

GREATERLONDONAUTHORITY

██████████
(By email)

Our Ref: MGLA190520-2101

15 June 2020

Dear ██████████

Thank you for your request for information which the Greater London Authority (GLA) received on 18 May 2020. Your request has been dealt with under the Freedom of Information Act 2000.

You asked for:

Dear Sadiq,

Could you send to me all of the letters you have sent and received from central government regarding the TfL bailout?

Our response to your request is as follows:

Please find attached the information the GLA holds within scope of your request.

If you have any further questions relating to this matter, please contact me, quoting the reference at the top of this letter.

Yours sincerely

██████████
Information Governance Officer

If you are unhappy with the way the GLA has handled your request, you may complain using the GLA's FOI complaints and internal review procedure, available at:

<https://www.london.gov.uk/about-us/governance-and-spending/sharing-our-information/freedom-information>

MAYOR OF LONDON

Rt Hon Rishi Sunak MP

Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Date: 10 May 2020

Dear Rishi,

Government support for Transport for London

I am writing to request an urgent call with you to find a resolution to the unprecedented financial challenges confronting Transport for London (TfL).

My Deputy Mayor for Transport, Heidi Alexander, spoke with Transport Secretary Grant Shapps yesterday and asked that we conclude negotiations on this matter this weekend. I enclose the latest letter sent by TfL's Chief Finance Officer to the Department for Transport (DfT) on Thursday, setting out how we might come to an agreement, which would enable TfL to contribute to the economic recovery that I know we both want to see.

The situation is now critical. TfL can't provide their staff, suppliers or lenders certainty that it can pay them beyond the next payment run. This will inevitably start to impact the services TfL is able to operate. This is at the precise time when we know Government want us to be working towards a full restoration of our services.

As you will be aware TfL is a local authority under Local Government Finance legislation and is therefore subject to Section 114 provisions regarding the ability to deliver a balanced budget over the course of a year. TfL's minimum cash balances are due to be breached in a matter of days, and there will be a public TfL Finance Committee meeting this Tuesday, 12 May, at 1pm; papers for which have to be published tomorrow. Should a way forward not be agreed by then, I find it hard to conceive of a situation where TfL's Chief Finance Officer won't conclude that he is obliged to start this statutory process, the consequences of which cannot be undone. This would have catastrophic implications for both London and the UK's economy. The cost ultimately to the public purse would be far higher than the settlement we are currently proposing.

MAYOR OF LONDON

As we have had no further contact from Government since the communication with DfT yesterday, I would welcome the opportunity to discuss this personally with you in the next 24 hours. I will make myself available at your convenience.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sadiq Khan', with a small '2' written below the name.

Sadiq Khan
Mayor of London

Cc: Rt Hon Grant Shapps MP, Secretary of State for Transport
Paul Scully MP, Minister for London
Sir Edward Lister, 10 Downing Street



Department
for Transport

Sadiq Khan
Mayor of London
City Hall
London
SE1 2AA

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

Great Minster House
33 Horseferry Road
London
SW1P 4DR

Tel: 0300 330 3000
E-Mail: grant.shapps@dft.gov.uk

Web site: www.gov.uk/dft

14 May 2020

Dear Sadiq,

TRANSPORT FOR LONDON: EXTRAORDINARY FUNDING AND FINANCING AGREEMENT

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

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

- b. Additional borrowing by Transport for London from the Public Works Loan Board (PWLB) of £505m, drawn in proportion to the Extraordinary Support Grant payments made.

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

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

Service Levels

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

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

Governance

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

Financial management

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

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

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

Decision Making

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

Future Financial Sustainability

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

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

Crossrail

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

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

Yours sincerely,

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

Rt Hon Grant Shapps MP

SECRETARY OF STATE FOR TRANSPORT

MAYOR OF LONDON

The Prime Minister
10 Downing Street
London SW1A 2AA

Date: 14 May 2020

Dear Prime Minister,

I am writing to advise you that at 5pm today, Transport for London (TfL) is likely to have no choice but to issue a notice under section 114 of the Local Government Finance Act. This will lead to a TfL Board meeting on Monday, at which due to the advice from the TfL CFO and legal advice, I see little alternative but for the Board to agree amongst other measures to the closure of London Underground and most of the capital's bus network, as we will not have the funds to continue. This process will also risk over £8 billion of TfL's debts becoming due, a burden which can only be met by the Government.

As well as the implications for essential workers who rely on the transport network to perform their duties, clearly this will have devastating economic consequences. Given the impact on the workforce and our critical supply chain, it is hard to see how services could easily be restarted in future, which would be catastrophic for the country's economy and public finances.

This is a direct consequence of the impact of COVID-19 on passenger numbers, and TfL's active support for the Government's lockdown. The last forecast before COVID-19 began to impact the UK showed TfL's net operating deficit down to just over £200m, from nearly £1.5bn on a like-for-like basis from what I inherited four years ago. Since I became Mayor, we have reduced the TfL operating deficit by 71% and increased cash balances by 16%. TfL has increased its reserves to manage risks like this, and so far we have spent £1 billion on losses caused by the crisis.

For two months now, we have been seeking Government support to, alongside emergency cost savings and borrowing to the extent possible, help fill the hole left by the collapse in passenger and associated revenues, which consequent to the 2015 Government Spending Review form 80% of TfL's income. While I am grateful for the discussions that have taken place, I have to be honest – at times it has been a challenge to get the Government even to engage. The Chief Secretary to the Treasury has refused to meet my Deputy Mayor and the Chancellor has not even had the courtesy to reply to my request for an urgent meeting.

It is frankly shocking that we should reach the point where TfL has in law no option to take this route, and despite the Government being fully aware of this, yesterday evening sought to

MAYOR OF LONDON

impose new conditions on funding that were both not possible as a matter of law and had not been mentioned in negotiations to date. This does regrettably lead to the conclusion that the Government has not been negotiating in good faith.

We should all be proud of the work of TfL's staff, and its suppliers' staff, to keep services running for essential workers and now to step up as lockdown restrictions are eased. Only last night, a new cycle lane was installed on Park Lane, and I know we both share a deep commitment to enable much more cycling across London.

It has been heartening at recent COBR meetings to hear you speak so positively about TfL. I agree, and find it mystifying why the Government apparently wants to throw this away and cause the immense and irreparable harm that will result if the Government does not immediately sign the funding agreement that has been hammered out between officials and is many times cheaper for the Government than the alternative.

TfL has made clear to the Government that, as a matter of law, no delay to the 5pm deadline is possible without an agreement as to funding. I therefore ask that you immediately instruct the signature of the funding agreement approved by TfL, or accept that the Government will have directly caused the catastrophic consequences that will follow.

I would be happy to make myself available to you or a senior member of the Government to discuss this in the remaining hours that we have left.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sadiq Khan', with a small '2' written below the name.

Sadiq Khan
Mayor of London

Cc: Sir Edward Lister, 10 Downing Street