TfL Mayor's Budget 2025-26
GLA Consultation extracts

November 2024

MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

About Transport for London

Part of the Greater London Authority (GLA) family led by Mayor of London Sadiq Khan, we are the integrated transport authority responsible for delivering the Mayor's aims for transport. We have a key role in shaping what life is like in London, helping to realise the Mayor's vision for a "City for All Londoners" and helping to create a safer, fairer, greener, healthier and more prosperous city. The Mayor's Transport Strategy sets a target for 80 per cent of all journeys to be made by walking, cycling or using public transport by 2041. To make this a reality, we prioritise safety, sustainability, health and the quality of people's experience in everything we do.

We run most of London's public transport services, including the London Underground, London Buses, the DLR, London Overground, Elizabeth line, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the IFS Cloud Cable Car.

We manage the city's red route strategic roads and are responsible for the maintenance, management and operation of more than 6,000 sets of traffic lights across the capital. The London boroughs are responsible for all the remaining roads within their boundaries. We also license London's taxi drivers and vehicles and private hire drivers, vehicles and operators to ensure a safe and reliable service for the public. The experience, reliability and accessibility of our services are fundamental to Londoners' quality of life. Safety remains our number one priority and we continue to work tirelessly to improve safety across the network for both colleagues and customers.

Our vision is to be a strong, green heartbeat for London. We are investing in green infrastructure, improving walking and cycling, reducing carbon emissions, and making the city's air cleaner. The Ultra Low Emission Zone (ULEZ), and fleets of increasingly environmentally friendly and -zero-emission buses, are helping to tackle London's toxic air. We are also improving public transport options, particularly in outer London, to ensure that more people can choose public transport or active travel over using their vehicles. That is why we have introduced the outer London Superloop bus network, providing express bus routes circling the entire capital, connecting outer London town centres, railway stations, hospitals and transport hubs.

We have constructed many of London's most significant infrastructure projects in recent years, using transport to unlock economic growth and improve connectivity. This includes major projects like the extension of the Northern line to Battersea Power Station and Nine Elms in south London, as well as the completion of the London Overground extension to Barking Riverside, and the Bank station upgrade. Through our financially independent but wholly owned property company, Places for London, we focus on developing Transport for London (TfL) land and existing property assets to create sustainable, growing income streams through building greener, more connected places.

The Elizabeth line, which opened in 2022, has quickly become one of the country's most popular railways, adding 10 per cent to central London's rail capacity and supporting new jobs, homes and economic growth. We also use our own land to provide thousands of new affordable homes and our own supply chain creates tens of thousands of jobs and apprenticeships across the country.

We are committed to being an employer that is fully representative of the community we serve, where everyone can realise their potential. Our aim is to be a fully inclusive employer, valuing and celebrating the diversity of our workforce to improve services for all Londoners. We are constantly working to improve the city for everyone. This means using information, data and technology to make services intuitive and easy to use, and doing all we can to make streets and transport services accessible and safe to all. We reinvest every penny of our net income to continually improve transport networks for the people who use them every day. None of this would be possible without the support of boroughs, communities and other partners who we work with to improve our services. By working together, we are creating brighter journeys and a better city.

Chief Finance Officer's foreword

TfL completed a remarkable turnaround in its finances in 2023-24 and delivered its first ever operating surplus, which is used to fund new investment. TfL's goal is to maintain and grow this operating surplus over time, to fund increased levels of investment.

During 2024-25 there have been several economic headwinds – slower economic growth, pressures on real-terms disposable income and a slower fall in inflation than anticipated in the 2024 TfL Business Plan. This has led to slower than expected growth in passenger demand and higher cost inflation in the supply chain.

More recently, there was the financial impact of a cyber security incident, throughout which TfL managed to prevent significant disruption to customers and Londoners. However, unplanned costs were necessarily incurred to ensure London could keep moving while dealing with the incident, which also deprived TfL of revenue that could otherwise have been put into the transport network for the benefit of everyone.

With a continued focus on cost control and the use of contingency included in the 2024-25 budget, the impact of these headwinds has been reduced. TfL continues to grow its operating surplus on an underlying basis compared to 2023-24 – albeit at a slower rate than previously planned.

The 2025-26 budget continues this trend, although lower demand growth and higher cost inflation creates recurring pressures which we need to manage. However, over the medium-term TfL is planning to continue to grow its operating surplus while increasing investment in renewing critical assets – which is vital after a decade of underinvestment in assets due to the uncertain and insufficient government funding since 2015.

In addition to investing in our assets to enable safe and reliable journeys, TfL is also investing in other operational priorities such as: tackling violence against women and girls; implementing the first phase of Superloop 2, in order to continue to transform bus services in outer London; and inviting bidders to help deliver purpose-built photovoltaic (solar) farms for the Underground network in a move to make the energy used cleaner, greener and potentially more cost-efficient.

Delivering an operating surplus supports TfL's ability to fund new investment and prioritisation is given to investment that supports TfL's vision that zero people are killed or seriously injured on London's transport network. This includes investment for safety upgrades at bus stations and to reduce the risks at the platform-train interface at London Underground stations.

However, as recognised by the government and in common with other transport authorities, TfL cannot solely fund major enhancements and asset replacements from our operating incomes. Therefore, securing £485m in government capital funding for 2025-26 in Phase 1 of the Spending Review – almost twice the level received for 2024-25 – is essential for the capital programme, and we welcome this improved support.

With this funding, the business rates retention provided by the Mayor, and council tax paid by Londoners, TfL can continue to deliver its existing capital programmes, such as the replacement rolling stock on the Piccadilly line and 10 additional trains for the Elizabeth line. These projects not only benefit London and the South East by providing additional capacity on the network and improved reliability, but they also secure skilled jobs in Derby and Goole, East Yorkshire, where these trains are being manufactured. In total, TfL's expenditure supports around 100,000 jobs around the UK, with almost two-thirds of suppliers being based outside of London and almost two-thirds of suppliers being small and medium-sized enterprises.

With a capital funding settlement for 2025-26, TfL can continue to make progress on new capital projects such as replacement rolling stock for the Bakerloo line, which will also be manufactured in Goole, and replacement trams. These are the oldest trains and trams respectively in passenger operation in the UK. TfL can also start work on schemes that will support economic growth and new homes, such as the DLR extension to Thamesmead.

However, TfL will only be able to move these projects into delivery and enter into contracts with its UK-wide supply chain if there is the certainty of a long-term capital funding settlement. That is why TfL will continue to work collaboratively with government to secure a new long-term capital funding settlement as part of the government's Phase 2 of the Spending Review which is due to conclude in late spring 2025.

Rachel McLean
Chief Finance Officer
Transport for London

Patrick Doig
Group Finance Director
Statutory Chief Finance Officer
Transport for London

TfL Submission into the Mayor's GLA Budget 2025/26

Introduction

1.1 TfL is responsible for the planning, delivery, and day-to-day operation of the Capital's public transport system, including London's buses, London Underground and Overground including the Elizabeth line, the DLR, London Trams and London River Services. It is also responsible for managing road and tunnel user charging schemes (the Congestion Charge, Direct Vision Standard, ULEZ, Low Emission Zone (LEZ) and any future charges at the Blackwall and Silvertown tunnels, once considered and approved by TfL's Board, maintaining London's main roads and traffic lights, regulating taxis and private hire vehicles, making London's transport more accessible and promoting active travel - walking and cycling initiatives.

1.2 TfL is also responsible for its commercial property company, Places for London, a wholly owned subsidiary that is unlocking the potential of TfL's land holdings (one of London's largest) and creating a greener, kinder and more connected London for everyone. The financials disclosed in this section are inclusive of Places for London.

TfL's funding context

1.3 The coronavirus pandemic in March 2020 had a catastrophic impact on TfL's finances and exposed TfL's funding model, which had been in place since 2015 following the withdrawal of the operating grant, as one of being highly reliant on fare revenues.

1.4 Coronavirus-related government support to TfL culminated with the August 2022 Funding Settlement which ended on 31 March 2024. In December 2023, government awarded TfL £250m of funding for the 2024-25 financial year to enable TfL to continue to deliver its current capital programme and its committed major capital projects, prioritising the Piccadilly Line Upgrade Phase 1. On 14 June 2024 TfL was awarded £220.5m by the government in relation to ten additional Elizabeth line trains, with £77.2m provided in the 2024-25 financial year.

1.5 In the Autumn Budget 2024, published on 30 October 2024, an award of £485m of capital funding for 2025-26 was made as part of Phase 1 of the Spending Review to enable TfL to continue to deliver its current capital programme and its committed major capital projects. This was confirmed in a funding settlement letter to the Mayor on the same day. A copy of this funding settlement and earlier agreements can be found on TfL's website. In addition to this funding, TfL will continue to apply for funding streams for which it is eligible for, including Major Road Network Fund and the Public Sector Decarbonisation Scheme.

1.6 The 30 October 2024 funding settlement letter confirmed the government's understanding of "the importance of long-term funding certainty to enable investment in critical upgrades to major capital projects" and stated that the Department for Transport (DfT) would "continue to work with TfL with the aim to place it on a long-term financially sustainable footing as part of Phase 2 of the Spending Review". A long-term capital funding settlement is critical for TfL to plan and deliver its major capital projects effectively and efficiently. Therefore, providing a long-term capital funding settlement to TfL in Phase 2 of the Spending Review would support TfL in delivering efficiencies and allow the award of contracts which will, in many cases, support jobs across the UK. This would bring TfL in-line with the capital funding arrangements for Network Rail, National Highways and other major city regions across the country.

1.7 TfL is now working with the DfT to develop its case for Phase 2 of the Spending Review, which demonstrates how capital investment in TfL can support the government's missions to kick start economic growth across the country, make Britain a clean energy superpower and break down barriers to opportunity.

1.8 With Phase 2 of the Spending Review just beginning, and the uncertainty over its capital funding beyond 2025-26, TfL has not produced its own medium-term business plan this year. For this budget submission, TfL has completed a focused update on 2025-26, with a lighter touch approach to the years 2026-27 and beyond, retaining key investment assumptions made in the 2024 TfL Business Plan. A more comprehensive update will be made in autumn 2025 following the outcome of Phase 2 of the Spending Review in spring 2025.

1.9 As TfL is obliged to prepare a budget that is balanced over both the short and medium term, TfL has developed its financial plans for the period from 1 April 2025 to ensure that TfL continues to be financially sustainable.

Key deliverables

1.10 During 2025-26, TfL will make progress against key Mayoral commitments across capital expenditure and operating expenditure. These areas are heavily linked to the Mayor's priorities and will require continued spend through to 2030 and beyond, to be able to achieve these in full. Without long-term funding, the investment TfL is making on many of these schemes in the coming years may be done at the wrong time, as funding uncertainty means that investment planning is at risk. TfL continues to demonstrate commitment to these priorities and ensure that when funding is more certain TfL has sufficient momentum to deliver significant change by 2030.

1.11 TfL is continuing to improve accessibility across its network, and at the forefront of that is its move to step-free access for London Underground stations. In 2025-26 TfL is increasing investment in step-free schemes to make progress towards its goals of halving step-free journey time across the network, as well as its target of making 50 per cent of London Underground stations fully accessible. This includes developing the next stage of feasibility at South Kensington station, a landmark project to ensure that all visitors can equally enjoy London's world-class museums as part of a wider development of the area.

1.12 Improving the bus experience is a key commitment for TfL and the Mayor. Two significant areas of focus are the continuation of building the Superloop network, through Superloop 2, and the transition to a zero-emission network. TfL is investing in the first phase of Superloop 2, through supporting infrastructure and procuring the operating contracts. This phase includes a proposed route paralleling the proposed Bakerloo Line Extension as well as another supporting the proposed DLR extension to Thamesmead. Additionally, TfL will continue to support acceleration of the transition to a zero-emission fleet, while continuing to investigate solutions to deliver a 100 per cent zero-emission network by 2030. This requires new vehicles but also changes to the depots and other infrastructure; and will form part of our submission to Phase 2 of the Spending Review.

1.13 Investment in Safe and Healthy Streets will increase in line with inflation, with an increased proportion of funding allocated to boroughs, specifically to support Vision Zero and bus priority. This will also include further development of the proposals to pedestrianise Oxford Street.

1.14 There are several other growth projects, linked to the Mayor's commitments, that TfL will progress. The DLR extension to Thamesmead, will progress towards the submission of a Transport and Works Act Order, while seeking acceleration of the programme overall. Other key schemes, West London Orbital and Bakerloo Line Extension, will progress through the next stage of feasibility. TfL will seek to collaborate with government on the development of rail devolution and metroisation, with an initial focus on the Great Northern franchise.

1.15 TfL expects to be able to further embed these schemes next year after Phase 2 of the Spending Review.

Safety

1.16 TfL's mission is to get everyone home safe and healthy every day, and the safety and security of its customers, colleagues and Londoners is at the heart of everything it does. TfL's vision is that zero people are killed or seriously injured on London's transport systems by 2041.

1.17 This budget will ensure the delivery of all commitments made to regulators, implementing where appropriate any recommendations made by relevant Accident Investigation Branches such as the Rail Accident Investigation Branch or the Health and Safety Executive, and making improvements identified by TfL's own investigations and responding appropriately, including implementation where appropriate, in response to Prevention of Future Deaths reports issued by Coroners.

1.18 TfL is tackling risks its colleagues face through implementation of a Colleague Safety Plan and key programmes such as the Safe Track Access programme, including deploying a new app for improved access to critical safety information for colleagues and supply chain partners.

1.19 As of early October 2024, more than 1,600 buses are fully compliant with the bus safety standard that was applicable at the time it entered service. This number will increase as more new buses enter service. In addition to that number, more than 6,600 buses have been fitted with one or more of the BSS features such as Intelligent Speed Assistance, Camera Monitoring System or Acoustic Vehicle Alerting System as part of TfL's retrofit programme. This accelerates the benefits realisation of the bus safety programme and represents more than 73 per cent of the fleet, with more retrofits planned in future years.

1.20 TfL will implement safety upgrades at bus stations operated by TfL, investing £2.5m this year in improvements at Walthamstow, Edgware, London Bridge, Hounslow, Harrow on the Hill, Hammersmith, and Stratford Regional bus stations and £2m in 2025-26. This follows the redeveloped Kingston Cromwell Road bus station which opened in November 2024.

1.21 By implementing its Platform Train Interface plan, TfL will reduce risk at the platform-train interface, including physical changes at key locations and trialling new approaches and technologies to reduce risk and detect incidents, including budget for pilots of artificial intelligence incident detection.

1.22 TfL will continue to support the Mayor's commitment to ensuring the streets are safe for everyone through continued implementation of the Vision Zero plan for road risk.

Environmental impact

1.23 TfL is committed to reducing emissions of air pollutants in London, supporting the transition to a zero-carbon city, and supporting delivery of the London Environment Strategy.

1.24 TfL is committed to reducing emissions of air pollutants and greenhouse gases from its bus fleet. TfL is continuing to introduce zero-emission buses and aims to have around 1,900 zero-emission buses in the fleet by the end of March 2025, and a further aim to increase this to 3,000 by March 2026. TfL continues to investigate solutions to deliver a 100 per cent zero-emission bus fleet by the end of 2030.

1.25 TfL operates approximately 1,000 fleet vehicles, with less than five per cent currently being Zero Emission Capable. TfL has funding to convert all cars and vans in the TfL fleet to zero-emission in line with LEZ targets and will achieve this by leasing new vehicles as well as implementing supporting infrastructure in vehicle depots.

1.26 TfL expects to shortly complete its first Power Purchase Agreement tender to procure 'new build' renewable energy, which will increase the volume of renewable energy supplying the national grid and bring wider benefits such as green jobs.

1.27 TfL has launched a tender for a delivery partner to work with on the roll out of solar generation through its Solar Private Wire project to enable TfL to directly receive zero -carbon electricity from 'new build' local solar assets, reducing the carbon emissions associated with the operation of the London Underground network.

1.28 TfL has a dedicated programme of decarbonisation activities in its buildings. This programme focuses on fossil fuel appliance removal, prioritising the assets reaching end of life, those in poor condition and those that will payback within the period of the plan. The programme also looks at implementing energy efficiency upgrades to further reduce energy consumption and installing solar panels where other works are undertaken.

1.29 Through licensing requirements, TfL sets standards and vehicle age limits for taxis and private hire vehicles, which will result in reduced emissions from these fleets. Taxi owners continue to be able to access Zero Emission Capable taxi vehicle grants helping them transition to zero-emission as soon as possible. TfL has also been providing the necessary electric charging infrastructure to support the switch to zero-emission, helping to reduce harmful NO_x emissions from the taxi sector.

1.30 TfL will continue to support the Mayor's target for London to be at least 50 per cent green cover by 2050. TfL is on track to meet the Mayor's Transport Strategy requirement of a one per cent annual increase in street tree numbers on the TfL Road Network. TfL is expanding wildflower verges across its road network, improving London's biodiversity.

1.31 TfL is continuing to develop its understanding of the likely impacts of climate change on its operations. In 2023, TfL published its first Climate Change Adaptation Plan, setting out actions to prepare for the impacts of climate change across London's transport network. TfL will make disclosures on its management of climate risks and opportunities through its annual reporting, aligned to Taskforce for Climate-Related Financial Disclosures requirements.

1.32 TfL is on track to meet its Climate Change Adaptation Plan target of delivering 5,000 square metres of catchment draining into highways Sustainable Drainage Systems (SuDS) each year. This is being delivered by working in partnership with the London boroughs and other stakeholders, supported by funding from Thames Water and the GLA, helping to reduce surface water flooding risks. TfL will continue to fully contribute towards the development of London's wider work on a surface water flood risk management strategy.

1.33 Further details of TfL's work to reduce carbon emissions and adapt the network to climate change can be found in Appendix B.

Places for London

1.34 As one of London's largest landowners, TfL has an established property company: Places for London. Places for London is financially independent and focuses on developing TfL land and existing property assets to create sustainable, growing income streams through building greener, more connected places. As a wholly owned subsidiary, the financial performance of Places for London is included in this budget submission. The objective of Places for London is to start work on 20,000 homes, 50 per cent of which will be affordable across the portfolio, by 2030, while providing a growing dividend back to the transport network.

1.35 Places for London is already building over 4,000 homes and recently completed the first 1,000 homes on the estate. There are major projects in the pipeline at Edgware, where planning permission is being sought to build 3,365 new homes, and Earls Court, where Places for London is working to transform the 40-acre site into a new neighbourhood of around 4,000 new homes. Work is also underway to ensure sites across London, including at Cockfosters, Montford Place and Arnos Grove, can come forward and Places for London is continuing to deliver hundreds of homes at the Kidbrooke site. Elsewhere, Places for London is consulting at High Barnet on a new scheme which will deliver around 300 homes and in Southwark on a mixed-use scheme with 430 student studios and 40 affordable homes.

1.36 The asset portfolio of Places for London continues to perform well with land belonging to it being home to more than 1,500 businesses in stations, railway arches, and on high street sites, with new lettings at locations including Piccadilly, Ealing Broadway, South Wimbledon, Canada Water and Victoria Station Arcade. Notably, the partnership with BOXPARK continues to deliver innovative and vibrant retail spaces across London, with a new market opening recently in Camden. BOXHALL, a new dining concept, is due to open in Liverpool Street in spring 2025.

1.37 Across the portfolio, Places for London continues to invest in major assets such as arches in Kilburn, Whitechapel High Street and Baker Street. Within the industrial portfolio, Places for London is establishing a joint venture with Fastned to establish a new revenue line through developing new Electric Vehicle (EV) Rapid Charging infrastructure.

1.38 The business model of Places for London continues to be built upon both financial return and public benefit, both of which drive and how it invests in new spaces. The Places for London business model allows for reinvestment of profits into a more inclusive, decarbonised and better-connected London.

Gross service expenditure

1.39 Gross service expenditure (total operating costs, debt servicing expense and capital investment support) decreases by £42.6m, from £9,489.1m in the TfL Budget for 2024-25 to £9,446.5m in the latest forecast due to slightly higher operating expenditure and capital financing costs being offset by a decrease in revenue resources used to support capital investment.

1.40 The budget for gross service expenditure of £9,929.4m in 2025-26 is £440.3m higher than the TfL Budget for 2024-25 as higher operating costs and higher debt servicing costs are accompanied by more capital investment to support a higher level of investment in critical capital renewals. This higher investment is crucial due to the underinvestment in assets that TfL has experienced due to the uncertain and insufficient government funding since 2015.

Net financing and council tax requirement

1.41 The TfL net financing requirement remains broadly steady at £2.5bn per annum through the budget period, with a small amount of growth due to increases in line with the Mayor's Budget Guidance, that as a planning assumption TfL's council tax requirement for 2025-26 would increase to £246.6m from £244.2m in the TfL Budget and business rates retention would increase from £2,169.9m in TfL's 2024-25 TfL Budget to £2,194.4m.

Key items in the 2025-26 budget

1.42 The following table sets out TfL's budget on an objective basis.

(^ TfL Budget represents the TfL Budget published and approved by the TfL Finance Committee in March 2024)

TfL Objective Analysis	Forecast Outturn 2024-25 £m	TfL Budget^ 2024-25 £m	Budget 2025-26 £m	Plan 2026-27 £m	Plan 2027-28 £m
Income					
Passenger income	(5,342.1)	(5,530.0)	(5,665.9)	(5,906.7)	(6,217.9)
Other operating income	(1,540.2)	(1,477.7)	(1,468.1)	(1,435.4)	(1,338.0)
Places for London	(101.0)	(101.1)	(109.1)	(118.9)	(161.7)
Ringfenced revenue grants	-	-	-	-	-
Subtotal income	**(6,983.3)**	**(7,108.8)**	**(7,243.1)**	**(7,461.0)**	**(7,717.6)**
Operating costs					
London Underground	2,351.4	2,408.8	2,346.1	2,373.2	2,462.6
Buses	2,453.7	2,381.5	2,690.7	2,877.2	2,988.0
Streets and other operations	1,250.3	1,112.8	1,189.4	1,101.9	1,033.9
Rail	592.9	582.6	608.5	603.7	637.0
Elizabeth line	575.4	576.4	614.5	631.6	664.2
Places for London	74.3	74.1	78.6	75.9	75.6
Other	864.4	1,019.6	729.2	523.1	333.9
Subtotal operating costs	**8,162.4**	**8,155.8**	**8,257.0**	**8,186.6**	**8,195.2**
Other					
Capital financing costs	502.3	498.1	531.4	555.4	568.0
Interest receivable	(69.8)	(67.7)	(91.2)	(70.5)	(67.8)
Net service income and expenditure	**1,611.6**	**1,477.4**	**1,454.1**	**1,210.5**	**977.8**
Revenue resources used to support capital investment	781.8	835.2	1,141.1	1,327.0	1,534.7
Transfer to/(from) reserves	66.3	146.9	(144.6)	(66.8)	(18.7)
Financing requirement	**2,459.7**	**2,459.5**	**2,450.6**	**2,470.7**	**2,493.8**
Unringfenced revenue grants	(13.6)	(11.2)	(9.6)	(0.7)	(0.7)
GLA Group reserves	(32.1)	(34.3)	-	-	-
Retained business rates	(2,169.9)	(2,169.9)	(2,194.4)	(2,220.8)	(2,241.6)
Collection fund deficit	-	-	-	-	-
Council tax requirement	**(244.1)**	**(244.1)**	**(246.6)**	**(249.3)**	**(251.5)**

Inflation

1.43 This plan incorporates the inflation forecast from the Office for Budgetary Responsibility's (OBR) Economic and Fiscal Outlook published in March 2024.

1.44 Throughout this last year, the rate of inflation has continued its downward trajectory as compared to the dramatic increases seen in the 2022-23 financial year. At the time of publication, the Retail Price Index (RPI) stood at 3.4 per cent and Consumer Price Index (CPI) at 2.3 per cent – slightly above the Bank of England's target of two per cent. However, this fall in inflation has been slower than anticipated in TfL's 2024-25 Budget submission last year which was based on the OBR forecast from March 2023. This slower fall in inflation has continued to cause significant pressure on TfL's total operating cost base and current expectations are that inflation will drive an additional around £145.2m of cost on a year-on-year basis into the total operating cost base in 2025-26.

1.45 This inflationary pressure represents the direct impact of the various inflation indices on pre-existing contracts and other inflation related assumptions for 2025-26. TfL is also exposed to further cost pressures through its supply-chain via new contracts or re-tenders where any price changes are open to negotiation, as well as inflation in TfL's Investment Programme.

1.46 On 30 October 2024 the OBR published new forecasts for the economic outlook and for inflation. These have not been incorporated into this plan but will be incorporated into the 2025-26 TfL Budget published in March 2025.

Inflation for 2025-26	**£m Pay 2025-26**	**£m Non pay 2025-26**	**£m Total 2025-26**
TfL	50.5	94.7	145.2

Change in passenger revenue, charges, commercial revenue and other income

1.47 Passenger, commercial and other income is estimated to increase by £134.3m, from £7,108.8m in the TfL Budget 2024-25 to £7,243.1m in 2025-26, primarily due to passenger income from growing ridership and a higher fare yield, partially offset by slightly lower other operating income.

1.48 As London has recovered from the coronavirus pandemic and working patterns have stabilised, TfL expects ridership growth to continue but at a rate similar to pre-pandemic trends. A scenario-based approach to demand forecasting has been used as TfL continues to deal with various uncertainties. These scenarios are underpinned by a range of external forecasts relating to the economy and population and internal forecasts for changes in service levels, service performance and customer journey times. The forecast level passenger demand growth in 2024-25 is 1.8 per cent and growth in 2025-26 is estimated to be 2.1 per cent.

1.49 In 2025-26 passenger income is estimated at £5,665.9m. This reflects the impact of government regulated fares increasing in-line with the annual increase for national rail fares in March 2025 of 4.6 per cent, which is based on the July 2024 RPI of 3.6 per cent plus one per cent. The planning assumption for fares set by the Mayor remains unchanged, with the assumption that TfL fares increase by 3.6 per cent (July 2024 RPI) in March 2025. The actual level of fares within the Mayor's control is set by the Mayor on an annual basis and implemented each March. An analysis of the revenue budget by service area is summarised in Appendix A.

1.50 For March 2026 and onwards, TfL has a planning assumption of an annual fare increase of RPI in the preceding July. The actual level of fares is set by the Mayor annually for those fares under his control – with the DfT usually announcing the level of increase in regulated fares in the preceding autumn. The passenger demand assumption is steady growth, in line with current trends.

1.51 Commercial revenue and other income include a wide range of fees and charges set by TfL. TfL will complete an annual review of these fees and charges to ensure these remain appropriate. Any changes to fees and charges arising from this review will be confirmed in March each year. In addition, TfL are pushing for further income improvements, for example through a new advertising contract and improved ways to combat fare evasion.

Net change in operating expenditure

1.52 The change in total operating expenditure is an increase of £101.1m between the Budget for 2024-25 and 2025-26. Increased costs on TfL's Bus, Streets and other operations, and other Contracted Services are key drivers of the increase (see Subjective analysis in Appendix A), partially offset by savings and other efficiencies.

Savings, efficiencies and value for money

1.53 TfL's governance and decision-making arrangements ensure it manages the organisation responsibly and effectively, making best value for money decisions. This includes operating within the requirements of relevant legislation (including Local Authority legislation), as well as understanding TfL's responsibilities to spend public funds efficiently and manage risks effectively. TfL conducts, at least annually, a review of the effectiveness of its governance framework including the system of internal control, which is reported to the Audit and Assurance Committee. There is also an annual Board Effectiveness Review. The opinion for the year ending 31 March 2024 concluded that TfL's governance framework was satisfactory for TfL's needs and operated in an effective manner.

1.54 In December 2023, TfL published its 2024 TfL Business Plan, approved by the TfL Finance Committee, which set out the medium-term plan for the organisation, demonstrating how it will achieve the Mayor's Transport Strategy. The business plan was produced in conjunction with the GLA and in consultation with relevant stakeholders to ensure resources are prioritised to deliver the most effective improvements for London. Within this process TfL utilise business case methodology as determined according to TfL's Business Case Development Manual and the HM Treasury Green Book, and detailed prioritisation criteria in TfL's Strategic Outcome Framework to test projects against Value for Money objectives. TfL is currently reviewing the detailed processes it has in place via the TfL Management System to further strengthen benefits realisation throughout the delivery of projects. Updates to these processes will be incorporated into the 2026 TfL Business Plan to be published in the Autumn of 2025.

1.55 Between 2016-17 and 2022-23, TfL delivered £1.2bn of recurring operating savings. As part of the 2024 Business Plan, TfL set out a target to deliver £650m of recurring operating savings between 2022-23 and 2025-26. This is in support of TfL's commitment to reducing like-for-like operating costs by inflation less two per cent. TfL is projecting to deliver slightly less than the recurring £650m target as some of its recent savings have been one-off in nature, but TfL continues to work to convert these savings into recurring savings while increasing the level of recurring savings delivery.

1.56 If TfL secures a long-term capital funding settlement in Phase 2 of the Spending Review, it will be able to improve its long-term planning certainty. In turn, this will enable TfL to provide its supply chain with more certainty on future procurements which will support them to invest in jobs and technology and support TfL to deliver efficiencies.

Recurring Savings	Actual 2022-23 £m (Actual)	Actual 2023-24 £m	Forecast Outturn 2024-25 £m	Budget 2025-26 £m	TOTAL £m	Plan 2026-27 £m	Plan 2027-28 £m
TfL	92	138	147	236	**619**	294	245

1.57 TfL expects to make further recurring operating savings of £236m in 2025-26 through:

a) Continuation of TfL's Stations and Trains Modernisation Programme and savings arising from the Four Lines Modernisation Programme

b) Savings through supplier partnership programmes across TfL's asset maintenance contracts, third-party technology and contracted services suppliers, which include contracts that already have been retendered during 2024-25 which will begin in 2025-26 and deliver lower costs

c) Continue to tightly control recruitment, overtime and reduce non-permanent labour and the use of consultants

d) Reducing the bad debt expense of non-collection of penalty charge notices by a range of measures including tripling the number of people in TfL's investigation team to boost the work with enforcement agents and trialling more sophisticated 'nudge' techniques

e) Improving bus customer journey times, including through the use of new scheduling management software, which will require fewer vehicles to deliver existing timetables

f) Driving additional sub-let income through TfL's "Three Hub Strategy" across the Head Office estate

g) Creating a whole-life assets approach to deliver, maintain and renew assets more efficiently including how TfL specifies, procures, delivers, maintains, reports and assures on its asset delivery

GLA Group Collaboration

1.58 The GLA Group Collaboration Programme is a portfolio set up by the Mayor to ensure the GLA Group realises the maximum benefits obtainable from collaboration within the GLA Group. Senior Executives from across the GLA Group sit on the Group Collaboration Board, which is responsible for strategic oversight and key decision making.

1.59 The Programme is looking at options for realising benefits from greater collaboration, both from revenue generation opportunities to improving efficiencies from how TfL buys energy more effectively; utilising its estates better; leveraging procurement processes; and removing duplication in back and middle office support service and other areas not provided exclusively by a member of the GLA Group.

Debt servicing costs

1.60 Capital financing costs increase by £33.3m in 2025-26 compared to the 2024-25 TfL Budget as maturing debt is refinanced at higher rates reflecting the expected increase in interest rates. This is partially offset by higher interest income on TfL's cash deposits of £23.5m. There is incremental borrowing anticipated in each of the future years out to 2027-28, which also contributes to higher financing costs. TfL constantly monitors and assesses the affordability of all borrowings as well as ensuring sufficient resources are set aside for the repayment of debts over time.

1.61 TfL has access to the Mayor's £350m GLA Additional Support Financing Facility (as set out in MD3041) until 31 March 2025 which provides another source of lending, in addition to the Public Works Loan Board, The Green Finance Fund, UK Investment Bank and other lenders., in addition to the Public Works Loan Board, The Green Finance Fund, UK Investment Bank and other lenders.

1.62 As a response to the increased levels of inflation in the economy, the Bank of England increased interest rates in line with its mandate to return Consumer Price Index inflation to two per cent. At the time of publication, Bank Rate stood at 4.75 per cent, a significant and rapid increase from the all-time low of 0.1 per cent seen during the coronavirus pandemic. TfL has several lease contracts in place for rolling stock and other items that are linked to interest rates, however, TfL has taken steps to hedge the majority of these exposures to ensure certainty and stability in its exposure to interest rate fluctuations.

1.63 While TfL benefits from its stock of debt being of long maturity and fixed at relatively low rates, recent new borrowings and re-financing have experienced the higher interest rates seen in the market. However, partially offsetting this effect has been increased interest income arising from TfL's cash balances of over £1bn. TfL continues to monitor and assess all debt and liquidity matters to ensure affordability and stability.

GLA contributions from the Reserve

1.64 The 2024-25 TfL Budget incorporated £18m of one-off funding towards Fares Innovation and £19.1m of funding for the Scrappage Scheme. For 2025-26 no one-off funding has been assumed.

Retained business rates and council tax

1.65 Retained Business Rates increase by £24.5m in 2025-26 compared to the 2024-25 TfL Budget as an uplift of two per cent in total recurring retained business rates income for the GLA Group for 2024-25 is assumed per the Mayor's Budget Guidance. A two per cent uplift thereafter (not accounting for any potential business rates reset or fair funding review) is assumed.

1.66 The profile of business rates retention includes the recurring funding for the 2024 TfL fares freeze and the higher London Underground pay settlement, that was confirmed by the Mayor in January 2024.

1.67 Subject to consultation and billing authority forecasts due in late January 2025, it is proposed that the Mayor will allocate a total of £2,441m to TfL in 2025-26, which comprises of funding from the Mayor's council tax precept of £246.6m and business rates funding of £2,194.4m. Funding received under the business rate devolution proposals is not restricted to supporting capital investment and can be used to cover operating and financing costs and TfL has shown business rates funding in the Objective / Subjective analysis tables in its entirety.

Reserves

1.68 On 31 March 2025, general fund reserves are expected to total £353m and are budgeted to decrease to £273m at 31 March 2026.

1.69 In total, it is forecast that TfL will hold £521.4m of earmarked, street works, capital grants unapplied account reserves and general fund reserves at the close of 2024-25. These reserves will decrease to £376.8m by the end of 2025-26, £309.9m by the end of 2026-27 and £291.2m by the end of 2027-28.

1.70 The street works reserve holds surpluses in relation to street works impacting traffic, which are required under legislation to be applied to reduce the adverse effects caused by street works. The capital grants unapplied account reserve holds ringfenced capital grants where the conditions to receive the money have been met, but the capital expenditure has not been incurred.

1.71 TfL maintains a general fund, with a target of £500m, to maintain liquidity and provide a cushion against emergencies or unexpected events. The coronavirus pandemic, and the conditions associated with government funding during this time, significantly depleted TfL's general fund reserves and these reached a low of £75m in 2022-23. Since that point, TfL has been rebuilding its general fund each year.

1.72 The current financial headwinds that TfL is facing means that the general fund will remain at around £250m in the medium term. Although this is less than the TfL target level, it is above the minimum recommended by the Chartered Institute of Public Finance and Accounting (CIPFA) which is for local authorities to hold at least five per cent of the net revenue expenditure.

1.73 Given TfL's reliance on fare income, and its large capital programme, TfL has a higher risk exposure than many local authorities. Therefore, its target of £500m is based on holding approximately five per cent of its total gross expenditure. TfL's ability to achieve its target of £500m will be dependent on the level of capital funding it secures in Phase 2 of the Spending Review in spring 2025.

1.74 While TfL continues to rebuild its reserves, it continues to closely monitor external and internal risk and opportunity indicators, enabling an effective response to early warning signs and to take actions to manage to budget. This risks and opportunities process is supported by general contingency of £100m per annum in each year of TfL's budget to ensure it can maintain a balanced budget.

1.75 The general contingency and general fund reserves are appropriately sized given the risks that TfL faces include uncertainty over passenger demand growth, inflation and risks in delivering the targeted level of savings each year.

1.76 The expected movements in reserves over the planning period are set out in the table below.

Movement in reserves during financial year	Forecast Outturn 2024-25 £m	TfL Budget^ 2024-25 £m	Budget 2025-26 £m	Plan 2026-27 £m	Plan 2027-28 £m
Opening balances	455.1	455.1	521.4	376.8	309.9
Transfers to/(from) Earmarked reserves	-	-	-	-	-
Street works reserve	(1.3)	(0.2)	-	-	-
Capital grants unapplied account	(34.6)	(43.1)	(64.3)	(49.2)	(13.3)
General fund	102.2	190.2	(80.3)	(17.6)	(5.4)
TfL closing balances	**521.4**	**602.1**	**376.8**	**309.9**	**291.2**

1.77 The expected closing balances of the general fund, street works reserve, capital grants unapplied account and earmarked reserves, at the end of each financial year, are summarised in the following table.

Balance of reserves at end of financial year	Forecast Outturn 2024-25 £m	TfL Budget^ 2024-25 £m	Budget 2025-26 £m	Plan 2026-27 £m	Plan 2027-28 £m
Earmarked reserves	-	-	-	-	-
Street works reserve	30.7	32.0	30.7	30.7	30.7
Capital grants unapplied account	137.4	129.0	73.1	23.8	10.5
General fund	353.3	441.1	273.0	255.4	250.0
TfL closing balances	**521.4**	**602.1**	**376.8**	**309.9**	**291.2**

Equalities, diversity, inclusion and social integration

1.78 TfL's obligations in equalities legislation, the Mayor's Transport Strategy and Inclusive London form the basis of its work on inclusion, diversity, equality, and accessibility. In addition to our statutory obligations, TfL has two main strategies relating to equality: Action on Inclusion and Equity in Motion. Both are informed by stakeholder and community feedback, such as consultation with staff network groups, the Independent Disability Advisory Group and the 2022 consultation on step-free access.

1.79 Action on Inclusion was launched in 2023 and is the first TfL-wide strategy for increasing diversity and inclusion among colleagues. It sets out how TfL will become a truly inclusive workplace, with a workforce reflective of London's diverse population, by 2030. The strategy includes a detailed action plan, which sets out how TfL will foster inclusion through active allyship and awareness raising initiatives such as the Anti-Racism Leadership Charter and campaigns such as Count me in. TfL is deliberately focusing its efforts on inclusion in the belief that if it can create a truly inclusive workplace (where everyone has a shared sense of belonging), diversity will thrive.

1.80 Equity in Motion is TfL's customer-facing equality and inclusion plan, launched in February 2024. It sets out an ambitious trajectory to 2030 that will help improve the experience of everyone using TfL's services; to ensure the city is more fairly connected to public transport; to ensure that services remain affordable in a cost-of-living crisis, and to tackle health inequalities.

1.81 Two years ago, TfL produced a detailed, balanced budget setting out the new direction which took into account the impact of the coronavirus pandemic. Last year's budget built on that budget, but with some significant funding changes relevant to TfL's equality aims, notably £20m of additional funding for the Sustainable Housing and Accessibility Fund in 2026-27 and increasing funding for the Safe and Healthy Streets programme with inflation where previously it had been held flat. These increases have been protected in TfL's budget for 2025-26.

1.82 The first of Equity in Motion's four pillars is 'an equitable customer experience'. This aim acknowledges that currently TfL's customers can have very different experiences of how accessible, comfortable, safe and easy to navigate the network is. The plan sets out how TfL will tackle this through investing in staff equality training, customer information, tackling violent behaviour towards staff and customers and making sure that safety and inclusion is at the forefront when TfL designs its public infrastructure. Progress in the past year includes a research deep-dive into priority seating requirements, a NaviLens app trial on the DLR to help customers with visual impairments, and the introduction of Dial-a-Ride self-service tools to enable booking, amendments and cancellation of trips.

1.83 The second pillar is 'protecting and enhancing connectivity'. This means improving the transport offering in underserved parts of London and improving the accessibility of public transport and active travel. One lever TfL has for this is the Sustainable Housing and Accessibility Fund, which is a programme of transport projects targeted at unlocking new homes and regeneration where transport capacity limitations would otherwise constrain growth. While doing so, it delivers accessibility improvements, including step-free access. In the last year, the introduction of step-free access to the Bakerloo line at Paddington has increased accessibility. Step-free access schemes are in construction at Colindale and Knightsbridge stations, with construction to start shortly at Leyton and a construction contract to be let shortly for Northolt. Feasibility funding is in place for seven stations, with funding for a further three to progress into concept design.

1.84 Another key lever is TfL's bus provision, as buses are one of the most affordable and accessible transport modes and are key to providing connectivity in areas that are underserved by the rail network. In 2023, TfL increased services in outer London with the launch of Superloop, the orbital bus service, which completed in March 2024. For 2025-26, £10m is included in the budget towards the initial phases of Superloop 2, the Mayor's plan to double the express bus network. The Safe and Healthy Streets programme has entered its seventh year of delivery and continues to progress ambitious improvements to London's streets that help people walk, cycle and travel by public transport more safely and conveniently.

1.85 TfL has set out ambitious proposals for the next year, including continued investment in buses, walking and cycling – and will support the GLA to develop proposals for the regeneration of Oxford Street, with consultation anticipated in early 2026.

1.86 The Safe and Healthy Streets programme is also core to another Equity in Motion pillar, Reducing health inequalities. This includes enabling active travel, addressing air pollution, reducing road danger and tackling the climate and ecological crisis, which are all issues that disproportionately affect disadvantaged groups. For example, there are twice as many road casualties in the most deprived 30 per cent of London compared to the least deprived 30 per cent, and there are between 16 and 27 per cent higher nitrogen dioxide levels in areas where Black, Asian and minority ethnic people are most likely to live. By encouraging a shift from cars to active travel and enhancing the walking and cycling networks, the Safe and Healthy Streets programme focuses on creating streets that are pleasant, safe and attractive, where noise, air pollution, accessibility and lack of seating and shelter are not barriers that prevent people - particularly the most vulnerable people - from getting out and about.

1.87 This goes hand in hand with the ULEZ expansion, which, as of July 2024, has achieved 97 per cent compliance for cars in outer London and is estimated to have reduced nitrogen oxide emissions by 13 per cent for cars and seven per cent for vans, and reduced roadside nitrogen dioxide concentrations by 21 per cent.

1.88 The last pillar is Keeping transport affordable. Twenty-eight per cent of Londoners live in poverty, 39 per cent of children in the capital live in poverty, and the rising cost of living is putting undue pressure on Londoners. The Mayor has pledged to freeze TfL fares for as long as economic conditions allow.

TfL's submission into the Mayor's Capital Spending Plan

Introduction

2.1 The Mayor is required to prepare a Capital Spending Plan every year for each of the GLA's functional bodies. Before issuing his final plan, he is required to consult on a draft plan with the Assembly and each functional body under section 123 of the Greater London Authority Act 1999 (the GLA Act). This section sets out the Draft Capital Spending Plan for consultation. Even though the statutory timetable for the submission of the Capital Spending Plan is different from the requirements for the revenue budget, the same timeframe is adopted to ease consultation. The Mayor is also required to set the borrowing limits for the GLA Group.

2.2 The Mayor's Budget Guidance for 2025-26 requires the submission of a 20-year Capital Strategy, incorporating a 20-year Capital Investment Plan and 20-year Capital Funding Plan. The funding and expenditures in the first five years of the plan are presented annually below. These represent a constrained but optimised investment programme that seeks to deliver progress towards key Mayor's Transport Strategy goals. From 2028-29 onwards, expenditure and funding are grouped into five-year 'buckets', with investment levels growing to improve progress towards the long-term Mayor's Transport Strategy vision. There is a funding shortfall in the later years, due to the higher aspirational level of investment. The Capital Strategy is set out in Appendix C.

2.3 TfL has scrutinised all capital projects in the first five years to see where costs can be reduced through value engineering, while continuing to deliver the outcomes required in full and has included efficiency targets which the Capital Efficiency Programme will deliver. TfL has also reviewed project timing to ensure the programme can be delivered.

Draft Capital Spending Plan

Under Section 122 of the GLA Act (for consultation)

2.4 Set out below is a summary of the Mayor's Draft Capital Spending Plan for 2025-26, which sets out the capital funding sources for the Capital Spending Plan in line with the format required under section 122 of the GLA Act. Further details on the GLA and each functional body's draft plan are set out below. More details of the key deliverables are set out in this section under each member of the GLA Group and in the relevant appendices.

	Section	**2025-26 £m**
A	Total external ringfenced capital grants	707.7
	Opening balance of capital receipts	-
	Total capital receipts during the year	141.4
	Total capital grants/ receipts	**849.1**
B	Minimum s.120(1) grant	-
	Total borrowings during the year	391.0
	Total borrowings	-
	Total borrowings and credit arrangements	**391.0**
C	Total capital expenditure anticipated during the year	2,525.8
	Total credit arrangements	-
	Total capital spending for the year	**2,525.8**
D	Funding: capital ringfenced grants	772.0
	Funding: capital receipts/reserves	221.7
	Funding: borrowings and credit arrangements	391.0
	Funding: revenue contributions incl. BRS	1,141.1
	Total funding	**2,525.8**

2.5 Below is a summary of the TfL's Draft Capital Spending Plan to 2027-28 and how this is financed. The funding includes TfL's estimates of DfT's funding which will be subject to confirmation in the Spending Review.

Summary of the Capital Plan	**Forecast Outturn 2024-25 £m**	**TfL Budget 2024-25 £m**	**Budget 2025-26 £m**	**Plan 2026-27 £m**	**Plan 2027-28 £m**
TfL	**1,968.6**	**2,005.2**	**2,525.8**	**2,508.2**	**2,259.8**

TfL's Draft Capital plan

TfL's Capital plan	Forecast Outturn 2024-25 £m	TfL Budget 2024-25 £m	Budget 2025-26 £m	Plan 2026-27 £m	Plan 2027-28 £m
Crossrail construction programme	34.7	39.3	5.8	-	-
Rolling stock and signalling replacement*	599.2	655.1	745.5	834.1	445.7
Enhancements	388.2	370.6	429.0	300.7	267.2
Places for London**	148.1	144.9	239.2	258.2	432.2
Renewals***	798.4	795.3	1,106.3	1,115.2	1,114.7
Total capital expenditure	**1,968.6**	**2,005.2**	**2,525.8**	**2,508.2**	**2,259.8**
Capital receipts	196.5	219.8	141.4	64.2	312.1
Ringfenced capital funding	177.5	84.2	701.2	1,178.8	581.2
Borrowing	685.0	473.0	391.0	346.2	(3.6)
Crossrail funding sources	42.0	40.5	6.5	-	-
Revenue contributions	781.8	835.2	1,141.1	1,327.0	1,534.7
Working capital and reserve movements	85.8	352.5	144.6	(408.0)	(164.6)
Total funding	**1,968.6**	**2,005.2**	**2,525.8**	**2,508.2**	**2,259.8**

* Rolling Stock and Signalling Replacement includes Four Lines Modernisation, Piccadilly line rolling stock, Railway systems enhancements and DLR rolling stock

** TfL's standalone property entity, Places for London, focuses on delivering affordable homes and to generate recurring revenue to reinvest in Transport

*** Renewals expenditure is necessary to ensure the continued safe operation of transport services. This includes the renewal of existing assets and major asset replacement (other than rolling stock and signalling which is shown separately).

Key Deliverables

2.6 TfL's 2025-26 GLA Budget builds on its 2024 TfL Business Plan.

2.7 Total capital expenditure for 2025-26 will be £2,525.8m including the Crossrail construction programme and Places for London. The key investment areas in 2025-26 include:

a) Piccadilly line rolling stock - £528m
b) DLR rolling stock replacement, including elements funded by the Housing Infrastructure Fund (HIF) - £141.3m
c) Major Road Network (MRN) funded schemes on Gallows Corner, Brent Cross and Croydon Flyover - £132.1m
d) Modernisation of District and Metropolitan lines (part of the 4 Lines Modernisation) - £84.4m
e) Safe and Healthy Streets - £119.7m (£153.4m Healthy Streets spend including Opex)
f) Additional Elizabeth line trains - £69.6m
g) Central Line Improvement Programme - £59m
h) East London Line Upgrade (funded by HIF) - £9.6m
i) Trams rolling stock replacement - £5.9m

2.8 Key deliverables over the next year include:

Division	Key deliverable
Crossrail	Complete the final elements of this project
TfL	Continue work on the signalling upgrade on the Metropolitan and District lines
	Begin the introduction of new rolling stock on the Piccadilly line
	Progress the upgrade of Elephant & Castle station
	Developing plans to replace the Bakerloo line rolling stock and continuing the procurement to replace the oldest trams in TfL's fleet, although the pace that these can be introduced will be dependent on future funding levels
	Continuing the delivery of step-free access schemes on the London Underground
	Continuing to progress the introduction of new trains on the DLR supporting jobs and homes
	Continue road renewal works to keep safe TfL's carriageways, footways, traffic signals, lighting, bridges, tunnels and drainage

TfL	Opening the new Silvertown tunnel to help to reduce congestion at the Blackwall Tunnel, deliver faster and more reliable journeys, improve air quality and public transport links with more cross-river bus services, and enable more cycle journeys
	Continued roll out of cycleways network and Safer Junctions
	Continue the refurbishment of the Jubilee line fleet and the Central Line Improvement Programme which will extend the life of and refurbish the Central line trains
	Progress the life extension of Central line signalling addressing obsolescence challenges
	Upgrade communications and security systems to ensure TfL has safe and secure operational and customer information systems across the tube network
	Invest in welfare facilities to improve both their condition and the consistency of provision across the network
	Invest and improve IT infrastructure security and resilience, although the full scope of the required investment is still being developed
	Ongoing renewals of track across the network
Places for London	Places for London is TfL's wholly owned property enterprise which continues to bring housing projects through planning with the potential to generate dividends to reduce TfL's cost base

2.9 TfL's capital spending is financed from seven main sources:

a) Government capital grant – which is confirmed only until March 2026
b) Fares and ticket income
c) Charges under the road user charging schemes (Congestion Charge, LEZ and ULEZ)
d) Secondary revenue (such as advertising and property rentals)
e) Third party funding for specific projects
f) Surplus revenue resource through the business rates devolution
g) Prudential borrowing and related financing from a range of sources (see next section)

TfL's long-term Capital Strategy is presented in detail in Appendix C.

Prudential borrowing

2.10 The TfL Finance Committee approves prudent treasury strategies and policies that have regard to the principles of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services (the Treasury Management Code) issued in 2021 and the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued in 2021 by the Chartered Institute of Public Finance and Accountancy. The strategies and policies also have regard to the Statutory Guidance on Local Authority Investments (the Investments Guidance) issued by the Ministry of Housing, Communities and Local Government and last updated in March 2018.

2.11 Borrowing is undertaken within prudent limits approved by the TfL Board and the Mayor. TfL plans to increase borrowings in subsequent years by a prudent amount, subject to a further assessment of affordability at that time. The maximum amounts of borrowing in each financial year are set out in the tables below. TfL constantly assesses its financial position and only borrows where it is prudent and affordable to do so.

2.12 Historically TfL has borrowed from a variety of sources, with consideration given to the cost of borrowing, market conditions and the level of flexibility offered. These sources include:

a) The Public Works Loan Board
b) A £5bn Medium Term Note programme
c) A £2bn Commercial Paper programme
d) The European Investment Bank, Export Development Canada and the UK Infrastructure Bank (now the National Wealth Fund), with loans linked to specific infrastructure projects
e) Leasing arrangements, used for specific assets such as rolling stock
f) Overdraft and liquidity facilities of £200m that are in place to provide contingency liquidity
g) The Green Finance Fund, with loans linked to suitable projects
h) A loan facility from the DfT to support the completion of the Crossrail project

2.13 Additionally, the GLA has established a financing facility of up to £350m that TfL can call upon if needed during the 2024-25 financial year.

2.14 Places for London has a £200m revolving credit facility in order to support its operations for the development of investment property assets and affordable housing schemes. This is without recourse to TfL.

2.15 TfL's proposed levels of borrowing remain affordable and consistent with prudent financial management. The tables below set out the proposed borrowing limits over the period having regard to proposed Capital Spending Plan and have been prepared with reference to the requirement of the Prudential Code, including providing calculations of the prudential indicators.

Authorised limit for external debt (TfL Group)	Current Approval 2024-25 £m	Revised Approval 2024-25 £m	Proposed 2025-26 £m	Proposed 2026-27 £m	Proposed 2027-28 £m
Borrowing	14,657.4	14,657.4	14,690.4	15,038.0	15,034.4
Long term liabilities	3,648.7	3,648.7	3,960.9	3,934.6	3,890.6
TfL closing balances	**18,306.1**	**18,306.1**	**18,651.3**	**18,972.6**	**18,925.0**

Operational limit for external debt (TfL Group)	Current Approval 2024-25 £m	Revised Approval 2024-25 £m	Proposed 2025-26 £m	Proposed 2026-27 £m	Proposed 2027-28 £m
Borrowing	13,457.4	13,457.4	14,040.4	14,388.0	14,384.4
Long term liabilities	3,648.7	3,648.7	3,710.9	3,684.6	3,640.6
TfL closing balances	**17,106.1**	**17,106.1**	**17,751.3**	**18,072.6**	**18,025.0**

Authorised limit for external debt (TfL Corporation)	Current Approval 2024-25 £m	Revised Approval 2024-25 £m	Proposed 2025-26 £m	Proposed 2026-27 £m	Proposed 2027-28 £m
Borrowing	14,654.0	14,654.0	14,619.0	14,780.0	14,700.0
Long term liabilities	1,768.0	1,768.0	1,900.7	1,840.7	1,784.4
TfL closing balances	**16,422.0**	**16,422.0**	**16,519.7**	**16,620.7**	**16,484.4**

Operational limit for external debt (TfL Corporation)	Current Approval 2024-25 £m	Revised Approval 2024-25 £m	Proposed 2025-26 £m	Proposed 2026-27 £m	Proposed 2027-28 £m
Borrowing	13,454.0	13,454.0	13,969.0	14,130.0	14,050.0
Long term liabilities	1,768.0	1,768.0	1,750.7	1,690.7	1,634.4
TfL closing balances	**15,222.0**	**15,222.0**	**15,719.7**	**15,820.7**	**15,684.4**

Capital financing costs

2.16 As TfL has a legal requirement to produce a balanced budget, the cost of debt service is taken account of in determining whether the budget and business plans are in balance.

2.17 The significant majority of TfL borrowings are passed down to TfL's subsidiaries, where they are used to fund capital expenditure in the year they are drawn down. As the assets funded by these borrowings come into use and are depreciated, revenue grant is passed down by the Corporation to fund that element of the annual depreciation expense that is not already covered by other sources of revenue within the respective subsidiary. The revenue grant passed down is charged against the Corporation's General Fund Reserve and hence acts as a proxy for Minimal Revenue Provision.

2.18 For the debt used to finance capital expenditure within the Corporation, an Annual Minimal Revenue Provision is made. This has been calculated to build up a provision over the average expected useful economic life of the assets funded.

Capital financing costs	Forecast outturn 2024-25 £m	TfL Budget 2024-25 £m	Budget 2025-26 £m	Plan 2026-27 £m	Plan 2027-28 £m
Annual minimum revenue provision	66.9	54.1	80.1	80.1	80.1
External interest	569.7	559.0	607.8	630.6	633.7
Total	**636.6**	**613.1**	**687.9**	**710.7**	**713.8**

Appendix A – Subjective analysis

TfL Subjective analysis	Forecast Outturn 2024-25 £m	TfL Budget 2024-25 £m	Budget 2025-26 £m	Plan 2026-27 £m	Plan 2027-28 £m
Employee expenses	2,556.9	2,587.5	2,380.7	2,441.7	2,512.2
Staff recharges	(466.2)	(487.2)	(474.1)	(491.4)	(507.1)
Staff costs total	**2,090.7**	**2,100.3**	**1,906.6**	**1,950.3**	**2,005.1**
Property costs	192.0	197.3	194.1	198.4	205.7
Utilities	64.4	72.8	65.0	66.6	68.4
Premises costs total	**256.4**	**270.1**	**259.1**	**265.0**	**274.1**
Traction	293.4	318.4	260.0	240.8	256.9
Transport / vehicle	181.2	190.0	180.4	185.4	204.2
Transport costs total	**474.6**	**508.4**	**440.4**	**426.2**	**461.1**
Other operating costs	519.4	606.1	470.4	206.8	4.2
Investment programme	178.4	162.1	178.1	143.3	139.6
Legal and professional fees	115.4	118.2	150.7	154.7	160.5
Technology costs	206.0	187.3	208.3	207.9	211.4
Bad debt provisioning	503.6	387.3	379.9	301.2	219.3
Maintenance	587.5	626.6	741.8	791.8	840.4
Supplies and services total	**2,110.3**	**2,087.6**	**2,129.2**	**1,805.7**	**1,575.4**

TfL Subjective analysis	Forecast Outturn 2024-25 £m	TfL Budget 2024-25 £m	Budget 2025-26 £m	Plan 2026-27 £m	Plan 2027-28 £m
Bus contract payments	2,345.5	2,303.4	2,593.6	2,790.0	2,906.2
Other contracted services costs	884.9	886.0	928.1	949.3	973.4
Third party payments total	**3,230.4**	**3,189.4**	**3,521.7**	**3,739.3**	**3,879.6**
Capital financing costs	502.3	498.1	531.4	555.4	568.0
Total gross expenditure	**8,664.7**	**8,653.9**	**8,788.4**	**8,741.9**	**8,763.3**
Passenger income	(5,342.1)	(5,530.0)	(5,665.9)	(5,906.7)	(6,217.9)
Road User Charging	(980.2)	(850.3)	(879.8)	(773.4)	(640.8)
Advertising income	(145.5)	(138.4)	(163.8)	(165.5)	(172.0)
Property income	(89.9)	(94.0)	(95.3)	(103.9)	(110.5)
Other income	(425.6)	(496.1)	(438.3)	(511.5)	(576.4)
Sales, fees, charges and recharges total	**(6,983.3)**	**(7,108.8)**	**(7,243.1)**	**(7,461.0)**	**(7,717.6)**
Specific grants	-	-	-	-	-
Interest receivable	(69.8)	(67.7)	(91.2)	(70.5)	(67.8)
Total gross income	**(7,053.1)**	**(7,176.5)**	**(7,334.3)**	**(7,531.5)**	**(7,785.4)**
Net expenditure	**1,611.6**	**1,477.4**	**1,454.1**	**1,210.4**	**977.9**

Appendix B - Climate Budget

Climate Budget scope

3.1 The scope of this year's Climate Budget includes:

- TfL's operational emissions – (Level 1)
- Key measures that deliver or enable emission reductions in parts of London outside of TfL's direct operational emissions – (Level 2)
- Initiatives that help TfL adapt to climate change – (Level 1 and 2)

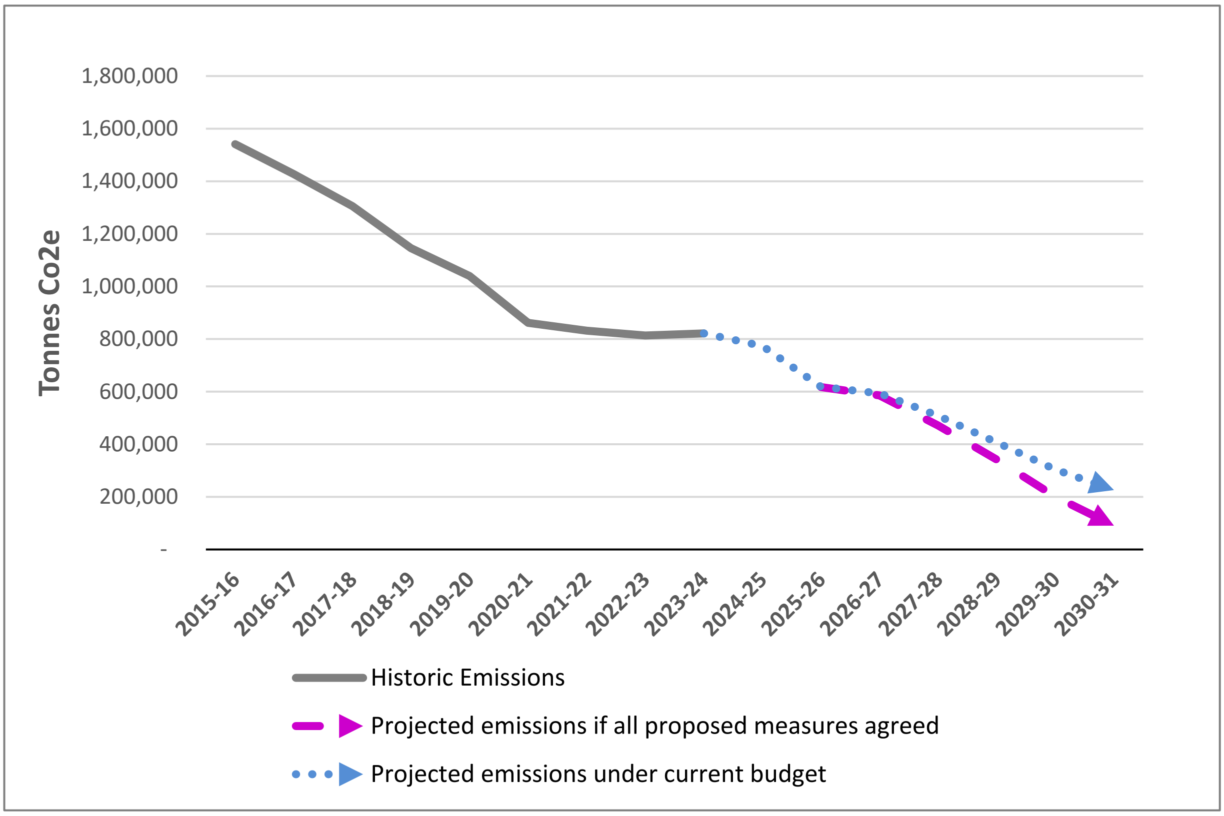
3.2 Actions that TfL could take with additional funding to further reduce carbon emissions are included for TfL's operational emissions (Level 1) but not for wider London emissions (Level 2). To achieve the London-wide target of net zero by 2030, acceleration of vehicle mileage reduction and vehicle electrification is required. This year, TfL will work to define proposals to accelerate road decarbonisation London-wide beyond TfL's direct operational emissions. Interventions could include further electric vehicle infrastructure roll out and further incentives to electrify, as well as encouragement for further modal shift such as enhanced active travel facilities. The design of these interventions will be undertaken to maximise co-benefits such as improving air quality.

3.3 For details of the actions included in the Climate Budget, see the Climate Budget Tables.

Level 1 – TfL's operational emissions

3.4 For TfL's operational emissions, the target is to achieve net zero by 2030. This includes all energy and fuel that TfL purchases directly, including electricity for operating trains, gas and electricity in TfL buildings and fuel used for its support fleet. This is in addition to the emissions associated with the operation of TfL-branded services. For example, this includes the emissions associated with the TfL Bus network and some of its concession rail services, where TfL does not purchase all of the energy or fuel directly.

TfL's operational emissions (Level 1) historic and projected



3.5 TfL has made and will continue to make significant progress in reducing its operational carbon emissions. TfL's funded plan is demonstrated in the projected emissions scenario above, which represents an 85 per cent reduction in emissions versus 2015-16 levels. With additional funding TfL could go even further, closing almost all of the gap towards the ambition of net zero operational emissions by 2030. Further assessment would be required to close the remaining gap beyond the "with further funding" scenario.

Level 2 – TfL's impact on wider London emissions

3.6 Emissions from transport account for 26 per cent of London's territorial emissions and TfL is an essential component of reducing them. TfL has decided to include in the Climate Budget most of its investment programme, as well as the operational cost of new services in the year they are introduced. This is because investment in improving London's active travel and public transport network, and in supporting vehicle electrification, is key to shift more people from car travel to sustainable modes and reduce the number of polluting vehicles on the road, thereby reducing the carbon footprint of London as a whole. It is therefore important to note that there are some items which will be included in both tables A and C, where actions have an impact both on TfL's direct carbon emissions and on wider London emissions. Comments are included in the tables where this is the case.

Progress in previous years

3.7 TfL has set out its Vision and values, which has as its central vision ensuring TfL is the "strong, green heartbeat for London". Last year TfL set out how it will achieve this vision through its strategy. Green is one of five key themes and one key measure of success is "reaching net-zero carbon in our operations by 2030". Emissions of carbon per person for transport in London are much lower than in the rest of the UK, and have been decreasing in recent years, but TfL must go further and is setting itself up as an organisation to achieve this. Continuing progress on decarbonisation is set out in this Climate Budget, and with more funding TfL could go even further.

Level 1 – TfL's operational emissions

3.8 TfL now has more than 1,700 zero-emission buses, making it the largest zero-emission bus fleet in western Europe. TfL continues its zero-emission bus rollout, with 1,900 Buses due to be zero-emission by April 2025. In addition, all of TfL's other buses are low emission and meet or exceed Euro VI emission standards, the same emissions standard as the ULEZ.

3.9 TfL continues to progress its buildings decarbonisation programme for removing fossil fuel heating assets from its buildings, replacing them with low carbon alternatives and adopting a whole buildings approach in the process. There is an emphasis on aligning projects with asset condition, targeting the removal of fossil fuel heating assets when they are life-expired or in poor condition and in need of replacement. TfL has completed feasibility studies on a further 25 buildings to bring the total number of operational estate heat decarbonisation feasibility studies to 39. The studies have improved TfL's understanding of the suitability of interventions for decarbonising different types of buildings by looking at their associated cost, carbon and programme impacts. The findings have enabled prioritisation for which buildings TfL should progress first to design and delivery stages.

3.10 This year, TfL secured two grants totalling more than £16m from the Public Sector Decarbonisation Scheme (PSDS), which is delivered by Salix on behalf of the Department of Energy Security and Net Zero. A grant worth £14m will be used to reduce carbon emissions at six sites on TfL's London-wide estate. The second grant, worth more than £2m, will be used for carbon reducing measures at two London Underground depots. This is in addition to grant funding secured in the previous funding round for Therapia Lane Tramlink Depot where work continues as the project moves into the delivery phase. As per TfL's strategy, TfL is seeking external funding such as the PSDS in addition to existing business plan funding to accelerate decarbonisation initiatives at some of TfL's harder to decarbonise sites. TfL will submit a PSDS Phase 4 application in November 2024.

3.11 TfL's first Power Purchase Agreement is a vital step towards ensuring that its operations can be net zero carbon by 2030. The tender has progressed and is in the final stages with award pending for a 'new-build' renewable energy project this year. This will increase the volume of renewable energy supplying the national grid and bring wider benefits such as green jobs.

3.12 TfL secured £34.2m of funding from the Mayor's Green Finance Fund to finance the implementation of LED lighting projects on the TfL Road Network as well as in London Underground stations, in addition to decarbonization projects at Neasden Depot and 200 Buckingham Palace Road. These projects are now in implementation.

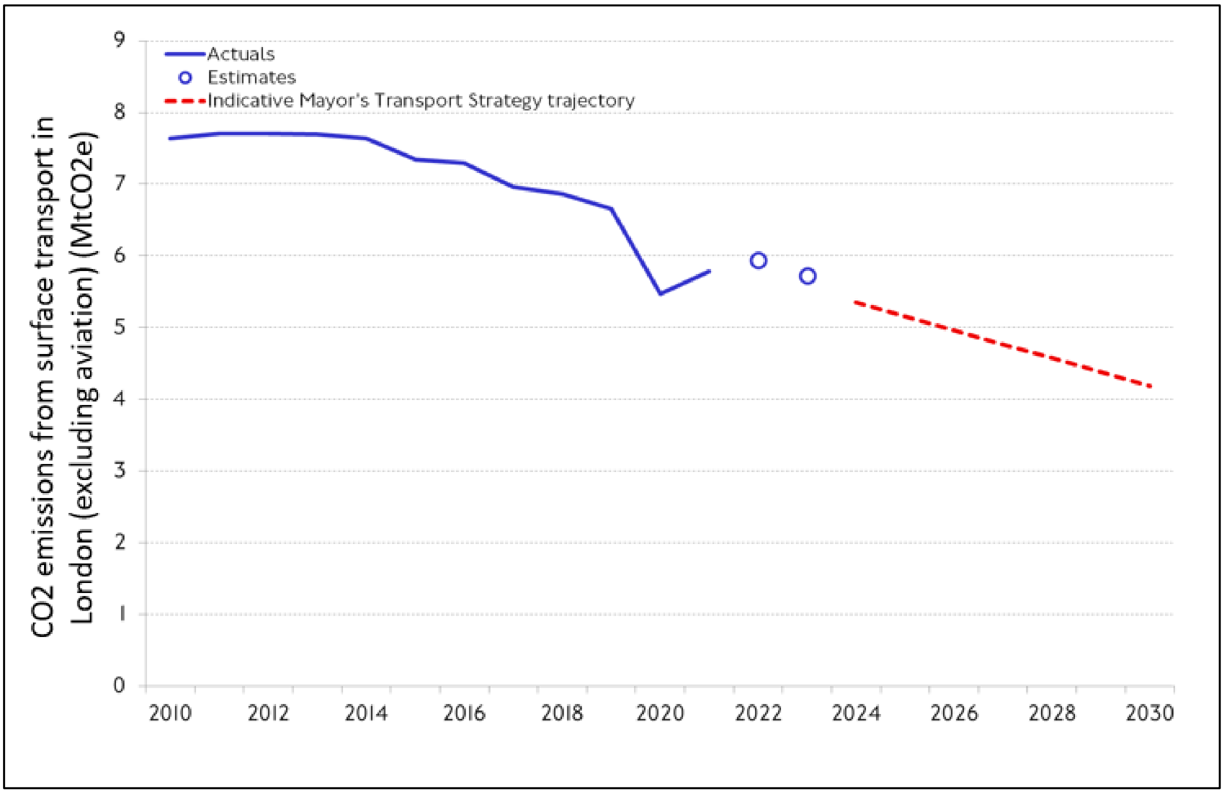
3.13 TfL published its Climate Change Adaptation Plan in March 2023. In 2024-25 TfL has undertaken adaptation and green infrastructure initiatives, including:

- scenario analysis to support TfL's long-term climate risk planning (aligned to our requirements for Taskforce for Climate Related Financial Disclosures reporting)
- the publication of an interim report as part of London Surface Water Strategy development
- installation of a range of SuDS schemes across the TfL estate to help meet its SuDS targets

Level 2 – TfL's impact on wider London emissions

3.14 TfL's continuous investment, alongside wider changes across the city, has led to a substantial reduction in transport emissions already which is forecast to continue. The Delivering the Mayor's Transport Strategy 2023-24 Report, published in July 2024, shows estimates for London's CO2 emissions from transport (graph below). While TfL is broadly on track to meet the original strategy aims (including London being a zero-carbon city by 2050), further action is needed to meet the accelerated net-zero 2030 target. TfL is exploring the options that could be considered to respond to the accelerated 2030 target which will inform future years' climate budgets, such as measures to support greater travel by walking, cycling and public transport and a faster electrification of the vehicle fleet. However, achieving the 2030 ambition will require aligned and scaled-up action from all levels of government, the private sector, and individuals.

Estimates for London's CO2 emissions from transport



3.15 TfL has numerous policies that aim to reduce emissions and improve air quality in London. These include ULEZ, Healthy Streets, taking action through taxi and private hire vehicle licensing requirements, rolling out electric vehicle (EV) charging infrastructure and working to reduce emissions from freight through TfL's Freight and servicing action plan. Further detail on all of TfL's policies and on progress to date on reducing emissions in wider London are detailed within TfL's Delivering the Mayor's Transport Strategy 2023-24 report.

Funded initiatives

Level 1 – TfL operational emissions (projected scenario)

3.16 Around 98 per cent of TfL's operational emissions come from bus operations and the electricity used for TfL's rail operations (covering traction and non-traction, for example, in TfL buildings). Therefore, TfL's primary focus has been on tackling these two issues.

3.17 Bus operations make up more than 50 per cent of TfL's operational emissions. The Mayor's Transport Strategy in 2018 set out an ambition for all TfL buses to be zero-emission by 2037. In 2021, TfL confirmed that all new TfL buses entering service will be zero-emission and that the plan to deliver a 100 per cent zero-emission fleet would be brought forward by three years, to 2034. At the same time, TfL set out that, with further funding, it would be possible to accelerate further, to achieve a fully zero-emission bus fleet by 2030. The GLA Budget submission maintains the 2034 zero-emission bus plan, but confirms that investment is needed to keep the pathway open for an acceleration to 2030. TfL continues to investigate solutions to deliver a 100 per cent zero-emission network by 2030 but maintaining this trajectory towards a 2030 target beyond 2025 will require significant additional funding (see section on additional funding).

3.18 TfL continues to make progress on its plan for a cost-effective transition to zero carbon energy. TfL has reviewed and updated its Energy Purchasing Strategy. This strategy set out a plan to enable 100 per cent of TfL's electricity to be from renewable sources by 2030, of which up to 70 per cent will be achieved through Power Purchase Agreements, with the remainder to be procured through green tariffs.

3.19 A range of further initiatives support TfL's decarbonisation effort. TfL is continuing to deliver on its strategy towards decarbonising its buildings estate. Through its dedicated building decarbonisation programme, TfL has built a pipeline of feasibility studies to inform detailed plans for its buildings. The studies have improved both the accuracy of TfL's estimated funding requirements for future years of delivery, and informed prioritisation methodology to ensure TfL is delivering projects that address obsolescence, offer value for money and deliver on carbon savings. With available funding TfL will focus heat decarbonisation projects on buildings with life-expired or poor condition fossil fuel heating assets.

3.20 The Mayor's Transport Strategy and London Environment Strategy outline commitments for all GLA Group fleets to be zero-emission by 2030. To support this, TfL's Corporate Environment Plan sets out the following targets:

- All cars in TfL fleet must be zero-emission by the end of 2025
- All vans in TfL support fleet must be zero-emission by 2030
- All heavy vehicles (greater than 3.5 tonnes) must be fossil fuel-free from 2030

3.21 TfL operates approximately 1,000 fleet vehicles, with less than five per cent currently being Zero Emission Capable. TfL has funding to continue its plan to convert all cars and vans in its fleet to zero-emission in line with its targets, with the leasing of new vehicles as well as the implementation of supporting infrastructure in the vehicle depots. Additional funding will be required in future years.

3.22 Solar Private Wire is a key project to enable TfL to directly receive zero-carbon electricity from 'new-build' local solar assets, reducing the carbon emissions associated with the operation of the London Underground network. As well as the environmental benefits, there is the potential for financial savings based on avoiding costs associated with delivering power via the grid, which typically makes up around 40 per cent of the energy bill. TfL has launched a tender for a delivery partner to work with on the roll out of solar generation.

3.23 In 2023-24 TfL secured £28m through the GLAs Green Finance Facility to deliver more efficient LED lighting projects. This will deliver energy savings at most London Underground Stations and on TfL's street lighting network.

3.24 TfL is investing in improving its understanding of its energy consumption. TfL will be purchasing and installing additional energy sub-metering on its recently awarded TfL submetering and energy data contract. These will help to provide a greater understanding of energy consumption across the network and enable better prioritisation and articulation of interventions that will reduce emissions.

3.25 In 2025-26, TfL has allocated £2m to progressing its maturity and delivery of climate adaptation measures, including on adaptation delivery projects, including highways SuDS and drainage capacity enhancements. Dedicated adaptation and green infrastructure funding, alongside adaptation measures delivered as part of projects, will support the delivery of TfL's new target for 5,000 square metres of catchment draining into SuDS each year, as well as targets within the TfL Green Infrastructure and Biodiversity Plan (2024).

Level 2 – measures that deliver benefits for wider London

3.26 Carbon emissions per person for transport in London are much lower than in the rest of the UK and TfL's sustainable travel options play a key role in this. However, there is more TfL can do going forward to further reduce London-wide emissions from road transport. This year, TfL will continue to invest in improving London's active travel and public transport network, and to support vehicle electrification in line with the Mayor's Transport Strategy goals. This will shift more people from car travel to sustainable methods of travel and reduce the number of polluting vehicles on the road, therefore reducing the carbon footprint of London as a whole.

3.27 TfL's investment in major projects which increase capacity, frequency and quality of public transport, such as the Four Lines Modernisation and Piccadilly Line Upgrade, make public transport a more attractive choice and encourage the shift away from private car use. The same can be said for rail and station enhancements and rolling stock replacements, for example, the new DLR trains, which all improve the customer's overall experience. Continued investment in maintaining and improving this public transport offer is essential to delivering wider carbon savings for London.

3.28 TfL continues to invest in London's streets. The Safe and Healthy Streets programme ensures London's streets are safer and more pleasant, making walking and cycling more appealing.

This encourages the shift away from private car use, for those who are able to walk or cycle instead. Through the Better Bus Partnerships programme, TfL is looking to partner with three boroughs, with up to £10m on offer for each of the successful boroughs to deliver transformational bus infrastructure including bus priority, improvements to public transport interchange and improved walking environments to public transport as well as behaviour change measures. Alongside this, an additional £4m has been approved for 2024-25 and £6m has been approved for 2025-26 to help accelerate the Bus Performance Plan which will focus on the Bus Priority 7 – the seven key workstreams which will have the biggest impact on bus performance in the short, medium and long term. By making buses a more viable and competitive option across London, Londoners will be able to reduce their reliance on private vehicles.

3.29 TfL's EV Infrastructure Strategy supports the acceleration of the transition to zero-emission vehicles. It sets out requirements for the provision of infrastructure, focusing on key user groups, including high mileage essential road users, such as taxi, private hire and commercial vehicle drivers, as well as disabled people who are less able to use alternative modes. The key commitment in the strategy is to unlock GLA land for EV charging. TfL continues to deliver rapid and ultra-rapid charge points on its road network with a target of 100 EV charging bays, in addition to the 300 rapid charge points we have already delivered. New sites are now operational in Sutton, Lewisham and Bromley and delivery continues at sites in Richmond, Sutton and Hammersmith and Fulham. TfL expects to award a new contract before the end of the calendar year to deliver charge points at more sites on its road network.Further information is available in London's 2030 electric vehicle infrastructure strategy

3.30 To support the thousands of new homes and jobs that London needs, TfL invests in expanding the active travel and public transport offer in areas of growth, increasing frequencies and capacity in the network. This is vital to ensure London grows sustainably, preventing an exponential increase in carbon emissions from road transport generated by new residents, workers and visitors. These projects are often third-party funded, meaning projects can encourage shifts in travel method and carbon benefits at a lower cost and risk to TfL. In addition, TfL is investing in accessibility improvements to the existing network, making it suitable for customers of all ages and abilities (who may otherwise have no other choice but to drive or be driven).

3.31 Investment in infrastructure renewals and enhancements across the network such as track, lifts and escalators, bus infrastructure and so on, overall provides the customer experience required to keep public transport options more attractive than private vehicles.

3.32 TfL is also continuing to fund a project team to explore the delivery of waste heat opportunities that would provide carbon savings to London, by capturing and re-using thermal energy from London Underground ventilation shafts for use by external suppliers of local heat networks and buildings. An initial site has been identified to be progressed as a priority, with the learning to then inform a longer-term strategy, to deliver additional sites across the network.

3.33 In 2025-26, TfL will assign funding to lay the groundwork for an expanded Superloop. This express bus network in outer London will build on the success of the initial Superloop network, providing a low carbon transport alternative in areas with high levels of car dependency.

3.34 While TfL can model the total likely impact of its interventions on carbon emissions, it would be inaccurate to break this down into the carbon impact of each business plan item. London's transport network works as a system and TfL's projects and interventions do not work in isolation, they work together and enhance each other's impacts. The graph at paragraph 3.14 above demonstrates TfL's best estimate of how London's transport emissions will reduce through to 2030 as a result of these actions.

Initiatives with additional funding

Level 1 – TfL operational emissions

3.35 With additional funding, TfL could deliver additional improvements that would close the gap between its forecast and net zero emissions by 2030. Some of these options are at a very early stage of development, with costs and benefits estimated only at a high level. Further funding certainty in future would enable the development of some of these options for delivery through this decade.

3.36 With additional funding, TfL could lock-in the pathway to making the bus fleet zero-emission by 2030. However, this would require significant additional funding, although this cost would be spread over the lifetime of the new vehicles which extends beyond 2030.

3.37 In addition to making all buses zero-emission, further funding would allow TfL to make its Dial-a-Ride fleet zero-emission. The full Dial-a-Ride fleet of 256 buses was renewed with Euro VI vehicles between 2019 and 2021, in order to be compliant with the ULEZ. While this considerably improved their emissions footprint, moving to EVs would remove tailpipe emissions completely. It would also improve air quality and reduce noise in residential areas where many customers live. Infrastructure would need to be installed at each Dial-a-Ride depot to facilitate charging.

3.38 TfL has plans to make its operational support fleet of cars and vans zero-emission by the end of 2025 and 2030 respectively. A more expensive intervention would be to make the 20 HGVs in the TfL support fleet zero-emission, as options for such vehicles are much more limited. TfL is continuing to explore options to enable this.

3.39 Energy efficiency is key to reducing TfL's carbon footprint. TfL has a rolling programme of LED upgrades across the network, including in stations, depots, and across the TfL Road Network. These upgrades are currently phased to coincide with asset life expiry but with additional funding these upgrades could be accelerated and carbon savings realised sooner, at the same time as delivering financial and customer benefits.

3.40 Electricity used to power TfL's trains makes up 35 per cent of TfL's emissions currently. Through introducing more modern and efficient trains and re-configuring its power network TfL is planning to make its service more energy efficient. There is more TfL can do to optimise energy use across its network, which it will continue to explore. This could include measures such as increasing regenerative voltages, resectionalisation, bi-directional converters in power stations and reducing train stabling power consumption.

3.41 When looking to address decarbonising buildings/sites of increasing levels of complexity and for the most technically challenging sites TfL will continue to look at external funding opportunities like the Public Sector Decarbonisation Scheme to support the high capital expenditure of these projects.

Uncertainty over funded initiatives

3.42 Government funding of £485m for TfL's capital programme has been confirmed for 2025-26. However, there is currently no certainty on long-term government funding for capital investment beyond March 2026. The GLA Budget makes an assumption on the level of funding that will be made available for the capital programme, including rolling stock and signalling replacement. If this funding is not confirmed TfL will not be able to complete all its planned capital investment and therefore the benefits of that investment, including both direct and indirect environmental benefits, will not be realised. Investment in infrastructure is required not only to create new assets but also to maintain existing ones. If there is not sufficient funding available for renewals, the quality of existing assets decreases, which impacts on reliability and customer experience, and therefore could reduce the shift away from private cars to sustainable transport modes.

3.43 Funding discussions with government are ongoing, and a multi-year spending review is expected in spring 2025. TfL also continues to seek out other funding opportunities, including the Mayor's Green Financing Fund and the Public Sector Decarbonisation Scheme.

Appendix C: TfL Capital Strategy 2025

Background

4.1 The Prudential Code requires all local authorities, including TfL, to prepare and publish a Capital Strategy. This 2025 Capital Strategy supersedes TfL's Capital Strategy published in previous years.

4.2 TfL continues to make the case for sustainable long-term capital funding to support the level of investment described here. TfL plays a crucial role in driving growth and jobs across London and the UK, and equally it can support the government's national priorities to progress to a carbon-free and climate change resilient future and create wealth and employment that will level up the national economy. In the short term, TfL is seeking to maximise the benefits it can deliver within a constrained capital envelope, but it remains important to look ahead and identify what investment is needed to renew and improve the transport network in line with the Mayor's Transport Strategy and in support of national priorities. Even with the uncertainty of long-term planning, this Capital Strategy will support TfL in being resilient to a wide range of potential future economic and transport demand outcomes.

4.3 This Capital Strategy sets out the investment required to maintain safety and operability in the short term as well as the level to which investment should over time increase to achieve the aims of the Mayor's Transport Strategy. The Mayor's Transport Strategy, published in 2018, aims to encourage a shift from cars to active, efficient and sustainable modes of travel, with the central aim for 80 per cent of all trips in London to be made on foot, by cycle or using public transport by 2041. This Capital Strategy covers a 20-year period until 2044.

4.4 The Capital Strategy forms part of TfL's financial planning process and is based on a number of assumptions including the likely cost of the future capital programme and expectations in terms of funding. It is a planning exercise that will need to evolve as TfL's long-term funding position becomes clearer, and the Capital Strategy will be reviewed and developed year on year.

Benefits

4.5 TfL's Capital Strategy enables clearer and more transparent long-term decisions to be made on the investment needs of London. Many transport schemes take a long time to develop and deliver.

4.6 TfL's Capital Strategy sets out a pipeline of investment for 20 years. Giving clear sight of TfL's investment aspirations over this period, subject to funding, is useful for a variety of audiences, including customers, London's businesses and TfL's supply chain, who will be able to resource accordingly to meet the demand for construction in London.

4.7 Investment in transport infrastructure benefits many different groups, and it is appropriate that the funding packages for these investments reflect these various beneficiaries. These beneficiaries range from central government, through increased taxation on economic activity and property, all the way to local businesses and residents, who most directly benefit from improved transport links. Formulating full funding packages for large schemes is complex and takes time, as was the case with Crossrail 1. This Capital Strategy identifies schemes in the longer term that require such funding packages and discusses some options for funding them. Developing this work further will help to ensure such schemes are funded in a fair and sustainable way.

4.8 It is not possible to commit to long-term projects unless, and until, there is long-term funding available to ensure they can be completed. Therefore, a lack of certainty of funding can delay the start of essential improvements. A key benefit of the Capital Strategy is that it enables these funding requirements to be identified in sufficient time for them to be addressed.

Approach and updates this year

4.9 TfL's Capital Strategy reflects the long-term priorities set out in the Mayor's Transport Strategy and other Mayoral strategies, including the need to run services safely and reliably. This is set in the context of significant uncertainty on the level of available funding to TfL which will be determined by the pace and level of recovery of passenger demand and the long-term level of government funding.

4.10 This year's Capital Strategy is broadly similar to last year's, which was originally derived from the 2021 Long Term Capital Plan. The plan has been updated in the early years to reflect the most recent GLA Budget submission and the assumptions behind it, with changes to later years, where needed, to be consistent with this. The outturn figures have also been updated for the changes in inflation over the period.

4.11 The 2024-25 and 2025-26 financial years are covered by TfL's funding agreements with government.

4.12 The first five years of the Capital Strategy assume the level of government funding will be on an increasing trend, although still constraining spending levels, while the final 10 years of the Capital Strategy ramp up spend to the levels required to be consistent with the Mayor's Transport Strategy vision by 2041, although no specific source of the additional funds has been assumed.

4.13 Due to the need to combine these two different approaches for the early and later years there are some instances of spend profiles that, in a more stable planning environment, could be smoothed. As a result, this document is a high-level planning exercise rather than a detailed guide to very specific investment plans for the next 20 years. TfL regularly revisits its future forecasts, and TfL's understanding of future capital investment needs will develop and improve as the future environment becomes clearer.

4.14 Risk allowances have been updated and funding assumptions in both the short and longer term are subject to future discussions with the government.

Influences

4.15 TfL's Capital Strategy is directly influenced by:

- the Mayor's policies and statutory strategies for London, including the Mayor's Transport Strategy, the London Plan, and the London Environment Strategy
- the UK's infrastructure requirements, as set out in the National Infrastructure Assessment
- funding agreements reached with government, whether relating to specific projects to generally
- the condition and lifecycle of TfL's asset base
- underlying behaviour trends in London, as analysed in documents such as TfL's annual Travel in London report

4.16 TfL's Capital Strategy will be directly or indirectly influenced over time by:

- central government policy, in areas such as direct infrastructure funding and Crossrail 2, as well as other specific policies such as the Transport Decarbonisation Plan
- external events with the potential to impact on the national economy, London's growth and/or TfL's financial position, such as global geo-political instability, macroeconomic shocks, and climate and ecological change
- the Mayor's future decisions on allocation of devolved business rates to functional bodies of the GLA
- availability of finance through bodies such as the National Wealth Fund may affect availability of financing for TfL projects

Policies

4.17 TfL's Capital Strategy is fully aligned to the Mayor's policies and the Mayor's Transport Strategy policies.

4.18 Any activity in delivering the Capital Strategy will be executed in accordance with TfL's statutory functions and approved policies. The most important of these policies and functions are outlined here.

4.19 In accordance with the Prudential Code issued by Chartered Institute of Public Finance and Accountancy and last updated in 2021, the Capital Strategy references key principles underpinning TfL's approval and governance processes for capital expenditure, commercial activity (including long-term liabilities) and treasury management. For detailed aspects, the documents referenced below, and TfL Standing Orders are published at tfl.gov.uk

4.20 Capital spend on transport infrastructure and commercial/investment activity is budgeted for and included in TfL's financial plans covering both the near- and medium-term. These plans are produced at certain points throughout the year and are approved by the Board (or, under delegation, the Finance Committee). Typically, a medium-term Business Plan is produced that aligns to delivery of the overall Mayor's Transport Strategy, and a more detailed Budget, reflecting TfL's near-term targets.

4.21 TfL's financial planning is balanced, integrating capital spend inclusive of commercial activity and investment strategies with the financing strategy for planned expenditure.

4.22 TfL's commercial activity plans are produced reflecting the Investment Management Strategy for non-financial assets, which is updated at least annually and considered by the Finance Committee prior to submission to the Board for final approval.

4.23 The Investment Management Strategy outlines the strategic objectives of the commercial activities, long-term direction of the investment programme, metrics to inform decision making framework, risk management policies and the use of independent and specialist experts.

4.24 TfL manages its investments in financial assets and its debt financing in line with its Treasury Management Strategy (TMS), which is updated at least annually and approved by the Finance Committee.

4.25 TfL's treasury management is directed and governed by the TMS comprising the Investment Strategy, Borrowing Strategy, Liquidity Strategy, Risk Management Strategy and Counterparty Exposure Limits. The TMS is implemented, operated and administered in accordance with the Treasury Management Policies and the TfL Group Policy Relating to the Use of Derivative Investments, both of which are approved by the Finance Committee.

4.26 Within the year, unbudgeted activity is monitored by various means and is explicitly captured through monitoring of the Prudential Indicators which are aligned to the TfL Budget and Business Plan, and define an operational boundary and authorised limit of external debt including borrowing and long-term liabilities for the following year. The Prudential Indicators set an expected estimate of capital financing costs and capital expenditure for the following year. The Prudential Indicators are considered by the Finance Committee prior to submission to the Board for approval annually.

4.27 Financial guarantees granted by TfL are subject to approval by the Chief Finance Officer or higher authority according to the approvals matrix approved by the Board, as set out in TfL Standing Orders. Under section 161 of the GLA Act, details of all financial guarantees so granted are disclosed annually in TfL's Annual Report and Statement of Accounts.

4.28 Outturn performance against the Board approved Prudential Indicators is presented to the Finance Committee who also monitor treasury management by verifying the TMS has been implemented and administered appropriately and are responsible for regular in-year monitoring of outturn performance against the TfL Budget.

Financial Investment Strategy

4.29 TfL maintains a low-risk appetite consistent with the good stewardship of public funds, the overriding principle being the prioritisation of security before liquidity and liquidity before yield.

4.30 TfL considers the risk of its overall portfolio as well as individual investments. Following the conclusion of a collaboration with the GLA and its investment subsidiary London Treasury Limited (LTL), TfL will invest the majority of its available cash in LTL's Liquidity Fund. This fund seeks to diversify its investments and has regard to the exposure to any one counterparty, country and credit. TfL and LTL also seek to invest cash responsibly by investing in counterparties with strong environmental, social and governance performance and policies, remaining compliant with the GLA Group Responsible Investment Policy.

4.31 The liquidity profile of investments reflects the expected cash flow requirements of TfL and accommodates for forecast variability. TfL can withdraw funds from the LTL Liquidity Fund on a same day basis

4.32 TfL seeks to achieve year-to-date returns greater than the year-to-date average benchmark of the Sterling Overnight Index Average which is widely regarded as the appropriate benchmark for short-term cash investments and is used by professional investors.

Borrowing Strategy

4.33 TfL's objective is to manage its borrowing in a manner that is affordable, sustainable and prudent, combining flexibility, security of access to funds, diversity of funding sources and value for money.

4.34 TfL's borrowing has been used to finance investment in London's transport network. All borrowing is drawn in line with the provisions of the Prudential Code and in particular, the requirement that TfL cannot borrow to invest for the primary purpose of financial return.

4.35 The total value of outstanding borrowing and other long-term liabilities is, at all times, maintained within an Authorised Limit agreed by the Mayor and approved annually by the Board (as required by the Local Government Act 2003) through a separate Prudential Indicators document.

4.36 TfL's borrowing plans are ultimately underpinned by access to the Public Works Loan Board, a readily available source of liquidity. With that said, TfL seeks to achieve its borrowing objectives through diversification of funding sources. In doing so, TfL maintains access to capital markets through its Euro Medium Term Note programme. TfL also borrows from the money markets under its Euro Commercial Paper programme and has several loan facilities with financial institutions and the GLA, including the Mayor's Green Finance Fund.

4.37 TfL continues to refinance the majority of its maturing debt. Borrowing also has a role to play in supporting the capital investment programme. Borrowing is further supported where the capital spend would result in a clear increase in recurring operating surplus that would service the operating and financing costs. Around £1.4bn of incremental borrowing is anticipated across the GLA Budget, although this will be subject to a further assessment of affordability at the time of borrowing.

4.38 Places for London, the TfL property company, is financially independent of TfL and has available to it a revolving credit facility. It will draw on this facility as required to support its capital programme. The GLA Budget assumes Places for London will borrow a cumulative total of £334m by 2027-28 financial year using their facility arrangements which are non-recourse to TfL.

4.39 As debt service represents a relatively significant part of TfL's annual expenditure, a high level of certainty over the interest payment amounts is desirable to meet the balanced budget requirement. The TMS sets an upper limit on the level of variable debt exposure acceptable to TfL.

20-Year Capital Ambition

4.40 TfL's Capital Ambition over the long term is to deliver the outcomes of the Mayor's Transport Strategy, including supporting the three pillars of that strategy: Healthy Streets and healthy people, A good public transport experience, and New homes and jobs.

4.41 In the later years of this Capital Strategy, TfL hopes to improve its funding position to enable an increase in the level of investment towards what is required to deliver all the outcomes of the Mayor's Transport Strategy.

4.42 TfL estimates that delivering this Capital Ambition beyond the next five years would require an average annual spend of £6.8bn in outturn terms (including inflation), of which £4.4bn is the required cost to renew and replace existing assets, including Major Rolling Stock and Signalling replacements. The remainder is required to deliver the enhancements and extensions that will support quality of life in the city as well as critical improvements such as making progress on decarbonising the transport network, eliminating death and serious injury from the transport network and cleaning London's air. The impact of inflation over 20 years is significant, and this is a large driver of the higher costs shown here compared to the first five years of this Budget.

4.43 TfL's Capital Ambition can be divided into three substantial categories, detailed below. Average annual costs in outturn terms for years 6-20 are shown for each category.

Major Rolling Stock and Signalling replacements (£1.6bn pa)

4.44 Across its rail services, TfL owns more than 800 trains, as well as signalling systems across each rail service and line. Underground trains have a design life of around 35-40 years and require replacing towards the end of this period, although in some cases it is possible to extend this life depending on asset condition. Light rail vehicles have a shorter life. The table below shows the ages of the underground and light rail fleets. Rolling stock for London Overground and the Elizabeth line is leased and not owned by TfL, so is not included here.

Years introduced	Rolling stock
1972 – 1974	Bakerloo line (1972 tube stock)
1975 – 1978	Piccadilly line (1973 tube stock)
1991 – 1993	DLR (B90/B92 stock)
1993 – 1995	Central line (1992 tube stock)

Years introduced	**Rolling stock**
1993	Waterloo & City line (1992 tube stock)
1997 – 2000	Northern line (1995 tube stock)
1997 – 2000	Jubilee line (1996 tube stock
2000	Trams (CR400)
2001 - 2002	DLR (B2K stock)
2005 – 2006	Jubilee line additional trains (1996 tube stock)
2009 – 2012	Victoria line (2009 tube stock)
2007 - 2008	DLR (B07 stock)
2012 - 2015	Trams (Stadler Variobahn)
2010 – 2017	Circle, District, Hammersmith & City and Metropolitan lines (S7/S8 stock)

4.45 To optimise whole-life cost, rolling stock should be replaced at the end of its design life or as close to it as reasonably possible. Over the course of the next 20 years, this will mean replacing the rolling stock on the Piccadilly, Bakerloo, Central, Waterloo & City, Jubilee and Northern lines, as well as rolling stock on Trams and more recent DLR vehicles.

4.46 While the replacements for Piccadilly and DLR rolling stock are in delivery, TfL will require funding support to enable this programme of replacements to progress for other London Underground lines and Trams, and the government have acknowledged in their funding settlement letters that "for major capital enhancements and major renewals (i.e. replacement of life expired rolling stock and signalling), TfL is not expected to solely finance these from operating incomes, as is consistent with other transport authorities".

4.47 Like trains, signalling systems also degrade over time and require replacing when the costs of maintaining them are no longer efficient compared to the costs and benefits of replacing them.

4.48 When TfL replaces life-expired assets, the new rolling stock and signalling typically provide much greater functionality than the older assets being replaced. This category assumes that TfL assets are replaced with modern equivalents – which would perform at a higher level than the assets they are replacing, some of which date back to the 1970s or earlier.

4.49 For signalling, costs are included for a replacement system on the Piccadilly line by the end of the plan and replacement Bakerloo line signaling. These investments would deliver performance, reliability and capacity benefits, supporting communities all along these important routes. Incremental replacement projects across the Central line and DLR, and ongoing management of existing systems on all other lines are included in Renewals.

Renewals (£2.8bn pa)

4.50 Separate from the large-scale projects to renew and replace rolling stock and signalling, TfL's ongoing capital renewals cover the remaining investment in its existing asset base. This covers assets ranging from London Underground track, stations, power, roads and other enabling assets to highways, bridges, cycle routes, IT systems and many others.

4.51 TfL's asset condition has been deteriorating in recent years after a decade of underinvestment in assets due to the uncertain and insufficient government funding since 2015.

4.52 TfL will never compromise safety and it continually assesses asset condition to ensure it can maintain safe operations. However, the measures to maintain safety can lead to reduced operations, which will impact the reliability of services, revenue environmental performance and financial sustainability. It will also lead to more inspections, maintenance and higher costs in the long term for emergency works and sub-optimal repairs.

4.53 Therefore, investing in maintaining the condition of TfL's assets is crucial to the long-term sustainability of London's transport network. It supports the high standards of safety, reliability and environmental performance that TfL must deliver, as well as enabling the best whole-life cost for maintaining assets to be achieved.

4.54 TfL has been increasing the level of investment in asset renewals since 2020-21, when it was further reduced by the impact of the coronavirus pandemic. This strategy continues that path to returning renewals investment to a sustainable level in the medium to long term.

4.55 TfL's GLA Budget submission sees an increase in the level of renewals of its assets slightly, although this is still below the rate it needs to achieve in the long term. In the second half of this strategy, TfL has increased renewals spend towards what is required for a more stable long-term investment rate.

Enhancements (£2.0bn pa)

4.56 TfL's GLA Budget submission allows TfL to deliver enhancements to the network. However, this is still at a rate below that which TfL needs to achieve in the long term. In the second half of this strategy, TfL aims to be able to build up activity to accelerate progress towards making London a safer city, with cleaner air and greener, more inclusive environments. This long-term investment will also be aimed at delivering a transport network that will unlock growth and support future housing and jobs growth, to maintain London's competitiveness as a world-leading city for living, working and visiting.

4.57 The enhancements category includes investment priorities that are required to deliver the wide range of improvements set out in the Mayor's Transport Strategy. This includes progressing towards London's ambitious goal of making London's transport network zero carbon; increasing a shift to walking, cycling and public transport; TfL's Vision Zero ambition to eliminate death and serious injury from London's roads; and providing step-free access at

London Underground and rail stations. Improving the transport network will also require investment in TfL's technology to increase productivity and improve customer experience.

4.58 As well as the capital investment on TfL's own assets included in this category, TfL contributes to improvements on London's street network through its operating account, which funds work on borough roads through Local Implementation Plans.

4.59 This category also covers new-build schemes to extend existing lines or build completely new routes. TfL has been developing several such schemes that will unlock housing and growth across London, relieve crowding on the existing network and stimulate development in Opportunity Areas. Many schemes have developer and borough funding committed towards scheme development and/or delivery and delaying them may result in developers choosing to invest elsewhere, potentially outside London, losing significant third-party income to maximise economic growth in Opportunity Areas.

4.60 Network extensions require input from multiple stakeholders including the Mayor, developers, boroughs and other third-parties and due to their size and complexity they require bespoke delivery plans that take a long time to implement. It is not possible to commit to long-term projects unless and until there is long-term funding available to ensure they can be completed. Therefore, a lack of certainty of funding can delay the start of highly beneficial improvements.

4.61 The extension schemes included here are subject to funding becoming available to deliver them, as well as consultation and approval processes. The schemes considered are a DLR extension to Thamesmead directly unlocking 25,000 new homes, the Bakerloo Line Extension aimed at improving connections within southeast London and into central London and directly unlocking 20,000 new homes, and the West London Orbital, a new rail service that would be part of the London Overground and improve connectivity across west and northwest London and directly unlock 7,000 new homes.

4.62 All planned extension schemes will be dependent on third-party and government funding to support their affordability, reflecting the various beneficiaries such schemes deliver.

4.63 Many of these schemes would be likely to be delivered in cooperation with other organisations, but it has included the full estimated capital cost of each scheme at this stage. It is likely that TfL will not eventually incur the full capital cost as and when these schemes proceed to delivery, with partial funding from government and third parties.

Schemes not explicitly funded within the Capital Strategy

4.64 As well as the extension schemes mentioned in the above paragraphs (e.g. West London Orbital) where the capital strategy is dependent on funding becoming available, there are other schemes that have not been included within our capital strategy.

4.65 TfL is committed to supporting the extension of HS2 to Euston, however the improvement works required to Euston and Euston Square Underground stations are not funded within TfL's plans.

4.66 According to the recently published London Climate Resilience Review (2024) there continues to be a strong case to invest in mitigating and adapting to the climate and ecological emergencies to ensure the transport network in London can continue to operate safely. Appendix B sets out the measures currently budgeted to directly reduce carbon emissions and adapt the network to the impacts of climate change and biodiversity loss. TfL will continue to develop its understanding of the measures required, which will inform ongoing investment prioritisation decisions.

4.67 There continues to be a strong case for further devolution for London's main line rail network to TfL, but this is dependent on wider solutions adopted for the main line rail network. No costs are allowed for related activity within this Capital Strategy, but work could be added if and when agreement on further devolution is reached.

4.68 There continues to be a strong case for developing Crossrail 2 as a major scheme for the longer-term development of London. At this stage TfL does not expect construction work on Crossrail 2 to begin within the timescales covered by this Capital Strategy, but it remains an important long-term scheme for London. TfL continues to safeguard the route. If a funding package can be identified, work on the scheme could be brought forward.

20-Year Capital Investment Plan

4.69 All projects included in the Capital Ambition are included within the Capital Investment Plan.

4.70 While the Mayor's Transport Strategy deliverables are clear, it is not always possible to be precise about the exact schemes being undertaken, particularly towards the later years of the Capital Strategy. Where specific projects and cost estimates are not available, costs have been included based on appropriate comparator projects. This means the costs outlined in this Capital Investment Plan are not precise and will be expected to change over time.

4.71 The Capital Investment Plan covers work on TfL's existing network and anticipated extensions to it. Other investment in London's transport infrastructure not owned by TfL would be required to accomplish the outcomes of the Mayor's Transport Strategy, but such investment is not included here, as it would not be classified as TfL's capital investment. TfL will continue to make the case for all investment required to deliver the Mayor's Transport Strategy to be progressed, regardless of who owns the assets. If there is any transfer of responsibility for assets in future, then future Capital Strategies would reflect any required investment in this new asset base.

4.72 Increasing activity from the current level to the levels of investment proposed for later years of this strategy would require increasing TfL's delivery capacity. This would be best supported by confirmation of long-term funding that would allow commitment to planning and developing schemes with TfL's supply chain to achieve the level of delivery necessary to support a larger capital programme.

4.73 Uncertainty of funding over a long period constrains TfL's ability to optimise investment delivery. It is also inconsistent with the commitments TfL needs to make to projects that take many years to design and build and an asset portfolio that, in order to be efficient, requires a whole life approach to maintenance. Without a clear picture of future resources, TfL cannot plan for the future of the network, and the benefits it brings nationally, in an optimal way.

4.74 The combined Capital Investment Plan and Capital Funding Plan are presented in paragraph 4.81.

20-Year Capital Funding Plan

4.75 TfL is on course to continue to make an operating surplus in 2024-25 and grow this surplus in future. This will mean that capital renewals are funded by operating income. While the level of renewals will need to increase in later years of this strategy, TfL's intention will be to continue to fund them within a balanced operating account.

4.76 The other categories contain a large number of schemes, including all streets investment and much of London Underground and Rail investment to renew, improve and grow the existing network. A steady and sustained level of capital improvements not only delivers efficiencies and reduces whole life costs but improves the reliability of TfL's transport network.

4.77 TfL's funding agreements with government have acknowledged that TfL would not be expected to fully fund the replacement of life-expired rolling stock, signalling and major road renewals. Accordingly, TfL has assumed some government contributions towards this investment during the years of the GLA Budget, although it is noted there is no confirmation of this beyond March 2026.

4.78 TfL regularly review the amounts it can borrow, ensuring they are prudent, affordable and sustainable. Around £1.4bn of incremental borrowing is anticipated across the GLA Budget to fund TfL's capital investment programme for each financial year, which will be subject to a further assessment of affordability at the time of borrowing. TfL also plans to refinance the borrowing due to mature throughout the period of this plan.

4.79 Network extensions not only improve transport but also stimulate a step change in development in the areas they run through, and they are of strategic importance to the future of London and the wider South-East. Network extensions not only unlock growth, jobs and new homes but increase capacity and accessibility to jobs. They are a significant contributor to the national priorities of economic growth, levelling up and decarbonisation and not delivering them will likely put London and the wider UK's economic recovery at risk.

4.80 Due to the size, complexity and expense of these schemes, they require bespoke funding and delivery plans, as was the case for Crossrail 1 (Elizabeth line) and the Northern Line Extension. Sources of funding for these projects could range from central government investment grants through to devolved income streams, contributions from developers and other forms of land value capture. Elements of some projects would be expected to be delivered by bodies other than TfL, such as Network Rail.

4.81 Given the early stages of development of these schemes, it is natural that their funding packages have not yet been fully agreed. This Capital Strategy includes funding where sources have already been identified.

4.82 Other possible funding sources towards this investment are considered in the next section.

Capital Investment and Funding

4.83 The combined Capital Investment Plan and Capital Funding Plan is shown below. All figures are adjusted for future forecasts of inflation.

TfL's Capital Strategy £bn	**2024-25 to 2028-29 £bn**	**2029-30 to 2033-34 £bn**	**2034-35 to 2038-39 £bn**	**2039-40 to 2043-44 £bn**	**Total Years 6-20**	**Average per year Years 6-20**
Major Rolling Stock and Signalling Upgrades	(3.0)	(3.8)	(9.6)	(10.4)	(23.8)	(1.6)
Enhancements	(1.6)	(10.7)	(12.0)	(7.6)	(30.3)	(2.0)
Renewals	(5.3)	(9.4)	(13.5)	(19.8)	(42.7)	(2.8)
Places for London	(1.4)	(1.4)	(1.6)	(1.9)	(4.9)	(0.3)
Total capital expenditure	**(11.3)**	**(25.3)**	**(36.7)**	**(39.7)**	**(101.7)**	**(6.8)**
Funding						
Capital Receipts	0.9	1.4	1.6	1.9	4.9	0.3
Revenue Contributions	3.0	11.2	15.9	21.7	48.8	3.3
Borrowing	1.4	-	-	-	-	-
Working Capital and Reserve movements	(0.3)	-	-	-	-	-
Capital Grants	6.3	-	-	-	-	-
Total funding	**11.3**	**12.6**	**17.5**	**23.6**	**53.7**	**3.6**
Growth opportunities	(1.5)	-	-	-	-	-
Overall additional funding required	**(1.5)**	**(12.7)**	**(19.2)**	**(16.1)**	**(48.0)**	**(3.2)**

Ambition Gap

4.84 For the first five years, the capital strategy aligns with the GLA Budget submission. The total capital expenditure matches the total funding, based on an assumed level of capital funding from government for replacement of rolling stock and signalling and for major road renewals. However, for the Phase 2 of the Spending Review, TfL is also developing proposals that support the government's missions to kick start economic growth across the country, make Britain a clean energy superpower and break down barriers to opportunity. These are not in the GLA Budget submission but could be included in future budget submissions if they secured funding in Phase 2 of the Spending Review.

4.85 Beyond the first five years, there is a gap between the Capital Ambition and identified funding sources. The long-term financial situation of TfL is uncertain and also subject to discussions with the GLA and the government, although in the longer term there is greater flexibility and the potential ability to identify new, sustainable sources of funding.

4.86 Various mechanisms exist for raising this additional funding, including:

a) Further government support beyond the current business rates arrangements. This could include a larger allocation to London, reflecting its contribution to the national economy, and a longer-term settlement enabling TfL to plan with more certainty for investments that will take many years to deliver. TfL continues to make the case to government, for confirmed capital funding to support the investment described in this strategy.

b) Devolution of financial powers to London (and other cities). London controls relatively little of the tax raised within it. Devolving powers over taxes such as stamp duty and vehicle excise duty could allow the cities of the UK to better manage their own growth.

c) Generating an operating surplus and devoting this to investment. TfL achieved operational financial sustainability in 2023-24 and intends to generate a growing operating surplus from 2024-25 onwards. Any such surplus would be used to fund further investment.

d) Generating new commercial income. TfL generates income from property development, management of its media and advertising estate, and leveraging its expertise and intellectual property in markets in the UK and overseas. Any new commercial income (beyond that already planned) could potentially be reinvested in capital investment.

e) Bidding for targeted support from central government. This could come from existing sources such as the Housing Infrastructure Fund, Major Road Network funding, Public Sector Decarbonisation Scheme, Levelling Up Fund, or from new sources. TfL continues to make the case for equitable access to funding streams that are available to the rest of the country, but London is excluded from.

f) Private financing on a case-by-case basis where it delivers value for money. Such financing would generally have to be paid back over time through the operating account, so this option should only be considered as a short-term financing solution where circumstances justify it.

g) Borrowing. The borrowing set out in this strategy has been assessed against affordability criteria. If TfL's operating revenues increase sufficiently, it may be possible in future to use further borrowing to close short-term financing gaps, but this would only be appropriate to fund projects that will in the long run generate sufficient operating surpluses to service the interest on this borrowing. Borrowing could take place against revenues/funding sources that continue or begin beyond the 20-year period covered by this Capital Strategy. To optimally satisfy its borrowing objectives, TfL actively diversifies its sources of finance, this includes utilising the Mayor's Green Finance Fund when suitable projects are identified. Places for London, the TfL property company is financially independent of TfL and has available to it a revolving credit facility and will draw on this facility as required to support its capital programme. This facility is non-recourse to TfL.

h) Funding contributions from developers and other third parties including boroughs. TfL seeks such funding for all appropriate projects.

Risks to the Capital Investment Plan

4.87 TfL manages an identified set of strategic risks through a defined framework. Risks are reviewed on a regular basis and reported to the relevant committee of the TfL Board annually. Some particular risks relevant to the capital account over a 20-year horizon are noted here.

4.88 Lack of long-term certainty of funding: It is not practicable to enter into long-term contracts for major projects until funding is determined, so delay in agreement of long-term funding can result in a delay in projects beginning. This risk can be best managed by early identification and sharing of funding requirements with stakeholders.

4.89 Approvals and consents risk: Most projects require cooperation including approvals from other parties which may or may not be forthcoming. This includes Transport and Works Act 1992 powers/hybrid bills for many projects.

4.90 Delivery risk: delivery of a significant capital programme contains many risks, particularly where cost estimates are being made many years in advance of when projects would begin and in some cases with little detail available on which to base an estimate. Developments in the construction industry could lead to increases or decreases in the case of delivering projects included here.

4.91 Risk of estimating future costs: It is very difficult to predict cost inflation over 20 years, and TfL faces both general inflation and differential construction cost inflation. There are also material short-term uncertainties. A two per cent increase in inflation for next year, flowing through the 20-year plan would increase costs by around £2.2bn.

4.92 Risk that pressures on TfL's operating account require funding to be diverted away from capital expenditure: This could include for issues such as inflation or other drivers of higher operating costs for necessary staffing and maintenance levels.

4.93 Risk related to asset condition: Due to affordability constraints, investment in TfL's asset base in recent years has been less than is required for a sustainable long-term rate. This means asset condition has declined. This creates risks to performance, which TfL will have to manage through maintenance, inspections and if necessary, restrictions. In the long term, there will be ongoing risk that worse asset condition will lead to higher required spend in future.

4.94 A PESTLE analysis of the Capital Strategy identifies a number of risks listed below. Many of these could impact on TfL either positively or negatively.

a) Political risks: TfL is part of the regional government of London, and also works with political stakeholders at local (borough) and national levels. Different policy priorities between these groups will impact on TfL in different ways, including the availability of funding to achieve these policy priorities. This may alter the need for and funding available for TfL capital projects. Over 20 years changes in these different political stakeholders are hard to forecast, though many of the priorities towards which TfL projects contribute tend to have cross-party support.

b) Economic risks: Over 20 years many economic conditions and factors could change demand for TfL services, and therefore indirectly funding available and the need to invest. TfL's revenues are particularly closely linked to the size of the London economy.

c) Social risks: Known risks include reductions in the requirement for travel such as increases in home working, internet shopping and alternatives to conventional public transport such as private hire apps, ride sharing, car clubs and new mobility solutions. Such trends if accelerated could require a re-prioritisation of the strategy.

d) Technology risks: Known risks include cyber security, the impacts of artificial intelligence, autonomous vehicle technology and increased ability to work remotely – but there may be others yet to be invented. These could have favourable or unfavourable impacts on TfL and might challenge today's public transport model.

e) Legal risks: TfL may be compelled to undertake new activity as a result of changes in law, which may increase costs of projects or require additional ones. Legal challenges may delay TfL activity.

f) Environmental risks: The climate and ecological emergency creates a significant challenge for TfL across adaptation, resilience and decarbonisation. Increase risk of flooding, extreme weather events, drought and storms all need to be considered on TfL assets (including natural assets) and network. Wider impacts due to the climate and ecological emergency include supply chain disruption, human and species migration and social unrest. TfL is improving its understanding of this requirement, but future climate challenges cannot be predicted with high confidence. Addressing the climate and ecological emergency will require investment in decarbonising TfL services, adapting to a changing climate and protecting and regenerating nature on TfL assets and through supply chains, which it has already included in this Capital Strategy, but the specific requirements of this could change.

Appraisal and prioritisation

4.95 TfL's financial planning process involves input from TfL's Executive Committee, the Finance Committee and TfL Board at numerous points through the financial year.

4.96 Similarly, the Mayor's Transport Strategy underwent a thorough review and approval process. This included substantial stakeholder engagement during its development followed by a fifteen-week public consultation in the summer of 2017. An Integrated Impact Assessment and substantial evidence base were also developed and published alongside the strategy. Taking into account comments received during this consultation, the final Mayor's Transport Strategy was approved by the Mayor in February 2018, then considered by the London Assembly in March 2018.

4.97 The TfL project and programme management methodology "Pathway" allows for key governance intervention points to ensure effective governance oversight and control throughout the project lifecycle. This includes TfL's three-line assurance system, part of which involves monitoring and advice from the Independent Investment Programme Advisory

Group. At a strategic level, monitoring and evaluation are in place across the Mayor's Transport Strategy to ensure that the desired outcomes are delivered.

4.98 Detailed prioritisation takes account of contractual and legal commitments, including Funding Agreements, as well as the relative business cases as determined according to TfL's Business Case Development Manual and the HM Treasury Green Book, and detailed prioritisation criteria in TfL's Strategic Outcome Framework.

Statutory Chief Finance Officer sign off

This Capital Strategy is a planning document reflecting a high-level view at a time of considerable uncertainty. As understanding of funding and requirements of the network evolve in coming years, it will need to be kept under review.

Affordability of the Capital Strategy over 20 years is dependent on TfL obtaining significant additional funding which cannot be considered certain at this point in time. The characteristics of the funding source(s) could influence the timing, cost and capitalisation of projects within the Capital Strategy. The nature of these large projects is such that they require a certainty of funding over several years before they begin.

The risks noted above are a comprehensive but not exhaustive list. Significant known risks have been listed; however, it is possible that unpredictable future events and opportunities would result in an amendment to the TfL Capital Strategy. Readers of the Capital Strategy should note the considerable risk in estimating costs up to 20 years into the future, especially for novel projects.