

Agenda

Meeting: Finance Committee

Date: Tuesday 12 May 2020

Time: 1.00pm

Place: Teams Virtual Meeting

Members

Ron Kalifa OBE (Chair)
Ben Story (Vice-Chair)
Heidi Alexander

Prof Greg Clark CBE
Anne McMeel
Dr Nina Skorupska CBE

On 5 May 2020, this meeting was called with less than five clear working days' public notice, in accordance with Standing Order 33. The Committee Chair has agreed, in accordance with Section 100B(4)(b) of the Local Government Act 1972, that this meeting be called as a matter of urgency to deal with the business listed at items 3 and 6 of the agenda. The reason for urgency is that the Covid-19 emergency has had a significant impact on TfL's finances and Members need to consider an update on TfL's finances and the progress with Government on securing enough funding to maintain a balanced budget. As discussions with Government in relation to these matters are ongoing, the Committee Chair also agreed that the papers for item 3 and 6 of the agenda would be circulated after the earlier publication of the meeting notice.

How decisions will be taken during the Covid-19 emergency measures

TfL does not benefit from the changes in the Coronavirus Act 2020 in relation to public meetings. As Covid-19 emergency travel restrictions are in place, Members will attend a videoconference or teleconference briefing in lieu of a meeting of the Committee.

Any decisions that need to be taken within the remit of the Committee will be discussed at the briefing and, with the consent of available Members, will be taken by the Chair using Chair's Action. A note of the decisions taken, including the key issues discussed, will be published on tfl.gov.uk.

As far as possible, TfL will run the briefing as if it were a meeting but without physical attendance at a specified venue by Members, staff, the public or press.

- Papers will be published in advance on tfl.gov.uk [How We Are Governed](#)
- The briefing will be recorded and the public and press will be able to review the Part 1 discussion.
- A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other

means is available on www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Jackie Gavigan, Secretariat Manager; Telephone: 020 7084 2954; email: v_JackieGavigan@tfl.gov.uk.

For media enquiries please contact the TfL Press Office; telephone: 0845 604 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Monday 11 May 2020

**Agenda
Finance Committee
Tuesday 12 May 2020**

1 Apologies for Absence and Chair's Announcements

2 Declarations of Interests

General Counsel

Members are reminded that any interests in a matter under discussion must be declared at the start of the meeting, or at the commencement of the item of business.

Members must not take part in any discussion or decision on such a matter and, depending on the nature of the interest, may be asked to leave the room during the discussion.

3 Finance Update - COVID-19 Financial Planning (Pages 1 - 4)

Chief Finance Officer

The Committee is asked to note the paper [and supplementary information in Part 2 of the agenda].

4 Any Other Business the Chair Considers Urgent

The Chair will state the reason for urgency of any item taken.

5 Exclusion of the Press and Public

The Committee is recommended to agree to exclude the press and public from the meeting, in accordance with paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following item of business.

6 Finance Update - COVID-19 Financial Planning

Exempt supplemental information relating to the item on Part 1 of the agenda.

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Finance Committee

Date: 12 May 2020

Item: Finance Update – COVID-19 Financial Planning

This paper will be considered in public

1 Summary

- 1.1 This paper sets out the impacts of COVID-19 on TfL's finances and the need for additional funding as set out in the proposed Emergency Budget.
- 1.2 This paper also describes the position with Government and the constructive discussions regarding funding support. The Emergency Budget proposed in this paper is predicated on a funding package being provided by Government.
- 1.3 Although this paper primarily focuses on the financial impacts of COVID-19, it must be recognised that there is a significant impact on our operational teams who are continuing to deliver critical services for London.
- 1.4 There is a paper on part two of the agenda that is exempt and is therefore not for publication to the public or press by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains legally privileged information and information relating to the business affairs of TfL.

2 Recommendations

- 2.1 **Members of the Committee are asked to note the paper and the related paper on Part 2 of the agenda and recommend that the Board:**
 - (a) **note the impact COVID-19 has had on TfL's approved Budget for 2020/21 and the urgent requirement for Government funding to be agreed as set out in the proposed Emergency Budget; and**
 - (b) **note that a formal update to the approved 2020/21 Budget will be presented to the Board in July 2020 based on funding arrangements agreed with Government.**

3 The COVID-19 Pandemic

- 3.1 Since mid-March, when the Government's measures to respond to the COVID-19 pandemic were implemented, we have continued to run a transport service so essential journeys can be made across London. We have fully supported the Government's measures encouraging commuters to avoid travelling where possible. As a result, our passenger demand has declined steeply, with a 95 per cent reduction in journeys on the tube, and an 85 per

cent reduction in journeys on buses. This has caused an overall income loss of around 90 per cent including non-passenger incomes.

- 3.2 We are still running the majority of our services so essential journeys can continue to be made safely, with around 80 per cent of our bus services and around 50 per cent of our regular service on the tube (with a higher proportion of services still running in the morning peak). We have suspended congestion charging to allow these journeys to be made without restriction for our critical workers.
- 3.3 It is costing TfL around £600m a month on to run its network. We have already taken a significant amount of cost out of the organisation including the furlough of 7,000 staff and safe stop of our major project activities over 300 construction projects. These savings cannot, however, cover the loss from the steep decline in revenue, which for the full year are anticipated to be over £4.0bn.
- 3.4 We have modelled longer term revenue scenarios in line with modelling undertaken by Imperial College for the Government. The majority of our costs are spent on our supply chain and internal labour costs: in the financial year 2019/20, we spent around £6bn through our suppliers. Without a stable source of income or funding during the COVID-19 pandemic our supply chain will not be able to gain adequate assurance that TfL will be able to fund their future commitments.

4 Funding Support Discussions

- 4.1 We have been in regular discussions with Government since the COVID19 measures were put in place mid-March 2020. The Government accepts that we are likely to need access to additional resources in order to deliver the essential transport services supporting the crisis response, maintain essential contracts needed to run these services and continue to support the supply chain behind our major investment projects.
- 4.2 Discussions with Government have been constructive, with TfL sharing significant information on travel demand to help inform the Government's approach to restart and recovery of the economy.
- 4.3 We have already accessed the Government's Coronavirus Job Retention Scheme (Furlough), and have approximately 7,000 staff, or 25 per cent of our workforce on furlough. TfL has also looked to reduce cash out flow through application for deferment of other government levy's such as business rates.
- 4.4 The remaining gap to balance our proposed Emergency Budget for 2020/21 is around £3.2 bn, and TfL is in ongoing discussions around how this should be funded with the Department for Transport and HM Treasury.

5 A Proposed Emergency Budget

- 5.1 TfL is required by law to have a balanced budget. We have, therefore, prepared a proposed Emergency Budget as an interim measure until we can propose a revised budget later in the year, prioritising only what is essential for maintenance of basic services to support COVID-19 government planning and safety related activities, ensuring our employees and contracted employees remain safe.
- 5.2 The proposed Emergency Budget considers deliverable cost savings, TfL's best estimates of income as well as modelling our useable reserves. The revised budget maintains that we cannot breach our £1.2bn minimum cash balance. This balance represents only two months' worth of operating costs and is seen by TfL and its external financial stakeholders as its minimum requirements in order to operate. This was benchmarked against several international peers.
- 5.3 During our Business Planning for 2019/20, TfL concluded that a reserve of £2.2bn was appropriate in order to ensure that it could meet its future financial obligations. This was based on risks that included economic down turn, Brexit, Crossrail completion and other operational and liquidity challenges. Pandemic risks were not considered at that time.
- 5.4 Our rating agencies have also validated the requirement for prudent cash balances. S&P said last year they regarded our liquidity as "adequate" at £2.0bn, which was pre-COVID-19.
- 5.5 Considering the above, our proposed Emergency Budget presents a funding gap of up to £1.9 bn in the first half of 2020/21 based on TfL revenue modelling which reflects our understanding of Government's COVID-19 scenarios and over £3.0bn to the end of 2020/21 on the same basis.

6 Contingency Planning

- 6.1 If the support indicated by Government as being available is not articulated and quantified in the very near term, we will need to consider alternatives to TfL's current budgetary position, including whether the Chief Finance Officer should consider issuing a report under section 114 of the Local Government Finance Act 1988.

7 Timetable and Next Steps

- 7.1 TfL is working to resolve the funding gap outlined in paragraph 5.5 with Government by mid-May, and discussions are ongoing. A meeting of the Board is being considered for week commencing 18 May 2020, to review progress in these discussions and the matters described in this paper.

List of appendices to this report:

Exempt supplementary information is included in a paper on Part 2 of the agenda.

List of Background Papers:

None

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