hopper still further --

Simon Kilonback (Interim Chief Financial Officer, Transport for London): A further £5 million.

Mike Brown MVO (Commissioner of Transport for London): -- will be a further £5 million.

Keith Prince AM: What did you say the figure is so far?

Mike Brown MVO (Commissioner of Transport for London): It has been £30 million annually, which is as we projected, and then £5 million over a full year for the additional provision.

Keith Prince AM: £30 million per year. So, in theory, ongoing, a £35 million cost?

Mike Brown MVO (Commissioner of Transport for London): Yes.

Keith Prince AM: Thank you for that. It was a technical issue, was it not, which prevented it going forward?

Mike Brown MVO (Commissioner of Transport for London): Yes. We always said that we would do the first phase as soon as we could. Then we said that during the course of this calendar year we would do the second phase because there were some technical things we had to work out with the software and everything. I was very pleased that the team was able to deliver that sooner than we thought.

Keith Prince AM: We are expecting that before the end of January [2018]?

Mike Brown MVO (Commissioner of Transport for London): We are, yes.

Keith Prince AM: Good. Thank you very much.

Gareth Bacon AM (Chairman): Credit is due to Assembly Member Pidgeon, whose idea that was, of course.

Caroline Pidgeon MBE AM: That is very nice of you to say. Thank you.

Leonie Cooper AM: I just wanted to come back to the point you were making about the fact that you could get more customers into potentially fewer buses, using as a comparator changing arrangements for rail. I can see how that would work on a railway where you have either something like the DLR, which is driverless, or the Tube, where there is a high degree of automation. As far as I am aware, buses are not automated in that way. The drivers are completely responsible for the driving of the buses.

Therefore, I would be slightly worried if we were going to be effectively expecting the drivers to take on an additional burden, perhaps not having sufficient time to have adequate breaks and things like that. I have a bus garage in my constituency and that is certainly an issue that has come to my attention on several occasions. There is a concern from the bus drivers about the reduction in the mileage, the need to get more passengers on board and what the impact will be on them. I just wondered if you could confirm that it is not going to have detrimental impacts on their work and their lives.

Mike Brown MVO (Commissioner of Transport for London): Absolutely, I can confirm that. It is a very well-made point and I am glad you made it because it is very important to emphasise. What I meant and what I am talking about is the fact that ensuring bus prioritisation in terms of the road layout is now a strategic part of how we plan for easing bus flows through what had previously been congested junctions and other parts of the city. That is what it is about. This is not about, to be very clear, asking a bus driver to drive faster or to do anything that is detrimental to passenger use or indeed to the welfare and wellbeing of the bus drivers themselves. It is a very well-made point and it is absolutely not about that.

Leonie Cooper AM: That brings me on to my second point, which is about the prioritisation, the fact that we do still see so many people parked in bus lanes impeding the progress of buses, and problems and issues in terms of potholes, roadworks and all the rest of it. I am not going to get into maintenance of assets and things like that because we have some questions on it; I am just wondering how that squares with this.

Do we not need to be strengthening the prioritisation for the bus routes in some way? We have been making strides forward in terms of the cycle superhighways but I just wonder, are we really doing enough to make sure that bus lanes are almost exclusively for the use of buses, particularly in those key hours when people are trying to get to work and the roads are at their busiest? It then becomes much attractive to get out of cars and into buses.

Valerie Shawcross CBE (Deputy Mayor for Transport): One of the things that was demonstrated by the fact that passenger numbers were falling in central London because of traffic congestion is just how important the bus lanes, bus jump-through lights and the priority system is. There is quite a lot of money – it is not in the brief today – being spent on additional bus priority areas so that those strategic routes do move quickly, it is less stressful for the drivers and it encourages people back onto the buses, as is absolutely right.

It probably ties in also with the issue of enforcement on the roads. TfL has continued to fund a very large number of Transport Operational Command Unit officers. That has not been reduced. They are Metropolitan Police Service (MPS) officers, not British Transport Police officers, who are paid for by TfL to manage those routes. Of course, there is also camera enforcement. You would have seen that there has been an uplift in the penalty charge in London.

Leonie Cooper AM: I did.

Valerie Shawcross CBE (Deputy Mayor for Transport): That was instigated by us, looking at the figures, because it seemed that the penalty charge fee itself was no longer a significant deterrent. The increase in those charges has been about increasing the deterrent.

Leonie Cooper AM: Do we also have figures for the number of vehicles that are physically removed from bus lanes and taken off the road? If you do not have those now, maybe that is something you could send to us. It is extremely frustrating for bus drivers if people are just parked --

Valerie Shawcross CBE (Deputy Mayor for Transport): It sounds to me like you have a hotspot in Wandsworth or Merton somewhere and we should get some casework done on sorting that out because it is not something we are getting. I get a sampling of casework issues from across London and it is not something I have seen in my mailbox recently. If there are some poor areas where enforcement is not good enough --

Leonie Cooper AM: Perhaps increasing the penalty will have a deterrent effect but certainly people do not seem to be being sufficiently deterred, in my opinion.

Gareth Bacon AM (Chairman): If I could just intervene at this stage, we are slightly straying into Transport Committee rather than Budget and Performance Committee.

Leonie Cooper AM: Sorry. Yes, we are.

Gareth Bacon AM (Chairman): Interesting though it is and though it does have a budgetary impact, I would like to get us back on to the budget. Back to Assembly Member Pidgeon.

Caroline Pidgeon MBE AM: Thank you. You had a figure for me?

Simon Kilonback (Interim Chief Financial Officer, Transport for London): Just waiting for the figure for next year. I can give you a figure over the entire Business Plan about the savings we are looking for across the whole bus network.

Caroline Pidgeon MBE AM: Do you want to give us that and then write to us with the other detail?

Simon Kilonback (Interim Chief Financial Officer, Transport for London): Yes, and we will write to you with the one for next year. Broadly speaking, you will see from the Business Plan that the operating cost for buses next year is not going up. Effectively, we are offsetting inflation, which is running at about 3.5%. That

is, broadly, the level of savings next year. Over the period of the Business Plan to 2022/23 we are looking to save £375 million in total from the cost of running the bus network. That is largely about how we re-tender, renegotiate and contract with the bus operating companies but we will provide some more detail in the letter to you.

Caroline Pidgeon MBE AM: Thank you. I want to pick up commercial revenue now. Again, I am not sure who would like to pick that up. Looking at some of it, the draft budget shows you are forecasting £447 million of other income - which is mainly commercial revenue - in 2017/18, compared to an expectation in last year's budget of £607 million. It sounds as though some of your commercial operations are not generating the income that you had hoped but you have an ambitious target for next year. What is behind your revised forecasting? How can you demonstrate to us that it is realistic?

Simon Kilonback (Interim Chief Financial Officer, Transport for London): The other operating income also includes things like congestion charging and enforcement. The biggest decline in other operating income is in congestion charging and enforcement. This is driven both by lower numbers of vehicles entering the Congestion Charge zone and more vehicles being exempt from the current congestion charging regime. In addition, through some of the service improvements that we have made in terms of people being able to automatically pay their congestion charging fares, the level of fines for not paying the congestion charging has come down significantly. The majority of the £200 million reduction in other operating income is about reductions in congestion charging and enforcement.

Caroline Pidgeon MBE AM: Those changes to how the charge is collected happened years ago. They will not have affected this year's budget.

Simon Kilonback (Interim Chief Financial Officer, Transport for London): Over the last couple of plans they have been around the level of enforcement income that we had forecast we would collect. There has been a reduction this year.

Mike Brown MVO (Commissioner of Transport for London): Sorry, Simon, if I may come in on commercial revenue generally, which I think was the crux of your question, Caroline --

Caroline Pidgeon MBE AM: Yes.

Mike Brown MVO (Commissioner of Transport for London): It is true that advertising revenue is down on our estate. Again, it is unclear whether that is reflective of the economic climate but advertising revenue is down generally across the board, not just on our estate but across the country and indeed across the world generally at the moment. Obviously, we are continuing to look at ways we can drive that up again. Again, the Elizabeth line gives us a massive opportunity. We are looking at a potential partner for the launch of the Elizabeth line, which is a real opportunity given its significant brand status.

It is also true to say that we have - quite rightly - made strategic decisions that were not in the benefit of delivering capital receipts in terms of the plan. We are not going to be selling off some of our asset base. We are much more determined to make it ongoing although slightly longer-term and generate a revenue stream from the asset, while of course ensuring - particularly on the property side - that we are able to deliver the Mayor's 50% overall affordable housing target, which is very important. By March 2018, as well as the 1,000 homes we have already brought to site, we will have another 3,000 brought to site with a further 3,000 over the next year. These are all important areas about how these numbers are constructed, putting together a credible option.

Then there are some smaller areas such as the retail offering on stations. I am sure you will have noticed that we have begun to transform some of our retail offering on stations, doing some opportunistic work in places like Westminster on the platforms, where you can fit in little coffee shops without disrupting the flow of passengers. That all helps in terms of that commercial revenue stream.

Caroline Pidgeon MBE AM: Yes. In terms of advertising going down, is that built into your figures going forward and are you confident in these figures?

Mike Brown MVO (Commissioner of Transport for London): Yes.

Simon Kilonback (Interim Chief Financial Officer, Transport for London): Yes. Going forward, we are investing in upgrading our advertising estate to move from very old digital screens to new digital screens and also to a much higher proportion of digital assets in place of posters. The evidence both from our advertising partners and from the market is that we can be confident about this and we are already, in this year, seeing higher revenues from those new digital assets as they are being rolled out. That is what we have baked into our forecast.

Mike Brown MVO (Commissioner of Transport for London): For example, we have seen some upgrading of the cross-platform projection advertising that we have already seen for some years in stations. That is being significantly upgraded to digital. It also includes the type of digital screens we have seen at Canary Wharf station, which is overall the most successful of any part of our advertising estate, in terms of value. That is the kind of thing we are looking to do, while of course ensuring that it does not, in any way, compromise our information to partners or have any detrimental effect on particular needs of individual groups of passengers.

Caroline Pidgeon MBE AM: Specifically, how much extra revenue are you expecting in the plan from increasing penalty charges? Could you give us that figure? That presumably is factored in.

Valerie Shawcross CBE (Deputy Mayor for Transport): It is £18 million.

Simon Kilonback (Interim Chief Financial Officer, Transport for London): Yes, it is £18 million.

Mike Brown MVO (Commissioner of Transport for London): Just to be clear if I may, Chairman, through you, the objective of this is much more akin to what Leonie [Cooper AM] said, which is around compliance. We are not doing this for income generation, we are doing this for compliance.

Caroline Pidgeon MBE AM: I understand. In here, there is a line of £875 million capital receipt that you are expecting in 2018/19, what exactly is this and what are the risks that this receipt will be lower or later than expected?

Simon Kilonback (Interim Chief Financial Officer, Transport for London): This capital receipt relates to how we finance our rolling stock. TfL uses leasing where we can, as most other companies do, to spread the cost of our new rolling stock over the life of that rolling stock. However, because of the nature of the Tube being different to any other tube network, we cannot do it for all our rolling stock. We have decided in this Business Plan to press ahead with the procurement of the Piccadilly line rolling stock and we will be looking to award that contract in the first half of 2018. We have therefore made a decision about taking some of our existing rolling stock and doing a sale and lease-back of that to finance the Piccadilly line rolling stock. We are at a stage in the negotiations with parties over that particular contract. We will provide you with more detail when we can but it is a very normal sale and lease-back of rolling stock in order to allow us to buy the next series of trains.

Caroline Pidgeon MBE AM: You are going to be selling and leasing back rolling stock you already have, which you wholly own, in order to give you the cash to buy new rolling stock?

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

Mike Brown MVO (Commissioner of Transport for London): It is very standard practice.

Caroline Pidgeon MBE AM: It may well be but it just always sounds quite mad.

Mike Brown MVO (Commissioner, Transport for London): It is a conventional way of funding an upfront capital programme.

Caroline Pidgeon MBE AM: I have no doubt. It is about cashflow and all that, I understand, but it just seems --

Valerie Shawcross CBE (Deputy Mayor for Transport): It liquidises cash for investment in public services. It is a good thing to do.

Caroline Pidgeon MBE AM: Obviously you need it and we need the new rolling stock and upgrades.

Sian Berry AM: I am glad to see the £875 million is not suddenly deciding to sell off some of the land because that was going to be my question, essentially. We have had talk for a year or so, since the new Mayor came in, about TfL changing its land strategy and doing some more developments. We had LLDC in earlier on. They were doing similar land developments. Some of those have been taken on by GLA Land and Property Limited (GLAP) now. Can I just check that TfL is going to carry on doing its own deals with its own land and it is not going to give it to the GLA to run?

Mike Brown MVO (Commissioner of Transport for London): No, but just to be clear, the collaboration and the working between the two teams is in a quite different place than it was before.

Sian Berry AM: You have moved in together, have you not?

Mike Brown MVO (Commissioner of Transport for London): We have pretty much moved in together, literally and metaphorically, in terms of how we work this through. The Mayor has appointed me to his Homes for Londoners Board, which I sit on and I am very pleased to sit on. That is a very clear link with what we are doing. At the next one of those meetings, which is at the end of February [2018], the Mayor has asked me to come back and present to that Board overall the progress of TfL land development schemes and projects going forward. The connection is significant.

Valerie Shawcross CBE (Deputy Mayor for Transport): James Murray [Deputy Mayor for Housing and Residential Development] and I sit together on an informal steering group between TfL officers and GLA officers to go over, in granular detail, each of the sites and how we are going to manage them. It is very joined up.

Sian Berry AM: The budget we have goes up to 2021/22. Does any of the revenue from these new developments, holding on to the land and taking revenue instead, start to appear in this budget at all?

Simon Kilonback (Interim Chief Financial Officer, Transport for London): There are still some capital receipts associated with developing the affordable homes over the period. You can see that in the capital funding line. We are just at the early stages of developing the new strategy to move away from capital receipts to prioritise long-term income. Indeed, we have just had a new Finance Director join us on 2 January [2018] who will be developing that strategy over the next few months. We have not banked on a big increase in long-term revenue receipts from property as yet but we will be developing that over the course of this year.

Mike Brown MVO (Commissioner of Transport for London): The simple answer to that question is no, there is nothing significant baked into the Plan at the moment and so any receipts that we did get would be upside. Given what I said about the projections of various schemes being brought to site, I am optimistic we will begin to see some revenue receipts coming through.

Sian Berry AM: That is useful to know. In terms of reporting this to us, will they get their own budget lines going forwards? For example, at the moment in the capital plan the line is, "Capital receipts/property sales", hence my questions about the £875 million.

Mike Brown MVO (Commissioner of Transport for London): Yes.

Sian Berry AM: Will they be separated out?

Mike Brown MVO (Commissioner of Transport for London): It is a very good point. We should have a look at that. It is a reasonable point to make.

Sian Berry AM: In terms of revenue, there will be a line for property revenue?

Mike Brown MVO (Commissioner of Transport for London): There will be a revenue line, yes.

Sian Berry AM: At the moment it is 'other things', is it not?

Mike Brown MVO (Commissioner of Transport for London): Yes. That is a very good idea.

Sian Berry AM: It sounds like you are producing a capital plan to do with property that is similar to what we heard earlier on from GLAP. Is that being done in parallel? Are those two things going to come back together?

Mike Brown MVO (Commissioner of Transport for London): Absolutely. We are working in parallel with the other parts of the GLA, absolutely.

Sian Berry AM: We will see essentially a London property plan from both of you sometime soon?

Mike Brown MVO (Commissioner of Transport for London): Yes, I would have thought so.

Valerie Shawcross CBE (Deputy Mayor for Transport): We certainly have that data.

Keith Prince AM: Two questions, one following on from what Sian has said, which was a very good question. The move towards using the land to generate revenue is very sensible because you can only sell it once but you can generate revenue forever and ever. Can you tell me, does the Mayor's requirement in relation to affordable housing have a positive or an adverse effect on your projected revenues?

Mike Brown MVO (Commissioner of Transport for London): It is important to say that it is 50% affordable overall, in terms of overall sites, rather than on an individual, site-specific basis. That is very important. That is why we have been able to work this through, ensuring that on sites with potentially greater revenue receipt opportunities because of the location or the nature of the potential development you can get the revenue stream that you require, whereas on other sites you can do even more than 50% affordable because of the nature of the site and still get a revenue stream from them.

I am very cognisant that housing is one of the most important objectives we have. Indeed, it is one of the three key strategic aims within the Mayor's Transport Strategy, which shows how housing and transport are so clearly linked. Therefore, generating decent, affordable housing for people to allow access to public transport is in itself positive. Looking at it in just one dimension is difficult because of course generating housing creates travel on public transport and therefore revenue from that perspective.

Valerie Shawcross CBE (Deputy Mayor for Transport): It is also the case that each site has its own value calculations. There are sites where we will be getting an affordable housing grant of some sort. It is also the case that as a developer, TfL would anyway be under the same constraints as any private developer would be. If there is a planning requirement for affordable housing then that obviously would affect us anyway, regardless of whether we were TfL or a private developer. It is a bit of an artificial gap.

Keith Prince AM: Not strictly true, Val, because obviously as a private developer you could always challenge through the Three Dragons system whether or not you can afford to make a 35% affordable return, whereas as a GLA family member, it would not be looked on very favourably, would it?

Valerie Shawcross CBE (Deputy Mayor for Transport): Every site does have its calculation done on viability.

Keith Prince AM: I get your point, yes.

Valerie Shawcross CBE (Deputy Mayor for Transport): We are not exempt from all of this.

Keith Prince AM: In net terms, would you say that it was positive or negative?

Mike Brown MVO (Commissioner of Transport for London): I would say it was affordable because of the way we have put together the Business Plan. It is taken care of in the Business Plan and the numbers reflect that 50% overall.

Keith Prince AM: I will not press that point. You said earlier, Val, that the fact that you will no longer be receiving Government subsidy is a risk. Could I put it to you that it removes a risk? I certainly know that when I was at Redbridge, if I was not reliant on the Government and knowing the Government were going to cut my income every year, I would be in a much better position. Could you not say that it removes a risk factor?

Valerie Shawcross CBE (Deputy Mayor for Transport): It reduces the potential resilience of the organisation. It means that we do not have a cushion to fall back on. The degree to which TfL no longer has a revenue subsidy is unacceptable. Some of the boroughs have not quite understood this. It is the case that drivers in London are driving around in cars on which they have paid their tax and buying fuel on which they pay duties, and none of that income to the Government's Exchequer is coming back to London at all. It is not just the case that we do not get any investment now for local roads or Transport for London Road Network (TLRN) roads, it is also apparently the case that London is not going to be able to apply for Air Quality Grant

[Scheme] either. We have been specifically ruled out despite the fact that half of the UK's most polluted roads are in London. The flow of money is all out and none of it is back in.

This a very sustainable Business Plan. We have worked hard on it. Why I feel some vulnerability here is because the fact that the Tube makes a profit is the source of the income that is going into London's roads, so if we have a problem on the Underground it has a broader knock-on effect. There is some common cause we could be making about lobbying the Government to give London a fair allocation on the roads. It is the money on asset investment on the roads that has been particularly hit in the spending plans. There will be investment in safety and in repairs but the damage being done financially is to cyclical maintenance on the roads. That is not sustainable for the long term.

Keith Prince AM: I understand those arguments. It is something the Transport Committee, I am sure, would love to talk to you about. It was just the question of risk. To my mind, I would have said that taking out a funding stream, although it is undesirable, means that there is less risk because you do not know from one year to the next how much Government grant you are going to get. The chances are, if you were getting Government grant, next year it would be reduced because they are not giving you a lot more extra money. I was just saying that it reduces one of your risk factors.

Valerie Shawcross CBE (Deputy Mayor for Transport): On the Government grant, every public organisation says it is not getting enough and I am sure it is true but at least there was always a negotiation and consultation process that goes on between officers. There are rarely any very big shocks. We have hit a point where there is no annual revenue subsidy. That has been a stepping-down over the last four or five-year period. There was a level of predictability in Government grant and it does now mean we are very reliant on commercially vulnerable sources. Is that a fair comment, everyone?

Mike Brown MVO (Commissioner of Transport for London): Yes, I think that is true. This is - Chairman, forgive me - more of a Transport Committee point but I would just like to emphasise what happens when the A2 or the A3 crosses the London boundary. On the outside of the London boundary there will be a contribution from Vehicle Excise Duty (VED) nationally to Highways England to maintain and perform capital renewals on that part of the A2 or the A3, or any other trunk road. As soon as it crosses the London boundary, there is not.

Keith Prince AM: Gallows Corner. A12, A127.

Mike Brown MVO (Commissioner of Transport for London): That just seems a real inconsistency to me. I just make the point graphically because it is a very odd situation.

Keith Prince AM: It is a fair point you are making. I was just asking in relation to risk.

Mike Brown MVO (Commissioner of Transport for London): I understand, yes.

Keith Prince AM: We could leave it at that, really.

Valerie Shawcross CBE (Deputy Mayor for Transport): This is not a party-political point. I think there is an extent to which the business of Government is so big and complex, especially now they have a whole other issue to deal with, Brexit, that the Government itself does not always necessarily completely understand what it is doing. At some point, a decision was taken about removing all the subsidy from the roads in London without it having been thought through, particularly, I would say, by the Treasury in terms of what the impact

is on the London economy in the long term. I see it as business that we do have to address. It is not something that London can sustain for a very long time.

Gareth Bacon AM (Chairman): On the point of VED, there is common ground on that. The points you have made are perfectly fair. I think that was a recommendation of both the first and second London Finance Commission. That of course was cross-party. Any recommendations that you wanted to make to Government around that, we would happily sign up to. As a London politician it would be very difficult to say no to that, would it not? Common ground is very firmly established.

Keith Prince AM: We can do that on the Transport Committee though, can't we?

Gareth Bacon AM (Chairman): Yes, you could, or we could do it here. We could do it anywhere, really. The common ground has already been established. It is just a question of how we take that forward. Before we move off this section, I just wanted to ask a couple of tidy-up questions on the commercial revenue again. The revised forecast for other income by the end of 2017/18 is £447 million. Within three years you are forecasting £960 million, which is, according to a rough calculation I have done while sitting here, an increase of 115% in that timescale. If I ask you to give me a level between one and ten where ten is "Absolutely, 100% confident", what would you tell me as an answer to how confident you are you are going to hit that number?

Mike Brown MVO (Commissioner of Transport for London): We are confident. The work we have talked about with the joint venture on the advertising estate with Exterior Media, the work that we will continue to do on our retail estate and the work that we will continue to do in terms of the capital receipts that we talked about previously as well does give us a lot of confidence. Again, we can share the breakdown of the numbers with you, Chairman, as a follow-up letter. Do you want to elaborate, Simon?

Simon Kilonback (Interim Chief Financial Officer, Transport for London): The other operating income line will also include the new income from the Ultra-Low Emission Zone (ULEZ) charge as well. One of the big increases will be as a result of that. As I said earlier, we are making significant investment in our advertising estate and we will also be taking forward the investment to develop our media estate for things like 4G and wi-fi.

Valerie Shawcross CBE (Deputy Mayor for Transport): It is going well. That is going very well.

Simon Kilonback (Interim Chief Financial Officer, Transport for London): We have not fully baked into our Business Plan what we believe is the true revenue upside of those investments. We do believe that these are achievable forecasts for our commercial income.

Gareth Bacon AM (Chairman): I know you believe they are because you would not put them in the public domain if you did not. The reason for some gentle scepticism on this side of the room is that obviously the income revenue went down last year, which you did not expect. That is a very large increase over the three-year period. It is not a long period of time, it is three financial years, and if you do not hit those numbers then of course there will be knock-on effects elsewhere, will there not?

Mike Brown MVO (Commissioner of Transport for London): There will, and that is why the increase in confidence that we can give you by giving you the breakdown of where we think those individual elements of that number come from will help. We are more than happy to share that with you.

Gareth Bacon AM (Chairman): That is great. Thank you very much. We are going to move on to our next section now, which is around expenditure.

Len Duvall AM (Deputy Chair): It is more about expenditure savings, as you call them, or cuts. Either way. I think this is to you, Simon [Kilonback], or it might be to Mike. Can you tell us at what stage you are in the transformation programme and what is coming up in the next 12 months? Have there been any revisions to that programme in terms of the Business Plan?

Mike Brown MVO (Commissioner of Transport for London): Perhaps I should start and then I will ask Simon to pick up some detail, Len, if I may. As I have said earlier, the delivery of the £153 million of real savings or operational savings last year is evidence of significant progress in the modernisation and savings programme that we put in place. Those were ahead of the numbers we projected, which is why we were able to offset that slight softening of demand and revenue, more than offset that, by a better performance in cost savings than we might have originally projected.

Clearly, the savings that we have planned for further modernisation and reorganisation continue but just to give you some examples of what we have delivered already, I have talked about our head office accommodation consolidation saving about £100 million by 2022/23 and we have touched on renegotiating bus contracts already as well. Going back to head office accommodation, we have moved out of that dreadful building on Victoria Street, Windsor House, which was the building we had before. We moved out of that before Christmas, ending several years early. The Government is taking it over. It was not a good building and it was good to get out of that lease early.

There is the modernisation of London Underground. The saving that they talked about, the maintenance contract for the Jubilee, Northern and Piccadilly [lines], is to the tune of about £200 million. There is also greater value engineering efficiencies that we will put forward in terms of our investment programme to the order of some £1.2 billion over the plan years. We now have engineering together as one coherent whole across TfL for the first time since TfL came into existence. We are bringing together some of the activities in maintenance, and our asset performance and management processes as well, so there are many very credible plans in place, Len, to ensure that we continue to deliver against that.

Simon Kilonback (Interim Chief Financial Officer, Transport for London): One of the big things over the course of the last 12 months is identifying the corporate objective, financially, of moving from a net operating deficit of over £700 million a year to the need to generate a growing and sustainable net operating surplus. Over the course of the last 12 months, that has driven a sea change in how we look at things from a bottom-up perspective. The big difference in this plan is that Mike and I went through a very thorough bottom-up process with each of the business units looking at them either having to reduce the amount of net operating deficit - eg on the buses and roads, where a subsidy has been needed in the past - or, for a service such as London Underground, which currently makes an operating surplus of about £250 million a year, how we get that business to make an operating surplus of £1 billion a year by 2021/22, and for the rest of our public transport services to at least cover their costs. It has given a strong focus and shone a light on where we can save money.

One really encouraging thing you need to remember is that in our annual budget of £10 billion, only about £2 billion is on our directly contracted staff. We spend £8 billion on our supply chain. The majority of the cost reduction we have identified is to do with how we purchase, how we specify and how we contract with a global supply chain. Because we have been doing that in such granular detail, we have much more detailed information about where we will get those savings this year compared to last year.

Len Duvall AM (Deputy Chair): It is work in progress and it is continuing on? There have been no changes to the original approach you reported to this Committee or Budget Monitoring [Sub-Committee] in the past, or even the Transport Committee?

Mike Brown MVO (Commissioner of Transport for London): Yes.

Len Duvall AM (Deputy Chair): We are continuing on with that. As you proceed with this, it becomes a bit trickier. In terms of managing the impact of the programme, tell us about your strategies around the morale of the staff and their trade union representatives, presumably. How are you managing that process?

Mike Brown MVO (Commissioner of Transport for London): We do have a series of discussions, of course, with our trade union colleagues, both at high level overall and in terms of individual workstreams of activity going forward. We have dialogue with trade unions. There are formal, statutory consultation processes to embark on for any substantive changes in any particular area, which of course we follow. In fact, we follow far more than the statutory requirement to give genuine opportunity for input from trade union colleagues as to any concerns, issues or different ideas that emerge.

It is also interesting to note that we have done a recent staff survey and although, in the face of the scale of the change and modernisation that we are going through, you would expect there to have been significant deterioration from previous scores, we have held up pretty well across areas. The credit should go to, particularly, frontline managers for the conversations they are having with the people they work most closely to, ensuring they keep them motivated, informed and delivering against what we need to deliver. I have always said on record, and I say it again here, that the most important asset we have as a business is our frontline delivery teams. Those individuals remain absolutely the core of what we need to do. Safety will always come first in any changes that we are putting in place, very closely followed by the reliability and delivery of the services that we provide.

Valerie Shawcross CBE (Deputy Mayor for Transport): Can I comment, Chairman, if I may? Going back to the beginning of this administration, you will remember that one of the things we talked about was the need to de-layer within certain areas of management within TfL. In Ian Nunn's [former Chief Finance Officer, TfL] famous characterisation, was it 12 layers between the cleaner and Mike? Although the transformation has been difficult to manage - it has been well-managed - and it has caused turbulence and a degree of stress for staff, it has also generated greater opportunities, particularly for the younger members of staff, if I may say so. An organisation with fewer layers of line management is in some ways a better one to work for because people are more empowered and more responsible for their own work areas. There has been a degree of refreshing going on within the culture of the organisation because of it.

I do not mean to minimise any of the difficulties that have accompanied this process but equally there is an upside in reducing some of the paper-chasing that was going on, referrals up sitting in senior managers' in-trays, and a more general modernisation of the organisation to make it fleetier of foot. Those are perhaps things that Mike did not want to say but I feel very strongly that it feels different to be in and around it. There are certainly lots of very capable more junior members of staff getting opportunities to fly.

Len Duvall AM (Deputy Chair): When you mentioned that you were consulting the staff, I presume you meant TfL staff. I am more concerned about the staff who are providing the TfL service that is not in your direct employment, particularly around the buses. How have you controlled that message? What sorts of things have you been passing on to those contractors - you might call them 'partners' - who are delivering a service to Londoners to maintain that quality and morale?

Mike Brown MVO (Commissioner of Transport for London): It is a very well-made point. Clearly that is slightly more at arm's length, as you imply, what we can do there, but I do meet with the owning groups of the bus operators on a regular basis. Gareth Powell, both in his previous role [Director of Public Transport and Strategy, TfL] and now in his new capacity [Managing Director, Surface Transport, TfL], will be continuing to do that in more granular detail as we get into this more detailed renegotiation of bus contracts, including any implications for individual routes, drivers or bus garages as a result of these changes. We just have to ensure that there is consistency of standards that we would wish to apply to anything associated with the TfL brand, with our own direct people and also, as much as possible, those who contract with us. Yes, it is a very well-made point.

Valerie Shawcross CBE (Deputy Mayor for Transport): As you know, the Mayor has paid particular attention to making sure that the TfL supply chain, of which the bus companies are an important part, is actively compliant with the London Living Wage, particularly for bus drivers, in order to help recreate a London-wide market for the drivers themselves to move around. The arrangement put in place between TfL and the bus companies is that there is a minimum entry standard now for bus driver salaries. Discussions continue about things like having something like a passport or a licence to allow drivers to move with their experience and qualifications between companies, trying to enhance the career opportunities for drivers. There is also, of course, as part of the safety regime, more focus on trying to make welfare facilities available for bus drivers. You will see, for example, that there is now only one bus route that does not have proper toilet facilities during the day. There is a real programme now to make sure that drivers are getting those basic decent standards, but much more to be done.

Len Duvall AM (Deputy Chair): Earlier on, Mike, you were asked many questions by Caroline Pidgeon [MBE AM] and I get it, you have some challenges. You have some challenges of redeployment of resources in central London when they arise with the new Crossrail. Then we have another issue. I will not quote you because I might not be 100% but in terms of what my ears picked up, the percentage of coverage did not necessarily lead to cuts. Is that fair?

Mike Brown MVO (Commissioner of Transport for London): Yes, that is fair. One of the --

Len Duvall AM (Deputy Chair): Could I just give you the second part? This is painting some pictures because I do not want to rehearse that question in terms of what we said in the transformation programme, which is that you are reviewing, retendering and renegotiating to save £375 million by 2022/23. In equating all that change, redeployment, and putting the pressure on those contracts something has to give.

Where does it give? Unless you are telling me there are inefficiencies in these contracts and this is the flood around on it, something has changed in some of the services. We are getting back on some of those. I am certainly interested both in inner and outer London services. If we have identified gaps in the provisions, what is giving and what is being reduced? What is the change in the fill of that bus service and those contracts with that level of cuts? I am not saying you do not have to do it. The circumstances you are in demand you have to do something like that, but what is that impact on it? Can we go back to how you answered that earlier question because I did not quite pick it up?

Mike Brown MVO (Commissioner, Transport for London): First of all, just to be clear, within that £375 million requirement on the reviewing, retendering, and renegotiation side there are some -- you used the term 'elements of that'. I would not actually use that terminology, but there are some elements where there are detailed commercial discussions to take place that would ensure that London taxpayers, through us, continue to get value for money for the provision of those individual routes and tendering processes. There is certainly an element of some of that involved.

The other point I was trying to make, let me use Oxford Street as an example, which is the one that I referred to from Caroline's [Pigeon MBE AM] perspective, where actually historically, or certainly in recent years, there has been a perception - based to some extent on reality, I would acknowledge - that buses are progressing slowly along that very intensely populated trunk route full of buses, and taxis, and some other vehicles that means that the reliability of those routes as they serve the suburban areas from where they come and where they go to is seriously compromised. If you are able to reconfigure those bus routes because of the provision of an additional transport service - the Elizabeth line in the that case - and you were able to continue to allow those people who do need to move on that east-to-west route through central London to do so in a more freed up way, if you like, because in that case you have fewer vehicles and, therefore, they are not holding all of themselves up, then you free up some capacity and you are able to take some cost out of the operation as well.

I do understand that it goes back to Caroline's point about why people focus on kilometrage. Actually, this has to be about the service output provision for the passenger. How long do you have to wait at a bus stop on average? As we rather technocratically describe: what is the excess wait time above what you would normally expect? In these worlds of mobile phones and apps where everybody knows exactly where their next bus is at a moment's notice it is really important that we get that confidence of a reliable, frequent service in place. That is another very key element of that, and that is why I am confident that prioritising those areas of growth outside of London is possible.

There is one small caveat I would just give to that, and that is: there are some of our bus routes that cross over into areas outside London where historically councils outside of London have paid a subsidy for the operation of those routes. I have to say that if that subsidy is reduced significantly or even, as it is in some cases, being cancelled - and we have seen cases of that recently - then it is very difficult for me to justify to London farepayers and taxpayers why you would continue to run some of those routes. That is just a caveat I would not mind putting on record as well.

Simon Kilonback (Interim Chief Finance Officer, Transport for London): There is another reason as well why we can be confident in terms of the decreased cost of running the bus network. As cleaner and more electric vehicles are being introduced, one of the big costs in bus contracts are the leasing costs of the buses with the bus companies. With new technologies those leases tend to be a lot more expensive than the older, more established technologies. The work TfL has been doing to support and commit to the entire fleet being cleaner and greener over the course of this Business Plan is helping drive down the lease costs for the buses.

Mike Brown MVO (Commissioner, Transport for London): That is the other way around from which you described. New technology is cheaper.

Simon Kilonback (Interim Chief Finance Officer, Transport for London): Yes. Yes, that is right.

Valerie Shawcross CBE (Deputy Mayor for Transport): Just a reminder that the Hopper ticket helps passengers make more flexible use of the bus service. If it is the case that they need to make a change, clearly it is not going to be a cost to them.

Len Duvall AM: My last question is about the transformation programme making savings in one area but pushing up the cost of others. Are we on top of that and do you have a plan for that? It is not a question we have asked before, I do not think, in terms of that. Are there consequential outcomes that you are taking into account and where it is not just some accountancy whiz of taking it away from there but it is going up elsewhere?

Mike Brown MVO (Commissioner, Transport for London): No, it is certainly not an accountancy whiz in any sense, because although Simon and I have been all over this in detail with all the business areas, as he implied, I have to say, I have been encouraged that the lead for these plans and for the savings that are in these plans have come from those who run the big delivery businesses. That is, I think, a really important point to make. I have looked Mark Wild [Managing Director, London Underground], for example, in the eye and said, "Can you commit to this and deliver a safe and reliable service, and where is the detail that underpins the plans you have?" I have seen that and I am confident, therefore, that this is credible.

Sian Berry AM: I will be as quick as I can. I have not spoken on this issue yet today. You have a fairly good handle on this whole demand-on-the-buses, investment-on-the-buses, where-you-are-putting-the-buses thing that you have been talking about so far today. What you said just now, Mike, about needing to compete for what we know are reducing numbers of trips that people are taking and that your healthy streets programme is competing at one end of it, and at the other end of it you have driving, owning a car, and you also have ride-sharing apps and things that appear on exactly the same apps that you have just talked about. They are competing for this market in trips. I am a bit worried. I know that we should not be bringing case work into this meeting, but a bus that services my local area, services three local hospitals, has had its frequency cut. That disappoints me, because ever since I have moved to London the bus service has consistently got better. I have been looking forward for a number of years now to starting to see things like the express buses that you see in other cities, where you have Wi-Fi and somewhere you can plug in your phone. Those are ways to attract people on to the buses when you have things moving in that direction.

Yet it seems to me like whittling away at the contract costs and taking away the frequency - which does not even need public consultation, that just happens - is telling passengers that things are going in the wrong direction, and not doing enough in a concerted way to compete for those passengers where you are trying to get them out of their cars. That is really, really important.

Mike Brown MVO (Commissioner, Transport for London): I am very happy to take offline any specific examples you would want us to look at.

Sian Berry AM: I have put in some Mayor's questions about this.

Mike Brown MVO (Commissioner, Transport for London): I am very happy to do that. What I would say overall is that clearly, route-by-route, individual-parts-of-London by parts-of-London, we do very closely look at the demand levels that we have. One of the things that I am actually most pleased about since I have been doing this job - and I will be a bit careful how I phrase this - the people who run our bus team now in TfL do not have years of history of buses running through their veins, if it is possible for a bus to run through your veins. You know what I mean. Actually, that is quite helpful because it gives you the opportunity to take a slightly more imaginative, fresh look, but still a very passenger-focused look at how these bus services operate to the best need overall of the wider community, while ensuring that we do not unintentionally disadvantage any section of the community, whether it is about hospital trips or anything else, as you alluded to.

It is a very important thing. I visit boroughs all the time throughout London, borough leaders, and chief executives, and other members of borough teams, as do many others in my team. We have regular dialogue on things that we might have got a bit wrong. My pride is not such that I would never acknowledge that sometimes you have to change things back again if you have made some mistakes. We will continue to do that.

Sian Berry AM: That is not the same as the wider question of: are you pushing to improve the quality of the ride on buses and to compete in a more concerted way? Or are you whittling away at the costs?

Mike Brown MVO (Commissioner, Transport for London): No, we are not. Buses are a hugely important part of our transport network. They are actually the most important part by passenger numbers by quite a significant number. As Val alluded to earlier on, they are actually really important as well in attracting people on to the streets to walk, and cycle, and make more healthy journeys as well. They are a very important part of that whole offering. From my perspective, ensuring that we get that balance right, ensuring that there is a decent frequency of buses that are able to move on London streets and, therefore, able to provide a reliable, frequent service meeting passenger expectations is a hugely important part of the Healthy Streets agenda overall.

Valerie Shawcross CBE (Deputy Mayor for Transport): Two things I would say if I may, Sian. One is that it is important to look at the net number of public transport seats available, and the modernisation programme across the underground, increased capacity on the DLR, and new extensions coming in. We need to see the buses as part of a big picture. There is an element of necessary reconfiguration that is not just about Oxford Street; it is also about the Elizabeth line more generally and other services.

I would say that TfL's confidence in the future of the bus is very obvious from the major investments going in on air quality. If you ask me what is our primary upgrade focus in terms of bus technology itself right now, it is struggling to make sure that every one of those buses out there is Euro VI or better - and 'better' is the word we like - electric or hydrogen by 2020. There is a huge investment programme going on. Those are quieter, more efficient, and a better experience for all of us, whether we are on the bus or not. The buses are getting huge investment as well.

Gareth Bacon AM (Chairman): We are slightly tight of time, and we are straying into the Transport Committee again. That is for entirely understandable reasons, but I am going to be a bit strict now going forward, because we really do need to get through this and we still have a couple of sections to go. Assembly Member Prince, is your question budget related?

Keith Prince AM: Budget related? Yes, it is. In fact, what I am going to say to Mike really, but Val as well, is: I can offer you an indirect budget saving. You were saying earlier about being able to renegotiate the terms with the operators and squeezing them, which is quite right; of course you should do that. A number of bus operators that I have spoken with have mentioned the issue around digital route indicators as opposed to the traditional blinds that we currently use and TfL insist upon. As far as I am aware, there is practically no other area that now insists on blinds; they are all digital.

The bus companies are saying to me that if they were able to use digital route indicators rather than blinds, first that would be a saving because they would not have to pay for the conversion, and secondly they would make a bigger saving because they would be able to have a much higher resale value of their vehicles. Quite rightly in London we expect the best and a newer fleet in time because of our air control, but they find it very difficult to resell these vehicles without having to make a very expensive conversion back to digital. Would you, Mike, consider allowing bus companies to provide buses for us with digital indicators? They would make significant savings as a result of that, and that would enable you to go to them and say, "Hey, guys, you are making a saving; therefore, I want my kickback on that"?

Mike Brown MVO (Commissioner, Transport for London): The breaking-news answer is, "Yes", because I have now seen for the first-time digital technology that absolutely replicates the manual signs that I have seen.

Keith Prince AM: You have seen the light?

Mike Brown MVO (Commissioner, Transport for London): The technology has caught up with the light; maybe that is the way of describing it. To be honest, Keith, I only saw that literally just before Christmas. It is extraordinarily impressive; you would not know the difference. One of the reasons we have always stuck with the conventional signs is actually from a visibility perspective for those passengers who may have particular visibility requirements. It is really important that we have a standard product with a standard display, but actually I have seen something just before Christmas that is potentially very exciting, and I think will cheer you up as well.

Keith Prince AM: Brilliant. Thank you.

Unmesh Desai AM: If I could start with you, Mr Kilonback: in the previous Business Plan, your capital spending was due to rise in 2021/22. Now it will not rise until 2022/23. What impact does this have in terms of what has been cancelled or will be cancelled or delayed?

Simon Kilonback (Interim Chief Finance Officer, Transport for London): This Business Plan had to deliver broadly the same outcomes within a tighter financial envelope, and the only main difference in terms of what we will deliver is the decision that Transport Committee Members will remember from the last discussion with Val. We have looked at the investment we have made in signalling and other assets on the Jubilee and Northern lines and decided that we can provide increased train frequencies by sweating the existing assets harder without, currently, the need to procure the additional trains that we had anticipated doing in the 2016 plan. Otherwise, in the main, on the capital programme what we are seeing, again through our increased focus on delivering the same outputs for less money, is working together with our new engineering and major projects teams to value engineer what we buy and to deliver the same outcomes for less money.

For example, the Piccadilly line rolling stock as part of the Deep Tube Programme is a good example of where we are re-phasing the actual cash amount spent in the Business Plan, but we are determined that we will deliver the same trains to the same date regardless of a lower spend profile.

Unmesh Desai AM: I will come back to Mr Kilonback, and you might wish to comment, Ms Bradley. From the Business Plan, it looks like you are reducing the amount you are going to spend on capital renewals. Have you again changed the way you classify a capital spend because of the renewals and investment? I would be happy with a yes or no answer.

Simon Kilonback (Interim Chief Finance Officer, Transport for London): Sorry, you asked for the classification of capital spend between renewals and enhancement?

Unmesh Desai AM: Yes.

Sarah Bradley (Group Financial Controller, Transport for London): What we have tried to do in terms of the classification is to make sure that we are reflecting the true cost of running our operations, including the ongoing renewals of time-expired assets. Where we have capital expenditure, that is replacing near enough on a like-for-like basis – without enhancing capacity – that is treated as a renewal. Where we have expenditure, that is either an entirely new asset, such as the Elizabeth line, or where we are enhancing the service potential of an asset, which is often the new rolling stock or signalling, then that is treated as being new capital investment; therefore, enhancement expenditure.

Unmesh Desai AM: All right. I did not quite get the thrust of that. In terms of my direct question: have you changed anything fundamentally?

Sarah Bradley (Group Financial Controller, Transport for London): That is a consistent definition from last year.

Mike Brown MVO (Commissioner, Transport for London): The thing that has changed – just to go back to the earlier discussion about TfL’s Strategic Road Network (SRN) – is that the capital renewals on the TfL Road Network have reduced in this Plan compared to the previous Plan. That is as a direct result of us not getting any of the revenue subsidies that Val was talking about earlier on. Again, to be clear, we will ensure there are sufficient safety provisions in place to allow us to repair, and patch, and mend the Strategic Road Network, but there will not be the levels of capital renewals that there has historically been on the Road Network.

Simon Kilonback (Interim Chief Finance Officer, Transport for London): In particular the proactive renewals before things actually need renewing.

Sian Berry AM: Sorry, you are saying it is an actual reduction rather than a change of designation?

Mike Brown MVO (Commissioner, Transport for London): That is an actual reduction. Yes.

Unmesh Desai AM: I might come back to that point. Again, coming back to Mr Kilonback, and you have managed to come in, Ms Bradley: in your draft budget you have a figure of just under £470 million listed as revenue contribution. Can you provide a breakdown of this figure?

Simon Kilonback (Interim Chief Finance Officer, Transport for London): Can we come back to you on that one? We will have a look and see if we can find it, but we might have to come back to you on that one.

Unmesh Desai AM: Yes. Page 69, right at the very bottom. I am referring to the GLA Group budget proposals.

Simon Kilonback (Interim Chief Finance Officer, Transport for London): It is in the GLA Group’s-- Sorry, are you talking about the revenue surplus deficit?

Unmesh Desai AM: Yes, revenue contributions; right at the very bottom. You have just under £470 million listed as revenue contributions. What exactly is this?

Sarah Bradley (Group Financial Controller, Transport for London): Yes. That wording there has been updated to “revenue surplus or deficit”. Effectively it is just the bottom line.

Simon Kilonback (Interim Chief Finance Officer, Transport for London): It is the extent to which we are either generating a surplus or incurring a deficit on our net operating expenditure. That is saying that in 2018/19 we will make a net deficit of just under £470 million on our net operating expenditure.

Unmesh Desai AM: I might come back and write to you about this. If I could just come to you, Commissioner and Deputy Mayor: I know you touched on the area of road maintenance earlier, but can you explain where it is specifically the likely consequences of cutting the road maintenance budget and also set out what you are going to do to find alternative funding?

Mike Brown MVO (Commissioner, Transport for London): First of all on the second point, we continue to have dialogue with both Treasury officials and with the Department for Transport (DfT) as to why this does not make any sense, along the lines of what I said earlier on. There will be consequences. There will be a degradation in the state of TfL's SRN. There is no doubt. I would not want to mislead this Committee or anyone else on the fact that there will be an impact, because if you are not proactively embarking on a capital-renewals programme on an ongoing basis over time there will be degradation. What is really important to me is that that degradation does not affect vulnerable road users, particularly pedestrians, cyclists, or indeed the ability of the buses to move around our network. I would be misleading you if I said there was no implication on that though.

Valerie Shawcross CBE (Deputy Mayor for Transport): I would just add that in terms of the five years of the Business Plan, it is the first two years of the Business Plan that are the tightest and most difficult financially. By the end of the Business Plan you can see it is not just back into surplus. It is into surplus, but there should be some easing of the availability of investment for roads maintenance. That starts to kick in from year 3, from memory.

Mike Brown MVO (Commissioner, Transport for London): Yes, it is.

Valerie Shawcross CBE (Deputy Mayor for Transport): For the next two years it is not exactly a holiday, but there is a dropping off of cyclical maintenance and it is more responsive, reactive, safety-focused maintenance. Then it has to be released and relieved with some more investment by years three and four in order to avoid doing long-term damage to the Road Network. Clearly one of the big missions in terms of reducing and tackling our risk is getting the Government to recognise that London is being treated very unfairly in this area.

Unmesh Desai AM: On that point that you made, I understand that you have called on the Government for a share of the UK's VED. What progress has been made in this field in terms of the Mayor's and your negotiations with central Government?

Simon Kilonback (Interim Chief Finance Officer, Transport for London): The DfT has started consultation on allocation of the second road investment fund from 2021, which is the first time they will actually be hypothecated to road use. We are making the strongest possible representation for London to receive an allocation of that funding, and we will continue to do so.

Mike Brown MVO (Commissioner, Transport for London): It is fair to say we have not had the answer we want yet; therefore, we will continue to lobby at every opportunity.

Caroline Pidgeon MBE AM: I just wanted to pick up - and I realise because of time we might want it in writing - in terms of capital there are a number of projects I can easily see within the Budget and Business Plan. The Metropolitan line extension to Watford: I know there is a £50 million-odd shortfall and issues around the Transport and Works Act 1992, but where are we? Is that covered in here? The Northern line extension came up before because you were in dispute with the developers. I do not know what the outcome of that is and whether it is still ongoing. Is that an additional capital cost? TfL is supposed to be putting £20 million into Hammersmith Bridge. Your answer to the Mayor's question tells me it is allocated in the Business Plan. I cannot find it. Where are some of these things? Particularly the Northern line extension, which came up last year in the budget, do we have to pick up that cost?

Simon Kilonback (Interim Chief Finance Officer, Transport for London): We have provided the Chairman and yourselves with a plan-to-plan comparison of the major projects, and the Northern line extension

is in there. What we are doing in the Business Plan itself is, as with fares, we are taking a more cautious approach to the Business Plan. We have recognised what we forecast as the full cost currently estimated to be the cost of the project, but we are continuing to progress the commercial negotiations with the developer over the attribution of costs.

Len Duvall AM (Deputy Chair): There is a problem here, is there not? The problem is you have worked very hard in trying to make TfL's finances less opaque and more accessible for people like me and this Committee, but you use the words, wrongly sometimes, between 'renewals' as well as 'new capital investment'. That is the list of projects we are trying to look for and see where we are. Earlier on the Deputy Mayor said, "We are realigning the Business Plan to the new Transport Strategy". When that Transport Strategy is an old list of projects, you might not have funding for them, but we are trying to wade through where they are. I get the issue about renewals. That is great. That is good. That is what you are doing with the existing. It is the new programmes over the next 25 years, where your commitment is or what you are bringing forward.

In this budget I would have expected to see where we were, a little bit of commentary, a narrative, on where we are on the Bakerloo line extension in terms of discussions with other partners and funding. I see in the renewals issue you have a little bit on the tram issues around the health and safety issues arising from the tragedy that occurred there, but somewhere it is lost that you were having discussions with various partners around the extension of some aspects of the tram routes down there. Albeit you are not going to do it in the next couple of years, but where is the progress report of how far that is going and all those other issues?

I do not wish to cut across the constituency Member for that area, but I saw some press recently about the Barking Overground issue. I have an interest and so does the Chairman of this Committee in terms of the extension across the river into Thamesmead from Bexley Riverside. It is the progress reports of somehow tying that longer-term Mayoral Strategy back with the new bits that we know in terms of London needs to be continually in the eyesight of what it needs to do. You may not have money for it, and you may not be spending money on it, but they are projects that we would see continually be there because we are not sure -- because we could have some good fun with this, whether they are cancelled or delayed because of the situation you find yourself in or whether they have just fallen off the world? It does not exist now.

Silvertown link; some Members do not want it and some Members do want it. Where is it? That is where there is the problem about the terminology about the two different terms, and we flick between these two. I have to say, this is not the first time this Committee has raised this. In fact, I can recall over a year ago when I first re-joined the Committee we had this conversation with Ian [Nunn, former Chief Financial Officer, TfL] about, "How do you present it? How is it more transparent?" We said, "Renewal is on one side and future projects that keep this city afloat, then at least our bidding strategy for future manage --

Valerie Shawcross CBE (Deputy Mayor for Transport): Chairman, this is a very high-level, in terms of level of detail, document, and there are a number of projects that are not yet at the stage for us to have all the information to give you. We do have a commitment from last year to give you a comparator document of all the projects, and have they shifted and where they are. It is true to say that there are some MTS commitments that are still at the planning and discussion stage. For example, you mentioned the Bakerloo line. We are totally committed to delivering the Bakerloo line, but right now if you ask me what is going on it is not numbers on the paper here. It is a planning debate about the nature of the Opportunity Area [Planning] Framework or the planning framework for that area in order to liberate the resources to do the project, and that is going on between City Hall and Southwark [Council]. It is at that level.

The MTS is not a work of fiction. Those projects are commitments, but the nature of it now is a lot of that money has to be generated from the development around the site. You can have all the information that we

have in terms of what the status of those projects is and what financial commitments have been made. The intention was to give you some comparator lists so that you can see what had shifted and when, which we have done.

Caroline Pidgeon MBE AM: Yes, I have that, but not --

Valerie Shawcross CBE (Deputy Mayor for Transport): You have it? All right.

Gareth Bacon AM (Chairman): Sorry, Deputy Mayor, to interrupt you. Just very briefly, it was done, and thank you for doing it. Unfortunately, from the Committee's point of view that information arrived at City Hall on 29 December [2017] when very few people were here.

Valerie Shawcross CBE (Deputy Mayor for Transport): Yes. I am sorry about that.

Gareth Bacon AM (Chairman): It was circulated to the Committee late yesterday; therefore, the chances to interrogate that information have been limited to say the least. What we may have to do is take it away and go through it and then write to you with questions on it rather than doing it now because --

Len Duvall AM (Deputy Chair): I have had a look at what you have provided, and very grateful for the 24 hours' notice, but that is not what I have just been speaking about in terms of the list that I am looking for. I appreciate, Val, in terms of where you are in terms of those documents, but it is very important in terms of the long-term planning, the discipline that you are imposing over revenue and future issues that we see that in your budget about future programmes coming on because some of those expenditures may, because opportunities arise, occur much more quickly or not. We need to keep control of those and see how they impact on your organisation.

Mike Brown MVO (Commissioner, Transport for London): That is a very reasonable point. The only thing that I would just say, to add to what Val said, is it is those projects that have financial commitments within this Business Plan period that are highlighted. If there is not a financial outlay that has been agreed or signed off or it got to that stage then it is not there. That does not mean we have taken our commitment away from doing it, whether it is a Northern line extension or anything else. It is simply, as Val said, that it is not at the technical stage where there has been any sign-off of any financial authority of substance to be spent on delivering that project. Now I am very clear in our Major Projects division there are 14 major schemes. That is a portfolio that sits within Major Projects. If we have missed some of those off the list and we do not have the detail of those we will certainly get that to you.

Valerie Shawcross CBE (Deputy Mayor for Transport): We have a Growth Fund within the Business Plan.

Mike Brown MVO (Commissioner, Transport for London): The Growth Fund is the sort of areas that would pick up potential tram extensions or for other particular projects and that is where that source of funding would come from at the early stages. The reason it is not there is not that anything is hidden away, it is simply that there is not that financial outlay in a budget and Business Plan process within this plan.

Caroline Pidgeon MBE AM: I understand where Len [Duvall AM] is coming from and that would be helpful. The things I was talking about are things that have financial commitment. The Northern line extension is on this one and it has gone up £221 million. Is that because we did not win the court case or is the court case still ongoing?

Mike Brown MVO (Commissioner, Transport for London): We have not got to that point but this is really following a detailed review of where we are, the optimised programme of the works, and a realistic assessment of where we now think we are.

Caroline Pidgeon MBE AM: We pick that up, not the developer?

Mike Brown MVO (Commissioner, Transport for London): That is where we think our costs now sit. On the same token of course, just to emphasise, if you look at the Four Lines modernisation, for example, where we are delivering the same scope of work to the tune of a saving of £194 million from the previous Plan, that is because we have done a huge review of value engineering, of ensuring we still deliver the same outputs, but we are able to take out some of the cost of that programme while still delivering to schedule. That is why the nature of these variances is important overall.

Caroline Pidgeon MBE AM: Maybe I am reading these tables differently to how you have described that one and so it may be that we need some narrative around this so we can fully understand it. The other two I mentioned, and it may be that you want to put it in writing, I do not mind, is the Watford extension, which we raised last time, which I know there is a shortfall on, but do you still have the capital allocated, and also £20 million for Hammersmith Bridge?

Mike Brown MVO (Commissioner, Transport for London): On the Metropolitan line extension, we are awaiting the outcome of the Housing Infrastructure Fund (HIF) submission that was submitted in terms of housing development around that area. We clearly have, I have said on record, there has been a funding gap since we inherited this project from the local council, which of course is outside London, and we continue to work to see how that gap can be closed, whether as a result of the HIF application being successful or by other means that would ensure we close that shortfall.

Caroline Pidgeon MBE AM: But the money is still allocated and it is in there?

Mike Brown MVO (Commissioner, Transport for London): It is. In terms of Hammersmith Bridge, of course it is a slightly complex one because of the ownership of the asset being with the borough and the surfacing with us, and again that goes back to the point about what is a capital renewal, which is a very fair point by the way. I do not want you to think that I have not heard you on that. It is a very fair point. Clearly, we are not changing the use of Hammersmith Bridge. It is not like we are building a double-deck bridge or anything. This is the same asset that is being returned to being fit for purpose and so that is why that, in my definition, unless I am incorrect, will be a capital renewal, not a capital programme core.

Gareth Bacon AM (Chairman): Is the Rotherhithe cycle and footbridge part of this current Business Plan?

Mike Brown MVO (Commissioner, Transport for London): Yes.

Gareth Bacon AM (Chairman): Should that not feature on this table, then?

Mike Brown MVO (Commissioner, Transport for London): It is in the Healthy Streets portfolio and also of course the level of spend within this Business Plan period is relatively low compared to the scale of re-signalling the District line, and so this has been a bit of a scale level of what is bracketed with one element and what we have gone into huge detail. I am again happy, Chairman, to share any level of granular detail you want on this, but by all means.

Gareth Bacon AM (Chairman): Yes, what we are going to need to do with this is give it a little bit more investigation and then we will write to you about it because unfortunately we did not have the time to do it in advance of this meeting.

Sian Berry AM: Assembly Member Pidgeon suggested we write in with requests of things that we would like to know, but we do maybe as a Committee, and then we write in afterwards, need to get a view on what lines we want in this budget. I know that last year we raised the issue that so many things were under Surface Transport it was no use at all, and there is more breakdown now particularly in the revenue budget. But the capital budget, although that is again broken down and we have been making comments in relation to specific projects, it does need more alignment with the Transport Strategy and then the Business Plan.

Leonie Cooper AM: This is my question, in fact, in the last set of questions.

Sian Berry AM: Exactly, but we have got there now, and we asked for feedback on the Healthy Streets, which we have been sent the table on. In terms of cycling investment there is one specific question I have, which is that that comes under streets, under capital investment, does it not?

Simon Kilonback (Interim Chief Financial Officer, Transport for London): Cycling investment appears in a number of categories.

Sian Berry AM: In terms of cycling capital investment, is in other places than streets?

Simon Kilonback (Interim Chief Financial Officer, Transport for London): Yes, you have some elements of Healthy Streets, you have some elements specifically of cycling and then quite a lot of the investment in cycling happens through renewals rather than capital in the way in which local authority accounting works. Again, we would be really happy to take you through a really detailed deep dive on how that is allocated.

Sian Berry AM: If I can check with Val, the commitment that is in the Business Plan to give on average £154 million per year to cycling specifically is being stuck to even though things are sort of becoming --

Valerie Shawcross CBE (Deputy Mayor for Transport): The cycle routes investment has been absolutely protected and you can see the Super Highway programme continuing. Some of the confusion has arisen because the Local Implementation Plan (LIP) funding. I was looking at [Assembly Member] Caroline Russell's letter to the *New Recorder*. The LIP funding, the borough funding itself, the LIP funding ...

Gareth Bacon AM (Chairman): Sorry, can I interrupt you?

Valerie Shawcross CBE (Deputy Mayor for Transport): It covers three different portfolios and so it includes ...

Sian Berry AM: That is a different question.

Gareth Bacon AM (Chairman): Members, we are going to move on and we are going to move into the section --

Sian Berry AM: We will write in about the capital lines. That is the final thing I wanted to say.

Gareth Bacon AM (Chairman): Let us get Assembly Member Cooper to ask her questions and if you want to do the sweeping up you can do it again.

Leonie Cooper AM: I would like to address this to Mike, coming back to Mike before moving on to asking Val about expenditure on Healthy Streets and LIP funding. We have the draft Transport Strategy, which expresses the Mayor's overall strategic aims, and I am now slightly confused after the precursor discussion that we have just been having about how many adjustments you have made to the draft Business Plan in the light of that draft Transport Strategy.

Is there some sort of cut-off that you have used where things are at such an inchoate and in the future kind of stage that they have not been included in detail, where you have not known where the funding source is, the additional housing that might drive Community Infrastructure Levy that would come in to assist with projects, so when they are at that point you have not included them but you have included some that are further down the line and are more nailed down, as it were, as projects? Could you set that out in some way for us?

Mike Brown MVO (Commissioner, Transport for London): Yes, it is very clear to me that, as I said at the very start of the session, the Business Plan seeks to give concrete delivery against the objectives of the draft MTS. It absolutely is geared around doing that. Clearly there are some projects that have been in flight for some considerable period of time that absolutely fit with that portfolio; there is no attempt to retrofit them, it is just a reality that, for example, the procurement that we are going ahead with on the Piccadilly line new trains, which we talked about earlier on, the continuation of the delivery of the new signalling on 40% of the Underground, which will give an increased capacity of 33% overall on those lines, that goes ahead because that is in flight and that is quite appropriate with delivering a better public transport experience within the MTS. There are other projects that are slightly further ahead. The Bakerloo line is a good example, the Bakerloo line extension we are absolutely determined to do, the reality is that in the phasing of the procurement of rolling stock and re-signalling for the Bakerloo line, which is a precursor to enable you to extend the Bakerloo line, will not be delivered until towards the end of the Deep Tube overall new trains and new signalling process. Therefore, the level of spend required within this Business Plan window, and therefore in this budget, is not one that features at headline level. However, in no way should that be taken as being reflective of our lack of commitment to the Bakerloo line. Essentially, all the planning work, the development work, is progressing and that will continue to progress. In a sense, what we are seeking to do is make this Business Plan very real, very concrete, with those projects, those schemes, with numbers attached to them that are delivering right now within this five-year period while also recognising that, as we move on, as we iterate the Business Plan for next year, the year after that, whatever, inevitably other projects will begin to emerge as existing ones fall off because they have been delivered.

Leonie Cooper AM: I guess that is probably one of my problems with this is that the window, a five-year window for a Business Plan when the figures that we are talking about and some of the scale and complexity of the projects involved-- My background is working in housing and I cannot imagine working on anything less than a 30-year Business Plan. Every single local authority in the country has a revenue account that has a 30-year life span, so I find it very difficult to operate within this incredibly small five years, it is short to medium term, whereas most of the projects that we are talking about here in terms of the scale and complexity and cost are really going to be long term, Crossrail 2 being a prime example, which is at some point off in the future, 12 years and that is just the digging in the ground stage. You must surely in house have something that plans out beyond the five-year short-term plan.

Mike Brown MVO (Commissioner, Transport for London): Yes, of course, there is work that goes on strategically to look and see what is coming up and that is why, Simon's point earlier on, the importance of us getting to a point where we cover our day-to-day operations by 2021/2022 is so important because that then

sets you up in terms of the cash holding that you have and your ability to borrow at good terms in the market and therefore your financial credentials to move on to the next phase of delivery. But inevitably, while you have a five-year plan, which is what we are statutorily obliged to produce, and this has required a lot of work this year to ensure that we get to what is a very credible, very coherent plan for these five years. It is not unusual of course, going back to my term earlier on, for a FTSE 100 company to be doing a five-year plan. In fact, it is quite standard business practice for that to happen. The housing sector I realise is somewhat different, but in terms of business, this is quite normal. We also do have the MTS, which takes us to 2041 and has those key objectives of 80% of journeys being by walking, cycling or public transport by that year, and so there are very clear objectives. My challenge is to ensure that, as we iterate the Business Plan and we produce a different one on an annual basis, we are cognisant and responding to the strategic aims of that Strategy, which is not a Business Plan, but it is a Strategy, that therefore we should have some credible numbers hanging off.

Leonie Cooper AM: I just wonder, but the offer of talking about the session on forecasting, perhaps this could be incorporated into it because that forward planning of this nature is part of the way that you are working out what you need to put in the five-year plan.

Mike Brown MVO (Commissioner, Transport for London): If I could just say one more thing, sorry, Leonie, if I may, what I have to produce for you, and you would expect me to produce for you and for London, is a credible costed plan. I do not want to be in the business of producing a plan that is based on assumptions, assertions and other things that is too far into the distance for me to be credible in front of you because you would quite rightly come back in scrutiny in two or three years' time and say, "Hold on a second, you said this was going to happen, Mike, this was going to happen", and if there is not an identified clear credible process to commit to that I would be reluctant to come to you, just to be clear.

Leonie Cooper AM: To just reverse that, from our point of view to do credible scrutiny of whether or not your five-year Plan is something that we have looked at properly and that we agree with you that it is all of those things, credible, sustainable and funded, and so on and so forth, having some of that sort of how you are working out the forecasting for things that are going to come forward and when they may come forward would be very helpful for us in terms of the overall context. I am not saying that we would then necessarily have a set of new 25-year targets to hold you to or anything like that.

Mike Brown MVO (Commissioner, Transport for London): I understand.

Leonie Cooper AM: Coming from the very large in the forecasting and the strategic to you, Val, there has been a lot of discussion about the LIP funding and looking at this year's budget, although there might be, if you smooth out the figures, and you are welcome to divide them by five, there does seem to be some fluctuation on a year-by-year basis. Comparing the £174 million in the figures that you sent over yesterday, with previous and also subsequent years, that does seem to be quite a lot less, a 22% cut.

Why and how has that happened? What discussion has been held with the borough and what is going to be the impact of that change?

Valerie Shawcross CBE (Deputy Mayor for Transport): The MTS in some ways is policy guidance about what are the priorities and the commitment has been and was to protect the Healthy Streets funding and also of course the borough element of that. We did need, because of the softening in the Underground figures, to save some money this year and there has been a huge process gone on to do that. The net consequence of that is that one of the elements where there has been some expenditure reductions has been in particular in the corridor funding of the LIPs, and so that is the money for the roads that we were talking about, but also

there are some major projects, which do not fall under LIPs, but which were borough schemes such as gyratories where the project has been moved on another year in order to manage the cash flow, so a saving for this year but the project stays with us and stays in the box and has been realigned. So that is what has happened. It had to happen quite quickly, so the boroughs were not happy about it, but they do understand that overall the commitment to £2.2 billion of Healthy Streets funding is the best that there has ever been in terms of investment in the streetscaping and they get to keep the benefit from it.

Leonie Cooper AM: Is that also what is effectively 'cycling budget (non-borough)'? I notice that in this year that is at £37 million and then it is at £60 million, £64 million, £78 million and £96 million in the four subsequent years. £37 million is quite a lot less.

Valerie Shawcross CBE (Deputy Mayor for Transport): I am looking at different figures from yours, but there is £600 million assigned to cycle routes, such as Cycle Superhighways, throughout the Business Plan as part of the £2.2 billion.

Leonie Cooper AM: These are the figures you sent over yesterday.

Simon Kilonback (Interim Chief Financial Officer, Transport for London): Yes. As with all capital projects, some of this is about the timing of when the project is going to happen, so again measuring what we deliver in terms of the outcomes rather than the cash spent in a particular year is what we want to really focus on doing because some of these are just differences as to when a project starts or when the cash is paid for a project. As Val said, next year, 2018/19, is the crunch year for us given that is the year in which the full removal of Government grant happens. There has been some movement in the projects.

Leonie Cooper AM: Sure, but you will understand why people would look at this and think the money has been taken out of this budget because it is the crunch year rather than, "It has moved because the completion date has changed", and you cannot have that both ways. You have re-profiled it either because we are looking at outcomes and an outcome has moved into the following year or it is because you are in a tight space and you did have to make some reductions.

Mike Brown MVO (Commissioner, Transport for London): Except that the payment of contractors and those who are involved in the work, one of the things that we have done - and we could have made the point earlier on when this was raised, but it is true of the procurement of Piccadilly line trains and everything else as well - the way that we have often paid for work with our contractor partners has been very much up front and as the work begins and not, as you would expect, in a standard kind of commercial arrangement. The cash-out-the-door point is not always the same as the delivery of the project progress on the ground, and so I will just make that point because it is not as clear cut as it might be. I do understand the optics; it is a well-made point and we need to give you some confidence that the core of what we are doing is continuing.

Leonie Cooper AM: I am familiar with that because I have worked in housing long enough that I can remember back to the time when you got a Government grant that came in and it was completely not aligned with when the building works necessarily started on site or took place and all the rest of it.

That does bring me on to my final question, which is about Crossrail 2, and there was a demand from the Government that we should put a lot more money up front at an earlier stage, including funding half of the cost of construction during construction rather than afterwards. We understand that you shared your plans and suggestions for that with the DfT.

Is there any news on when we might hear anything about this and whether or not the Hybrid Bill has now slipped from 2019/20? When are we going to hear the details of the plans for the funding for Crossrail 2 and is it all definitely going to happen? She said, desperately keen to alleviate congestion on the Northern line?

Mike Brown MVO (Commissioner, Transport for London): Absolutely, it is hugely important, not just for congestion, but of course for much needed housing in particular on the Lee Valley and the creation of 200,000 new homes, potentially 200,000 new jobs as well, as you say, relieving Waterloo, Clapham Junction, Victoria and the Northern line. Members will have noticed, I am sure, that as part of the Autumn Budget [2017], the Government reiterated its commitment to Crossrail 2. They announced there the creation of a further independent funding and finance review due to take place imminently. There was a constructive dialogue, it is fair to say, at a political level recently between the Mayor and the Secretary of State [Rt Hon Chris Grayling MP] with a joint commitment to the importance of Crossrail 2 as well as the importance of the Northern Powerhouse Rail, which of course we would seek to support as well. Indeed I have written to my equivalent in Transport for the North offering some technical help and support to them if that helps to move their project on in any way, without at all being arrogant to say that London has all the answers for the North, because no doubt we have not. I am confident that the momentum of Crossrail 2 is now very much real and alive and that the independent finance review will allow a favourable outcome to be delivered and allow us to get into consultation either towards the end of this year --

Leonie Cooper AM: When do we think we might see the financials published, then?

Mike Brown MVO (Commissioner, Transport for London): I am hoping within the next few months but clearly that depends on those carrying out the review. Is that fair, Val?

Valerie Shawcross CBE (Deputy Mayor for Transport): Yes. The Mayor and the Secretary of State for Transport discussed a name for an independent person to carry out the review, the independent financial review is starting shortly, this year. It is important to understand this is a joint project and, although TfL, the Crossrail 2 team have put together, in discussion with GLA, the new outline business case, which accommodates this cash flow issue of 50:50 funding throughout the programme, it is not just ours to reveal, it is one that the Government has joint ownership of and they understandably want to carry out this financial review before it goes further forward. We share your impatience and frustration, but quite honestly the Government are very committed to it but they also have practical and political issues to deal with, but they are very positive about the Crossrail 2 project.

Leonie Cooper AM: Is the build in 2019 or has it now slipped?

Mike Brown MVO (Commissioner, Transport for London): We are still optimistic because the important thing is to keep the momentum going because, as you know, there is a phase of the Hybrid Bill process, the Stage 2 reading, which is quite useful to get within one Parliamentary cycle, so we are still pushing to see what can be achieved.

Gareth Bacon AM (Chairman): Just one final tidying-up question, we have discussed the Crossrail 2 thing before and I remember asking Simon questions around this because it is a bit of a stretch, assuming that you are going to pay for it over 40 years and then all of a sudden you are going to do it over the lifetime of the build of Crossrail 2. At that time, my recollection was that you were confident, you said at the time, that you would have measures put down that would achieve this and we were talking about the Business Plan at the time as well and it would be around about the same time as the Business Plan and we were all looking forward to that. You have now said - not 'you' but collectively - that the Government is conducting a financial review.

What are they reviewing exactly? Our questions at that time were around the 50% of funding that TfL would have to do and the measures that TfL would have to bring to the table to make that happen. Are they reviewing their numbers, your numbers, the numbers in total? What is the review focusing on?

Simon Kilonback (Interim Chief Financial Officer, Transport for London): We are still going through the terms of reference with Government at the moment, but the review is focused on the entire funding and financing package for Crossrail 2, not just the TfL/London element of it.

Valerie Shawcross CBE (Deputy Mayor for Transport): The updated strategic outline business case, which is not just our funding, it is the Government's funding and the phasing of the project, etc.

Gareth Bacon AM (Chairman): Are you forbidden then from sharing your proposals to put the 50% forward with anyone in public? When we discussed this issue before, what we were particularly focused on, because we are the London Assembly and you are TfL, we were focused on how you were going to manage to put the 50% that you are required to put on the table to fund the delivery of Crossrail 2 through that process rather than through the lifetime of the asset, which is what the original proposal was. Our interest was that put you under considerably more pressure than you were originally anticipating and they did it very quickly. We were interested in the measures that you were going to propose to make that happen and we wanted to know whether or not you were confident you could do it and you assured us you were. What I am interested in now is not so much the Government's half because that is up to the Government; it is TfL's proposals. Are you allowed to share the detail of those or is that to be kept completely out of the public?

Mike Brown MVO (Commissioner, Transport for London): We are not until this review has taken place, Chairman, to be honest, because just to be clear, the 50% is London's contribution, it is not constrained to TfL, and therefore there is a complexity about the configuration of that and how it works, which is part of the detail, will be part of the detail, of this independent review. As much as I would like to have all this out there now, it is important that this follows the process of this independent review because, as the Deputy Mayor has said, this is a joint response project and it would be very important to have that done in the right sequence.

Gareth Bacon AM (Chairman): OK, which is fine; I understand that. You think that is going to take several months?

Mike Brown MVO (Commissioner, Transport for London): We are optimistic it will be quick. Some work has already been done as a sort of precursor to this further review and there was a real sense of a need for momentum between the Secretary of State and the Mayor that gives me a degree of optimism that we will get this as soon as we possibly can. If we can get it by the middle of the year, that will be great.

Gareth Bacon AM (Chairman): Is there likely to be any kind of budgetary implication of this work within the lifetime of the Business Plan?

Mike Brown MVO (Commissioner, Transport for London): No. I do not think it will be substantial in the lifetime of the Business Plan. It will be one of those ones where there will be some further pre-work required, there will be some further monies required for the planning detail for some of the consents and the safeguarding, preservation and that kind of work, but we are not talking about constructing within the timing of this Business Plan?

Simon Kilonback (Interim Chief Financial Officer, Transport for London): There is a budget that is contained within our budget and Business Plan for that work, the development work to happen, and that is still the planned amount of money that is allocated between us and Government to take forward that work.

Gareth Bacon AM (Chairman): OK, that is fair enough.

Leonie Cooper AM: Just that the end of the plan is 2023.

Gareth Bacon AM (Chairman): Yes, all right. We have finished our set of questions. Thank you very much. I would like to thank you for your patience in waiting earlier and also, Members, I would like to thank you for lasting an absolute marathon of a four-hour meeting. Well done.

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