



Department for Transport

Sadiq Khan
Mayor of London
City Hall
The Queen's Walk
London
SE1 2AA

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

Great Minster House
33 Horseferry Road
London
SW1P 4DR

Tel: XXXXXX XXX XXXXX
E-Mail: XXXX.XXXX@dft.gov.uk

Web site: www.gov.uk/dft

1 June 2021

Dear Sadiq,

Transport for London Settlement Letter

1. This letter sets out an Extraordinary Funding and Financing Agreement for Transport for London (TfL) for the period to 11 December 2021.
2. The terms set out in this letter support the maintenance of essential transport services in London, allowing TfL to contribute fully to the Government's economic recovery programme and support Government's priorities on decarbonisation, air quality and making transport better for users. The Government (HMG) is committed to supporting TfL in the delivery of its efficiencies programme to reach HMG's objective to achieve financial sustainability (i.e. free of government emergency support) by April 2023. HMG also remains supportive of TfL growing its commercial development income, particularly where legislative changes may be needed.
3. HMG recognise that the current circumstances present ongoing financial challenges and uncertainty to Transport for London beyond the 2021 Funding Period. HMG recognise that it will be important for Transport for London to maintain essential services, support the economic recovery and meet its statutory obligations in relation to balanced budget, in line with its statutory duties over this financial year and in future years. HMG also recognise that Transport for London has

existing near and long-term financial commitments, and will need to enter into new financial commitments, that extend beyond the 2021 Funding Period. A combination of future measures from TfL, GLA and HMG will enable TfL to continue to meet these obligations and commitments during the current funding period and beyond.

4. The period for this funding agreement is just under 7 months from 29 May 2021 until the 11 December 2021 (the “2021 Funding Period”).
5. The agreement will support the delivery of both short and long-term objectives as follows:
 - a. **Short term** - (up to 11 December 2021) – to provide sufficient financial measures to mitigate loss of passenger revenue as a result of COVID impacts and Government-led measures such as social distancing.
 - b. **Long term** - to continue to work with and support TfL in implementing the programmes of work within this letter to enable it to be an effective and efficient operator by:
 - i. reaching a financially sustainable position as soon as possible, with a target of no later than April 2023 and a declining trajectory in the meantime of temporary Government grant support. If further emergency funding is made available by HMG for revenue lost as a result of ongoing Covid-19 restrictions it will be made on the basis of a declining cost base as described in paragraph 8(c);
 - ii. making rapid progress on longer term reforms which are likely to be implemented beyond 2023; and
 - iii. contributing to the Government’s economic recovery programme and supporting the Government’s priorities for decarbonisation, air quality and making transport better for users.
6. During the course of the 2021 Funding Period, HMG will continue to work with TfL on long-term plans with an aim to be in a position where a further settlement is possible from December 2021 when this funding package expires. At this point, HMG would also consider reducing government supervision: ending, for instance, the presence of HMG special representatives on TfL’s board. This will only be possible if

HMG can be satisfied (via the Oversight Group) within the 2021 Funding Period that the measures set out in this letter to put TfL on a financially sustainable footing are being and have been progressed.

7. Delivery of the matters set out in this letter will take into account and prioritise safety and other statutory and operational requirements of running the transport network. HMG also recognise that the delivery of such matters will need to take account of TfL's (and the Mayor's) statutory responsibilities and any decisions will need to be made in accordance with relevant legal powers and decision-making processes, taking into account any need for consultation.

2021 Funding Period Work Programmes

8. To support our shared objective of TfL reaching financial sustainability (free of extraordinary Government support) as soon as possible with a target date of April 2023 we have agreed the following actions and workstreams with TfL to be delivered during the 2021 Funding Period. Detailed requirements and delivery timescales are set out in Annex A.

Delivered in 2021 Funding Period

- a. Delivery of further operating efficiencies of at least £300m in 2021/22 through appropriate revenue sources and/ or cost saving initiatives. In delivering this workstream, TfL will be expected to prioritise recurring savings, in line with a declining trajectory of Government Grant and TfL meeting the objective of achieving financial sustainability by April 2023.

Implemented in 2021 Funding Period for savings/ revenue in future years

- b. Identification and consultation on new/ increased income sources of between £0.5-£1.0bn p/a from 2023 through new/ increased revenue within the Mayor and TfL's existing powers and compared to current plans.
- c. Development of an implementation plan for accelerating TfL's existing modernisation programme which would see the full £730m of recurring savings delivered by April 2023 as part of a declining cost base. If further emergency funding is made

available by HMG for revenue lost as a result of ongoing Covid-19 restrictions, it will not be above the declining cost base set out by TfL in the final agreed implementation plan. The plan will be required to set out the transport risks of accelerating delivery of these efficiencies and will not be expected to include savings derived through reductions in service levels, additional borrowing or deferrals.

- d. As recommended in the Mayor's Independent Review, TfL will carry out a review of their pension scheme and reform options with the explicit aim of moving TfL's Pension Fund into a financially sustainable position. TfL will provide a final list of assessed options under consideration by the Review to HMG by no later than 31 October 2021. TfL will deliver an interim report no later than 11 December 2021 and a final report including a recommended approach by no later than 31 March 2022. TfL will be expected to provide regular substantive progress updates as well as a detailed work plan setting out the steps it intends to take to deliver the reports by the relevant deadlines.
 - e. A joint review of demand (in September 2021) to inform future service level requirements and potential changes from 2022/23 onwards as described in paragraphs 15 to 17 below, with the requirement to report back to HMG in accordance with the timelines set out in Annex A.
 - f. Preparation of a revised medium-term capital investment programme as appropriate to TfL's financially constrained position and future demand scenarios post-Covid 19. This programme will include measures to improve tracking of capital efficiencies and quantification of anticipated carbon reductions from future capital spend. Programme to be confirmed with Government through the Spending Review and implemented accordingly.
9. As part of completing items 8b-f above, TfL will be required to set out its position on the related recommendations of its own Independent Review published in December 2020, and how they are compatible with previous statements of the Mayor's policy such as his Transport

and Environment Strategies, other than where HMG has previously stated its position (such as in relation to VED devolution).

Longer Term Structural Programmes

10. In addition to the programmes outlined above, we have agreed the following actions and workstreams with TfL to commence during the 2021 Funding Period as part of supporting the delivery of TfL's long term financial sustainability. Detailed requirements and delivery timescales are set out in Annex B.
 - a. 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 11th and include a clear milestone for housing to be delivered by the end of 2024.
 - b. A joint review of options for longer term reform of the funding framework for Transport for London, including governance and oversight.

Driverless Trains

11. TfL's record of modernisation and innovation should not leave it behind other European networks, which are achieving significant operational efficiencies through Driverless Trains. Accordingly, DfT will lead a joint programme with TfL on the implementation of Driverless Trains on the London Underground.
12. Working with DfT, TfL will make sufficient progress towards the conversion of at least one Underground line to Grade-of-Automation 3 (driverless, but with an on-board attendant, as on the Docklands Light Railway), subject to a viable business case and its statutory responsibilities. To achieve this DfT and TfL will produce a Full Business Case for the Waterloo & City Line within 12 months and for the Piccadilly Line within 18 months. Progress towards this milestone during the 2021 Funding Period will be measured by the Oversight Group and will be as follows:

- a. Delivery of at least interim OBC on Waterloo and City line by the end of the 2021 funding period.
- b. Delivery of at least interim SOBC on Piccadilly line by the end of the 2021 funding period.
- c. Market engagement into alternative platform edge protection technology, to be led by TfL and completed by 30 November 2021.
- d. Design work on rolling stock specification, new signalling, and Platform Edge Doors (PEDs).

DfT and TfL will also conduct a full review of the potential for the implementation of GoA3 on the rest of the network. The review will conclude within the next twelve months. DfT's assessment of progress made towards conversion will factor into agreeing any longer-term funding settlement in the future.

13. TfL will ensure senior representation on the joint programme and will actively support this work through the provision of staff resources, expertise and access to both the London Underground network and any information sources. TfL's participation should seek to explore all options in a collaborative and open manner and work with the programme on an implementation plan. HMG will provide resource funding to TfL to enable it to support the programme's work.

Service Levels

14. Funding will be baselined to reflect existing service levels in accordance with prevailing COVID restrictions. Whilst social distancing is in place, TfL are required to maintain appropriate service levels, subject to the ability to do so considering staff absence levels and the conclusions of any review of service levels completed pursuant to paragraphs 8(e) and 15. TfL will take all practicable steps to manage absence levels to support the delivery of services.
15. A review for London Underground and Rail will take place by the end of September that will allow HMG and TfL to reconsider required service levels in light of both outputs from the ongoing review set out in paragraph 8(e) above and observed demand across the network. A

review for buses should take place in July and September subject to the result of the Government's social distancing review.

16. Subject to change at future reviews, and to reflect changing travel patterns as a result of COVID, TfL will be expected to take steps now to ensure they are not locking in future costs and are in a position to reduce service levels efficiently if and when required.
17. An agreed workstream (as outlined in 8(e) above) will consider future service level scenarios that reflect extant demand, economic benefits and costs of running different service levels across TfL's network with the aim to generate a range of service options. TfL will be expected to take any and all further necessary steps to efficiently manage services and associated costs to support the achievement of financial sustainability by our target date of April 2023.

General Conditions

18. DfT and TfL will continue to agree communication messages to ensure consistent advice is provided to all travellers and public confidence in the transport network is promoted.
19. TfL will commit to set aside at least £100m within the 2021 Funding Period to continue the delivery of healthy streets and active travel programmes including funding for the London Boroughs under the local implementation plan process. Within this funding, TfL will continue to prioritise the urgent delivery and operation of a temporary walking and cycle ferry as a replacement crossing for local communities affected by the closure of Hammersmith Bridge. TfL shall also reconvene fortnightly meetings of the Active Travel Oversight Group. Any cycle scheme TfL introduce or support with the funding as part of their Streetspace programme should be fully compliant with the LTN 1/20 cycle infrastructure design guidance.
20. TfL will maintain its changes to its expenditure authorisation processes through the Financial Commitment Oversight Group. TfL will provide minutes and actions from these meetings to DfT or their advisers where requested (subject to commercial sensitivity and confidentiality), noting that anything provided will be covered under the Information Sharing

protocol agreed with DfT and any external advisers appointed by DfT and TfL.

21. TfL will document, and share this documentation with DfT, any meetings with lenders or ratings agencies, subject to FCA regulations and confidentiality agreements in place with these counterparties.
22. TfL will continue with its existing plan to increase fares in line with their Business Planning assumption of an overall fares increase of RPI+1% on fares under the Mayor's control in January 2022.
23. TfL shall consult with HMG, including agreement of appropriate scenarios, as part of its annual budget setting process. TfL shall make available to HMG on request relevant financial modelling and plans for 2022/23 and beyond.
24. TfL shall undertake to deliver the requirements of this funding agreement on an open book basis, including full transparency and data provision on reasonable request to HMG.

Funding, Quantum & Mechanics

25. The Extraordinary Funding and Financing package comprises £1.08bn for Transport for London to support its essential services for the period 29 May 2021 to 11 December 2021 (the "2021 Funding Period") as follows:
 - i. Extraordinary Support Grant of £1.08bn payable under S.101 of GLA Act 1999. This will be paid in 6 instalments commencing on 7 June 2021.
 - ii. The first payment shall be for £250m and shall be made on 7 June 2021, the second payment shall be for £250m and made on 28 June with future payments made every 4 weeks starting 28 June 2021. The third and fourth payment shall be for £200m. The fifth payment shall be for £100m and the sixth for £80m. This schedule will be kept under review between the parties.
26. This Extraordinary Funding and Financing package will contribute towards TfL's revenue loss due to reduced passenger numbers using TfL services as a result of the pandemic, Government-led measures

such as social distancing and/ or as a result of the implementation of the requirements set out in this letter.

27. In managing its business during the 2021 Funding Period, TfL will take all reasonable steps to minimise the Extraordinary Support Grant in line with this agreement, including maintaining and maximising its revenue, and minimising expenditure. TfL will also take all reasonable steps to avoid industrial action during the funding period, and if necessary, will be expected to take all reasonable steps to mitigate the impact of any industrial action.
28. The Government announced that it would pause headline pay awards across the public sector on 25 November 2020. We expect TfL to freeze pay in line with the public sector pay pause and the funding outlined in para 25 above is based on this, while TfL is in receipt of significant extraordinary funding. Any bonus pay awards will not be paid for through extraordinary Government funding and TfL will have to demonstrate prudence in making any such payments. We do not expect TfL to authorise individual bonus pay awards.
29. Should the Mayor choose to amend his existing plans to extend the ULEZ boundary from 25 October 2021 these will have to be paid for without recourse to Government funding and without recourse to additional borrowing, savings, service changes or deferrals. Additional income streams for any such increases will need to be identified and shared with Government.
30. As agreed in the previous Extraordinary Funding and Financing Agreement, if the Mayor and TfL wish Londoners to continue to benefit from travel concessions and/or other benefits above those typically available elsewhere in England (such as free travel for all Londoners aged under 18 and 60-65, excluding statutory entitlements including under the Education Act 1996) then TfL/the Mayor recognise that the costs of these additional benefits will not be met by HMG funding; and commit to meeting the costs of these additional benefits over the Financial Year 2021/22, without recourse to additional borrowing, savings, service changes or deferrals. TfL and the Mayor decided following the last Funding Agreement that they would fund the cost of these concessions by maintaining the Congestion Charging changes implemented in June 2020 and by an increase to the existing TfL

element of the GLA council tax precept. If these changes are insufficient to fund the cost of concessions and/or benefits above those typically available elsewhere in England, the Mayor will need to determine how he will meet those costs without recourse to further funding support provided by HMG. This will be reviewed regularly by DfT and TfL.

31. TfL will continue to provide monthly management accounts and cashflow forecast within 10 working days of the period end. These will be reviewed by DfT after every period with support from external advisers as required by DfT. Engagement between TfL and external advisers will be agreed through an engagement protocol to ensure efficient use of resources.
32. TfL will provide DfT with a revised cash flow forecast for 2021/22 (including impact of the matters set out in this letter) on 9 July 2021.
33. The funding amounts are based on a scenario that passenger demand over the 2021 Funding Period is at the levels described in Annex C. Taking into account the financial effects of delivery of other conditions set out in this letter, the revenue shortfall is expected to be £1.08bn for the 2021 Funding Period. HMG recognises that there are material factors beyond TfL's direct control that give rise to a high level of uncertainty in predicting the future passenger revenue for the organisation for the 2021 Funding Period, in particular as HMG guidance on dealing with the pandemic develops.
34. At the end of Railway Period 3 (the first four-week period (Reporting Period) in the 2021 Funding Period) HMG and TfL will assess whether actual cumulative passenger revenue cash receipts are in line with the expected cumulative 2021 Funding Period Scenario (as set out for each Reporting Period in Annex C, along with the funding requirement) for the 2021 Funding Period. If the actual cumulative passenger revenue cash receipts are below this level (excluding a de minimis amount of £10m), then, the amount of Extraordinary Support Grant will increase to compensate the shortfall between the actual cumulative passenger revenue cash receipts and the 2021 Scenario described in paragraph 33 (a Top Up Grant).
35. This Top Up Grant shall be calculated from 29 May 2021 on a cumulative basis every Reporting Period and then paid in accordance

with the timescales set out in paragraph 38 and for every Reporting Period thereafter for the remainder of the 2021 Funding Period, until the final Reporting Period. Any additional funding required under a Top Up Grant will be provided following routine authorisation by CST, noting that such authorisation will not undermine the intent of the financial support set out in this letter and specifically paragraphs 3, 44 and 50.

36. After Period 3 and to the extent that a Top Up Grant is required then HMG and TfL will enter into collaborative discussions via the Oversight Group to determine whether any service levels need to be revisited to reflect those revised circumstances and the consequential impact on TfL's funding requirement. Any such changes to service levels proposed by the Oversight Group (in accordance with paras 14-17 above) will be subject to agreement from TfL (in line with its governance framework) and HMG.
37. In accordance with paragraphs 34 and 35, the following formula will be used to calculate any Top Up Grant payable.

The maximum of zero and (Cumulative 2021 scenario of Passenger Revenue Cash Receipts – Cumulative Actual Passenger Revenue Cash Receipts – Previous Top Up Grants) = Top Up Grant for the Reporting Period (noting that no Top Up Grant will be payable if less than the De Minimis sum of £10m).

38. Information relating to actual cumulative passenger revenue cash receipts and a calculation (flash report) of the Top Up Grant shall be produced by TfL at the end of each Reporting Period and shall be provided to DfT within 10 business days following the end of each Period. Payment of any Top Up Grant will then be made within 10 business days of receipt by DfT of the flash report.
39. For the final Reporting Period, there will be a process (the True Up Process) to determine any final payment of Top Up Grant (True Up Grant) or repayment (True Up Repayment) during the 2021 Funding Period.
40. The True Up Process will also take into account and adjust for exceptional costs during the 2021 Funding period:
- i. To the extent that any exceptional costs incurred by TfL are greater than or lower than equivalent sums contained within TfL's Budget

for 2021, then this difference shall be an adjustment to the True Up Grant or True Up Repayment (as appropriate) (an Exceptional Cost Adjustment, as a positive or a negative sum as appropriate).

- ii. The Exceptional Cost Adjustment shall only be provided where it directly results from the coronavirus pandemic and/or responding to or related to Government measures or instructions. During the 2021 Funding Period, should TfL anticipate that any greater exceptional costs compared to the March 2021 TfL Board approved budget are required, TfL shall agree this with DfT in advance.

41. The formula for this final Reporting Period shall be:

Total 2021 scenario Passenger Revenue Cash Receipts – Total Actual Passenger Revenue Cash Receipts – Previous Top Up Grant Payments + Exceptional Costs Adjustment = True Up Grant (if positive) or True Up Repayment (if negative)

42. The payment by DfT of True Up Grant or by TfL of True Up Repayment will only compensate TfL for any loss caused by passenger revenue income and not losses caused by TfL not managing costs within its 2021 funding settlement save as set out in paragraph 40. Nor will it seek to recoup grant sums if TfL outperforms the cost forecasts set out in the 2021 funding settlement.

43. The calculation and evidence of True Up Grant, and/or True Up Repayment shall be produced by TfL at the end of the 2021 Funding Period and shall be provided to DfT within 10 business days following the end of the 2021 Funding Period. Payment of the final True Up Grant, and/or True Up Payment will then be made within 4 weeks or 20 business days of receipt of that information.

44. 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 throughout and at the end of the 2021 Funding Period, subject to normal commercial payment practices. This funding package seeks to support the maintenance of essential and safe transport services in London, enabling TfL to continue to make a full and vital contribution to the

recovery from the coronavirus pandemic and success of the UK economy as a whole.

Governance

45. Two HMG appointed Special Representatives (one strategic appointee and one technical appointee) will continue to 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.
46. One Special Representative will also continue to attend all meetings of the Finance Committee and the Programmes and Investment Committee. We anticipate that the technical appointee will attend these meetings and provide closer involvement than during the H2 funding period. All relevant papers will be shared by TfL with the Special Representatives as well as a nominated contact in DfT in advance of each Board meeting.
47. The Oversight Group established in the H2 Funding Agreement shall continue to meet for the duration of the 2021 Funding Agreement and will continue to be DfT chaired and will have equal representation from DfT and TfL. Both appointed Special Representatives will be invited to attend the Oversight Group meeting. The Oversight Group will meet to monitor progress, act as an escalation point for issues, and discuss a forward plan for the remainder of the funding period.
48. The Terms of Reference for the Oversight Group will ensure that meetings are used effectively. This will also clearly set out the frequency of meetings, attendees and required information ahead of any Oversight Group meeting. The full Terms of Reference is set out in Annex D.
49. If a measure that has been agreed in the 2021 extraordinary funding and financing package and which relates to any of the matters set out in paragraphs 8 or 10 has not been met and, following consideration by the Oversight Group of proposals for resolution from TfL, such proposal has either not been agreed or implemented and no alternative action plan agreed, then a "Dispute" will have arisen and shall be addressed as follows:

- i. If a Dispute arises, DfT shall give to TfL written notice of the dispute, setting out its nature and full particulars (Dispute Notice), together with relevant supporting documents. On service of the Dispute Notice, the Commissioner of TfL and the Permanent Secretary of DfT shall attempt in good faith to resolve the Dispute. If the Commissioner of TfL and the Permanent Secretary of DfT are for any reason unable to resolve the Dispute within 30 days of the notice being given, either party may refer to the matter to an independent body for resolution;
- ii. If Dispute is not resolved in accordance with the process at paragraph 48(i) then DfT may withhold a reasonable proportion of that part of the next grant payment due to TfL that relates to the measure in question until such time as the Dispute in question is resolved, provided that such withholdings shall not exceed £25million for the 2021 Funding Period.

Ancillary Matters

50. HMG 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.
51. Separate engineers' reports compiled both for the London Borough of Hammersmith & Fulham (LBHF) and the DfT have concluded that it is safe to reopen Hammersmith Bridge to pedestrians and cyclists subject to further inspections and validation of reports, though some expenditure will still be needed to ensure that it can remain open to pedestrians, cyclists and river traffic in all conditions and at all times over the long-term. These reports are undergoing independent checking and validation, which is expected to take until the end of June.
52. TfL and the London Boroughs are responsible for local road maintenance, including bridge repairs. LBHF is responsible for the

safety and maintenance of Hammersmith Bridge. However, given the extra-ordinary circumstances of the pandemic, during the period of this agreement, we expect to draw up a memorandum of understanding between HMG, TfL and LBHF to fund the reopening of the bridge - initially to pedestrians, cyclists and river traffic and, depending on the cost, to motorists. This will be conditional on three things:

- i. All parties must scrutinise and agree the cost of the project;
- ii. Each party agrees to pay a share of the cost. Repair costs are to be led by LBHF and TfL, HMG will not directly contribute more than 1/3 of the costs;
- iii. That the independent Board responsible for the Case for Continued Safe Operation, reporting to LBHF, will conduct a new assessment for controlled and limited reopening of the bridge to pedestrians, cyclists and river traffic once further investigations and report validations are completed at the end of June.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Grant Shapps', written in a cursive style.

Rt Hon Grant Shapps MP

SECRETARY OF STATE FOR TRANSPORT

Annex A – 2021 Funding Period Work Programmes

Workstream		Objective/ Scope	Activity		Delivery Date	Progress Updates
A	2021 Funding Period Savings	TfL to deliver £300m of savings or other income, over 2021/2022 additional to existing plans. In delivering this workstream, TfL will be expected to prioritise recurring savings, in line with a declining trajectory of Government Grant and TfL meeting the objective of achieving financial sustainability by April 2023.	(i)	TfL will be required to identify the proportion of these savings or other income to be delivered during the 2021 Funding Period and provide confirmation of how this will be achieved and the plans that underpin these savings to the DfT Oversight Group.	28 June 2021	Workstream Leads: fortnightly; Oversight Group: monthly
			(ii)	TfL will provide periodic updates to DfT, and their external advisers as required, identifying progress against these plans and any risks to delivery.		Periodically at Oversight Group
			(iii)	If any plan identified is at risk, TfL will highlight this to DfT at the next Oversight Group meeting including any mitigating actions.		As needed at Oversight Group
B	New Revenue Sources	The Mayor and TfL will undertake a joint options review and feasibility study of mechanisms within existing powers to generate between	(i)	The Criteria for options assessment will be agreed between HMG and TfL/GLA before commencing the review by the delivery date.	11 June 2021	Periodically at Oversight Group

		£500m and £1bn of additional net revenue per annum from April 2023. The review will be led by TfL, with input from DfT and nominated advisors where appropriate. Representatives of both DfT and GLA will be members of the review working group, which shall meet at least fortnightly to discuss progress and activities. The joint appraisal is expected to consider, but not be limited to - VfM, implementation timescales, economic impact, equalities impact and relevant powers. TfL will also be required to demonstrate how they have taken into account the findings and recommendations of the Independent Review, except where HMG has previously stated its position (such as in relation to VED devolution).	(ii)	The review working group will report monthly to the Oversight Group who shall also be consulted on the shortlist of options by the delivery date.	5 July 2021	Workstream Leads: fortnightly; Oversight Group: monthly
			(iii)	The Options Review and Feasibility Study shall be completed with recommendations and submitted to DfT by the delivery date. TfL will also submit an implementation plan for the recommended option or options for agreement with HMG.	27 August 2021	Workstream Leads: fortnightly; Oversight Group: monthly
			(iv)	TfL shall undertake necessary consultation on the preferred option or options to enable a decision on new revenue sources by the delivery date	12 November 2021	Workstream Leads: fortnightly; Oversight Group: monthly
C	Modernisation Programme Acceleration	TfL are required to develop an implementation plan for accelerating TfL's existing	(i)	Structure and criteria for risk assessment of implementation plan to be agreed with HMG.	28 June 2021	Periodically at Oversight Group

		<p>modernisation programme to bring forward the delivery of c.£730m of savings by April 2023.</p> <p>The implementation plan is required to set out specific milestones (with periodic targets) for realising the savings already identified by TfL and what further savings are required to deliver the remaining savings by April 2023.</p> <p>The plan will also identify what risks arise, if any, to the provision of transport services in London from the acceleration of the savings target.</p> <p>TfL will also be required to demonstrate how they have taken into account the findings and recommendations of the Independent Review, except where HMG has previously</p>	(ii)	Draft implementation plan, including indicative milestones, provided to HMG for review.	13 September 2021	Periodically at Oversight Group
			(iii)	Final implementation plan, including risk assessment and confirmed milestones, submitted to HMG.	15 October 2021	Periodically at Oversight Group
			(iv)	TfL to provide periodic updates on delivery of savings against the implementation plan.		Periodically at Oversight Group

		stated its position (such as in relation to VED devolution).				
D	Service Level Review	<p>TfL to review future service levels in line with agreed demand scenarios. The Service Level Review should encompass all TfL transport modes, including LU and Surface transport. The review must consider VfM, implementation timescales, economic impact, equalities impact and relevant powers.</p> <p>A review for buses should take place in July and September subject to the result of the Government social distancing review.</p> <p>TfL will also be required to demonstrate how they have taken into account the findings and recommendations of the Independent Review, except where HMG has previously stated its position (such as in relation to VED devolution).</p>	(i)	HMG and TfL agree three future demand scenarios at the Oversight Group by delivery date.	5 July 2021	Workstream Leads: fortnightly; Oversight Group: monthly
			(ii)	TfL to present the first review for buses by the delivery date.	19 July 2021	Workstream Leads: fortnightly; Oversight Group: monthly
			(iii)	TfL to present review for London Underground and TfL Rail to DfT by the delivery date. TfL also to present the second review for buses.	17 September 2021	Workstream Leads: fortnightly, Oversight Group: monthly
			(iv)	Actual demand over at least two rail periods is compared with the agreed scenarios. HMG and TfL agree if any updates to the scenarios are required, by the delivery date.	12 Nov 2021	
			(v)	TfL to present monthly updates on demand and service levels to the Oversight Group.		Periodically at Oversight Group

E	Capital Programme Review	<p>Prepare a revised medium-term capital investment programme as appropriate to TfL's financially constrained position and future demand scenarios post-Covid19. This programme to include measures to improve tracking of capital efficiencies and quantification of anticipated carbon reductions from future capital spend.</p> <p>TfL will also be required to demonstrate how they have taken into account the findings and recommendations of the Independent Review, except where HMG has previously stated its position (such as in relation to VED devolution).</p>	(i)	Provide updated budget, long term capital plan and efficiencies plan.	30 July 2021	Workstream Leads: fortnightly; Oversight Group: monthly
			(ii)	Report on consolidated revised medium-term capital investment programme with supporting evidence on links to demand scenarios, efficiency measures, and quantified carbon reductions.	14 August 2021	Workstream Leads: fortnightly; Oversight Group: monthly
			(iii)	Report progress monthly to the Oversight Group, to include sharing emerging findings as report is prepared.		Monthly at Oversight Group
			(iii)	Following delivery of report TfL agree to undertake steps to implement the recommended option, according to timescales to be agreed with HMG.		Periodically at Oversight Group

Annex B – Long Term Structural Programmes

Workstream		Objective/ Scope	Activity	Delivery Date	Progress Updates	
A	Commercial Development Options	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 th and include a clear milestone for housing to be delivered by the end of 2024.	(i)	<p>HMG and TfL to agree a plan for housing delivery, including potentially through a dedicated commercial development company.</p> <p>This plan should include assurances about: no recourse to the parent company; delivery milestones; and that assets will not be transferred into other mayoral vehicles. It should also include a first draft of a business plan that can demonstrate a contribution to the ‘double bottom line’ of housing delivery and financial returns to TfL, without impact on current liabilities.</p>	11 th June 2021	Weekly update meetings with HMG
			(ii)	Weekly meetings to be held between TfL, DfT, MHCLG and HMT officials in the run up to the June 11 th deadline.	11 th June 2021	Weekly

			(iii)	TfL to provide updates to the Oversight Group on progress of commercial development activities, including anticipated medium-term impact on overall financial sustainability.		Monthly to Oversight Group
B	Structural Reform	<p>Joint review of options for longer term reform of the funding framework for Transport for London.</p> <p>Review to be led by a joint team comprising TfL and HMG officials.</p> <p>Terms of reference are expected to include, but not be limited to: governance and oversight; the funding framework in future years and public service obligations.</p> <p>TfL will also be required to demonstrate how they have taken into account the findings and recommendations of the Independent Review, except where HMG has previously stated its position (such as in relation to VED devolution).</p>	(i)	The terms of reference of the review are to be agreed by HMG and TfL by the delivery date.	30 July 2021	Workstream Leads: fortnightly; Oversight Group: monthly
			(ii)	TfL to undertake a joint review of options for longer term reform of the funding framework for Transport for London, to be completed and presented to the Oversight Group by the delivery date	15 October 2021	Workstream Leads: fortnightly; Oversight Group: monthly

Annex C – 2021/22 Forecast Revenue Profile

Period	3	4	5	6	7	8	9	Total
Passenger Revenue Scenario	£173m	£233m	£253m	£253m	£271m	£286m	£312m	£1,781m
Extraordinary Grant Funding Payments	£250m	£250m	£200m	£200m	£100m	£80m		£1,080m

Annex D: Oversight Group and Governance Terms of Reference

TRANSPORT FOR LONDON OVERSIGHT GROUP

TERMS OF REFERENCE AND MEMBERSHIP

The Oversight Group will be used to oversee the effective implementation of measures agreed in the 2021 Extraordinary Funding and Financing package. The overarching aim of the group is to monitor the progress of the conditions set out in the settlement letter. The responsibilities of the group are set out below:

Oversight Group:

- Monitor progress of implementation of measures against the timetable;
- Consider the implications if measures are not met, including if more senior escalation is needed;
- If in the event that the Oversight Group does not consider that a measure has been met, consider proposals for dispute resolution.
- Produce a formal note ahead of Bernadette Kelly and Andy Byford's monthly meeting.

Meeting regularity

- Oversight Group to meet once every 4 weeks, starting from w/c 21st June.
- Thereafter, meetings will take place on the following w/c: 19th July, 16th August, 13th September, 11th October, 8st November.
- DfT and TfL acknowledge that there will be scope for additional extraordinary meetings as required.

Membership

- Oversight Group: Officials from DfT, TfL, HMT, No.10, Political and Technical Special Representative and GLA representative. Chaired by DfT Director.

Monitoring:

- A formalised scorecard will be produced by TfL and circulated to DfT 3 working days before the meeting.
- This should monitor conditions and key issues, providing a clear way of recording information and highlighting key issues ahead of meetings.

Senior Meeting:

- Meeting between Bernadette Kelly and Andy Byford to take place once a month.
- To use the formal note produced at the Oversight Group to inform meetings.