

MDA No.: 1310

Title: State and Future of Transport for London's Finances

1. Executive Summary

1.1 At the Transport Committee meeting on 30 June 2021 the Committee resolved:

That authority be delegated to the Chair, in consultation with party Group Lead Members, to agree any output from the meeting.

1.2 Following consultation with party Group Lead Members, the Chair agreed that letters be sent to the Secretary of State for Transport and the Mayor of London on Transport for London's (TfL) budget and capital funding as attached at **Appendices 1 and 2**.

2. Decision

2.1 That the Chair, in consultation with the Deputy Chairman and party Group Leads, approve letters to be sent to:

(a) The Secretary of State for Transport, The Rt. Hon Grant Shapps MP; and

(b) The Mayor of London, Sadiq Khan.

Assembly Member

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature: 

Printed Name: **Caroline Pidgeon MBE AM**

Date: **23 July 2021**

3. Decision by an Assembly Member under Delegated Authority

Background and proposed next steps:

- 3.1 The Transport Committee meeting on 30 June 2021 was used to discuss the state and future of TfL's finances. At the meeting, the Committee resolved:
- That authority be delegated to the Chair, in consultation with party Group Lead Members, to agree any output from the meeting.*
- 3.2 Following the meeting, the Chair, in consultation with the Deputy Chairman and party Group Leaders, agreed a letter to the Secretary of State for Transport requesting a long-term funding arrangement for TfL as attached at Appendix 1, and a letter to the Mayor of London requesting details of his transport priorities and an assessment of the likely impact of the current funding agreement, as attached at Appendix 2.
- 3.3 The letters will be reported back to the next suitable meeting of the Transport Committee, currently scheduled for 13 September 2021.

Confirmation that appropriate delegated authority exists for this decision:

Signature (Committee Services): M Burton

Printed Name: Maria Burton

Date: 22 July 2021

Telephone Number: 07842 600 832

Financial Implications: NOT REQUIRED

Note: Finance comments and signature are required only where there are financial implications arising or the potential for financial implications.

Signature (Finance): Not Required

Legal Implications:

The Chair of the Transport Committee has the power to make the decision set out in this report.

Signature (Legal): 

Printed Name: Emma Strain, Monitoring Officer

Date: 23 July 2021

Telephone Number: 020 7983 6550

Supporting Detail / List of Consultees:

- Keith Prince AM, Deputy Chairman
- Elly Baker AM
- Siân Berry AM

4. Public Access to Information

- 4.1 Information in this form (Part 1) is subject to the FoIA, or the EIR and will be made available on the GLA Website, usually within one working day of approval.
- 4.2 If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.
- 4.3 **Note:** this form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

Part 2 – Sensitive Information:

Only the facts or advice that would be exempt from disclosure under FoIA or EIR should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form? NO

Lead Officer / Author

Signature:



Printed Name: Luis Alvarado

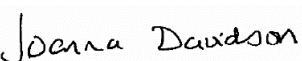
Job Title: Senior Policy Adviser

Date: 23 July 2021

Telephone Number: 07733 305 791

Countersigned by Executive Director:

Signature:



Printed Name: Joanna Davidson

Date: 23 July 2021

Telephone Number: 020 7983 442



Caroline Pidgeon MBE AM
Chair of the Transport Committee

Rt Hon Grant Shapps MP
Secretary of State for Transport
Department for Transport

(Sent by email)

26 July 2021

Dear Mr Shapps,

Transport for London budget and capital funding

The Transport Committee held an investigation into the 'state and future of Transport for London's finances', at its meeting on 30 June 2021.

We are writing to you to express our continuing concern around the absence of any long-term funding solution for Transport for London (TfL). We are calling on the Government to move promptly now to work with TfL and develop long-term and sustainable mechanisms for revenue generation and capital investment. This should be fit for a world city and in step with how other capital city transport systems around the world are supported by their respective governments.

In light of the evidence we have gathered, the Committee remains concerned at the continuing absence of any long-term funding solution for TfL, including in the face of the pandemic and uncertainty about how travel behaviours may emerge into the recovery period. This is despite prior

to the COVID-19 pandemic, TfL stating that in the previous four years it had made almost £1 billion in savings across the organisation and had built up cash reserves of more than £2 billion¹.

The current funding situation, comprising what are now three extraordinary funding and financing agreements for TfL, renders medium and long-term planning for revenue generation and capital investment extremely challenging. According to TfL's statement on the third funding package, it will need to find a further £900 million of savings or new income this year (2021/22) compared with its approved budget². This will be in addition to the £730 million of savings already assumed in the current business plan.

We heard at the meeting how this situation may have adverse consequences for the delivery of the Mayor's Transport Strategy. For example, there could be an impact on the ability to invest rapidly in initiatives that aim to reduce the dependence that Londoners have on their cars,³ such as a new, safe, segregated cycling infrastructure. TfL may also defer some capital projects and certain road maintenance programmes, which could mean there may also be schemes affected that would otherwise have supported housing growth and individual infrastructure projects.

The Committee heard that TfL has a stronger reliance on fare income compared to other world cities, with fares income forming less than 50% of revenue in New York, Paris and Madrid, compared to over 70% in London. We were told by the Deputy Mayor that fare income is expected to continue to be suppressed due to the pandemic,⁴ and a Retail Price Index (RPI)-linked increase in fares would therefore only have a marginal impact on TfL's financial situation. The Committee heard that TfL's high reliance on fare revenue means it is exposed to future risks that will impact fares demand.

We heard evidence that by international standards, the UK has an incredibly centralised system, with national taxes, road taxes (including both Vehicle Excise Duty (VED) and fuel duty) and VAT all going into a central Exchequer, meaning that revenue raised in London is allocated to other areas of the country.⁵ The Committee also heard about a range of potential alternative income generation methods that are at varying stages of consideration, and where TfL would welcome new or further dialogue with the Government. These range from devolving VED, to enable receipts generated in London to remain in London; increasing the proportion of business rates retained in the capital from the current 37% to 42%; and the introduction of an online sales tax at the point of delivery. We believe there would be merit in the Government and TfL jointly exploring the potential for these and other innovative solutions for the short, medium and long-term.

In exploring what may be a workable budgetary term, we heard evidence that it is far more effective to make contracts, agreements and plans over a period of five or ten years.⁶ We heard from TfL that they had already developed two budgets this year and expect to create yet a further one. Alongside that, it is important that capital projects are able to be planned in advance, and progressed, with

¹ TfL, [TfL publishes draft revised budget for 2020/21 designed to keep London moving and support UK's economic recovery](#), 24 July 2020

² TfL, [TfL Statement - TfL Funding Update](#), 01 June 2021

³ London Assembly, [Appendix 1 – Draft Minutes Transport Committee meeting](#), 30 June 2021

⁴ London Assembly, [Appendix 1 – Draft Minutes Transport Committee meeting](#), 30 June 2021

⁵ London Assembly, [Appendix 1 – Draft Minutes Transport Committee meeting](#), 30 June 2021

⁶ London Assembly, [Appendix 1 – Draft Minutes Transport Committee meeting](#), 30 June 2021

certainty that the funding is there to do so. We would now like the Government to move away from short-term funding interventions for London's transport system.

We ask that you commence work with TfL now to develop a firm multi-year funding mechanism fit for Londoners for the long-term, as we emerge from the pandemic situation.

Yours,

A handwritten signature in black ink, appearing to read 'Caroline Pidgeon', with a stylized flourish at the end.

Caroline Pidgeon MBE AM

Chair of the Transport Committee



Caroline Pidgeon MBE AM
Chair of the Transport Committee

Sadiq Khan
Mayor of London
Greater London Authority

(Sent by email)

26 July 2021

Dear Mr Mayor,

The Transport Committee held an investigation into the 'state and future of Transport for London's finances', at its meeting on 30 June 2021.

We heard from the Deputy Mayor for Transport, Heidi Alexander, about the current challenges facing Transport for London (TfL)'s short and long-term funding situation and the alternative sources of revenue that are currently being explored. We also heard evidence from Patrick Doig, Divisional Finance Director, Surface Transport and Vernon Everitt, Managing Director, Customers, Communication and Technology, of TfL; and Professor Stephen Glaister, Professor of Transport and Infrastructure at the Centre for Transport Studies at Imperial College London. We have since written to the Department for Transport to express our concerns about the financial situation and called on the Department to work with TfL to develop long-term sustainable mechanisms for revenue generation and capital investment.

We are writing to you to request a schedule of all the transport commitments you have for this Mayoral term, together with associated costs and delivery timescales, and which of them are your immediate priorities. We would also like to understand if you think it is possible to meet the revenue and savings targets stipulated in the Government's recent funding deals for TfL, without a significant reduction in quality and capacity.

Please can you update the Committee on what you believe the financial situation means for the future of London's transport system in the short, medium and long term, including the likely implications for service levels, maintenance, upgrades and expansion.

During the 30 June meeting we heard about the uncertain outlook for demand on London's transport network as the economy reopens, and the caution with which TfL is approaching taking forward any new large capacity-enhancement schemes.¹ We heard from TfL that its central projection is that demand on the rail network would get back to pre-pandemic levels by 2031 and that bus demand will be slightly less than that. The Committee also considered road capacity issues, as well as the potential for the cancellation or pausing of major capital projects. Please can you update the Committee on which schemes relating to increasing London's transport capacity and connectivity remain a priority for you, which are under review, and which have now been paused or cancelled.

In addition, we heard about potential bus service reductions, including how the public may or may not be engaged in any proposed service changes, and also the need for improved orbital bus services. Please can you let us know the latest status of the TfL Bus Review, plans for public engagement on any changes to bus services, and also the available options you have to create or extend orbital bus services more quickly, linking outer London boroughs where they are not already well linked.

Finally, on the matter of TfL advertising revenue during the pandemic, the Deputy Mayor for Transport told the Committee that TfL expects *"income to remain suppressed in the medium term, both in terms of fare income and with regard to income from advertising, which is partially dependent upon the footfall that we are seeing on the public transport network"*.² We also note a recent article from The Guardian from the 5 July 2021, which reported a *"£100m plunge in advertising revenue across its network of tube stations, trains and buses after Covid-19 pandemic restrictions kept commuters away from travelling to work"*.³ Please can you let us know what plans you have in place, and the progress you are making, to stimulate new and returning advertising income across TfL, as London emerges from lockdown.

We look forward to receiving your response to our requests for information.

¹ London Assembly, [Appendix 1 – Draft Minutes Transport Committee meeting](#), 30 June 2021

² London Assembly, [Appendix 1 – Draft Minutes Transport Committee meeting](#), 30 June 2021

³ The Guardian, 'TfL hit by £100m fall in ad revenue across tube, rail and bus network', 5 July 2021

<https://www.theguardian.com/uk-news/2021/jul/05/tfl-hit-by-100m-fall-in-ad-revenue-across-tube-rail-and-bus-network>

Yours,

A handwritten signature in black ink, appearing to read 'Caroline Pidgeon', with a stylized flourish at the end.

Caroline Pidgeon MBE AM
Chair of the Transport Committee