MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Supplementary Agenda

Meeting: Finance Committee

Date: Wednesday 6 October 2021

Time: 10:00am

Place: Conference Rooms 1 and 2, Ground Floor, Palestra, 197 Blackfriars Road, London, SE1 8NJ

Members
Ben Story (Vice-Chair)
Heidi Alexander
Prof Greg Clark CBE
Anne McMeel
Dr Nina Skorupska CBE

Government Special Representative
Becky Wood

Copies of the papers and any attachments are available on tfl.gov.uk How We Are Governed.

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chair is of the opinion that these items should be considered as a matter of urgency. The reason for urgency is to allow for the latest information available to be provided.

Further Information

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

For media enquiries please contact the TfL Press Office; telephone: 0343 222 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Friday 1 October 2021

Supplementary Agenda
Finance Committee
Wednesday 6 October 2021

10 Funding Update on TTL Properties Limited (Pages 1 - 10)

Director Commercial Development

The Committee is asked to note the paper and the exempt supplemental information on Part 2 of the agenda

13 Any Other Business the Chair Considers Urgent

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

13a Spending Review Submission (Pages 11-28)

Chief Finance Officer

The Committee is asked to note the Spending Review submission.

Agenda Part 2

17 Funding Update on TTL Properties Limited (Pages 29 - 30)

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

Finance Committee

Date: **6 October 2021**

Item: **Funding Update on TTL Properties Limited**

This paper will be considered in public

As provided for under section 100b(4)(b) of the Local Government Act 1972, the Chair is of the opinion that this item should be considered as a matter of urgency. The reason for urgency is to allow for the latest information available to be provided.

1. Summary

1.1 This paper provides a summary of the work undertaken since the meeting of the Committee on 23 June 2021 on the property workstream of the Financial Sustainability Plan (FSP) and the wider activity to operate TTL Properties Limited (TTLP) as a dedicated commercial property company within Transport for London (TfL). The paper will set out progress on:

(a) discussions with HM Government on the FSP property workstream;

(b) the TTLP business plan; and

(c) initial market testing on funding options for TTLP.

1.2 A paper is included on Part 2 of the agenda, which contains exempt supplemental information. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial and business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2. Recommendation

2.1 **The Committee is asked to note the paper and the supplementary information on Part 2 of the agenda.**

3. Discussions with HM Government on FSP

3.1 As was discussed by the Committee on of 23 June 2021, the funding agreement with Government dated 1 June 2021 contained condition 10a:

"TfL to agree a plan for housing delivery through a dedicated commercial property company that meets the shared ambitions of the Mayor and HMG to deliver housing in a high demand area and to provide an increased revenue stream. The plan will be agreed between TfL and HMG by June 11 and include a clear milestone for housing to be delivered by the end of 2024."

3.2 In assessing how to meet the condition to deliver housing and increased revenue to TfL, Government and TfL officials discussed proposals that delivered between 10,000 and 50,000 homes depending on the level and timing of any housing grant. Options were present Government on 11 June, and these options were summarised in the paper that the Committee noted on 23 June.

3.3 Subsequent discussions between TfL and Government focused on how to drive delivery of the maximum number of homes with the minimum requirement for Government grant funding. Subject to ongoing discussions with Government and TfL approvals, agreement has now been reached on an outline plan that will see TTLP aim to start on the sites that deliver 20,000 homes over the next 10 years. This plan currently assumes no Government grant funding and forms the basis of the TTLP New Baseline Plan that is described below.

3.4 Government has set out two additional conditions as part of that agreement. First, TTLP should maximise the use of Modern Methods of Construction (MMC) for its residential development, such that TfL should ultimately seek to deliver over 90 per cent of its homes utilising MMC. Second, TTLP should support Custom and Self-build (CSB) housebuilding.

3.5 MMC covers seven distinct categories of innovative construction techniques generally involving off-site manufacture or assembly. These techniques are defined in the report 'Modern Methods of Construction working group: developing a definition framework'[1] (2019) published by the Ministry of Housing, Communities and Local Government (MHCLG).

3.6 Though innovate, the benefits of MMC are increasingly well established and include faster pace of delivery, improved safety, increased sustainability, better quality control and reduced traffic movements. Subject to the detail of the agreement, extending the use of MMC is considered likely to decrease delivery risk. The Mayor of London's New London Plan and Housing Strategy both express strong support for "precision-manufactured housing" (i.e. MMC). TfL's published Financial Sustainability Plan explicitly set out the opportunity to leverage TfL's long-term property programme to unlock investment in MMC to accelerate the pace and sustainability of housing delivery, particularly if this is accompanied by investment in construction skills.

3.7 CSB cover a spectrum from projects where people build or manage the construction of their home to projects where individuals commission their home, making key design and layout decisions, but the home is built ready for occupation. The Bacon Review[2] (2021) sets out benefits of CSB, including diversifying the housing market and delivering improved quality and environmental performance. TfL is already bringing small sites to market through the Greater London Authority's (GLA's) 'Small Sites, Small Builders' portal – and opportunities for CSB will now be identified and prioritised through that route.

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[1] https://www.gov.uk/government/publications/modern-methods-of-construction-working-group-developing-a-definition-framework

[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1013928/Bacon_Review.pdf

3.8 Discussions between TfL and Government officials have been positive with broad agreement on the principle that TTLP should deliver a ‘double bottom-line’ of housing and income growth returned to TfL in the form of a dividend. There is agreement also that TTLP should be a self-financing enterprise wholly owned by TfL, delivering a mixture of for-rent and for-sale housing, with a balanced portfolio of activities to optimise sustainable financial returns over the long-term.

4. TTLP Business Plan

4.1 At the meeting of the Committee on 23 June 2021, the three main business plans scenarios for TTLP were shared. These were:

(a) **Plan X** – a “capital-neutral” budget adjusted to TfL’s current financial restrictions, delivering 10,750 homes with reduced capital investment in existing assets and development programmes deferred so that funding from disposals is received before development expenditure is committed;

(b) **Baseline Plan** – TTLP’s then default plan delivering 13,278 homes, assuming access to commercial debt funding and including well-progressed commercially viable projects with a focus on developing and holding assets in the long term – but with no allowance for grant funding to bring forward currently unviable projects; and

(c) **Housing Growth Plan** – adding 61 known projects that are considered, subject to further feasibility, to be commercially unviable (i.e. requiring support in the form of grant) to enable TTLP to deliver 46,350 homes with a corresponding increase in the requirement for funding in the later years of the plan.

4.2 Following the outline agreement with Government, a “New Baseline Plan” has been developed based on TTLP starting on the sites that deliver 20,000 homes over 10 years with an assumption of no Government grant funding.

4.3 As can be seen in Table 1 and Chart 1 below, the New Baseline Plan projects that the annual return to TfL will increase from £6.0m in 2021/22 to £155.7m over 15 years. Over the same period, the value of TTLP’s property assets are projected to rise from £2.22bn in 2021/22 to £4.46bn in 2035/36. This rise is the net result of additional value in existing assets, additional value from newly developed assets and the loss of value from sites that have been disposed of during this timeframe. All of this is delivered without any requirement for investment from TfL, funded instead by commercial debt that is also non-recourse to TfL. Peak debt is forecast to be almost £520m in 2029/30, though the debt in the first three years remains modest at less than £75m.

4.4 Further work will be undertaken on the New Baseline Plan in the weeks ahead, both to reflect the emerging Investment Strategy and Asset Plans (see paragraph 4.6 below) and to assess how increased returns to TfL can be delivered in the early years of the plan when TfL’s funding position is particularly acute, whilst maintaining sufficient investment to keep delivering the double bottom-line.

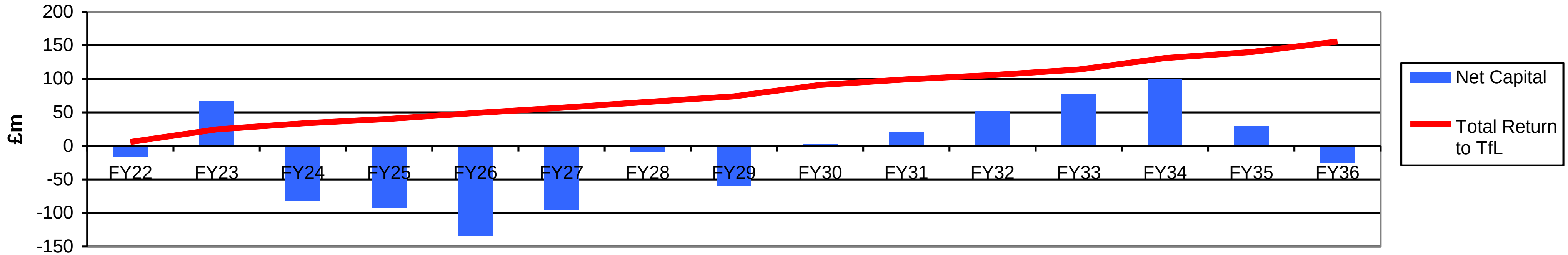
4.5 This New Baseline Plan will see TTLP deliver all the residential development projects in the previous Baseline Plan along with the most viable of the sites in the Housing Growth Plan. There is more work to do to establish the optimal design that is both viable and deliverable on these additional sites, and detailed feasibility work will commence as soon as funding becomes available. The feasibility work will be completed jointly with the operating businesses in order to ensure transport benefits are identified and included from the outset.

4.6 TTLP has appointed leading property advisor Savills to support the work on the new TTLP Business Plan. Savills is assisting TTLP in the production of a revised Investment Strategy and Capital Allocation Plan. These documents set the top-down context for the Business Plan. Alongside these, new Asset Plans and a Project Prioritisation Framework will ensure the Business Plan is also based on a detailed, bottom-up analysis of existing assets. Savills' work includes an independent review to ensure TTLP's assumptions are fully market facing.

Table 1: TTLP New Baseline Plan

£m	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Capital Expenditure	80.3	239.7	303.4	218.3	241.8	224.2	142.6	81.9	152.2	107.7	98.9	139.3	57.2	76.2	54.0
Capital Income	64.2	293.0	220.2	124.0	102.7	106.8	109.7	4.6	155.2	128.7	150.3	180.5	118.6	99.6	21.9
Net Capital	16.1	66.9	82.5	92.4	134.5	95.0	8.9	59.7	3.0	21.0	51.4	77.7	99.3	29.6	25.1
Cumulative Net Capital	16.1	50.8	31.7	124.1	258.6	353.7	362.5	422.2	419.3	398.3	346.9	269.2	169.9	140.3	165.4
TTLP Profit	0.0	0.0	0.1	0.2	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.4	0.3	0.3	0.3
Net Debt	41.4	0.0	73.1	176.5	318.8	422.7	440.4	509.3	518.4	504.6	464.7	394.8	306.7	287.1	324.1
Total Returns to TfL	6.0	24.7	33.7	40.3	49.2	57.1	65.7	73.9	91.0	99.3	105.8	114.1	131.1	140.1	155.7
Asset Value	2,221	2,158	2,219	2,373	2,671	2,911	3,028	3,115	3,246	3,301	3,467	3,676	3,878	4,093	4,462

Chart 1: TTLP New Baseline Plan - Net Capital and Total Return to TfL



4.7 Once completed, the final versions of the Investment Strategy, Capital Allocation Plan and Business Plan will be shared with the Committee.

4.8 The emerging Investment Strategy is set out below:

	Short Term	**Mid to Long Term**
Retail	Support post-COVID recovery and consider targeted investments in Zones 1 and 2.	Improve in-station retail and rationalise secondary out-of-station retail.
Arches	Refurbish, re-purpose and undertake minor redevelopment on key arches.	Substantial redevelopment of major arch projects.
Commercial Offices	Retain and invest in core office buildings where these are held as part of wider landholdings around transport nodes. Review options to dispose of non-core assets.	Substantial redevelopment of commercial over station development sites.
Residential	Support development phase of Build to Rent portfolio to deliver additional homes and income.	Review options to exit secondary stock. On-going management and future Build to Rent opportunities.
Car Parks	Manage income from existing contracts. Devise appropriate interim uses prior to re-development.	Redevelopment of car parks alongside future uses and electric vehicle charging.
Long Leases	Protect existing long leasehold and income.	Review long-term redevelopment options and identify any opportunity for additional long-term income sources.

4.9 The diversity of TTLP's asset base is considered a strength, as is the predominance of Small and Medium Enterprises (SMEs) on TTLP's estate. The unique character of TTLP's portfolio will not therefore be fundamentally altered by this work.

5. TTLP Funding and Financing

5.1 The paper to the meeting of the Committee on 23 June 2021 set out how TTLP had worked with Deloitte to review potential funding options to meet TTLP's capital requirements. All shortlisted options saw property assets consolidated into TTLP, with TTLP having a separate profit and loss statement (P&L) and balance sheet, and its own financial and management accounts focused on commercial development activity with borrowing independent from wider TfL. The review concluded that commercial debt financing by TTLP was the preferred route.

5.2 TfL selling equity in TTLP in the market was quickly discounted as any equity sale now would inevitably be at a discount to the expected growth in asset value, and so would not meet TfL's best value obligations. TfL corporate debt was similarly discounted as it would not provide the necessary independence from wider TfL borrowing and would have constrained TfL’s future ability to borrow to fund transport projects. TTLP unsecured debt with either GLA or HM Government guarantee was attractive but considered unlikely to be available, and this indeed has proved to be the case.

5.3 Non-recourse debt secured on TTLP’s asset base – i.e., debt secured against TTLP assets, so that, if required, lenders could seize the assets the debt is secured against, but cannot seek any further compensation from TfL – was considered the most viable option at the time. Assuming it could be obtained at a reasonable price, unsecured non-recourse debt was however recognised as a potentially more attractive alternative.

5.4 We have since undertaken soft market testing in order to assess potential lender interest and identify any constraints associated with the proposed TTLP structure to inform the approach to the financing strategy.

5.5 Initial discussions have taken place with a number of lenders, including UK clearing banks, European banks and institutional investors. All conversations to date have been based on either publicly available information, including the paper to the Committee on 23 June 2021, or non-sensitive information that could be made public. As a result, all feedback provided by lenders is strictly subject to further information being available.

5.6 That said, the initial feedback from lenders has been very positive and no concerns have been raised about the financeability of the structure proposed by TTLP. Given the format of TTLP’s business model, there could be a number of financing options available. Initial indications suggest that it could be practical to cover the first few years of funding requirement via a committed bank facility that can be drawn as and when the funds are required. As the financing requirement increases, the amounts drawn under the bank facility would be refinanced with an alternative source of debt.

5.7 While it is very likely that in the medium to long term a secured debt solution would provide better value for money, it appears possible to set up an initial credit facility on an unsecured basis, subject to certain financial due diligence and covenants. An assessment of available financing options is being undertaken ahead of finalising our approach for going to market. Further, commercially sensitive, detail is provided in the paper included in Part 2 of the agenda.

5.8 The agreement with Government would increase the overall debt level across the Group. Corporate Finance considers the additional debt to be affordable, particularly in the context of the nature of the debt and its role in driving substantial asset value growth and additional long-term income from TTLP’s property activity.

5.9 To support the assessment of TTLP’s robustness, including its ability to support any debt requirements and related covenants, viability testing is currently being undertaken. This testing aims to assess TTLP’s long-term financial robustness under several stress scenarios and assess ability to absorb or manage plausible “what if” downside scenarios. Under each scenario financial performance will be assessed against key financial metrics in the form of anticipated covenants and qualitatively in the form of available management mitigations.

5.10 At its meeting on 10 March 2021, the Committee approved the grant of Procurement Authority for a 25-year, interest bearing loan of up to £2.1bn by London Underground Limited to Transport Trading Limited, to fund the acquisition of ordinary share capital in TTLP. The dividend paid by TTLP will, amongst other things, enable the servicing of this loan. In doing so, TTLP will follow normal commercial principles (whilst still adhering to all Mayoral and TfL policies). This will require TTLP to deploy capital to meet agreed financial metrics to generate a return that both services TTLP's own debt and delivers a growing dividend to TfL.

5.11 Following the completion of stress testing, we will start taking active steps to prepare TTLP for borrowing on a non-recourse basis.

6. Business Update

6.1 Progress continues on TTLP's existing development sites. Having secured a £12.7 million Green Development Loan from HSBC, construction is well underway on the first phase at Kidbrooke in our joint venture with Notting Hill Genesis. This first phase of the scheme comprises 413 London Affordable Rent, shared ownership and private sale apartments. In total, 619 homes will be built – with 50 per cent affordable housing.

6.2 At Blackhorse View, sales have been progressing well ahead of schedule with 108 sales and reservations taken worth £46.7m. To date, 35 residents have moved in.

6.3 Planning remains the biggest risk to TTLP's housing delivery, and this has been particularly felt on our 100 per cent affordable schemes. On 28 July, Harrow Council planning committee unanimously voted to reject a scheme at Stanmore station car park brought forward by our partner Catalyst Housing. The Stanmore scheme would have delivered 277 homes and significantly improved accessibility for users of the station.

6.4 This follows the earlier decision by Harrow Council planning committee to reject officers' recommendation and deny permission for 118 affordable flats on Canons Park station car park in another Catalyst Housing scheme with TTLP. A planning appeal was submitted by Catalyst Housing on 8 July and the public inquiry is now scheduled to start on 2 November 2021.

6.5 At Sudbury Town, an appeal hearing took place on 23 June 2021, following Brent Council's refusal of a 100 per cent affordable scheme delivering 52 homes proposed by our partner Pocket Living.

6.6 More positively, at Arnos Grove, London Borough of Enfield has confirmed that it will not now defend at Inquiry its refusal of our planning consent for 162 homes. The Public Inquiry is currently still scheduled to start on 9 November 2021, with a decision expected in early 2022.

6.7 Finally, it was very encouraging to note that TTLP's construction skills programme met the Department for Education's (DfE's) target to support 400 people into work in the last 12 months. It is particularly positive that at least 350 of these people have been in work for over three months and are expected to remain in sustainable employment. The DfE's Construction Skills Fund Programme ended in September, with final outcomes confirmed the following month.

7. Conclusion and Next Steps

7.1 Significant progress has been made since the update to the Committee on 23 June 2021. Subject to ongoing discussions with Government, agreement has been reached on the housing target. This agreement allows TTLP to move from three potential business plan scenarios to a single plan that will be further refined in the weeks ahead to take into account both TfL's detailed requirements and the output of the work with Savills.

7.2 Similarly, the soft market testing with UK and European banks and institutional investors has allowed TTLP to confirm previous assumptions and move forward on the basis of a single preferred funding option for the initial years of the plan.

7.3 Taking debt funding into account, the latest version of the TTLP Business Plan shows the annual return to TfL increasing over 15 years from £6m to over £150m. It also shows the value of TTLP's property assets doubling to £4.5bn over the same period. All of this is delivered without any requirement for investment from TfL.

7.4 Good progress is being made on the financial stress testing of the new entity. An Affordability Report is currently in production and this will be shared with the Committee to accompany the TTLP Business Plan.

7.5 In starting on the sites that will deliver 20,000 homes over 10 years, TTLP will have a material impact on the housing sector in London, particularly given TTLP's focus on MMC and construction skills, building on positive work undertaken to date.

7.6 More remains to be done over the course of the next six months to refine TTLP's Investment Strategy and Business Plan. These will be brought back to Committee for approval. In parallel, approvals will be sought for the timing, quantum and mechanism for any debt funding, clearly setting out the implications and risks of such funding.

List of appendices to this report:

A paper containing exempt supplemental information is included on Part 2 of the agenda.

List of Background Papers:

None

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Finance Committee

Date: **6 October 2021**

Item: **Spending Review Submission**

This paper will be considered in public

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chair is of the opinion that this item should be considered as a matter of urgency. The reason for urgency is to provide the latest financial information to meet the Government's consultation response timetable.

1 Summary

1.1 The Government's Spending Review will be announced on 27 October 2021. The deadline for submissions is 30 September 2021.

1.2 TfL has a clear offer to Government that can stimulate the UK's economic recovery, decarbonisation and the levelling up agenda while still delivering the Mayor's Transport Strategy.

2 Recommendation

2.1 The Committee is asked to note the Spending Review submission.

3 Purpose

3.1 Our comprehensive spending review submission reflects the realities of constrained funding and the uncertainty of future demand – notably in a reduction and deferral of capacity investment. Crossrail 2, Bakerloo Line Extension and Sutton Tramlink, while still important to London, are no longer the immediate priority. Additional capacity on the Northern and Jubilee lines also remains outside of our plan. In total we have reduced our planned spend on enhancements and extensions by £5.7bn over a 10-year period compared to our pre-pandemic 2019 Capital Strategy.

3.2 For London to play its part in the recovery from coronavirus and continue providing public transport services TfL will need revenue support of £500m for the rest of the year and £1.2bn through 2022/23. Beyond that, we are working to need Government support only for investment from 2023/24, which all transport authorities around the world require.

3.3 Support for our investment programme is essential to ensure the safe, reliable transport services that enable London to function. This investment also provides attractive alternatives to a car-led recovery as we decarbonise our network and adapt to be more resilient to extreme weather events. This plan supports the Government's commitment to cut 68 per cent of carbon emissions by 2030, and TfL's ambitions to improve London's air quality. Additional support can accelerate specific schemes that will secure thousands of critically needed green jobs and will help to achieve the UK's legally binding commitments on decarbonisation and improved air quality.

3.4 TfL needs to invest £2.5-3bn per year over the long term in this work, as has been set out in our Long-Term Capital Plan. In order to plan, commit and deliver most efficiently for the public purse, we need Government to commit to a long-term sustainable partnership in addition to our existing funding sources. We would like to partner with Government and move to a predictable and efficient system of multi-year investment control periods, which would enable £1-1.5bn of additional Government investment funding each year above current arrangements. This range already includes TfL contributing all we can through our existing operational efficiencies, new plans for capital efficiencies and the delivery of £500m of recurring income, either from Vehicle Excise Duty (VED), Greater London Boundary Charge (GLBC) subject to full assessment, consultation and Mayoral decision, or another source of income. This long-term approach is common with other transport authorities such as Network Rail and National Highways and makes economic sense.

3.5 This additional investment would unlock:

(a) transitioning the bus fleet to zero emission: electrifying the bus network is the single largest intervention in achieving the de-carbonisation of our own services. A three-year programme (with longer-term financial commitment) can deliver 2,150 new electric buses, supporting Government's commitment to deliver 4,000 buses;

(b) Piccadilly line signalling modernisation: replacing very old and increasingly unreliable technology with infrastructure maximising the benefits of the new trains already under order to replace the life-expired fleet built in 1973;

(c) vital rail asset renewal: enable TfL to achieve the sustainable long-term rate of renewal of vital rail assets, including enacting the contract option to order new deep level Tube trains for the Bakerloo and Central lines to replace the ageing trains;

(d) core asset resilience: ensure TfL to protect and prolong the life of ageing roads, bridges and tunnels – avoiding economically disruptive closures;

(e) securing an inclusive network to drive mode shift: increasing the accessibility of transport through further step-free access schemes and other more local schemes that will support housing development and encourage more people to use public transport; and

(f) stimulating economic activity in opportunity areas: support projects to stimulate economic activity in key areas across London, including the Housing Infrastructure Fund schemes on the DLR and London Overground, as well as continuing the Growth Fund that unlocks housing potential at constrained sites.

3.6 These opportunities are outlined in greater detail in the attached Spending Review submission.

List of appendices to this paper:

Appendix 1: TfL Spending Review Prospectus

List of Background Papers:

None

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Working together to support the London and UK recovery

Spending Review submission 2021

MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Contents

There are shared challenges that we face as a country

Commissioner's foreword

We are playing a central role in London and the UK's economic recovery from the pandemic

Throughout the past 18 months, following Government guidance, we protected people from the virus while ensuring that essential workers were able to move around the city safely. This had a devastating impact on our finances, which we are now in the process of rebuilding. There are positive signs, with more people returning to the transport network as people make the most of everything our great city has to offer. Throughout August 2021, we regularly saw the busiest days on the Tube and bus network since the start of the pandemic.

The pandemic has brought into focus the shared challenges that we face as a country. We must ensure the economy recovers from coronavirus – and that recovery must be spread equally across the country – and we must meet the Government's decarbonisation targets to address the climate crisis. Transport will play a key role in all of these ambitions. Transport connects people to employment and educational opportunities, and ensures that people are rooted to their local community. Without an efficient and reliable transport network, people are more likely to use their car or not travel at all.

Before the pandemic, we were on track to deliver an operating surplus by 2022/23, having reduced our net operating costs on a like-for-like basis by almost £1bn over the previous four years and increased cash reserves to more than £2bn. We are committed to returning to a financially sustainable position by 2023 and have already taken significant strides to achieve this. In January 2021, having considered the new, harsh realities we faced, we published our Financial Sustainability Plan, which outlined how major growth schemes such as Crossrail 2, Bakerloo Line Extension and Sutton Tramlink, while still important to London, were no longer our immediate priority. Other decisions that had originally been made before the pandemic, such as increasing capacity on the Northern and Jubilee lines and creating a crossing between Canary Wharf and Rotherhithe, also remained outside of our plans. In total, we have reduced our planned current spend on enhancements and extensions by £5.7bn over a 10-year period, compared to our pre-pandemic 2019 Capital Strategy.

What remains is a plan that protects core assets and services, ensuring we welcome people back to the network to support the UK's economic recovery, while attracting more people to move from using their cars to walking, cycling and using public transport to support the Government's global commitment to cut 68 per cent of carbon emissions by 2030. As set out in our Financial Sustainability Plan, we have committed to reducing bus services by four per cent to better match demand and have made changes to off-peak services on the Bakerloo, Jubilee and Piccadilly lines. Beyond this, now is not the time for material reductions in service.

This submission shows that, with relatively modest levels of investment, we will be able to make significant strides towards meeting all of our shared ambitions. London's economic recovery is inextricably linked with that of the wider UK. In turn, London's recovery is dependent to a large extent on the transport system. We stand ready to partner with Government over the next critical months and years.

Supporting an economic and environmental recovery

We have a vital role to play in stimulating the UK's economic recovery, and supporting decarbonisation and the levelling up agenda

Ridership on our transport network is recovering as restrictions lift and public confidence returns. All the requirements of the emergency funding agreement we have with Government are being met, and beyond our Financial Sustainability Plan, we have set out a positive budget and Capital Efficiency Plan. These actions make us more efficient, materially reduce our costs and help us to support the Government's core priorities towards economic recovery, decarbonisation and the prioritisation of shovel-ready infrastructure projects that will create jobs and leverage innovation to support levelling up everywhere.

We have made good progress towards financial sustainability. However, we will need an estimated £500m in additional operational support through to the end of 2021/22 and an estimated £1.2bn for 2022/23 as we help get the London and UK economies back on track. Beyond that, we would only need Government support for investment from 2023/24, which all other transport authorities around the world require.

Support for our investment programme is essential to ensure there are safe and reliable transport services that keep London moving, working and growing. This investment provides attractive alternatives to a car-led recovery as we decarbonise our network and become more resilient to extreme weather events. We need additional support to accelerate specific schemes that will secure thousands of critically needed green jobs and help to achieve the UK's legally binding decarbonisation and air quality commitments.

We need to invest £2.5-3bn per year over the long term for this work, as we set out in our Long-Term Capital Plan. We need Government to commit to a long-term sustainable partnership, in addition to our existing funding sources, so we can plan, commit and deliver most effectively and achieve the best value for the public purse.

To ensure London and the UK's successful recovery from coronavirus we need:

£500m
in operational support through to the end of 2021/22

£1.2bn
in operational support for 2022/23

London needs a safe and reliable transport network

We are looking to support the Government's wider policy targets

We would like to partner with Government and, as stated by the Commissioner from his first day, move to a predictable and efficient system of multi-year investment control periods. This would enable £1-1.5bn of additional Government investment funding each year above current arrangements – matching the investment we have committed through the other viable sources of income available to us. This range reflects the fact that investment is only one factor in the level of funding required, alongside passenger demand, business rates and the level of new income we can raise.

This £1-1.5bn range includes all the contributions we can make through our existing operational efficiencies, new plans for capital efficiencies and the delivery of at least £500m of recurring income, either from vehicle excise duty or another source identified by the Mayor, on which separate work is ongoing. This long-term approach is common with other transport authorities, such as Network Rail and National Highways, and makes economic sense.

We welcomed the Government's commitment in the most recent funding agreement that we will continue work together on a long-term deal beyond December 2021. We have systematically met all the conditions for funding support laid down by Government and believe that we must now move forward positively together to reach a long-term deal. Being able to plan for, and procure, with the confidence that multi-year control periods provide would enable us to achieve the best value for money and guarantee jobs in Goole and across the country. Without that, we can not secure optimal value for money from our supply chain or become an economic and efficient operator.

Moving to this level of investment over the next five years would enable us to continue our progress towards our Policy Consistent scenario and enable us to progress with a number of key projects that would contribute to delivering Government's economic, levelling up and decarbonisation priorities. Without this investment, we would risk having to move to a Managed Decline scenario, where we would have to retreat from running a network that is fit for London, to instead focusing only on the core, legal responsibilities of maintaining a safe and operable skeleton network. This would prevent the economic recovery that is needed and lead to an increase in car use, thereby unravelling the air quality and road safety advances we have seen and removing any possibility of achieving the mode shift required to support the Government and Mayoral carbon targets.

To play our part in meeting the Government's climate change, levelling up and economic recovery ambitions, we need:

£2.5-3bn
of investment per year over the long term

£1-1.5bn
of additional Government investment funding each year

Opportunities for investment

Our projects are critical to achieve Government priorities on economic recovery, decarbonisation and levelling up

£70m
for the first three years to support zero-emission buses

3,000
green jobs in the UK as part of our move to zero-emission buses

£70m
per year to 2026 to modernise the Piccadilly line signalling

36
Piccadilly line trains per hour through central London with the new signalling

£450m
per year to get to a sustainable renewal rate of our rail assets, including replacing the Bakerloo line fleet

20 years
of UK train manufacturing secured through renewing our assets

£100m
per year to ensure our core streets assets are resilient

£25m
per year to provide more step-free access

£125m
per year for healthy streets and active travel

£135m
per year to support London's opportunity areas

25,000
new homes that would be supported with the proposed DLR extension to Thamesmead

£500m
revenue required in 2021/22

£1.2bn
revenue required in 2022/23

Zero-emission buses

Electrifying our bus network is the single largest intervention we can make to de-carbonise our services and offers immediate benefits

Making our bus network zero emission would help achieve the Government's decarbonisation goals and create a more accessible and positive choice instead of car journeys, particularly in outer London. While we have a plan to transition our fleet to zero emission, we need some help from Government to transition as quickly as is necessary to adequately contribute to required climate mitigation by 2030.

As the Prime Minister wrote in the Department for Transport's Bus Back Better strategy, published this year: 'As successive Mayors showed in London, buses are the easiest, cheapest and quickest way to improve transport.' The strategy goes on to cite that London's contracting model with operators offers a proven, highly effective, accountable and best value for money framework to accelerate improvements in a bus network.

Utilising this operating model and working collaboratively with bus operators and manufacturers, a commitment to an investment of £190m would enable the delivery of 2,150 new electric buses, spread over the initial contract term of these buses. Only £70m of this cost would fall into the first three years (2022/23 to 2024/25) when the buses are introduced to the network. This would help to secure the Government's commitment to introduce 4,000 new electric buses.

There would be around 400 buses delivered in 2022/23, 900 buses in 2023/24 and 850 buses in 2024/25, including ongoing costs from 2022/23 and 2023/24. This investment is needed now to unlock the introduction of zero-emission vehicles on the routes we will contract in the next two to three years.

With proper investment, we can create a zero-emission bus fleet

We can support the infrastructure to drive decarbonisation

Supporting the UK

Electrification of the London bus fleet will provide the critical mass for British bus manufacturers to set up production and enable other UK municipalities to progress with electrification, which would not otherwise be viable on an individual city basis.

We are positioned to place new orders and introduce new vehicles into service immediately – bringing dried-up manufacturer order books back to life with an infusion of orders that will instantly protect 3,000 green jobs in the UK. It will also immediately accelerate the shift in bus manufacturing to zero-emission vehicles in large numbers, driving down overall costs and enhancing products for the entire country.

The additional investment would put London on a path to decarbonise its 9,000 buses by 2030, saving more than five million tonnes of carbon or the equivalent of the emissions from nearly four million petrol cars. With a commitment to longer-term funding, London's buses could be brought into scope to significantly support the Government's Nationally Determined Contribution commitment to reduce UK's carbon emissions by 68 per cent by 2030. Additionally, as new electric vehicles are introduced, we could help improve air quality and drive down emissions nationally by delivering up to 1,500 nearly new Euro VI hybrid buses, which produce at least 20 per cent less carbon emissions than conventional buses, to localities as they prepare their infrastructure for electric vehicles.

Finally, if the UK Investment Bank supported the national transition of zero-emission buses, we could make this money go further, potentially securing a 17 per cent reduction in bus leasing costs by providing a guarantee on the residual value of the bus. This will benefit the entire UK bus transition.

Renewing Tube infrastructure

We need to invest in the signalling and infrastructure for the Underground

We need to replace the very old and increasingly unreliable technology used for the signalling on the Piccadilly line with infrastructure that maximises the benefits of the new trains already under order to replace the life-expired fleet, which was built in 1973. With the proper level of funding, we could support this project at a lower cost. This is an investment for the next 50 plus years, providing reliable, faster and high-frequency services for this key artery serving Heathrow and the heart of central London.

Our Bakerloo line trains were introduced nearly 50 years ago and are the oldest trains in operation in the UK. Our Central line fleet will also need replacing soon. With additional investment of £450m per year, we could achieve the sustainable long-term rate of renewal of vital rail assets, including enacting the contract option to order the new deep level Tube trains for the Bakerloo and Central lines to replace these ageing trains. This would immediately secure train manufacturing in the UK for the next 20 years and would also be a 40 year plus investment in core transport infrastructure, which would otherwise become increasingly unreliable and costly to maintain.

Replacing ageing trains and signalling will bring in further green technologies, such as regenerative braking, more efficient signalling and minimising waste with our consistent train design across all deep Tube lines. When replacing technology that is 40 to 70 years old, the efficient and best value for money for farepayers and taxpayers is to order sufficient trains and infrastructure to future proof 50-year fleet lives, as it is very difficult to order additional trains once production lines are halted. Additionally, securing a consistent pipeline of orders now to replace ageing trains on the Bakerloo and Central lines, which are the two hottest lines on the London Underground, with modern, air-cooled trains is essential as we adapt our transport network to serve a future, hotter climate. These orders are key to the investment in the new Siemens manufacturing plant at Goole.

50 years

since our Bakerloo line trains were introduced

Investing in our rail assets would support the rest of the country

Core asset resilience

We must preserve our ageing assets, including roads, bridges and tunnels

We can protect and prolong the life of ageing roads, bridges and tunnels with full investment, avoiding the type of economically disruptive closures that have affected Hammersmith in recent years.

A commitment of secure, long-term funding would enable us to properly assess and prioritise the delivery of vital London transport climate change adaptation projects set out in the Adaptation Reporting Power submission we are making to Defra under the Climate Change Act 2008.

We also remain committed to working with Government and other stakeholders to resolve the issues with Hammersmith Bridge, noting it is not one of our assets. The full reopening of the bridge on permanent basis is a high priority for London and we support sufficient funding being made available to the London Borough of Hammersmith and Fulham to progress both short-term and long-term stabilisation and repair work.

An inclusive, active network

By making our network more inclusive we can support a positive shift to sustainable transport

With £25m per year, we would increase our work to improve the accessibility of transport through further step-free access projects and other local schemes that support housing development and encourage more people to use public transport.

With a higher level of investment of £120m per year, we continue to deliver our Healthy Streets portfolio to make London's streets safer, greener and better for people to walk, cycle and use public transport. As new travel patterns emerge after the pandemic, we must seize every opportunity to help shift these patterns towards walking, cycling and public transport use with focused, ongoing progress to improve our road space and connectivity routes throughout the city.

Creating more inclusive travel will help ensure a sustainable recovery

Supporting Opportunity Areas

We have a key role in supporting Opportunity Areas across London

There are a range of projects that can stimulate economic activity in key areas across London. With £135m in investment per year, we can support the funded and approved Housing Infrastructure Fund schemes on the DLR and London Overground in east London, which we are developing with the Ministry of Housing, Communities and Local Government. We could also continue our successful Growth Fund, which unlocks housing potential at constrained sites.

There are some specific examples of good projects, such as the Tottenham Hale station link bridge, where we had been due to contribute through the Growth Fund, but are no longer able to do so in the current financial situation. Having to pull out in this way threatens the future of these important schemes, but we would be able to reinstate our planned contributions with this level of funding for infrastructure to support opportunity areas.

A separate bid of £4.8m to the Ministry of Housing, Communities and Local Government housing fund is being prepared to support further feasibility and design work for the proposed DLR extension to Thamesmead, which would support 25,000 new homes. We hope that Government will continue to engage positively with this work as it progresses to meet the shared priority of supporting the development of adequate levels of housing in London.

Our services can support the development of homes and jobs

Moving London forward together

We will continue to play our vital role in the recovery from coronavirus

We will continue to deliver on all our commitments to reduce costs and demonstrate value for money in our investment programme, while keeping London moving safely and delivering innovation solutions for the best public transport outcomes.

Transport is vital to the successful recovery from coronavirus and to achieving the policy goals set out by both the Mayor and the Government. Working with the rest of the country, we can help to decarbonise transport – including transitioning one third of the UK's bus fleet to zero emission – as well as ensuring that Londoners choose public transport over the private car. We must also ensure the recovery is felt equally across the city and the country.

Now is not the time to focus on premature, extensive cuts to services, which would threaten the progress outlined above. Instead, now is the time to commit to steady and sustained investment to enable us to play our full role in stimulating the economic recovery, decarbonising the transport network, and providing a pipeline of projects that will support manufacturing and jobs across the country.

Working together, we can ensure that transport plays its role in the challenges we all face over the next decade.

We will help ensure London recovers and thrives in the future

About TfL

Part of the Greater London Authority family led by Mayor of London Sadiq Khan, we are the integrated transport authority responsible for delivering the Mayor's aims for transport.

We have a key role in shaping what life is like in London, helping to realise the Mayor's vision for a 'City for All Londoners' and helping to create a safer, fairer, greener, healthier and more prosperous city. The Mayor's Transport Strategy sets a target for 80 per cent of all journeys to be made by walking, cycling or using public transport by 2041. To make this a reality, we prioritise sustainability, health and the quality of people's experience in everything we do.

We run most of London's public transport services, including the London Underground, London Buses, the DLR, London Overground, TfL Rail, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the Emirates Air Line. The quality and accessibility of these services is fundamental to Londoners' quality of life. By improving and expanding public transport and making more stations step free, we can make people's lives easier and increase the appeal of sustainable travel over private car use.

We manage the city's red route strategic roads and, through collaboration with the London boroughs, we are helping to shape the character of all London's streets. These are the places where Londoners travel, work, shop and socialise. Making them places for people to walk, cycle and spend time will reduce car dependency, improve air quality, revitalise town centres, boost businesses and connect communities. As part of this, the Ultra Low Emission Zone scheme and more environmentally friendly bus fleets are helping to tackle London's toxic air.

During the coronavirus pandemic we have taken a huge range of measures to ensure the safety of the public. This includes enhanced cleaning using hospital-grade cleaning substances that kill viruses and bacteria on contact, alongside regular cleaning of touch points, such as poles and doors, and introducing more than 1,000 hand sanitiser points across the public transport network.

Working with London's boroughs we have also introduced Streetspace for London, a temporary infrastructure programme providing wider pavements and cycle lanes so people can walk and cycle safely and maintain social distancing.

At the same time, we are constructing many of London's most significant infrastructure projects, using transport to unlock much needed economic growth. We are working with partners on major projects like the extension of the Northern line to Battersea, Barking Riverside and the Bank station upgrade.

Working with Government, we are in the final phases of completing the Elizabeth line which, when open, will add 10 per cent to central London's rail capacity. Supporting the delivery of high-density, mixed-use developments that are planned around active and sustainable travel will ensure that London's growth is good growth. We also use our own land to provide thousands of new affordable homes and our own supply chain creates tens of thousands of jobs and apprenticeships across the country.

We are committed to being an employer that is fully representative of the community we serve, where everyone can realise their potential. Our aim is to be a fully inclusive employer, valuing and celebrating the diversity of our workforce to improve services for all Londoners.

We are constantly working to improve the city for everyone. This means using data and technology to make services intuitive and easy to use and doing all we can to make streets and transport services accessible to all. We reinvest every penny of our income to continually improve transport networks for the people who use them every day. None of this would be possible without the support of boroughs, communities and other partners who we work with to improve our services.

By working together, we can create a better city as London recovers from the pandemic and moves forward.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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