

Government extends Transport for London funding support until June with £200 million grant

February 25, 2022



Transport for London (TfL) says the government has confirmed an extension of its funding support for TfL through until June 24, 2022.

The move, due to help because of the impact of the pandemic, has been welcomed by Andy Byford, London's Transport Commissioner.

He said: "There is no UK recovery from the pandemic without a London recovery and there is no London recovery without a properly funded transport network in the capital.

"The Mayor has already set out a range of proposals that will help support TfL's financial sustainability in the future but it is essential that agreement is reached with government on longer term capital support during this funding period. This is crucial for the coming years if a period of the 'managed decline' of London's transport network is to be avoided."

The Fourth Funding Package, that will contribute towards TfL's revenue loss due to reduced passenger numbers using TfL services as a result of the pandemic, comprises an Extraordinary Support Grant of £200 million payable under section 101 of Greater London Authority Act 1999, paid in three instalments commencing on 29 April 2022.

In addition, the Fourth Funding Package recognises that since the relaxation of COVID-19 restrictions the current circumstances continue to present ongoing financial challenges and uncertainty to TfL in predicting the future passenger revenue for the organisation, hence the Government will "top up" TfL's revenues with additional grant payments if they are lower than a pre-determined passenger revenue forecast.

Conversely, if TfL's revenues are higher than the pre-determined passenger revenue forecast, TfL will be required to pay that excess to DfT at the end of the Fourth Funding Period. This provides TfL with certainty that it will receive income equivalent to £1.615 billion in passenger revenue over the Fourth Funding Period in addition to the Extraordinary Support Grant of £200 million.

Andy added: "We will be meeting regularly to work towards agreement on the Government funding of the capital investment priorities shared by them, us and the Mayor. The Government has confirmed in this agreement that they support the operation and maintenance of essential and safe transport services in London, enabling us to continue our full and vital contribution to economic recovery and to support the Government's priorities on decarbonisation, air quality and making transport better for users.

"Working together, we must achieve this longer-term funding settlement. Only that would ensure London's transport network can remain safe, efficient and reliable, can continue to support the jobs and new homes that rely upon it and can support the economic recovery of the capital and the country as a whole."

As part of the Fourth Funding Package, TfL says it commits to deliver a plan by 31 March 2022 demonstrating the options that exist to achieve up to £400 million of additional revenue or cost savings in 2022/23, in addition to delivering the previously agreed operating cost savings for the 2021/22 financial year. DfT acknowledges that TfL is facing further cost pressures in 2022/23 and therefore any proposals presented in this plan and the savings level of £400 million will be considered and confirmed following a review of TfL's 2022/23 budget.

The Fourth Funding Package recognises that, in line with the current liquidity policy, TfL should continue to maintain cash reserves of an average of £1.2 billion throughout the Fourth Funding Period. If during the Fourth Funding Period TfL's cash balances rise above an average of £1.2 billion, then grant payments may, subject to consultation, be varied and/or deferred until such time as TfL's cash balances return to an average of £1.2 billion. If at the end of the Fourth Funding Period TfL's cash balances exceed £1.3 billion, there will be a process to adjust final payments made to TfL, by DfT, to account for this.

In a written statement to Parliament, Transport Secretary Grant Shapps said: "Further to my statement to the House on 21 February 2022, I am updating the House on a new extraordinary funding settlement between Transport for London (TfL) and government, which expires on 25 February 2022. I have agreed with the Mayor of London a new settlement to 24 June 2022.

"This new settlement demonstrates government's ongoing commitment to supporting the capital while

balancing the interests of the national taxpayer. It provides TfL with £200 million of emergency funding as it recovers from the pandemic and continues to work towards financial sustainability. It also continues the government's commitment to cover fare revenues lost due to the pandemic.

"Together, this takes the government's overall contribution to close to £5 billion, on top of an ongoing annual capital commitment of just over a billion pounds through the Spending Review, in line with previous levels of funding.

"Furthermore, government recognises the need for certainty and stability in TfL's capital investment programme. Government is, therefore, willing to consider a longer-term capital settlement for TfL, which we intend to agree before the start of the next financial year. This will be on the condition that TfL cooperates fully and openly with government and provides sufficient information and data about their capital investment plans.

"TfL needs to ensure that it is both financially sustainable in the short- to medium-term and in good financial health in the long term, ensuring good value for money for the UK taxpayer.

"Within this next funding period, the Mayor has agreed to:

- prepare a plan setting out options to realise operating cost savings up to and including £400 million in 2022 to 2023
- progress with consultation on the options he has identified to raise between £0.5 billion and £1 billion per annum of additional revenue from 2023
- deliver against TfL's accelerated modernisation plan and make significant progress in moving the pension fund into a financially sustainable position

"Transport is devolved to the Mayor of London. It is, therefore, for him alone to take responsibility for the decisions needed to return TfL to financial sustainability.

"Government will continue to work with the Mayor and TfL to ensure London's transport system delivers for local citizens and businesses and contributes to the country's economic recovery.

"At all times, government will continue to balance with our obligations to the national transport network as a whole and to provide value for money for the taxpayer."

Responding to the extension, Darren Caplan, Chief Executive of the Railway Industry Association (RIA) said: "The latest funding deal announced for Transport for London (TfL) will offer some reprieve for businesses and rail and tube passengers, as the capital recovers from the impact of the pandemic. And it is good that the Government has recognised the need for certainty of funding and is willing to consider a longer-term capital settlement.

"However, today's four-month extension does not help TfL or businesses to plan for the long-term and it fails to address uncertainty around vital railway upgrades. Projects such the Bakerloo Line extension, Piccadilly Line signalling and Crossrail 2 remain in doubt, the effects of which ultimately will be felt by passengers and the London and national economy. Such uncertainty also makes it harder for hundreds of

rail businesses around the UK, who supply to and support the capital's transport system, to invest in skills and capabilities.

"With passenger numbers clearly returning to London's transport network, now is the time to be ambitious for the future rather than relying on temporary solutions. The Government and TfL need to work closely on a multi-year funding settlement, enabling the capital's railway and tube network to be renewed and enhanced in the months and years ahead, ultimately helping drive economic growth not just in London but right across the UK."

Peter Hogg, Arcadis' UK Cities Director, said: "It's a telling sign of how we've become so used to a Punch and Judy narrative and ultra-short bail-outs that Mr Shapps' 'plan for a plan' that takes TfL through to the end of June feels both quite strategic and refreshingly collaborative. We should all be pleased to hear talk of commitment to a long term capital investment plan by the beginning of next financial year. Likewise, cost savings, increased revenue generation, accelerated transformation and pension sustainability are perfectly sensible and already in TfL's plan.

"What is important now that both sides work collaboratively and in good faith to create a long term capital investment settlement that really sets London up with a strategic transport network that enables it to come out of the gates storming after the pandemic and cement its status as the world's greatest city to live, work, visit and invest; anything less ambitious would be an unforgivable gifting of London's global city status to its many competitors.

"All eyes should be on the Mayor and the Secretary of State in the coming months; it is no exaggeration to say that they hold London's future in their hands."

Photo credit: Transport for London