MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Agenda - Supplementary

Meeting: Board

Date: Wednesday 28 July 2021

Time: 10:00

Place: Teams Virtual Meeting

In accordance with section 100(B)(4) of the Local Government Act 1972, the Chair has agreed to accept the following as an item of urgent business on the grounds that additional time was required to allow for the latest financial information to be included.

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

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Shamus Kenny, Head of Secretariat; telephone: 020 7983 4913; email: ShamusKenny@tfl.gov.uk

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

Howard Carter, General Counsel
Monday 26 July 2021

Supplementary Agenda
Board
Wednesday 28 July 2021

9 Draft 2021/22 Revised Budget (Pages 1 - 38)

Chief Finance Officer

The Chair, following consultation with the Board, is asked to note the paper and approve the TfL 2021/22 Revised Budget and changes to the 2021/22 TfL scorecard, in line with the Revised Budget. The Budget and Scorecard have been updated to reflect the Extraordinary Funding Settlement dated 1 June 2021.

10 Long-Term Capital Plan - Updated (Pages 39 - 64)

Chief Finance Officer

The Chair, following consultation with the Board, is asked to approve the revised Long-Term Capital Plan, which has been updated to reflect the revised Budget for 2021/22, which was updated to reflect the Extraordinary Funding Settlement dated 1 June 2021.

Board

Date: **28 July 2021**

Item: **Draft 2021/22 Revised Budget**

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 financial information to be included.

1 Summary

1.1 This paper presents our proposed 2021/22 Revised Budget. It covers progress in the first quarter of 2021/22 against the March Budget approved by the Board on 16 March 2021, and updates the Budget for the remainder of 2021/22 and the full financial year 2022/23.

1.2 The Revised Budget includes our updated assumptions based on the conditions set out in the Funding Agreement with the Government of 1 June 2021. The Revised Budget also includes the latest cost estimates and income profiles including revenue scenarios based on the updated Government Roadmap.

1.3 The Revised Budget will support the next round of funding discussions with Government of the funding required beyond 11 December 2021.

2 Recommendations

2.1 **The Char, following consultation with the Board, is asked to note the paper and:**

(a) approve TfL's Revised Budget for financial years 2021/22 and 2022/23; and

(b) approve changes to the 2021/22 TfL scorecard, in line with the Revised Budget.

3 Quarter 1 Financial Performance

3.1 Our Quarter 1 financial performance covers the period from 1 April to 26 June 2021 and is measured against the March 2021 Budget.

3.2 By the end of Q1, our net cost of operations, that is our day-to-day operating deficit including capital renewals and financing costs – before Government funding – was £636m. This is £370m, or 37 per cent, better than the March 2021 Budget.

3.3 This is driven by higher than expected passenger revenue, which was £175m better than the March 2021 Budget, as journeys increased at a faster rate than expected after steps 1 to 3 of the Government's roadmap.

3.4 Operating costs are also £71m lower than budget as we continue to maintain tight spend controls, defer spend due to funding uncertainty and progress our savings plans.

3.5 While performing better than the March 2021/22 Budget and against last year, the day-to-day deficit remains significantly worse than pre-pandemic levels. Compared to Q1 2019/20, the net cost of operations (excluding extraordinary funding from Government) is £600m worse, driven by almost £530m lower passenger income

3.6 Total capital expenditure in the Quarter reflects the future funding uncertainty which has contributed to the £190m (41 per cent), favourable variance to Budget.

4 2021/22 Revised Budget

4.1 Our Revised Budget updates our position for 2021/22 and 2022/23, including the implications of the 1 June 2021 Funding Agreement and the conditions which were set out in the letter. It builds in the £1.08bn base funding, plus revenue top-up, which covered the funding period from 29 May to 11 December 2021. Including the extension to the previous agreement, which covered the period from 1 April 2021 to 28 May 2021, the total secured funding in 2021/22 is up to £1.4bn.

4.2 Securing this funding means we can continue to deliver essential services to help London through this next phase of the pandemic, and ensure our assets are maintained in a good and safe state of repair. This funding is flexible, covering any revenue shortfall depending on our passenger numbers up to 11 December 2021.

4.3 The Revised Budget reflects the latest modelling which predicts passenger demand by the end of 2021/22 will only recover to 76 per cent of the pre-pandemic levels of 2018/19. There is still a great deal of uncertainty around passenger demand and revenue, and our scenario modelling indicates a range of +/- £200m for this financial year which supports the case for continuation of the revenue true-up mechanism beyond the end of the current funding agreement.

4.4 The latest view of the funding support requirement expected over 2021/22 to 2022/23 as compared to our March 2021 Budget is:

(a) 2021/22: The funding support requirement has reduced from £2.7billion as set out in the March 2021 Budget to £1.9bn. This is largely due to operating efficiencies and capital savings and deferrals, as well as an assumed use of our own cash.

This means we will need an additional £500m after our funding expires on 11 December to the end of the financial year, which increases to £550m if Active travel and Healthy Streets (including borough funding) are to be restored to a level broadly in-line with last year.

That £1.9bn gap incorporates a net reduction of £700m against our March 2021 Budget, which includes the £300m operational efficiencies we were required to make under the 1 June 2021 Funding Agreement through non fares revenue and/or cost saving initiatives. It also includes capital savings, mainly slippage and deferrals, and use of own cash which are offset by additional capital cost pressure and contingency, considered essential especially as we will have no remaining cash buffer to cover any type of asset failure;

The £300m operating efficiencies are in addition to the savings which were already embedded in our Business Plan, which totalled £730m from 2019/20 to 2024/25, of which £390m remains to be delivered by the end of 2024/25.

(b) 2022/23: The funding support requirement gap is now expected to be £1.2bn, improving by £0.3bn as compared to the March 2021 Budget, due to a review of our capital programme and some operating efficiencies; and

4.5 Our Financial Sustainability Plan (FSP) set out a funding gap of on average £1.6bn per annum from 2023–2030 including £500m per annum of VED / GLBC (subject to full assessment, consultation and Mayoral decision) / other sources of income

4.6 Our capital investment programme reflects the funding uncertainty we currently face and has been reduced by around £300m compared to the March 2021 Budget.

4.7 We continue to prioritise safety and reliability in our capital investment programme, including continuing proactive renewals on our street assets such as critical highways, tunnels and structure, following the 2.5 year pause up to last year.

4.8 We also continue our journey to decarbonise by 2030 in line with Mayoral objectives and Government ambitions for instance through continued investment in Healthy Streets, on clean energy such as installing solar panels and LEDs, and expanding ULEZ.

5 Prudential Indicators

5.1 At the time of setting the March 2021 Budget, we also set prudential indicators for 2021/22 and the following two years. The implications of the 1 June 2021 Funding Agreement and the proposed Revised Budget presented in this paper will not impact the prudential indicators as there are no significant changes to our borrowing profile over the next two years.

5.2 The suitability of the indicators continues to be monitored.

6 2021/22 TfL Scorecard

6.1 The TfL scorecard for 2021/22 was approved by the Board on 16 March 2021, alongside the March 2021 Budget. As the scorecard represents the performance we aim to achieve aligned to the activities set out in the Budget, we are proposing the changes below in order to align to the Revised Budget.

6.2 Analysis has been undertaken to determine where there are direct material impacts on the scorecard due to the Revised Budget. The following measures are requested to change:

(a) Finance measures (Capex vs. Budget, Opex vs. Budget): Need to be updated to match new financials.

	Current target	Revised target
Capex vs. Budget	£2,170m	£1,735m
Opex vs. Budget	£7,194m	£6,931m

(b) Passenger journeys compared to pre-pandemic: Update to align with new revenue forecast in the Revised Budget

	Current target	Revised target
Passenger journeys	67%	67%
Floor target	60%	62%

The target is based on the Revised Budget demand forecast and remains unchanged as even though demand in period 1 to period 3 is higher based on performance to date and compared to the previous forecast, the later periods are lower due to the forecast level of winter suppression.

(c) Bus operations: Bus Journey Time: impacted by level of road traffic and passenger demand in the Revised Budget.

	Current target	Revised target
Bus journey time	32.6 mins	32.9 mins

The target has been adjusted based on the Revised Budget demand forecast. Relationships to key drivers like road traffic volumes, bus speeds, bus kilometres scheduled and operated have also been re-estimated based on recent pandemic periods.

7 Next Steps

7.1 We are working through a plan of actions to meet the conditions set out in the 1 June Funding Agreement, and continue to work with Government for funding beyond 11 December 2021, and a longer-term funding solution.

List of appendices to this report:

Draft 2021/22 Revised Budget presentation.

List of Background Papers:

Budget approved by Board on 16 March 2021

1 June 2021 Funding Settlement letter, Board papers 9 June 2021

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Proposed Revised Budget 2021/22

TfL Board
28 July 2021

Section 1

Executive Summary

Executive Summary

This Revised Budget updates our March 2021/22 Budget as agreed with the Board at the time and now includes the funding conditions contained within the 1 June funding agreement. It also includes a forward look to 2022/23.

We are working towards becoming financially sustainable by April 2023.

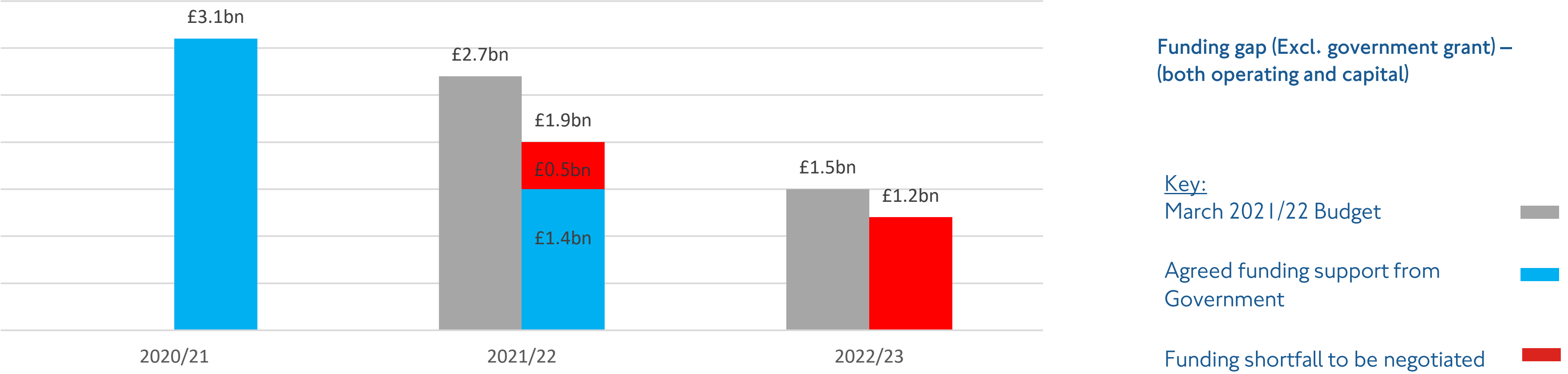
We are legally required to produce a balanced budget

On 1 June 2021, we reached a Funding Agreement with the Government for baseline funding of £1.08 billion from 1 June to 11 December 2021, and an extension of the revenue top-up arrangement. The funding letter sets out a number of conditions and requirements for us to reach financial sustainability by no later than April 2023.

Short-term funding is not a sustainable way forward. Government has committed to agreeing a longer-term funding solution and achieving the conditions within the latest funding agreement is an important step towards this goal.

Key changes compared to March 2021/22 Budget:

- **2021/22 assumes a full year funding requirement of £1.9bn** compared to **£2.7 billion** as set out in the March 2021/22 Budget. The reduction is largely due to operating efficiencies and capital savings and deferrals, as well as an assumed use of our own cash. We are continuing to discuss required funding for the remainder of the financial year after the current funding agreement with Government expires in December 2021 in order to maintain a balanced budget
- The funding requirement for 2022/23 is forecast to be **£1.2bn compared to £1.5 billion** as set out in the March 2021/22 Budget. This is due to a review of our capital programme and some operating efficiencies.
- Our Financial Sustainability Plan (FSP) set out a funding gap of on average **£1.6bn per annum from 2023–2030** including £500m per annum of VED / GLBC (subject to full assessment, consultation and Mayoral decision) / other sources of income



Key funding conditions from 1 June Funding Agreement

We are on track to meet the funding conditions, some of which will have direct implications on costs and revenues

Condition	Details
Cost reduction	Prepare a plan to accelerate delivery of the £730m modernisation programme by April 2023
	Deliver £300m of operating efficiencies and/or new income by March 2022
Revenue	Identify and consult on new or increased, recurring income of £0.5-£1bn per annum from 2023
Pensions	Review of the pension scheme and reform options with the explicit aim of moving the Pension Fund into a financially sustainable position
Pay	Freeze pay in line with public sector pay pause, while TfL is in receipt of Government funding
Others	**Review passenger demand level** in September for Tube, Bus and Rail
	Produce a revised medium-term capital investment programme for agreement, as part of Government's autumn Spending Review
	Plan for housing delivery plan agreed with Government
	Continue to fund the cost of travel concessions, above those available elsewhere in the country
	Progress towards reopening Hammersmith Bridge to pedestrians and cyclists in July 2021 and other associated requirements
	Examine the feasibility of producing a viable business case for implementing driverless trains on the Waterloo & City and Piccadilly lines on the London Underground.

Section 2

Q1 performance

1 April 2021-26 June 2021

Headlines

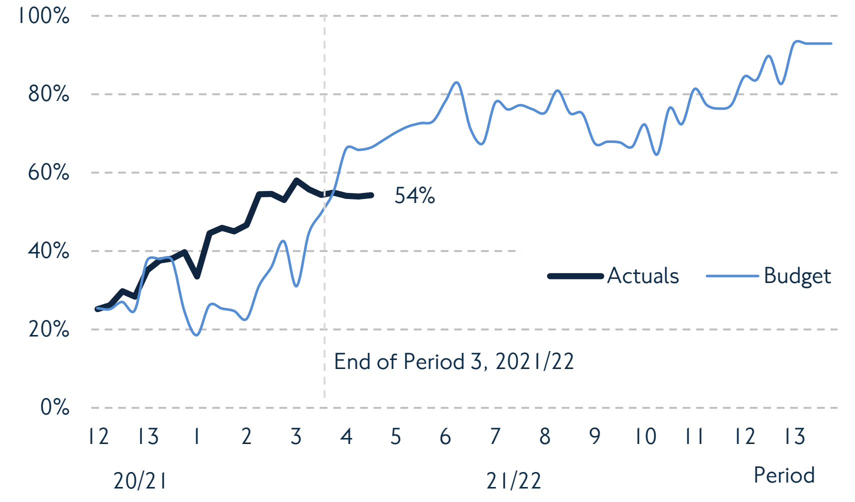
Passenger journeys and income have seen significant growth since the loosening of government restrictions. Total TfL journeys now at 54% of pre-pandemic levels, with passenger income almost treble that of last year.

Cash balances have been broadly stable since the H2, 2020/21 funding agreement with government. The balance at the end of P3, included almost £280m which we were required to return to the DfT in July.

We expect cash balances to reduce to below minimum levels after the current funding period unless additional government funding is secured.

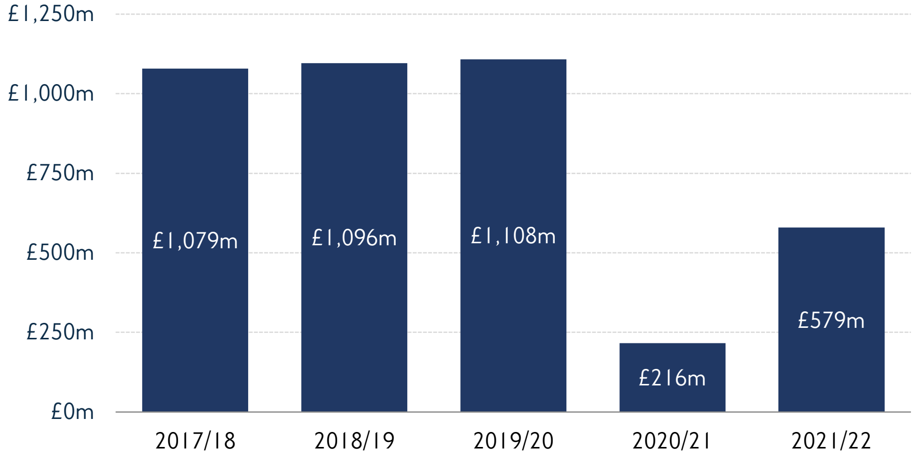
Headlines

Total passenger journeys 54% of pre-pandemic levels – journey demand broadly flat following delay to Step 4 of Government Road Map



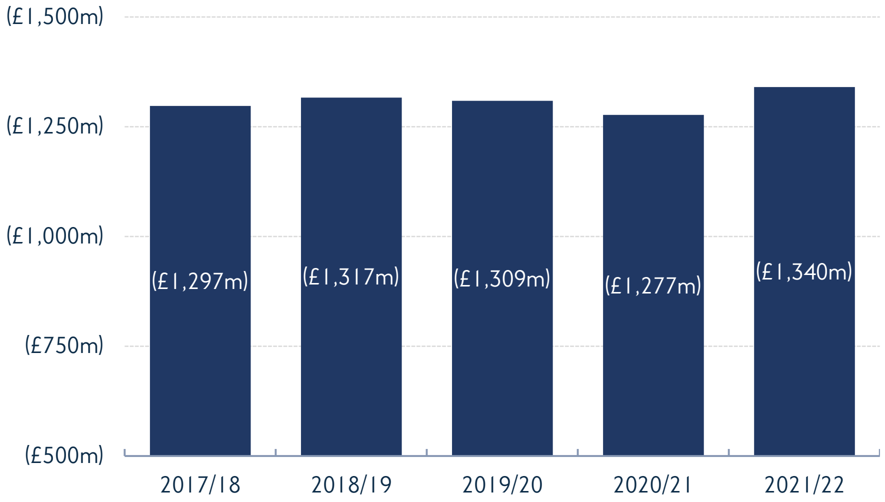
Journey data to 17 July 2021.

Passenger income substantially up on last year, but just over 50% lower than pre-pandemic levels



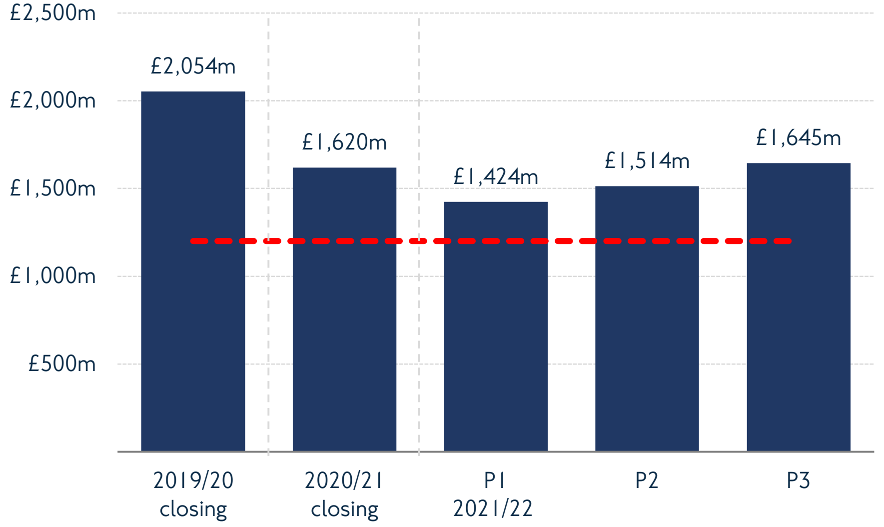
Individual years show year-to-date passenger income to end of Period 3.

Core operating costs up on last year, when service levels were reduced during first wave of the pandemic



Individual years show year-to-date operating costs to end of Period 3. 2020/21 and 2021/22 are on average 3 days (6%) longer than earlier years. Costs have not been adjusted for new services e.g. Elizabeth line and ULEZ and are therefore not like-for-like.

Cash balances have been broadly stable since receiving government support, but expected to reduce as we approach the end of the current funding period



Current Passenger Demand

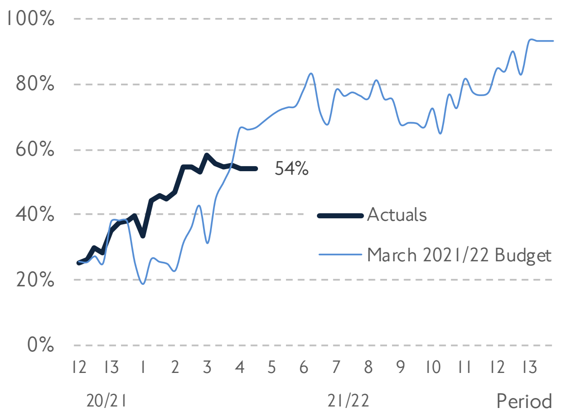
Post step 3 in the Government's Roadmap, passenger demand is now at 44% of pre-covid demand for Tube and 62% for buses. Journeys in Period 3 saw limited growth on the prior period following the delay in easing of restrictions in Step 4 of the Government's Road Map.

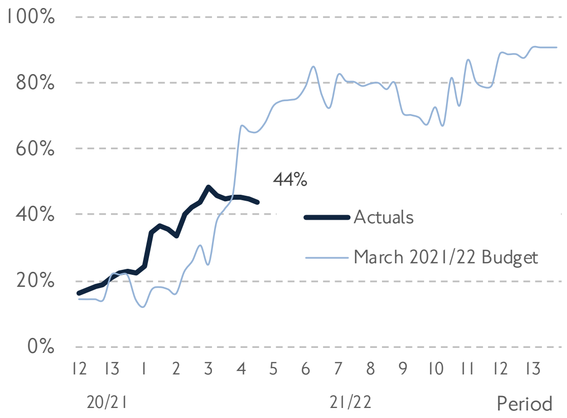
Page 13

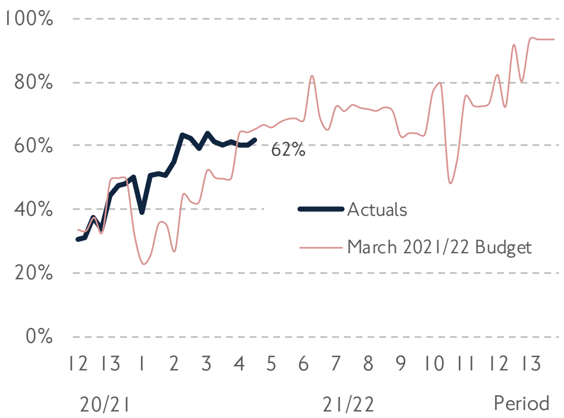
Period 3 Passenger journeys (measured against March 2021/22 Budget)

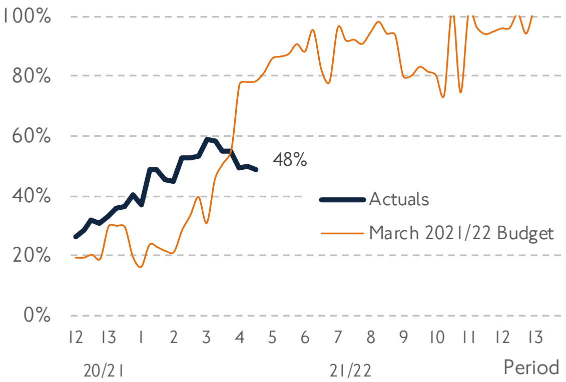
Journeys compared to pre-pandemic baseline (adjusted 2018/19 journeys). Charts include 3 weeks of Period 4 journey data to 17 July 2021.
Target is March 2021/22 budgeted demand against this baseline; 'P' denotes latest period; 'Y' denotes year-to-date performance
Rail and TfL Rail year on year comparisons are affected by line closures, which have not been adjusted for

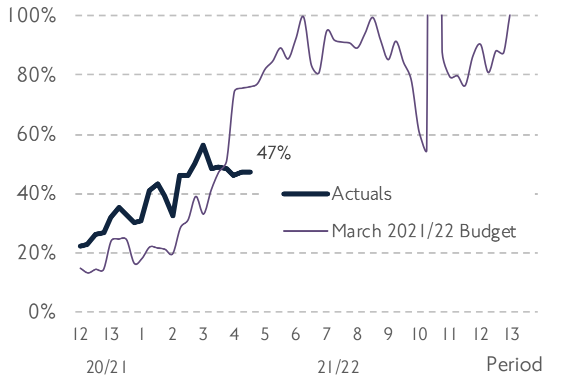
Mode	% vs Pre Covid Period	% vs Pre Covid Budget		Absolute m	Var to Bud m
TfL	56%	46%	P	168	63
			Y	482	153
LU	46%	38%	P	42	17
			Y	128	43
Bus	61%	50%	P	110	40
			Y	306	94
Rail	57%	46%	P	14	5
			Y	41	15
LO	53%	44%	P	7	3
			Y	22	8
DLR	60%	47%	P	5	2
			Y	15	6
Tram	66%	55%	P	1	1
			Y	4	1
TfLR	50%	44%	P	2	1
			Y	7	2











Operating account

Passenger income was £579m in the year to date, almost three times higher than last year. Other operating income is also up, driven by higher Road User Charging income due to higher volumes of vehicles.

Operating costs lower than budget, a result of lower staff costs, some costs brought forward into 2020/21, and deferrals on projects as a result of earlier funding uncertainty. Costs up on last year, when service levels were reduced during the first wave of the pandemic.

Capital renewals lower than March Budget, where uncertainty of future funding has meant some non-critical projects were temporarily paused.

Extraordinary revenue grant lower than March budget which had been phased prior to 21/22 funding settlements.

Operating account

	Year to date, 2021/22				Year to date, 2020/21		
£m	Actuals	Budget	Variance to Budget	% variance to Budget	Last year	Variance to last year	% variance to last year
Passenger income	579	404	175	43%	216	363	168%
Other operating income	221	200	21	10%	116	104	90%
Total operating income	**800**	**604**	**196**	**32%**	**333**	**467**	**140%**
Business Rates Retention	233	197	36	18%	262	(29)	-11%
Revenue grant	14	14	-	0%	1	12	866%
Government furlough grant	-	-	-	N/A	32	(32)	-100%
Total income	**1,047**	**815**	**232**	**29%**	**628**	**418**	**67%**
Operating cost	(1,487)	(1,558)	71	-5%	(1,428)	(59)	4%
Net operating surplus	**(440)**	**(743)**	**303**	**-41%**	**(800)**	**360**	**-45%**
Net financing costs	(106)	(108)	2	-2%	(104)	(2)	2%
Net cost of operations after financing	**(546)**	**(851)**	**305**	**-36%**	**(904)**	**358**	**-40%**
Capital renewals	(90)	(155)	65	-42%	(47)	(43)	91%
Net cost of operations	**(636)**	**(1,006)**	**370**	**-37%**	**(951)**	**315**	**-33%**
Extraordinary revenue grant	640	1,064	(424)	-40%	365	275	75%
Net surplus/(cost) of operations after extraordinary revenue grant	**4**	**58**	**(54)**	**-92%**	**(586)**	**590**	**-101%**

Capital account

Total capital expenditure £190m lower than target, driven by slippage on capital projects while future funding was uncertain.

Property and asset receipts are (£36m) lower than Budget, driven by later than expected property disposals for Southall, Stratford Place and Wembley Park; these are expected later this year.

Page 15

Capital account

£m	Year to date, 2021/22 Actuals	Budget	Variance to Budget	% variance to Budget	Year to date, 2020/21 Last year	Variance to last year	% variance to last year
New capital investment	(181)	(307)	125	-41%	(133)	(48)	36%
Crossrail	(162)	(163)	1	-1%	(152)	(10)	7%
Total capital expenditure	**(343)**	**(470)**	**127**	**-27%**	**(285)**	**(58)**	**20%**
Financed by:							
Investment grant	251	233	19	8%	246	5	2%
Property and asset receipts	1	37	(36)	-97%	1	-	-2%
TfL Borrowing	-	316	(315)	-100%	266	(266)	-100%
Crossrail borrowing	74	75	(1)	-1%	139	(65)	-47%
Crossrail funding sources	110	112	(2)	-2%	67	43	63%
Other capital grants	14	17	(3)	-15%	21	(7)	-33%
Total	**451**	**789**	**(338)**	**-43%**	**741**	**(290)**	**-39%**
Net capital account	**107**	**319**	**(211)**	**-66%**	**456**	**(348)**	**-76%**
Capital renewals	(90)	(155)	65	-42%	(47)	(43)	91%
New capital investment	(181)	(307)	125	-41%	(133)	(48)	36%
Total TfL capital expenditure	**(271)**	**(461)**	**190**	**-41%**	**(180)**	**(91)**	**50%**

Section 3

Revised Budget submission

We have reset the divisional targets we set ourselves in the 2019 Business Plan to achieve financial sustainability and fund long term investment needs

Cover indirect and renewals cost without the need for operating subsidy

Elizabeth line to open

Cover own critical renewals capital requirements

Cover in full its renewal capital requirements

Double surplus from Property whilst remaining capital neutral

Affordable capital plan with sufficient renewals

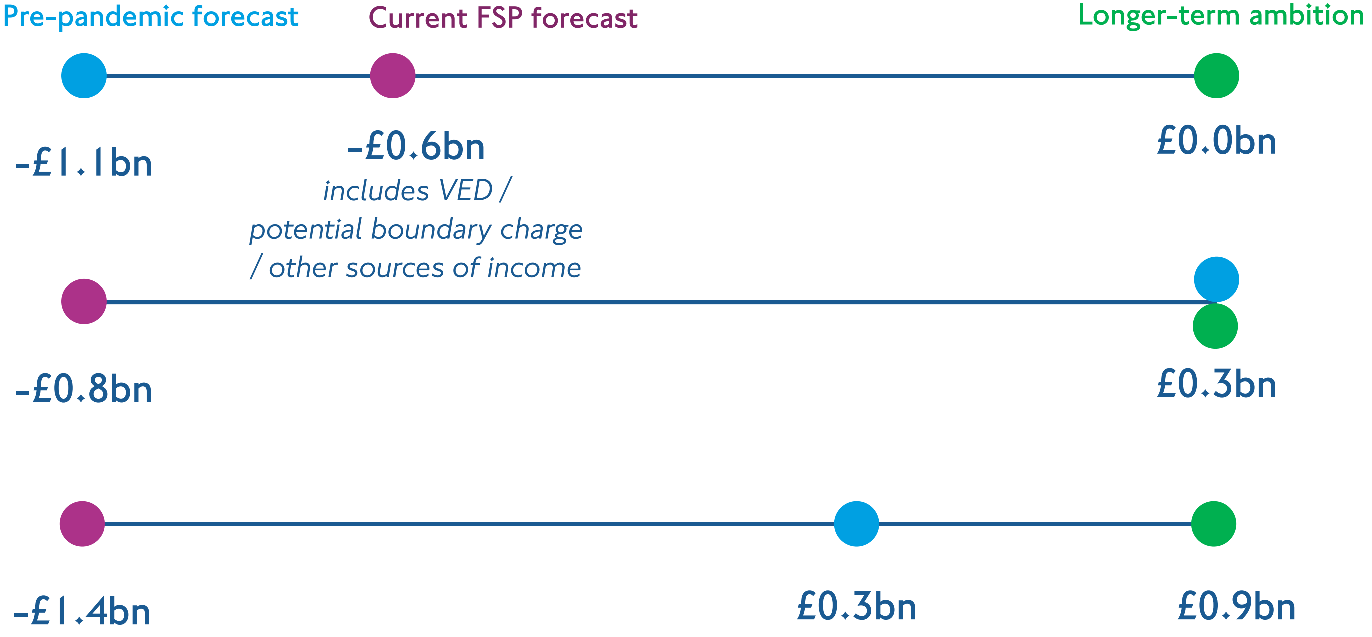
Net cost of running TfL (after all sources of income)

Net operating surplus (including renewals and financing but excluding operating BRR) in 2023/24

Surface
Our ambition is to break even including renewals without operating BRR

Rail (incl. Underground)
Our ambition is to generate surplus to contribute to rolling stock / signalling

Overall TfL
Our ambition is to produce operating surplus so all BRR can be used for new investment



Page 17

Key assumptions in the draft Revised Budget

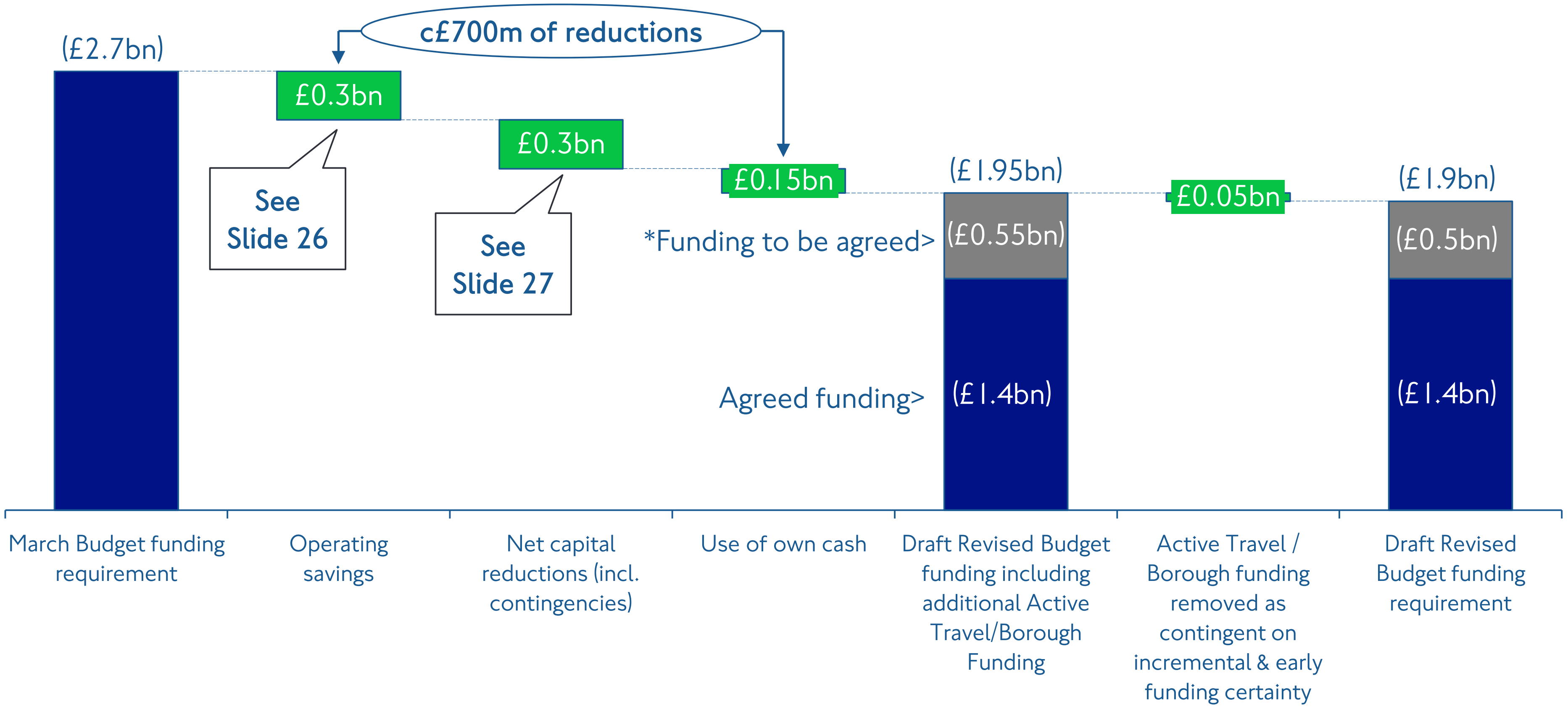
Revenue	• We have modelled four scenarios for passenger income which flex four core variables: Economy / Government RoadMap / % Office workers return to work at end of 21/22 & Winter suppression • Scenario 3 is our current central case which assumes the economy grows at a gradual pace of return, there is a one month delay to Step 4 of the Government Roadmap (to 19 July), Officer workers return to 65% at the end of 21/22 and a 10% reduction in demand over winter • Average passenger demand for 21/22 is around 67% of 2018/19 pre-covid actuals, and by the end of the year (Mar 22) we are forecasting to be around 76% • Average passenger demand for 22/23 is circa 90% • Fares uplift remains RPI+1% in January 2022, and then uplifts again each year by the same. This is in line with the funding conditions however all fare uplift decisions will take account of economic conditions at the time • BRR improvement of £127m FY 21/22 per latest assumptions from the GLA
Congestion Charge, LEZ & ULEX	• Proposals for changes to the Congestion Charge will be consulted on in due course • ULEZ expansion in October 2021 as planned
LU / Rail services	• No material change to service levels assumed in the Revised Budget ➢ Waterloo & City line restarted 7 June 2021 ➢ Restart of Night Tube kept under review (assessment ongoing as to whether one or two lines could be reopened later this year). ➢ LU service reduction package of minor cuts to some weekend and off-peak services with full service from 2022/23 ➢ Elizabeth line stage 3 opening assumed to be the first half of 2022 ➢ Northern Line Extension due to open in Autumn 2021
Bus service levels	• 21/22 - scheduled km forecast to be in line with FSP • 22/23 - scheduled km are 1.9% lower year on year (target reduction of 4% overall by 24/25)
Financial	• No material change in RPI assumptions (2.8% for 21/22 and 3.1% thereafter) • No new borrowing or repayment assumed from 2021/22 and throughout the plan period

Funding gap for 2021/22

The draft Revised Budget includes c.£300m of operating savings as required in the funding settlement but still requires a further £0.5bn of funding support post 11 December.

The limited and short-term funding deal restricts our ability to plan, commit and deliver active travel funding this year.

We need certainty on additional funding before December to guarantee our ability to deliver more – and this needs to be additive to the funding already required to balance the budget.



- There are risks inherent in achieving the c£300m of operating savings
- Further funding support of c£0.5bn required beyond the end of the current funding period – **this will need to include a continued revenue true up mechanism as part of the overall support package**
- The limited and short-term funding deal restricts our ability to plan, commit and deliver TfL Active Travel and Borough travel schemes this year. **We need certainty on additional funding before 11 December to guarantee our ability to deliver more schemes.**
- **Incremental Active Travel funding of c£50m would be additive to the £0.5bn of additional funding already required to balance the budget.** This would allow us to restore Healthy Streets and Borough funding to a level broadly in-line with last year.
- No allowance is made for a potential Crossrail funding shortfall. **This will need to be resolved as part of any future Crossrail funding discussions.**

* Size of funding shortfall will be dependent on passenger revenue projections

Our view of total expenditure

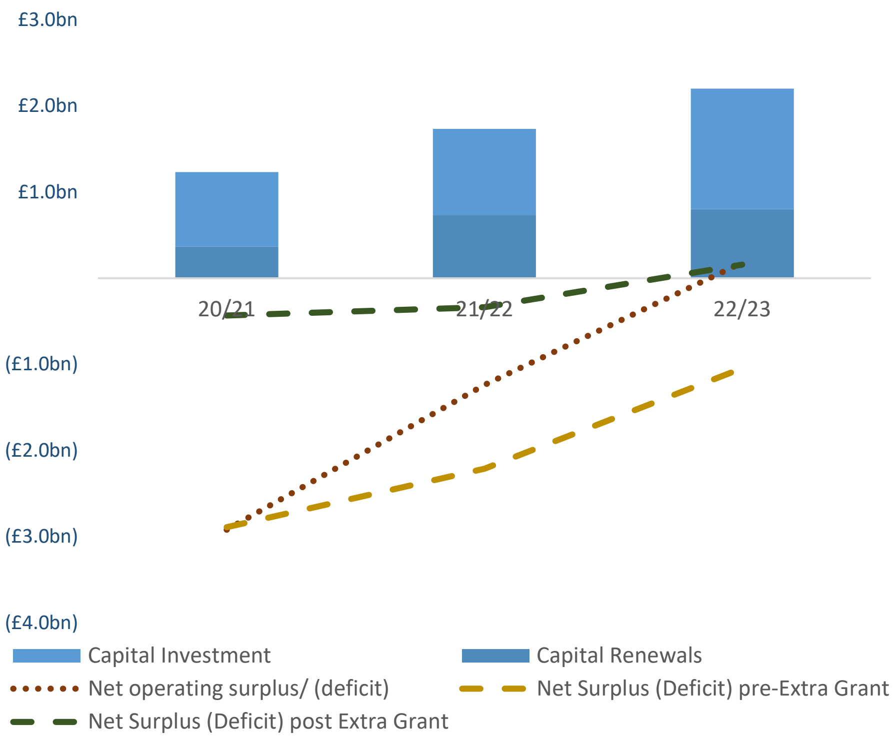
We have secured £1.4bn of funding for 2021/22 with a further £0.5bn yet to be agreed

Page 20

Draft Revised Budget

(£m)	20/21	21/22	22/23
Passenger Income	1,600	3,478	4,760
Other operating income	777	1,236	2,013
Operating BRR	969	914	876
Other Grant	117	66	60
Total Income	3,462	5,694	7,709
Operating Cost	(6,381)	(6,931)	(7,530)
Net operating surplus/ (deficit)	**(2,918)**	**(1,237)**	**179**
Financing	(440)	(449)	(488)
Net surplus/ (cost) of operations before capital renewals	**(3,358)**	**(1,686)**	**(309)**
Capital Renewals	(367)	(736)	(801)
Net surplus/ (cost) of operations	**(3,725)**	**(2,422)**	**(1,110)**
Capital Investment	(866)	(999)	(1,401)
Capital BRR	910	930	951
Capital Funding	792	283	518
Net Surplus (Deficit) pre-Extra Grant	**(2,889)**	**(2,208)**	**(1,042)**
Extraordinary revenue grant	2,457	1,873	1,200
Net Surplus (Deficit) post Extra Grant	**(432)**	**(335)**	**158**

Funding requirements for capital programme



Key points:

- From 2022/23, ridership returns to only circa 90% of pre-pandemic levels and operating BRR is lower by circa £200m per annum
- We assume no new borrowing beyond 2020/21 due to financial affordability (2019 BP assumed £500m)
- Capital spend requirement is driven by the need to renew critical assets after lower spend in recent years and is largely based on the Long-Term Capital Plan with some deliverability adjustments
- Our Financial Sustainability Plan (FSP) set out a funding gap of on average £1.6bn per annum from 2023–2030 including £500m per annum of VED / GLBC (subject to full assessment, consultation and Mayoral decision) / other sources of income

Streets, Buses and Other Surface operations

Our ambition for a combined bus and streets network is for the Net Cost of Operations including renewals to break even without the need for ongoing operating subsidy, which would increase available funding for policy outcomes and capital investment.

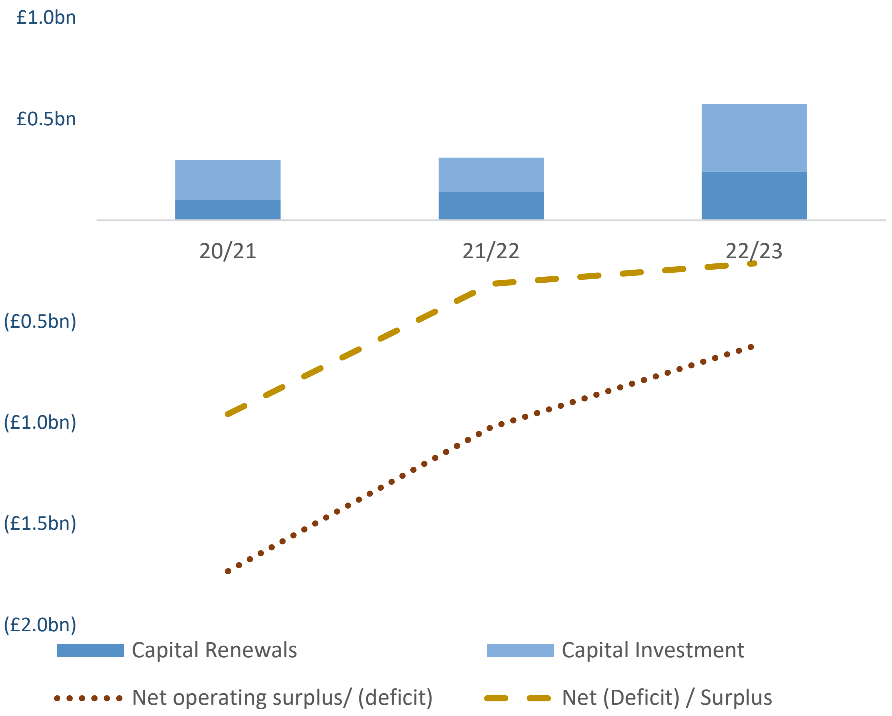
Page 21

This would require new funding or income sources to be generated. Our Financial Sustainability Plan set out this could be from retaining London's share of Vehicle Exercise Duty / Greater London Boundary Charge / other sources of income.

Draft Revised Budget

(£m)	20/21	21/22	22/23
Passenger Income	711	1,107	1,349
Other operating income	514	906	1,312
Government furlough grant	9	-	-
Operating Costs	(2,810)	(2,870)	(3,118)
Finance Costs	(41)	(27)	(28)
Indirect Operating cost	(116)	(138)	(135)
Net operating surplus/ (deficit)	**(1,733)**	**(1,022)**	**(620)**
Renewals	(100)	(140)	(241)
Net Cost of Operations Excl Op BRR	**(1,833)**	**(1,162)**	**(861)**
Operating BRR	969	914	876
Other Grant	5	5	5
Capital BRR funding (for LIPs)	100	100	100
Capital Investment	(198)	(171)	(333)
Net (Deficit) / Surplus	**(957)**	**(314)**	**(213)**

Funding requirements for capital programme



Key points:

- The combined bus and streets network will continue to need subsidies in the form of operating Business Rates Retention (BRR) to be able to cover its operating costs including renewals
- The expansion of ULEZ in October initially produces a significant increase in net income but as compliance increases over time revenue is expected to fall
- A new source of funding or income will be required to make our streets and buses operation financially sustainable over the medium to long term.

Key assumptions

- Includes the impact of the expansion of the ULEZ from October 2021
- Bus services are reduced by 4% over the period to 2024/25 in line with lower demand, as per the Financial Sustainability Plan
- Baseline capital includes the cost of renewing our road network, bus, coach and river infrastructure, bridges and tunnels.
- Other capital includes healthy streets and cycling spend, network schemes, transformational schemes, surface technology and air quality.

Streets, Buses, and Other Surface operations – 21/22 Capital Expenditure

Renewals: £140m

New capital investment: £171m

Our priorities include continuing proactive renewals following the 2.5 year pause up to last year, with a focus on critical highways tunnels and structures.

Our plans include £9m of capex efficiencies across renewals and enhancements

TLRN infrastructure, £74m

Proactive renewals across signal modernisation, carriageways, footways, lighting, structures and other key assets across the TfL road network.

Bus, coach & river infrastructure, £14m

Renewals include a focus on staff welfare facilities at bus stations and refurbishments at Victoria Coach Station. Also includes proactive renewals across our operations network including Hostile Vehicle Mitigation activity and Cycle hire renewals. Redevelopment of Cromwell Road Bus Station

Air Quality and Environment, £57m

Includes ULEX, feasibility for the replacement of existing critical Road User Charging systems and potential boundary charge, retrofit buses with Selective Catalytic Reduction technology to cut NOx.

Healthy Streets, £66m

Total Healthy Streets spend is £135m in 21/22, with £66m CapEx and the remainder funded via the operating account. Schemes this supports include Old Street, Hammersmith Ferry Implementation, development of a number of cycle routes, Bus Priority and LIPs funded corridors.

Major highway infrastructure, £24m

Progress work for major renewals on bridges and tunnels to keep them safe, reliable and operable, including A40 Westway and Rotherhithe Tunnel.

Surface Technology, £38m

Costs to keep our key operational and maintenance systems going and replace them with modern equivalents when necessary, as well as improvements including iBus2.

Cycle Hire Modernisation, £13m

The Cycle Hire Modernisation project will deliver a back-office system solution compliant with the latest regulatory and Payment Card Industry standards. This also supports the electrification and expansion initiatives.

Public Transport portfolio, £11m

DLR and London Overground HIF schemes

Funding deal impact £79m vs Mayors Budget

- Impact of delayed, short-term and reduced active travel funding on Healthy Streets deliverability & affordability. We will need further Government Funding for active travel to maintain levels of investment beyond 11 December.

Slippage and rephasing

- £6m slippage - Kingston Cromwell Road Bus Station
- £15m rephasing – including acceleration of road asset renewals into 2020/21

Rail combined (LU, EL & Rail)

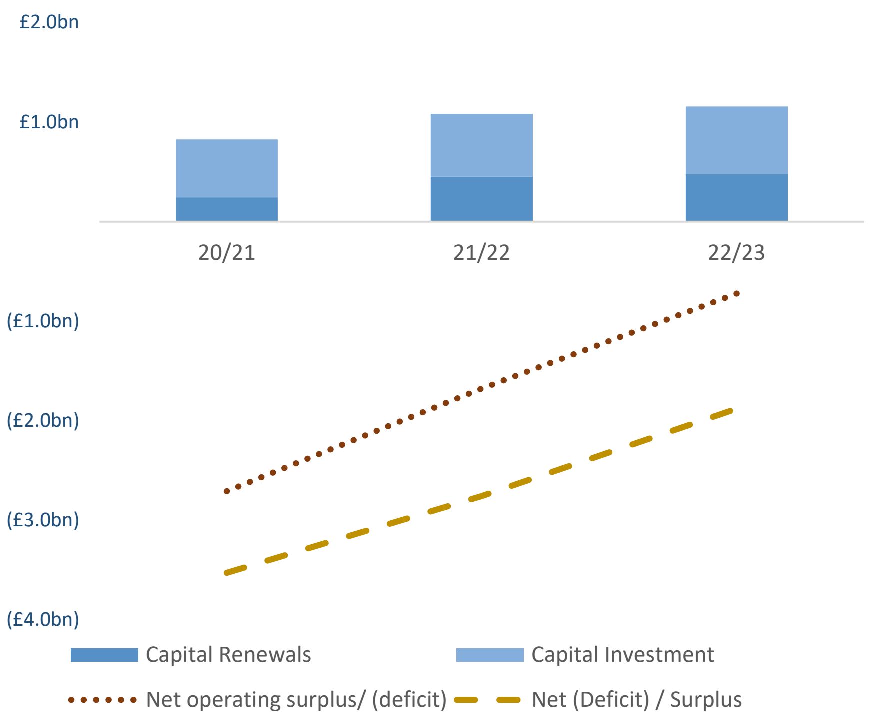
Ambition for a combined Rail function is to cover renewals from its own surplus after financing and indirect costs and start contributing towards the cost of replacing expired assets as was the trajectory pre-pandemic.

This is currently not possible in the medium term to 22/23.

Draft Revised Budget

(£m)	**20/21**	**21/22**	**22/23**
Passenger Income	830	2,318	3,371
Other operating income	27	70	346
Government furlough grant	38	-	-
Operating Costs	(2,800)	(3,057)	(3,449)
Finance Costs	(394)	(421)	(460)
Indirect Operating cost	(407)	(585)	(528)
Net operating surplus before Renewals	**(2,706)**	**(1,675)**	**(720)**
Renewals	(241)	(453)	(478)
Net operating surplus	**(2,947)**	**(2,128)**	**(1,198)**
Capital Investment	(579)	(628)	(680)
Net (Deficit) / Surplus	**(3,526)**	**(2,756)**	**(1,878)**

Funding requirements for capital programme



Key points:

- LU is significantly below its £1bn direct operating surplus target (before indirect, financing and renewals) driven by passenger income being behind pre-pandemic levels
- Elizabeth line stage 3 opening now expected first half of 2022, with a small surplus forecast from 24/25
- Other Rail modes cannot breakeven before renewals
- To break even including renewals, the combined function needs a combination of changes in fare structure and/or service offering

Key assumptions

- Rail receives 70% of indirect cost allocation
- £7bn debt allocation (up to 2018/19) and the financing cost associated with incremental borrowings from 2019/20 to 2020/21
- LU renewals: existing renewals forecast only
- Other capital: tube upgrade including rolling stock and signalling, station upgrades and accessibility

London Underground and Rail – 21/22 Capital Expenditure

Renewals: £453m

New capital investment: £623m

The 21/22 Draft Revised Budget focuses on delivering the highest priority renewals projects which are critical for maintaining safety and reliability of the railway.

Page 24

We have slowed spend and reduced scope to meet the financial challenges and ensured our plan is deliverable to reflect that some schemes may take longer to deliver across renewals and enhancements.

Fleet, £98m

- Central Line Fleet renewal programme
- Heavy overhaul (life extension) of Piccadilly, Jubilee, Metropolitan and Bakerloo lines
- Engineering vehicles investment

Track, £131m

- Track renewals at highest risk areas, including works for new Piccadilly line fleet
- Points and crossings at critical locations
- Noise mitigation, security and access fencing work

Lifts & Escalators, £31m

- Continued delivery of priority escalator renewals (Liverpool Street, Marylebone and South Kensington)
- High priority lift works (including Borough and Holloway Road)

LU Technology & Networks, £39m

- Connect Radio system essential upgrades
- Station security systems & Asset Management System developments

Stations, Accessibility and other enhancements, £110m

- Includes spend on Burnt Oak, Hanger lane and Northolt step free
- Other enhancements include Tottenham Hale Station Upgrade, Safe Track Access
- Bank Station Upgrade ready for public use by end next year
- The 3rd party funded elements of the Elephant & Castle station upgrade proceed, but TfL needs funding certainty to complete the project.

Structures & civils, £5m

- Critical civils structures reinforcement including Grange Hill-Chigwell Embankment
- Ongoing civils asset resilience for priority locations

Signalling, Power, Cooling & Energy, £54m

- Essential electrical works and Power control system works to address obsolescence degradation and safety compliance
- Life Extension works to Central, Bakerloo and Piccadilly line signalling

Rail, £197m

- Prioritised renewals across all asset groups at DLR, Overground and Trams
- Defining outcomes and optioneering for Trams replacement rolling stock and DLR signalling, with first new DLR train ready for testing later this year
- Barking Riverside complete station build by end 2021 and be available for revenue service next year
- TfL Rail Liverpool Street station works to support Crossrail

Slippage, Slowdown and Scope change £170m

- Slowdown of renewal and reduced scope (LU Tech & network, Fleet Heavy Overhaul, civils & lift and escalators, R&E Fleet)
- Reduced scope for the additional priority work to address growing renewals deficit
- Some slippage on the Heavy Maintenance Facility and Farringdon City sidings for Four line modernisation
- Rephasing of rolling stock related activities on signalling and infrastructure

Housing and Property Development

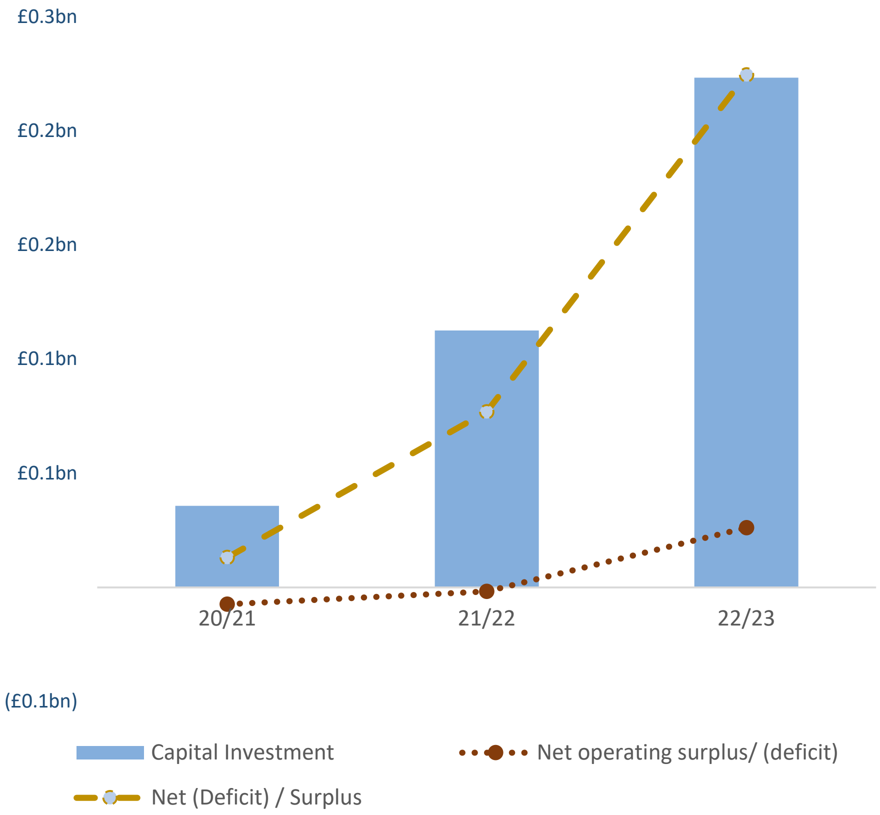
Maximising incomes from our property development business whilst recycling assets which are not revenue generating to fund the capital plan will generate a growing revenue stream to reinvest in transport

Page 25

Draft Revised Budget

(£m)	20/21	21/22	22/23
Passenger Income	-	-	-
Other operating income	71	66	92
Operating Costs	(68)	(53)	(52)
Indirect Operating cost	(10)	(15)	(14)
Net Cost of Operations	**(7)**	**(2)**	**26**
Renewals	-	-	-
New Capital Investment	(36)	(113)	(223)
Capital Receipts	63	194	396
Net (Deficit) / Surplus	**20**	**79**	**199**

Funding requirements for capital programme



Key points:

- Property Development remains capital neutral over the life of the plan with no requirement for net investment from TfL
- This plan assumes targeted disposals of some significant assets which may be a challenge in the current market
- Given market conditions, and need to generate long-term revenue, the plan assumes that TfL should not dispose of other revenue producing assets as this would not be commercially beneficial in the longer term

Housing Delivery Plan

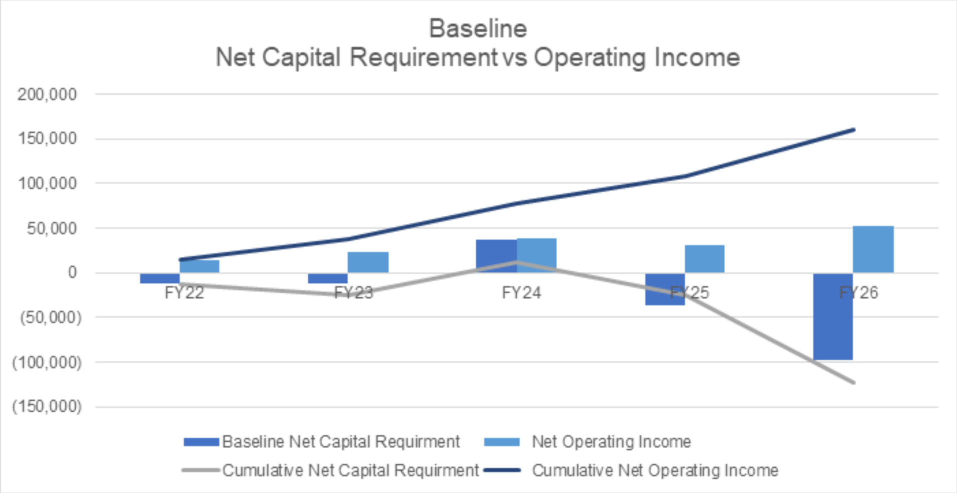
During 2021/22, we will explore a dedicated funding mechanism for our commercial property entity that is capable of accessing commercial debt to bring housing and other development projects through planning and invest in our existing property assets to generate significant ongoing revenue streams to reinvest in public transport

Recent activity:

- Commercial Development hold three potential business plans;
    - Capital neutral Plan
    - Baseline: more income to TfL and 13,000 homes, requires a commercial debt facility; no call on government for funding beyond affordable homes grant
    - Housing Growth: more income to TfL, additional homes, requires a commercial debt facility but requires grant funding for commercial viability
- On 11th June TfL submitted its response to condition 10a. of the funding agreement which required a plan for housing delivery to be agreed with government; the baseline plan was the main plan described
- The response also demonstrated that the housing growth plan can be delivered in tranches, with the numbers and outcomes of a 'tranche 1' described which would require grant funding for scheme

Key outcomes by plan:

	Total Houses Delivered	Asset Value by 2045	Net Capital Funding by 2045
Capital Neutral Plan	10,750	£3.9bn	-
Baseline	13,278	£5.3bn	£0.4bn
Housing Growth	46,350	£9.9bn	£2.0bn



Key points:

- Transport Trading Limited Properties Limited, TfL's subsidiary property development company, is targeting a dual target of both homes delivery and income growth to be re-invested in the transport network
- That is enabled by accessing commercial debt to fund the development programme
- Work is ongoing to ensure the plans are robust and affordable

Section 4

Group summary

Page 27

Our 2021/22 draft Revised Budget continues our journey to decarbonise by 2030 and continues our record on efficiencies

Page 28

Healthier Streets

Decarbonising requires fewer vehicle journeys and more travel by walking, cycling and public transport. We are making the key changes on London's roads to encourage and accommodate this change.

Better Public Transport

As well as walking and cycling, we need people to return to public transport rather than their cars. We will properly renew our assets to maintain performance, extend our network, improve stations and introduce new trains on the Piccadilly line and DLR.

Electrification of buses

60 per cent of TfL's direct CO_2 comes from buses. We have London's largest electric fleet, but we must move at pace to decarbonise all 9000 buses. We have plans to do so but this requires adequate long-term funding.

Focusing on clean energy

We have to do many things to clean energy supply and usage. This includes installing solar panels and LEDs, using waste heat and procuring cleaner energy. And we are supporting rollout of electric vehicle charging points.

Improving air quality

Expanding the ULEZ – the toughest air quality standard of any city in the world – to cover all roads within the North and South Circular roads, in October 2021.

Achieving efficiencies

We have already achieved recurring savings of almost £1.1bn between 2016/17 and 2020/21, with a further £390m planned to 2024/25

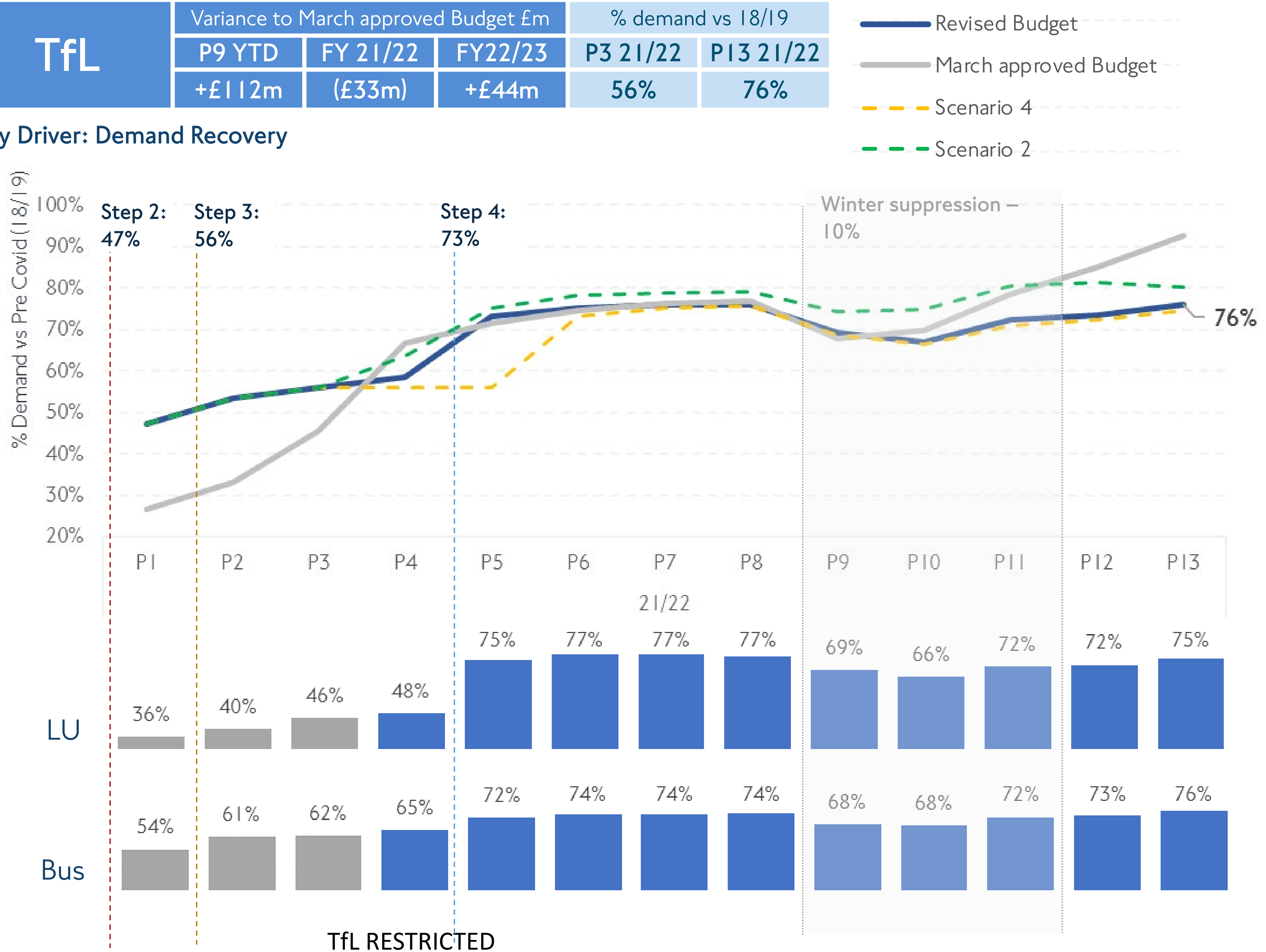
Demand recovery remains uncertain and as we are so dependent on fares revenue, this significantly impacts our financial forecasts

Our scenario modelling indicates a range of +/- £200m for this financial year which supports the case for continuation of the revenue true-up mechanism beyond the end of the current funding agreement

TfL latest forecast in line with March board approved Budget

TfL	Variance to March approved Budget £m			% demand vs 18/19	
	P9 YTD	FY 21/22	FY22/23	P3 21/22	P13 21/22
	+£112m	(£33m)	+£44m	56%	76%

Key Driver: Demand Recovery



TfL RESTRICTED

Page 29

Draft Revised Budget: Group Operating Account

TfL Group Operating account (£m)	2019/20 Actual	2020/21 Actual	2021/22 RB	2022/23 RB
Passenger income	4,751	1,600	3,478	4,760
variance yoy		(3,151)	1,878	1,282
variance to Budget			(12)	41
Other operating income	1,023	777	1,236	2,013
variance to Budget			(0)	21
Total operating Income	**5,774**	**2,376**	**4,713**	**6,773**
Business rates retention	988	969	914	876
Revenue grants	117	117	67	60
Total income	**6,879**	**3,463**	**5,694**	**7,709**
variance to Budget			115	56
Total costs	**(6,473)**	**(6,381)**	**(6,931)**	**(7,530)**
variance yoy		92	(550)	(599)
variance to Budget	-	-	263	(33)
Direct operating surplus/(deficit)	**406**	**(2,918)**	**(1,237)**	**179**
variance yoy		(3,324)	1,681	1,416
variance to Budget	-	-	378	24
Capital renewals	(453)	(367)	(736)	(801)
variance to Budget	-	-	69	71
Net financing cost (inc borrowing repayment)	(411)	(440)	(449)	(488)
variance to Budget	-	-	12	2
Net costs of operations	**(458)**	**(3,725)**	**(2,422)**	**(1,110)**
variance to Budget	-	-	458	96
Extraordinary revenue grant	-	2,457	1,873	1,200
Net surplus/ (cost) of operations after extraordinary grant	**(458)**	**(1,268)**	**(549)**	**90**

Passenger income
- Broadly in line with the March Budget with the faster recovery at the start of the year, offset by the delay to step 4 in the Government's Roadmap and forecast winter suppression

Other income
- Other operating income in line with March Budget
- Business rates retention improvement of £127m in 21/22 only based on latest view from GLA

Operating costs
- Operating savings to contribute towards £300m reduction target
- No material change to financing costs with reduction partially offset by higher costs associated with the rating agency downgrade

Capital renewals
- Reduction mainly owing to funding uncertainty and deliverability

TfL RESTRICTED

Draft Revised Budget: Capital Account

TfL (ex CR) Capital account (£m)	2019/20 Actual	2020/21 Actual	2021/22 RB	2022/23 RB
New capital investment	(1,084)	(866)	(999)	(1,401)
variance to Budget			367	132
Funded by:				
Business rate allocation	893	910	930	951
Property & asset receipts	173	63	193	391
Borrowings (TfL)	545	602	(0)	
Other capital grants	206	127	90	127
Total	1,817	1,702	1,213	1,469
variance to Budget			(134)	64
Net capital account	733	836	214	68
variance to Budget			233	196

Crossrail Capital account (£m)	2019/20 Actual	2020/21 Actual	2021/22 RB	2022/23 RB
Crossrail programme	(1,026)	(704)	(700)	(189)
variance to Budget			(90)	4
Funded by:				
Borrowings (CR)	-	676	74	0
Crossrail funding sources	972	72	663	171
Total	972	748	737	171
variance to Budget			(23)	23
Net capital account	(54)	44	37	(18)
variance to Budget			(113)	27

Enhancements

- Reductions predominantly reflect slippage in programmes with some planned deferrals and scope reductions
- There are no material in-flight project cancellations

Capital Funding

- Property & asset income impacted by 12month+ deferral of multiple Commercial Development projects

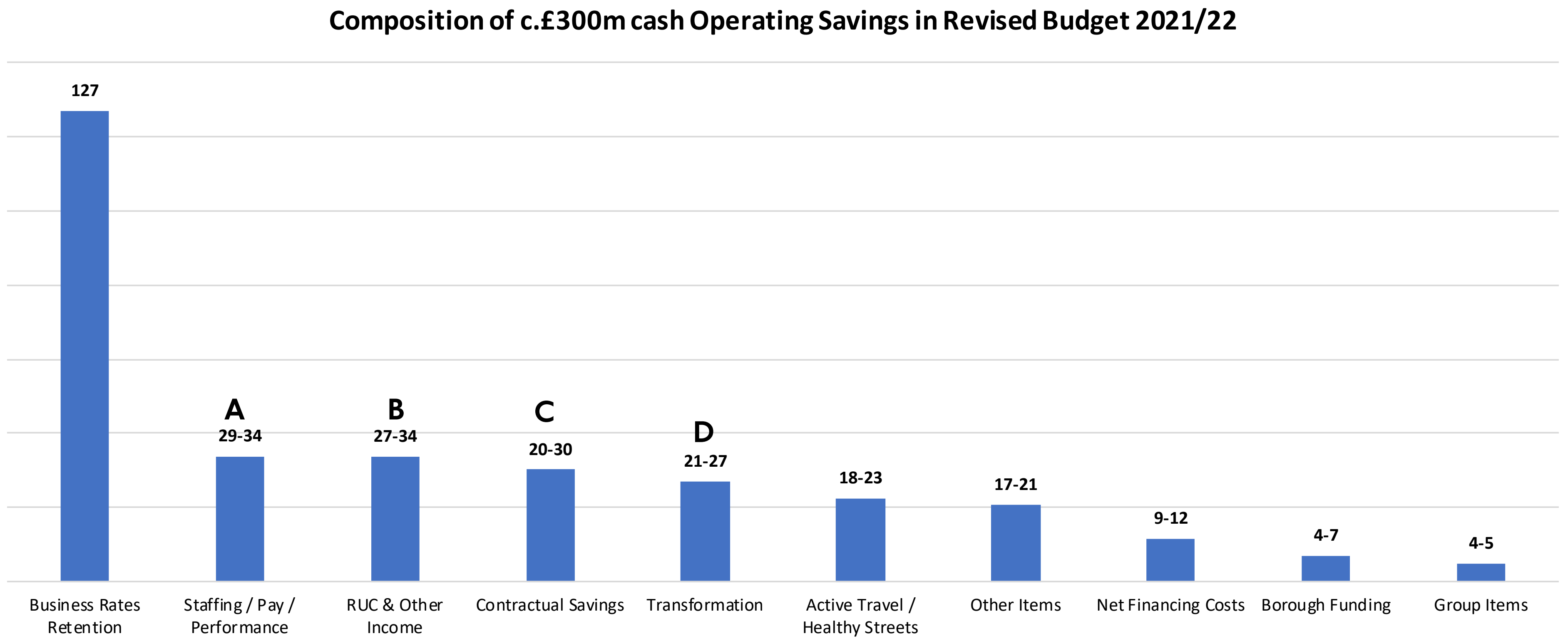
Crossrail

- In line with P50 forecast and reflects £825m of agreed funding from the GLA

2021/22 c.£300m of cash operating savings summary

As part of TfL's funding settlement, operating savings of at least £300m are required to be delivered in 2021/22 against the March Budget through non fares revenue and/or cost saving initiatives

Page 32



Embedded within the Revised Budget are c.£300m of cash operating savings in 2021/22

A: Staffing/Pay/Performance

- Predominantly arising from remuneration stipulations (Para. 28, 1st June 2021 TfL Settlement Letter)

B: Road User Charging and Other Income:

- ULEZ & LEZ income improvement due to higher overall volumes of traffic

C: Contractual Savings

- Includes bus service reductions, LHR T5 agreement, LO rolling stock, traction and IT spend

D: Transformation

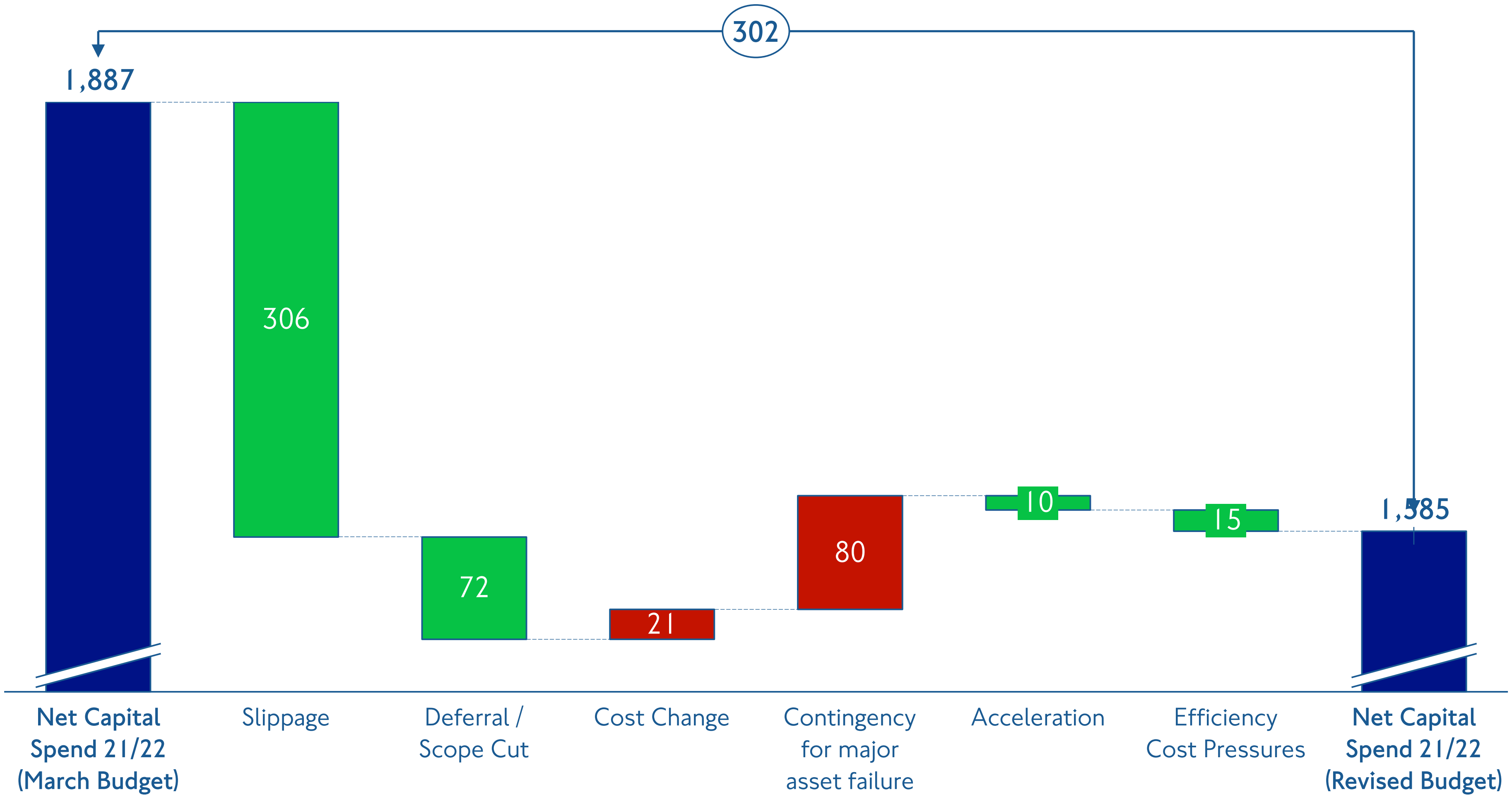
- Reprofiling of central provisions into 2022/23 and 2023/24

2021/22 c.£300m of net capital reductions summary

Due to funding uncertainty and a full review of our investment programme, almost £400m of slippage, scope cut and deferrals, partially offset by contingency for major asset failure of £80m

Page 33

£0.3bn of net capital reductions (incl. contingencies) – draft Revised Budget 21/22

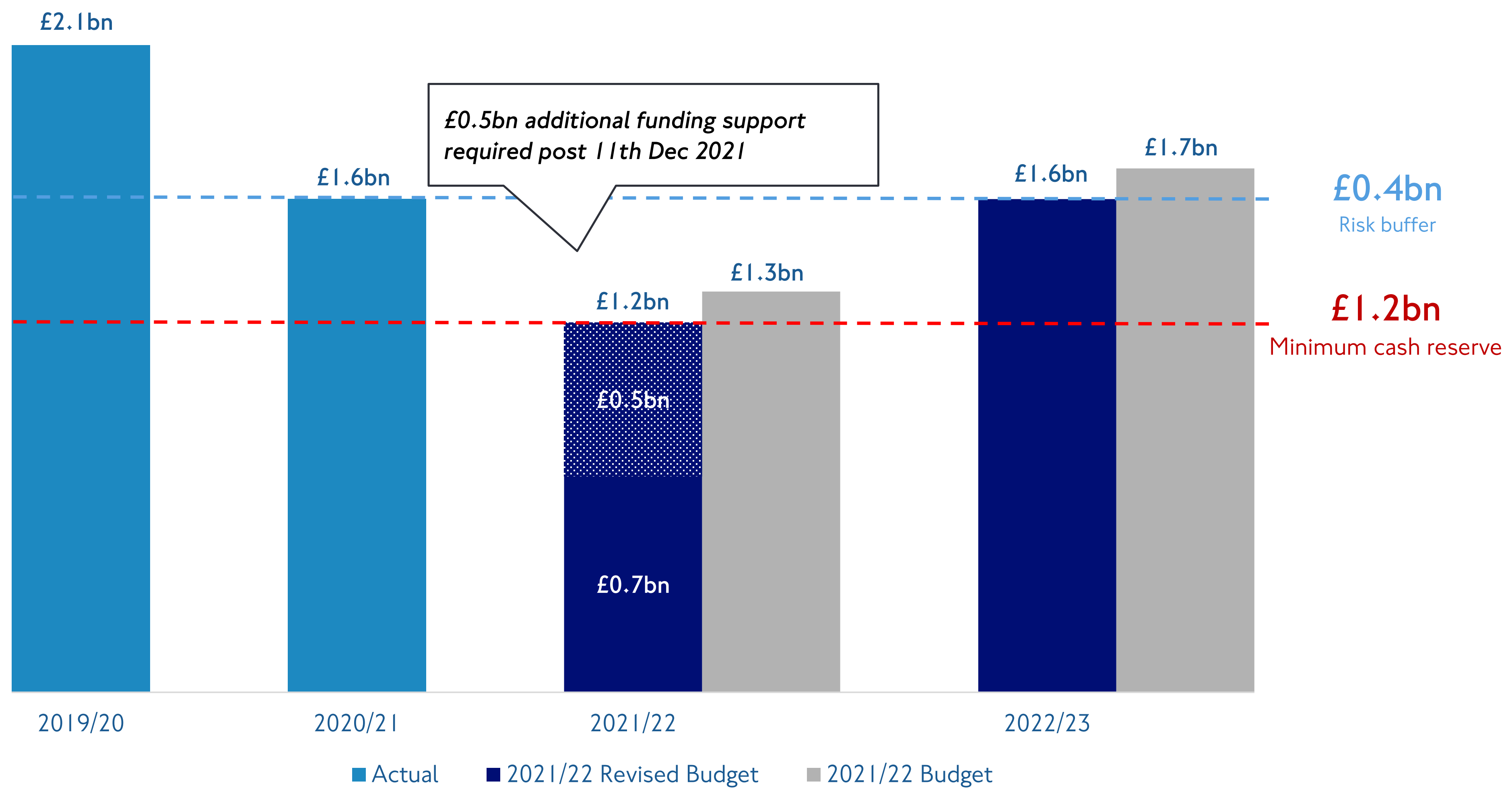


- Slippage largely due to **4LM** with challenges associated with aged infrastructure, software development and Covid safe stop leading to slippage of two SMAs, **PLU** rephasing of high voltage infrastructure works primarily, **Silvertown Tunnel**: slippage of land purchases and associated risk due to design delay, **LU Fleet overhaul and signal enhancements** delayed
- Deferral 12month deferral of various **ComDev schemes** together with deferral of the related asset sales due to affordability and market conditions
- Efficiency savings predominantly in **NLE** due to risk reduction and **DLR Rolling Stock** Northern Sidings contract efficiencies

In the medium term, we need to maintain £1.2bn minimum cash reserves

The current funding agreement leaves no ability to rebuild a cash reserve buffer to withstand strategic, safety and operational risks

TfL Cash balance (excluding Crossrail account)



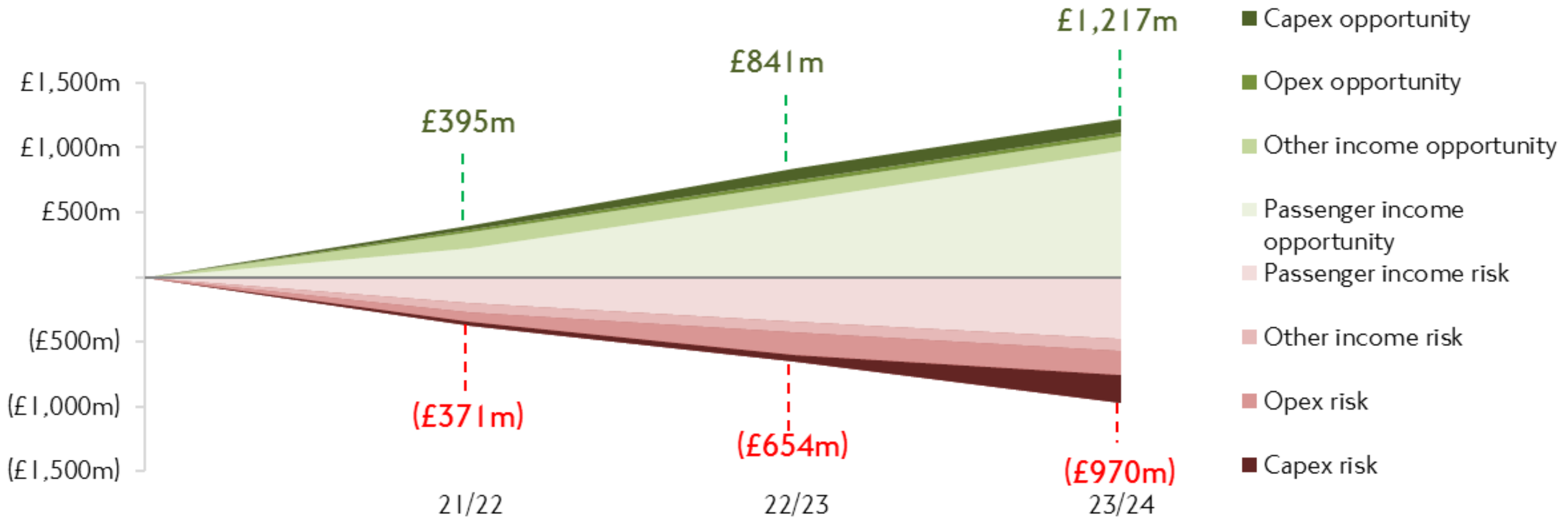
* If we are to maintain Active Travel & Healthy Streets investment (including Borough Funding) at closer to prior year levels, we will also need a further c£50m of funding in 2021/22 in addition to the £0.5bn. To effectively plan and deliver additional schemes this year, we will need confirmation of this additional funding ahead of 11 December.

Risks and Opportunities

We are assuming passenger income is protected in any future funding deal but we still have significant non fares income risks linked to ridership, uncertainty on business rates retention and pressure on costs

Page 35

Risks and opportunities for remainder of 2021/22 and next two years



Income:

- Our passenger income is modelled using four core variables: Economic recovery, timing of Step 4 in the Government Roadmap, the % of Office workers at the end of 21/22 and a reduction in demand over the winter period.
- We have flexed these variables to produce three scenarios with a range of +£0.2bn to (£0.2bn).
- There is significant uncertainty around ULEZ expansion on the volumes and compliance levels

Operating costs:

- Risks include an ambitious savings programme and maintenance costs due to capital deferrals
- As with other rail industry pension schemes, there is pressure on on-going service cost and deficit repair

Capital investment:

- Ability to invest in property developments and generate a future income stream is dependent on market conditions for asset sales
- Deliverability of our capital programme

A long-term sustainable funding model is essential to ensure London has the transport network it needs and to support wider economic recovery and growth

We are managing our core financial position and working on a financially sustainable way forward

Our Revised Budget is prudent and built on tight spend control on our operating and capital account. We continue to be exposed to a high degree of uncertainty in the economic outlook and on our income streams, in particular passenger revenue.

Securing Government support for a financially sustainable plan is key to further medium and long-term planning.

Our position as an integrated transport authority brings benefits to London and the UK

An integrated authority gives the best user experience between all modes, improves efficiency and saves journey time. It means we can:

- prioritise and operate strategically across transport modes London-wide;

- deliver wider outcomes such as London-wide development of environmental policy, regulation of non-public transport modes and integrate infrastructure planning and investment.

- deliver jobs and skills across the UK through our supply chain

We need certainty on funding to ensure our operations are efficient, effective and provide value for money

A stable and sustainable long-term funding model will allow us to plan and deliver in the most efficient and effective way, ensuring we can harness the best value for money and fulfil our financial stewardship duties

We have a proven track record of delivering schemes that:

- Grow the economy
- Supporting the UK Supply Chain
- Encourage the transition to low-carbon lifestyles

Continuing to deliver these benefits is entirely dependent on secure, long-term funding.

Page 37

Section 5

21/22 Scorecard

Change request for the TfL 2021/22 scorecard

The TfL scorecard for 2021/22 was approved by the TfL Board in March alongside the Budget. The scorecard represents the performance we aim to achieve aligned to the activities set out in the Budget. Therefore the scorecard now requires updating to align to the Revised Budget.

Analysis has been undertaken to determine where there are direct material impacts on the scorecard due to the revised Budget. The following measures are requested to change:

- **Finance measures (Capex vs. Budget, Opex vs. Budget):** Need to be updated to match new financials
- **Passenger journeys compared to pre-COVID:** Update to align with new revenue forecast in the Revised Budget
- **Bus operations: Bus Journey Time:** impacted by level of road traffic and passenger demand in Revised Budget

Passenger journeys compared to pre-COVID

	Current value	Proposed value
Target	67%	67%
Floor	60%	62%

Rationale:
Target is based on the Revised Budget demand forecast, with PI – P3 actual, while floor target is based on 10 per cent reduction on the Revised budget demand, with P1 – P3 actual.
Target remains unchanged (while significantly reprofiled with higher demand to date, and lower demand in later periods), while the floor target is higher due to the P1 – P3 actual.

Bus Journey Time metric

	Current value	Proposed value
Target	32.6 min	32.9 min
Floor	33.3 min	33.5 min

Rationale:
The standard and floor targets have been revised for P4 to P13 of 2021/22, with actual values used for P1 to P3.
The main reason for change is to incorporate the passenger demand forecast in the Revised Budget. Relationships to key drivers like road traffic volumes, bus speeds, bus kilometres scheduled and operated have also been re-estimated based on recent COVID periods.

Board

Date: **28 July 2021**

Item: **Draft 2021 TfL Long-Term Capital Plan**

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 financial information to be included.

1 Summary

1.1 This paper considers TfL's updated Long-Term Capital Plan (LTCP). The LTCP sets out three scenarios for TfL's capital investment programme over the next 25 years, based on different levels of funding and varying potential travel demand outcomes.

1.2 The LTCP is not a statutory document, but it is an important part of our internal strategic planning. It informs several other processes such as updating the TfL Business Plan, Capital Strategy and input into government funding negotiations and Spending Reviews. Its early years are aligned to the proposed Revised Budget that is also being considered at this meeting.

1.3 This year's update to the LTCP has focused on clearly communicating a deliverable programme of work as well as quantifying the outcomes that would be achieved as a result of different levels of capital investment.

1.4 The attached presentation (Appendix 1) describes the scope, costs and outcomes achieved in the three LTCP scenarios.

2 Recommendation

2.1 **The Chair, following consultation with the Board, is asked to note the paper and approve the 2021 TfL Long-Term Capital Plan.**

3 2021 TfL Long-Term Capital Plan

3.1 TfL's traditional business planning horizon looks at plans for the next five years. However, our assets and investment require planning over a longer timeframe. Asset life can be 60 to 100 years and projects can take a decade or more to deliver. The LTCP provides a longer view of investment that can then be used to inform Business Plans and Budgets. It is less detailed than a Business Plan, but sets out the broad shape of investment we expect to undertake.

3.2 Since 2018, TfL has been required to produce a Capital Strategy, which is based on the LTCP. The 2021 Capital Strategy will be produced later this year as part of the GLA budget process, based on this updated LTCP.

3.3 Additionally, the LTCP was used to directly inform the capital investment element of the Financial Sustainability Plan published in January 2021.

3.4 The LTCP acknowledges the uncertainty in planning for the future, both in the short and long term, by considering multiple scenarios rather than a single view of TfL's future investment programme. These scenarios are aligned where relevant to future scenarios TfL has developed for travel outcomes in London, and these are the same scenarios which are being used in the ongoing review of service levels.

3.5 The 2021 LTCP is a refinement of last year's plan, not a completely new plan. Therefore, there has not been substantial re-prioritisation of scope within the plan. The focus for this year's update has been:

(a) **Deliverability:** Understanding the needs of our assets and reflecting deliverability – i.e. ensuring we only include a level of scope that we have the internal capacity to deliver. This has been a specific focus in the first five years; and

(b) **Outcomes:** Improving the quantification of the benefits and risks within each scenario, including mode share, asset condition, safety, carbon emissions and others.

3.6 Beyond these issues, the main updates included in this plan relate to reprofiling or deferring (but where appropriate still including) schemes whose primary purpose is to increase rail capacity. While forecasts suggest this will still be needed in the longer term, this LTCP reflects that previously assumed timescales may now have more flexibility. The policy consistent scenario remains an ambitious vision for the future of London and includes the investment required to achieve local and national aspirations.

3.7 The LTCP is the main source for creating the 'Medium-Term Capital Plan', which TfL is required to submit to the Department for Transport by 14 August 2021, as a part of the conditions of the 1 June funding agreement. This plan will contain three scenarios created using the LTCP in combination with the Revised Budget and the Capital Efficiencies Plan.

3.8 The presentation in Appendix 1 describes this year's LTCP, including how each scenario has been defined, what scope would be delivered in each scenario, what cost this would entail and what outcomes would be achieved.

3.9 Work will continue to further develop our assessment of outcomes in each of the LTCP scenarios as we prepare to submit the Medium-Term Capital Plan to government next month. We will also use the Spending Review process to continue to make the case for adequate funding to progress the necessarily ambitious investment programme that would contribute to achieving local and national policies.

3.10 This updated LTCP will then inform financial and delivery planning through the rest of the year.

List of appendices to this report:

Appendix 1 – Draft 2021 TfL Long-Term Capital Plan

List of Background Papers:

None

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Draft TfL 2021 Long-Term Capital Plan (LTCP)

TfL Board

28 July 2021

Long-Term Capital Plan (LTCP)

What is the LTCP

The Long-Term Capital Plan sets out a range of scenarios for TfL's investment programme over the next 25 years. It details:

- Scope – what activities / projects do we intend to undertake?
- Cost – how much will these activities / projects cost to complete?
- Outcomes – what will we achieve through this investment?

Purpose

TfL's traditional business planning horizon looks at plans for the next five years. However, our assets and investment require planning over a longer timeframe. Asset life can be 60 to 100 years and projects can take a decade or more to deliver. The LTCP provides a longer view of investment that can then be used to inform Business Plans and Budgets. It is less detailed than a Business Plan, but sets out the broad shape of investment we expect to undertake.

Since 2018 TfL has been required to produce a Capital Strategy as part of the GLA Budget, and this is based on the LTCP.

Additionally, the LTCP was used to directly inform the capital investment element of the Financial Sustainability Plan published in January 2021.

Updating the LTCP this year

2021 Long-Term Capital Plan

The 2021 LTCP is a refinement of last year's plan, not a completely new plan. Therefore, there has not been substantial re-prioritisation of scope within the plan. The focus for this year's update has been:

- **Deliverability:** Understanding the needs of our assets and reflecting deliverability – i.e. ensuring we only include a level of scope that we have the internal capacity to deliver. This has been a specific focus in the first five years.
- **Outcomes:** Improving the quantification of the benefits and risks within each scenario, including mode share, asset condition, safety, carbon emissions and others.

Informing the Medium-Term Capital Plan

The LTCP is the main source for creating the 'Medium-Term Capital Plan' which TfL is required to submit to DfT by 14 August as part of the conditions of the 1 June funding agreement. This plan will contain three scenarios created using the sources below. The assumptions from the Capital Efficiencies Plan will then be overlaid.

	21/22	22/23	23/24	24/25	25/26
1	Revised Budget		LTCP Do Minimum		
2	Revised Budget		LTCP Financially Constrained		
3	Revised Budget		LTCP Policy Consistent		

The LTCP is set out in three scenarios

Each scenario is aligned to a broad financial envelope and a future demand scenario (the same scenarios as we are using in our Service Level Review).

All costs are presented in constant 2021 prices unless stated otherwise.

Funding gaps are shown based on Financial Sustainability Plan scenarios up to 2030, with all assumptions other than capital investment unchanged.

Policy Consistent

Average capital required to 2045
c.£3bn p.a.

Average funding gap to 2030
c.£1.5bn p.a., as per FSP Decarbonise by 2030 scenario

Delivers closest to the MTS vision by 2041 and other mayoral targets (e.g. decarbonisation), but not full scope required by those strategies (e.g. Crossrail 2 is deferred). Improves whole-life cost.

Aligned to 'Return to Near Normal' demand scenario.

We have placed less focus on updating this scenario this year. Deliverability would be challenging, and would require immediate funding certainty for us to start ramping up activity.

Financially Constrained

Average capital required to 2045
c.£2.3bn p.a

Average funding gap to 2030
c.£1bn p.a., as per FSP Limited Recovery scenario

Broadly continues on trajectory of 2019 Business Plan, progressing slowly towards MTS aims, but in general not expanding rail capacity. Delivers balanced whole-life cost.

Aligned to 'Hybrid' demand scenario.

Again this scenario needs to be deliverable, so short-term performance may decline. In early years in some areas this means little difference to Do Minimum.

Do Minimum

Average capital required to 2045
c.£1.6bn p.a.

Average funding gap to 2030
Heavily dependent on revenue impacts and other assumptions

Minimum cost to maintain safety and operability. No improvements above legal requirements and committed projects. Whole-life cost would increase.

Aligned to 'London Declines' demand scenario.

In some areas this would mean service worsening from today due to backlog of works. Each area has presented a deliverable path to maintaining basic operability.

1. Long-Term Capital Plan scenarios

Constructing LTCP scenarios

- The LTCP is a high-level, strategic view of future investment. In most cases we work in categories rather than specific projects. For each category, we have considered three levels of ambition, then matched these to three overall scenarios across TfL. The objective is to produce a balanced plan that maximises delivery of outcomes relative to funding.
- We have given clear guidance to business areas across TfL to ensure options across the business are aligned. We have worked with business areas to develop options that are deliverable and reflect our financial position.
- Scenarios are aligned to future demand scenarios that acknowledge the range of potential future travel demand outcomes.

Example of Building Block Approach – all examples illustrative only

	Do Minimum	Fin. Constrained	Policy Consistent
Category 1	Do Minimum option	Mid-Level option	Mid-Level option
Category 2	Do Minimum option	Mid-Level option	High Ambition option
Major Project 1	Not included	Delivery by 2040	Delivery by 2030

Summary of LTCP scope: renewals

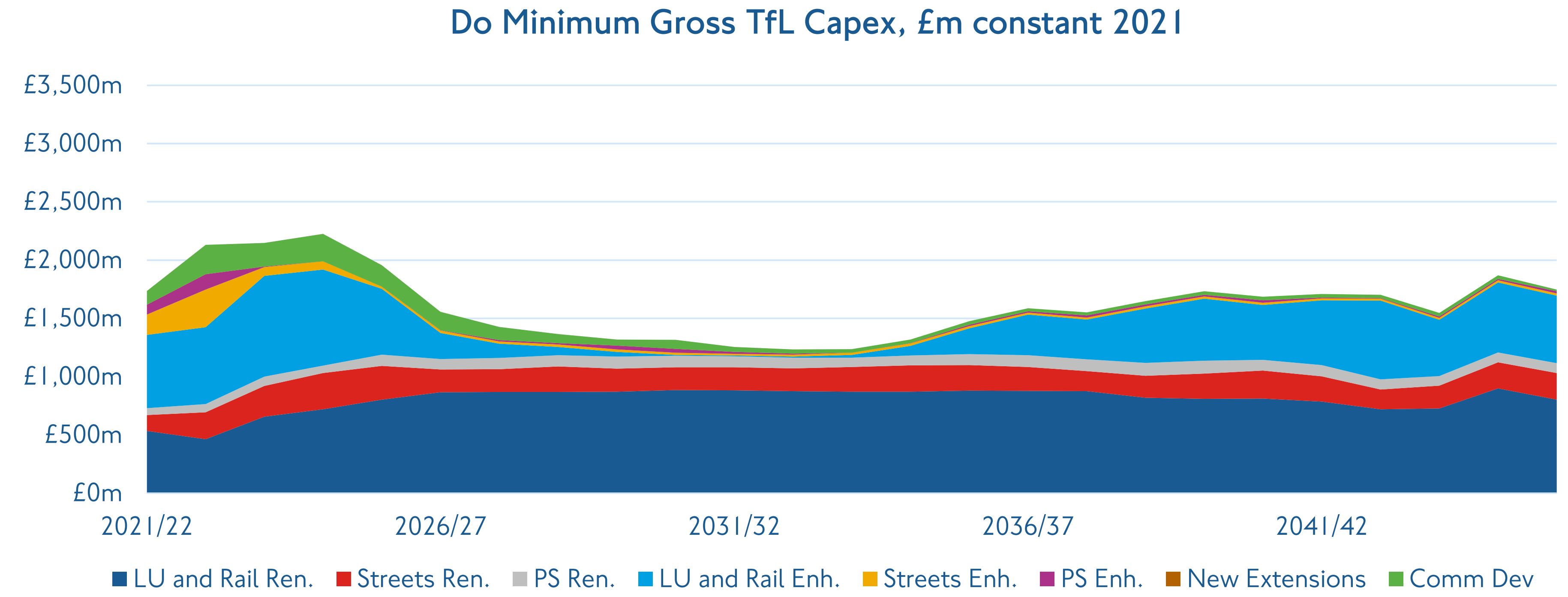
Area	Do Minimum	Financially Constrained	Policy Consistent
LU	Life extend fleets as long as possible – leads to huge backlog by 2040s, more disruption to service and impression of a declining network. Fails to adapt to higher temperatures. We would maintain safety and seek to maintain reliability, but significant constraints would increase delays. Works on platform-train interface, staff welfare and data improvement	Similar to Do Min in first five years, but then fleet replacements occur at end of life, along with associated works to depots, power, stations, etc. Avoids 2040s backlog. On some lines less renewal is required in this scenario because fleet life extension is no longer required – this is more efficient for the longer term	Faster ramping up of activity in early years to quickly get to the long-term steady state. This requires funding certainty to enable actions to ramp up activity. More investment in assets to support higher service levels in the longer term
Streets	Increase in restrictions and defects of carriageway and footway. Risk of unplanned bridge and tunnel closures. Carriageway comparable to local authority B, C and U roads	Work towards a steady state programme. Year-on-year improvement in carriageway, footway bus shelters, lighting, bridges, etc. Better environmental performance	As per Financially Constrained
Surface Rail	Assets and service likely to degrade. Defer DLR and Tram replacement fleets in 2030s (increases whole-life cost). Declining customer facilities (e.g. lifts, escalators and ticketing)	Slight improvement to service quality and reliability. Deliver fleet renewals at end of design life. Progress planned renewal of DLR signalling system	As per Financially Constrained
Technology	Renew critical systems and address cyber security risk. Re-let of road charging systems. Longer cycles to replace assets (e.g. payment readers) increases risk of failures. Doesn't fully support workforce modernisation	Better support for data management and insight, payment infrastructure, customer information, corporate equipment and other areas. Unlock workforce modernisation tools	More provision for future proofing emerging tech challenges for workforce and customers, e.g. Mobility as a Service

Summary of LTCP scope: enhancements

Area	Do Minimum	Financially Constrained	Policy Consistent
LU Fleet	New Piccadilly fleet delivered, but other lines delayed as long as possible (until late 2030s). Creates backlog for long term	Replaced at end-of-life but no or few additional trains purchased. Order: Bakerloo, Central, W&C, Jubilee, Northern	Replacement schedule as per Financially Constrained, but additional trains bought to increase frequencies
LU Signalling	No upgrades after 4LM	Piccadilly line re-signalled and upgraded to 36tph by mid-2030s	Piccadilly line scheme delivered 2 years earlier than Fin. Constrained
LU Other (not exhaustive)	After commitments, nil	2 major station upgrades; c.20 SFA stations; Environment upgrades	4 major station upgrades; c.40 SFA stations; Environment upgrades; Elizabeth line 30tph
Surface Rail	DLR fleet replacement completed. Other fleets life extended. No HIF bids.	HIF schemes. Station upgrades in growth areas. Trams and DLR B07s replaced at end of life.	Same as Financially Constrained
Healthy Streets	After commitments, £10m p.a.	£100m p.a. rolling programme	£125m p.a. enlarged programme
Surface Air Quality and Environment	Only maintain existing systems. No investment in bus electrification or other improvements to local environments	Some acceleration of bus electrification, but not full ambition. Investment to enable potential new road charging scheme. Mayor's Air Quality Fund	As Fin. Con. with zero emission buses by 2030, Cen. London Zero Emission Zone and investment to enable potential more extensive road charging scheme in late 2020s
Growth Fund	Programme ends after contractual commitments	All current projects then run rate of £20m p.a.	All current projects then run rate of £50m p.a.
Network Extensions	None beyond committed schemes (NLE, BRE)	Thamesmead DLR/BRT in 2020s. W. London Orbital in 2030s	As Financially Constrained, plus Bakerloo Line Ext. in 2030s. Provision for CR2 start in 2040s
Comm Dev	All scenarios assume our baseline plan enabling 13,000 homes. Our alternative scenario that delivers up to 46,000 homes requires some grant funding to be viable, and is the subject of separate discussions		

TfL RESTRICTED

LTCP Do Minimum scenario



Page 51

Annual average gross capital costs, £m constant 2021 prices							
Till	R/E	2021-23	2023-26	2026-31	2031-36	2036-41	2041-46
LU and Rail	Ren.	500	730	870	880	840	790
	Enh.	640	750	90	70	430	580
Streets, Buses, Other	Ren.	180	290	200	210	200	210
	Enh.	250	50	20	20	20	20
Prof Services	Ren.	60	80	100	90	100	90
	Enh.	110	2	20	10	20	10
New Extensions	Enh.	0	0	0	0	0	0
Comm Dev	Enh.	180	210	90	30	30	30
Total		**1,930**	**2,110**	**1,400**	**1,300**	**1,640**	**1,720**

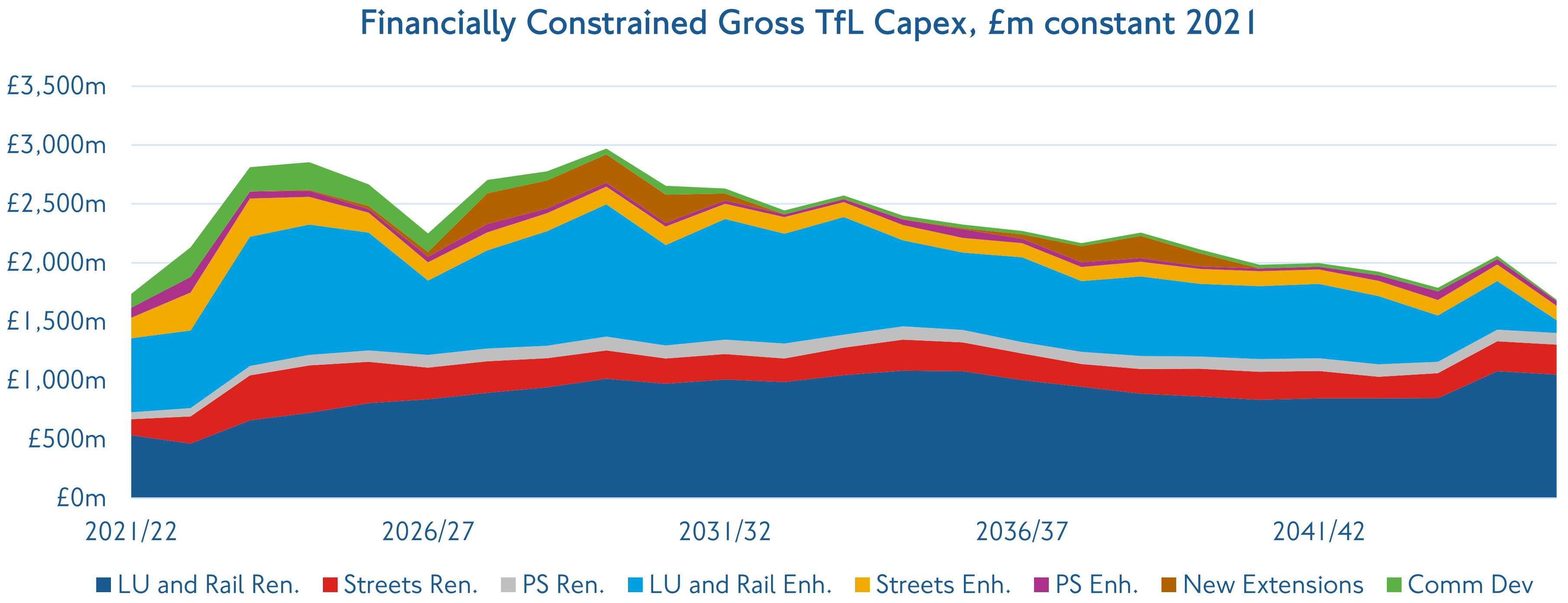
Annual average: £1.6bn p.a.

Replacement rolling stock categorised as an enhancement, but represents a core asset replacement

LTCP Financially Constrained scenario

Annual average: £2.3bn p.a.

Replacement rolling stock categorised as an enhancement, but represents a core asset replacement



Annual average gross capital costs, £m constant 2021 prices							
Till	R/E	2021-23	2023-26	2026-31	2031-36	2036-41	2041-46
LU and Rail	Ren.	500	730	930	1040	910	930
	Enh.	640	1070	880	870	650	430
Streets, Buses, Other	Ren.	180	380	250	230	220	230
	Enh.	250	240	150	130	120	130
Prof Services	Ren.	60	90	110	120	100	100
	Enh.	110	50	50	40	30	50
New Extensions	Enh.	0	10	200	15	100	0
Comm Dev	Enh.	180	210	90	30	30	30
Total		**1,930**	**2,780**	**2,670**	**2,470**	**2,160**	**1,890**

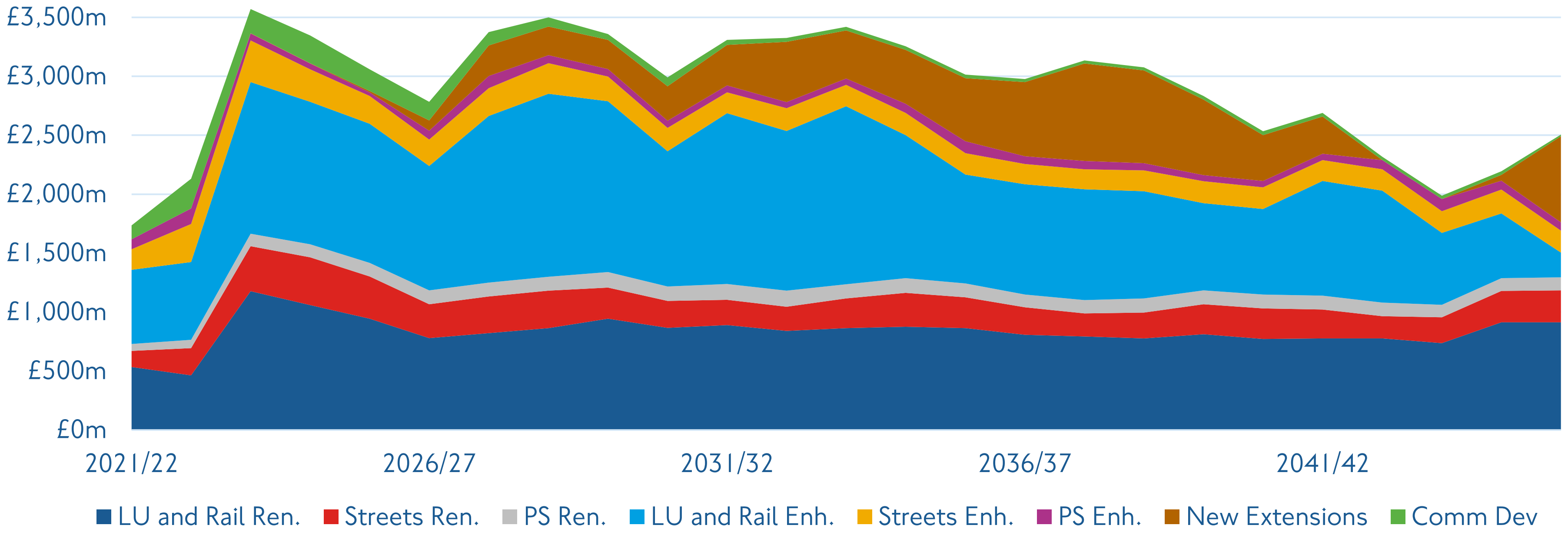
LTCP Policy Consistent scenario

Page 53

Annual average: £2.9bn p.a.

Replacement rolling stock categorised as an enhancement, but represents a core asset replacement

Policy Consistent Gross TfL Capex, £m constant 2021



Annual average gross capital costs, £m constant 2021 prices

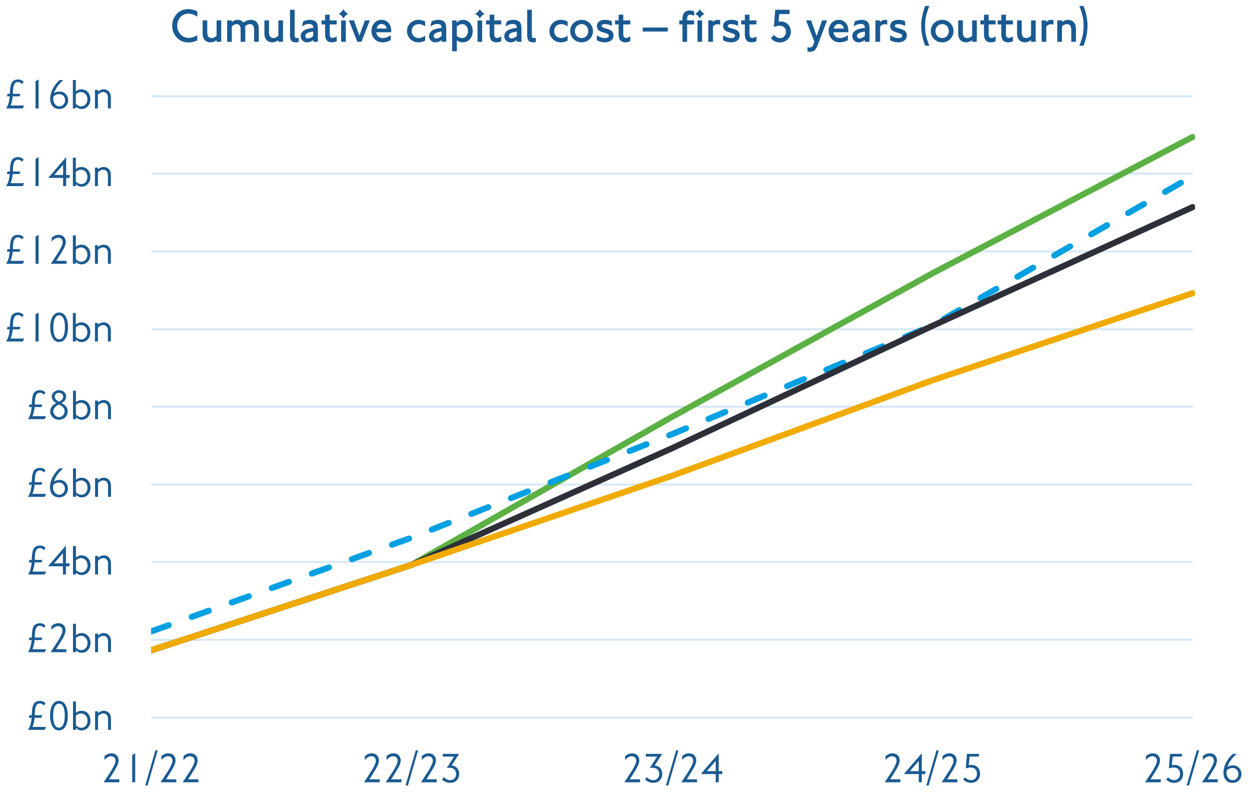
Till	R/E	2021-23	2023-26	2026-31	2031-36	2036-41	2041-46
LU and Rail	Ren.	500	1060	860	870	790	820
	Enh.	640	1220	1320	1290	850	660
Streets, Buses, Other	Ren.	180	380	280	240	230	240
	Enh.	250	290	230	190	180	190
Prof Services	Ren.	60	110	120	130	120	110
	Enh.	110	50	80	70	60	80
New Extensions	Enh.	0	5	230	450	660	220
Comm Dev	Enh.	180	210	90	30	30	30
Total		**1,930**	**3,330**	**3,200**	**3,260**	**2,910**	**2,340**

Comparison to the Financial Sustainability Plan

This LTCP updates TfL's long-term investment scenarios that appeared in the Financial Sustainability Plan (FSP) published in January 2021. The first two years for all scenarios are equal to our Revised Budget.

Focusing on the first five years in total, two of the LTCP scenarios are below the recommended investment levels originally set out in the FSP, while the Policy Consistent scenario is higher. The first 5 years are generally higher than the full 25-year average because of committed projects in the early years.

The most significant early-years change since last year's LTCP and the FSP is deferring the resignalling of the Piccadilly line in the Financially Constrained scenario, reflecting current uncertainty around rail demand, as well as a greater focus on deliverability that is reflected in the lower figures in the first two years in particular.



LTCP: Policy Consistent
5 years: £14.9bn
Average: £3.0bn

FSP: Decarbonisation by 2030
5 years: £13.9bn
Average: £2.8bn

LTCP: Financially Constrained
5 years: £13.1bn
Average: £2.6bn

LTCP: Do Minimum
5 years: £10.9bn
Average: £2.2bn

2. Outcomes achieved by LTCP scenarios

Improving the quantification of outcomes

Outcomes in last year's LTCP

In previous planning exercises, we have generally assessed outcomes achieved by our investment on qualitative scales. In our first LTCP, we used a 1-5 scale covering each of safety, decarbonisation, active travel / efficient road space, financial / whole-life cost, accessibility & inclusion, capacity & growth, and reliability & quality.

1 2 3 4 5

This year's approach to outcomes

There has been a significant focus in this year's process for improving the articulation of outcomes, specifically quantified outcomes of the LTCP scenarios.

These assessments consider the role of capital investment scope contained within the LTCP scenarios as well as an assumption that similar intervention would take place on borough roads. They do not consider other policy interventions that do not require capex or factors outside TfL's control.

To assess the LTCP as a whole, we have modelled the three scenarios through the recently developed multi-modal strategic transport model of London and the surrounding area (called MoTiON). This has been used to forecast travel outcomes in 2041. We have used a reference case demand scenario, but also considered the range of outcomes that could occur with different post-pandemic demand.

This has been supplemented by additional analysis of other outcomes including asset condition.

Quantified outcomes

We are quantifying metrics based on the LTCP scenarios, considering corporate priorities, our overall mode share aim and the three themes of the MTS:

Page 57

- Healthy Streets and Healthy people
- Good Public Transport Experience
- New Homes and Jobs

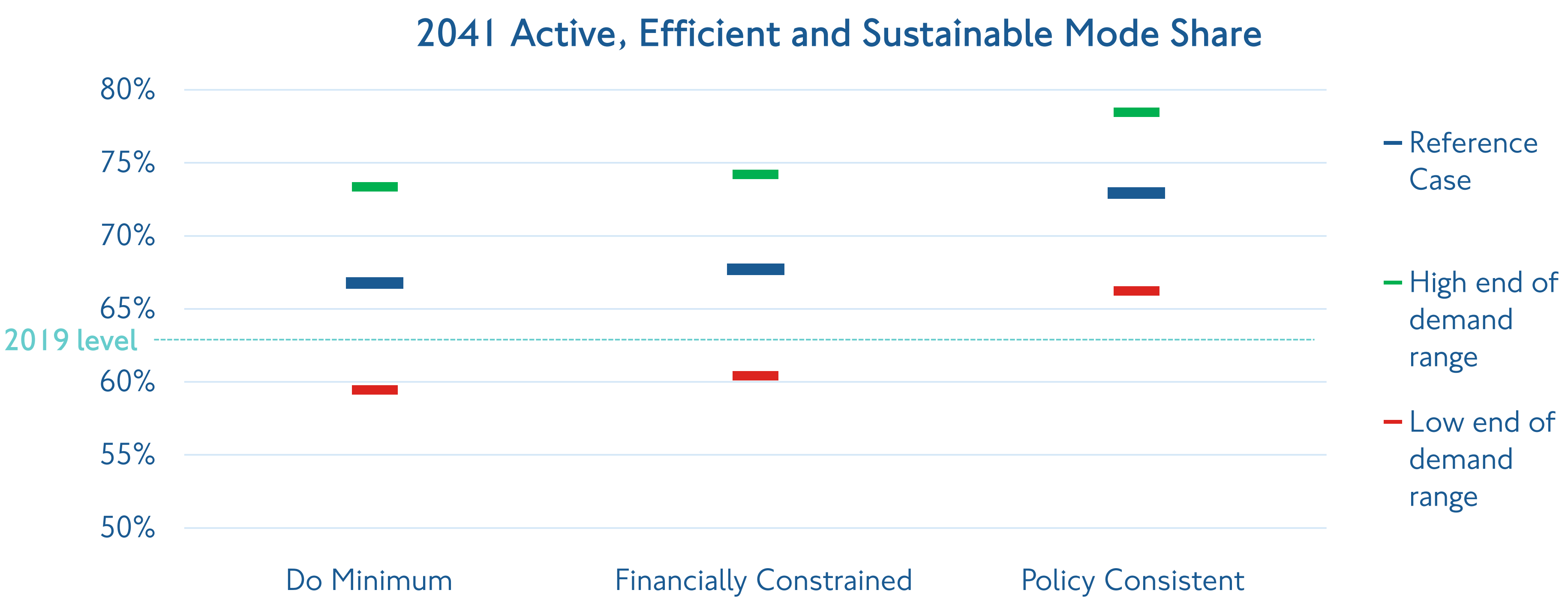
In some cases work is still ongoing in advance of DfT engagement

Outcome	Measures	Description
Financial	Annual maintenance cost reduction vs Do Min	Reduced renewal increases requirement for day-to-day maintenance – we will quantify this to show real financial impact
	Third-party funding (total over 25 years)	Inclusion of projects that attract external funding reduces the net cost to TfL
Assets	State of Good Repair / asset age	The extent to which our assets are being maintained – can be broken down by specific assets
Mode Share	Active, efficient and sustainable mode share	Percentage of trips undertaken by walking, cycling or public transport
Active	Length of Strategic Cycle Network	Quantity of new cycle routes delivered (assumes delivery on borough roads consistent with TLRN)
	Cycle trips per day	Modelled number of cycle trips from MoTION model
	Percentage of Strategic Walking Locations improved	Percentage of identified priority locations for walking we would have budget to address
Safe	Road safety outcomes – *qualitative assessment*	An assessment of how road danger outcomes might vary between scenarios (many wider factors here)
Efficient	Car driver trips per day	Modelled number of card driver trips from MoTION model
Green	CO_2 emissions from London transport network	Carbon emissions from TfL's operations and the wider road network (work still ongoing)
	Air pollution levels (nitrous oxides)	Linked to above, assessment of air pollution (work still ongoing)
Connected	LU % of travelled km in crowding > 5 person / sq. m	Based on MoTION model, shows the percentage of trips that would experience crush levels of crowding
	Number of jobs accessible within 50 minutes of average Londoner	An assessment of travel times and ability to access employment areas within a typical commute time (work still ongoing)
Accessible	Additional journey time by step-free routes	Compares the whole network to the step-free network and shows difference in travel times
Sustainable / Unlocking	Total new homes unlocked by TfL schemes	Number of new homes we can expect to be delivered as a result of our projects
	Potential homes within 1km of an upgraded line	The volume of identified housing sites within walking distance of a line we are upgrading in each scenario

Mode share and modelling travel behaviour

We have modelled the three scenarios in our strategic planning MoTION tool, to assess their impact on travel outcomes. We have modelled with a reference case base demand (a pre-pandemic forecast) as well as other scenarios that take account of potential post-pandemic outcomes. The full range is captured between the green and red lines.

Page 58



- Modal shift is a key enabler of numerous outcomes. It influences carbon emissions, air quality, road safety, bus speeds and many other key policy areas.
- Modal shift requires a wide package of measures and is driven by complex interactions. Changes cannot be attributed to any single interventions. Some assumptions are naturally more significant than others, including those relating to indicative future road charges, however without wider investment in the street network and ensuring there is attractive and high-capacity public transport for people to shift to, mode shift on a substantial scale is not likely.
- The Policy Consistent scenario, focused on achieving MTS aims, is the most balanced scenario and collectively its investment unlocks substantial modal shift. Wider policy unrelated to capital investment as well as schemes not completed in this scenario (such as Crossrail 2) would be required to achieve the full MTS aim of 80% active, efficient and sustainable mode share.

Pan-London outcomes achieved by LTCP scenarios

- The table below shows pan-London metrics that have been assessed for each of the Long-Term Capital Plan scenarios. Work is continuing to quantify further outcomes.
- The following three slides cover specific outcomes assessments related to carbon emissions, safety and our asset performance.
- These assessments are showing clear differences between scenarios on outcomes including attracting third-party funding, boosting housing development, reducing crowding, improving the journey experience of disabled customers and improving the active travel network.
- The LTCP is a vital enabler of assessing outcomes performance, and we can only summarise extensive analysis here. This work will be further developed to support case-making to the DfT and TfL tracking of performance, such as through the MTS Tracker which will be presented to the Board this autumn.

Outcome	Measures (in 2041 unless noted)	2020	Do Min	Fin.C.	Pol.C.
Financial	Annual maintenance cost reduction vs Do Minimum	N/A	N/A	£60m	£60m
	Third-party funding (total over 25 years)	N/A	£690m	£2,900m	£4,200m
Active	Length of Strategic Cycle Network	380km	500km	900km	1100km
	Cycle trips per day	0.7m	1.26m	1.46m	1.49m
	Percentage of Strategic Walking Locations improved	24%	33%	66%	88%
Efficient	Car driver trips per day	7.3m	7.8m	7.5m	5.7m
Connected	LU % of travelled km in crowding > 5 person / sq. m	12%	15%	8%	5%
Accessible	Additional journey time by step-free routes compared to Do Minimum scenario	N/A	N/A	11% reduction	20% reduction
Good Growth	Total new homes unlocked by TfL schemes	N/A	15,000	188,000	388,000
	Potential homes within 1km of an upgraded line	N/A	46,000	300,000	345,000

We are assessing the impact of each scenario on carbon emissions

Reducing carbon emissions (and other pollutants) is an essential priority for TfL, the Mayor and central government. By working together to fund this LTCP, we can help to achieve a more sustainable transport network.

To support this, we have prioritised projects that reduce emissions and are quantifying the impact on emissions of LTCP scenarios. Work is still ongoing to complete this assessment to support our capital programme review with the DfT and the Spending Review. There are three major components to this:

1. Emissions from TfL operations
2. Emissions from wider transport (i.e. road vehicles)
3. Emissions from TfL construction activity

Emissions from TfL operations

There is large variation between the scenarios in their ability to decarbonise our operations and estate by 2030. The Policy Consistent scenario in particular would make rapid progress in eliminating carbon from our buses, vehicles and electricity consumption, while the Do Minimum would see us lagging behind. We are quantifying the specific benefits to 2030 and beyond for each scenario.

Emissions from wider transport

This is the largest portion of current emissions. It is influenced by modal shift from private vehicles and the pace of transition of non-TfL vehicles to zero emission. We have estimated the modal shift, where the Policy Consistent scenario unlocks real benefits, and are now applying scenarios for vehicle transition to that data.

Emissions from TfL construction activity

Minimising construction carbon emissions is a focus for our delivery teams, while our ability to assess it in totality across TfL is maturing. We are conducting a high-level assessment of how carbon emitted by construction would vary across the scenarios.

The role of safety in our LTCP and contribution to improving safety outcomes

- Safety is at the heart of our LTCP. We have prioritised investments that maintain safety on our network and ensure we can operate it in accordance with our statutory and regulatory licence obligations in all scenarios, to protect our workforce and customers.
- The Financially Constrained and Policy Consistent scenarios offer greater potential to improve safety outcomes towards our Vision Zero ambitions. Only capital investment is considered in this process, but ongoing non-capital programmes to promote Safe Speeds, Safe Vehicles, Safe Behaviours and improve post-collision care are essential to support the work of the Safer Streets programmes.
- While noting the above, capital investment is still crucial to Vision Zero and our road safety projects have historically offered excellent returns in collision savings. We can project those forward based on the LTCP scenarios, as shown in the table below:

Outcome	Measures	2020	Do Min	Fin. Constrained	Policy Consistent
Safe	% reduction in fatalities and serious injuries from 2005-09 baseline by 2045 – indicative assessment of potential impact	52%*	Further 10% reduction in targeted collisions	Further 25% reduction in targeted collisions	Further 30% reduction in targeted collisions

*Source: TfL, *Casualties in Greater London 2020*

Do Minimum

Assumes we can only address locations when legally mandated to do so, e.g. following fatal collisions. There is a risk of no progress at all given the increase in road vehicle km forecast for this scenario and a declining network condition. But we would expect our Direct Vision Standard approach to have ongoing benefits.

Financially Constrained

Investment would enable continuation of ambitious programmes of road danger reduction such as reducing speed limits to 20mph across more of London, more safer junctions, more major junction treatments, rollout of the bus safety standard and more protected cycle routes.

Policy consistent

The programmes from Financially Constrained would be increased in scope. Greater modal shift offers the potential to rethink how our streets are used and reduce motor vehicle dominance, giving more ability for non-capital interventions to be effective (not modelled here).

Asset Outcomes: Summary

In all scenarios we have prioritised as far as possible maintaining the safety and operability of our existing transport network.

We summarise here the issues we would face in the three LTCP scenarios. Each major group of assets can be considered in much greater detail and we will continue to develop our Asset Strategies to ensure we prioritise the most pressing issues.

Do Minimum (reaches an 'Action Required' level of service)

A declining network with ageing assets that will fail more regularly. Significantly worse performance on the road network as existing strained conditions for some assets worsen, with the risk of closure of major bridges / tunnels. Risk of major asset reliability issues on the Tube that could cause multi-day closures.

Large backlog of renewals for later decades, particularly Tube and rail fleets which would be life extended not replaced. Major consequences for our supply chain and the reliable operation of the network. Higher rate of delays on public transport services, and poorer road condition may impact aspirations to encourage more walking and cycling.

Financially Constrained (reaches a 'Managed' level of service)

A balanced package that would see performance stabilise or improve in areas where it is currently weak. Replaces major fleets at the right time so avoids the huge backlog that would occur in the Do Minimum scenario. Allows better intervention to address priority issues such as energy efficiency and track noise. Performance may still fall in some areas in early years as activity ramps up, but over time should stabilise and improve.

Policy Consistent (reaches a 'Managed / 'Good' level of service)

This scenario is similar to Financially Constrained in terms of asset condition achieved by the end of the plan but includes a quicker ramp up of activity in LU.

Asset Group	Example Measures (in 2041)	2020	Do Min	Fin.C.	Pol.C.
Streets	State of good repair: carriageway	88%	85%	91%	91%
	State of good repair: bus shelters	96%	90%	96%	96%
	Number of structures with interim measures	80	60	25	25
	Percentage of traffic signals with LED lamps	36%	56%	86%	86%
London Underground	Average age of Underground fleet (years)	25	32	15	15
	Maximum age of Underground fleet in whole period	48	68	58	58

Benefits of Policy Consistent scenario

The Policy Consistent scenario sets out the investment required to make substantial progress towards local and national policy. It is an integrated package across all modes of travel. Progressing towards this level of investment will be vital over the medium term to unlock the benefits described here and many more.

Decarbonising TfL

TfL's operations decarbonised by 2030, including fully zero-emission bus fleet

2 million fewer car trips per day compared to Do Minimum

Better air quality and a more liveable city

Healthy, efficient streets

Delivering a strategic cycle network for London and addressing our priority locations for walking

Reducing road danger and ensuring a more welcoming and inclusive street environment

Improved public transport

Faster, more reliable and safer buses

New Tube and rail trains meeting modern standards

More accessible stations

Better customer experience; reduced crowding even with higher demand

Opening up new areas

Network extensions to unlock potential of Old Kent Road, Thamesmead and Old Oak Common

Potential for our schemes to unlock almost 400,000 new homes

Maintaining our network

Stable investment in our assets to avoid closures and peaks / troughs of spend.

A safe network passengers can rely on

No backlog of work to catch up in future decades

TfL on a stable footing

Lower maintenance costs; higher revenue

Better working with 3rd parties and more funding attracted into the network

Our supply chain supported and benefits for companies all across the UK

Overall progress towards the Mayor's Transport Strategy and future risks

Page 64

The Policy Consistent scenario would deliver transformative benefits. It would need to be complemented by other measures and management of risks to achieve the full MTS vision.

The MTS requires more than TfL's capital investment to deliver

- Capital investment is an important part of delivering the MTS, but fully delivering MTS aims also requires changes in operations and policy measures that are out of scope for the LTCP.
- The MTS covers all of London's transport, including borough roads, National Rail services and influence from other stakeholders. These are outside the scope of the LTCP.

The 'Policy Consistent' scenario is still partly constrained by affordability

- We have not included all potential investment, including some of the higher ambitions for renewals in rail and streets, as well as some rail capacity schemes. The completion of some rail schemes proposed in the MTS, notably Crossrail 2, does not occur in the LTCP period.

We will continue to monitor and manage changes and risks over the long term

- A long-term strategy faces and must manage many risks. These include changes in travel behaviour and factors such as climate change that may create the need to adapt our network.
- We continue to assess requirements for climate change adaptation. This will influence our future plans, including operational measures such as inspection regimes, staff training and maintenance. Some investment for adaptation is included in this LTCP (e.g. power resilience and air-conditioning for new trains). We will embed further adaptation measures in business-as-usual renewals or identify specific enhancements where needed for future plans.