TfL Mayor’s Budget 2024/25

GLA Consultation Extracts

December 2023 – DRAFT 12-Dec-23

MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

About Transport for London (TfL)

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

This year, we continued to deliver a strong set of results that show we are successfully implementing our strategy. We are actively growing passenger demand, creating new sources of revenue to reduce our reliance on fares income, delivering recurring savings and growing an operating surplus based on our own income sources.

In 2023/24, we are on track to achieve operational financial sustainability, generate a surplus and no longer rely on Government funding to support our day-to-day operations. Our focus is now firmly on maintaining and building on this sustainability as the financial foundation for this submission to the Mayor's Budget. We will grow our operating surplus further and reinvest it into making our city and our organisation better.

We continue to improve our income by growing the value of our property company, Places for London, taking advantage of third-party funding sources and driving commercial media revenues through building successful commercial partnerships. We are on track to meet our target for year-on-year passenger journey growth of six per cent, on top of the 31 per cent increase in 2022/23. We also forecast that we will reach the pre-pandemic level of four billion journeys by the final year of this plan in 2026/27.

This plan maintains our commitment to reduce like-for-like operating costs in real terms, targeting inflation minus two per cent on average. We have made strong progress towards our £600m recurring savings target by 2025/26 by improving working practices, driving improvements for colleagues to make TfL a great place to work and targeting efficiencies within our supply chain.

Diversifying our income and continuously improving our cost efficiency means we can continue to invest with confidence. This plan ensures that we continue to protect our critical assets to run a safe and reliable transport system and delivers our committed investment – including new Piccadilly line and DLR trains, more zero emission buses, and further modernisation of the District, Hammersmith & City and Metropolitan lines.

Our plan assumes that the Government will contribute significant funding to our major rolling stock and signalling programme in 2024/25, and into the longer term. While we welcome the reference in the Autumn Statement for funding towards highway maintenance and a new bus network in the Docklands, discussions on our core funding requirement have continued since submitting our 2024/25 funding request in September: but these have not yet concluded.

Our investment with the UK supply chain supports billions of pounds worth of economic growth across the country. If a long-term capital funding settlement could be reached, the number of jobs that could be unlocked across the UK – and the economic good this could deliver – would have the potential to grow significantly in the coming years.

Investment in London’s transport has direct and substantial benefits for jobs and growth outside the capital – whether through direct manufacturing or supply chains.

We are maintaining cash reserves at a prudent level and are keeping an affordable level of debt to fund our investment. Our cash balances are in line with Budget and we expect them to stand at £1.3bn in March 2024, in line with our funding agreement. We continue to have the GLA financing facility available to us.

Rachel McLean
Chief Finance Officer
Transport for London

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

The draft TfL 2024 Business Plan

In December 2023, TfL will publish its draft 2024 Business Plan document, which will set out our plans and investment priorities for the period 2023/24 to 2026/27, our progress to date, how we are financially securing our future and how our work contributes to delivering the Mayor's Transport Strategy. The 2024 Business Plan will be submitted for noting by the TfL Board in December 2023, and submitted for approval to the TfL Finance Committee at a later date.

TfL's projects and priorities are shaped by the ambitions of the Mayor's Transport Strategy, which acknowledges the key role transport plays in shaping London and driving its global competitiveness. It also emphasises the way that effective and well-planned transport projects and improvements can play a vital part in improving the health, opportunities and quality of life of those who live and work in our city.

The information set out in this document aligns to the draft TfL 2024 Business Plan, however this may be subject to change as the plan is finalised and approved by the TfL Finance Committee in due course.

GLA SECTION 1

Introduction

The GLA is the strategic authority for London and supports the Mayor and the London Assembly in delivering their respective responsibilities and functions. The GLA’s five functional bodies are its principal delivery arms: the Mayor’s Office for Policing and Crime (MOPAC), overseeing the work of the Metropolitan Police Service; the London Fire Commissioner; Transport for London (TfL); the London Legacy Development Corporation (LLDC) and the Old Oak and Park Royal Development Corporation.

GLA SECTION 5 - TfL Main Budget Section

Introduction

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 user charging schemes (the Congestion Charge, DVS, ULEZ and LEZ), 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.

Producing the TfL GLA Budget to inform the Mayor's Budget

1.1 Since the onset of the coronavirus pandemic in March 2020, there has been a significant level of uncertainty for many industries across the United Kingdom. For TfL specifically the pandemic 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.

1.2 Following a series of short-term funding agreements since the onset of the pandemic, on 30 August 2022 the DfT and TfL agreed a Funding Settlement out to 31 March 2024 which provided both base funding and a guaranteed level of passenger income via a revenue top-up mechanism. A copy of this funding settlement and earlier agreements can be found on our website.

1.3 In the August 2022 Funding Settlement, the Government has recognised 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"*. In recognition of this, TfL has assumed significant capital funding in 2024/25 contributing to the cost of replacement of life expired rolling stock on the Piccadilly line, Bakerloo line, DLR, and Trams network and the completion of signalling replacement on the final sections of the District and Metropolitan lines.

1.4 TfL continues to engage in constructive discussions with Government to ensure capital funding for the years beyond 2024/25 is secured, and further Government capital funding has been assumed in those years.

1.5 In 2023/24, TfL refocused its commercial property company *Places for London*, a wholly owned subsidiary that will unlock the potential of TfL's land holdings (one of London's largest) and create a greener, kinder and more connected London for everyone. The financials disclosed in this section are inclusive of Places for London.

1.6 Given 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 2024 to ensure that TfL is financially sustainable and more details on this can be found in the TfL 2024 Business Plan published in December 2023.

Key deliverables

1.7 In 2023/24, TfL is on track to achieve operational financial sustainability, generate a forecasted operating surplus of £79m (inclusive of Places for London) and no longer rely on Government funding to support day-to-day operations. The focus is now firmly on maintaining and building on this sustainability and TfL will grow its operating surplus to reinvest it into London to make both the city and the organisation better. This budget submission seeks to continue the rebuilding of TfL's finances, improve efficiency, and help to secure the future of TfL across three key areas:

- Attract more customers on to the TfL network, reduce reliance on fares income and motivate colleagues to achieve TfL's revenue goals:
    - Reach pre-pandemic levels of four billion journeys by the end of 2026/27
    - Grow new revenue sources
    - Increase non-fares revenue as a proportion of total income
- Continue to be affordable for customers and taxpayers. This will be done by improving working practices to make TfL a great place to work, while also targeting continuous savings:
    - Continue to reduce like-for-like operating costs in real terms by inflation minus two per cent
    - Deliver the target of £650m of recurring operating cost savings by 2025/26
- TfL will continue to run a safe and reliable transport system that delivers for London. TfL needs to prepare for whatever challenges lie ahead and aims to:
    - Achieve a capital funding settlement with Government for 2024/25
    - Achieve a long-term capital funding settlement with Government
    - Grow an operating surplus of around £500m by 2026/27
    - Grow TfL's General Reserve Fund back to at least £500m by 2025/26

1.8 Notwithstanding securing the 30 August 2022 Funding Settlement, the pandemic gave TfL a huge forecasting challenge and, although this uncertainty has reduced, the associated movement from the new normal for travel behaviour continues to do so. There is also continued uncertainty over recent and emerging geopolitical events, higher cost of living pressures, higher interest rates and tighter public finances. Demand forecasts have always been underpinned by independent data, statistics, and informed by analysis of the effect of real events and in-house expertise, but the continued uncertainty means any approach to forecasting must continuously adapt.

1.9 TfL has used a scenario-based approach to demand forecasting as TfL continues to deal with the various uncertainties. These scenarios are underpinned by a range of external forecasts relating to the economy and population, but now also include projections for less reliable factors, such as the commuting frequency of office workers and when it is likely to reach the new normal for travel behaviour.

1.10 Monitoring and assessing external and internal threat and opportunity indicators are key to the planning and reporting process, enabling an effective response to early warning signs and to take actions to keep TfL on track.

GLA Collaboration

1.11 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, both within the GLA Group and with other like-minded organisations. Senior Executives from across the GLA Group sit on the Group Collaboration Board which is responsible for strategic oversight and key decision making.

1.12 The Programme is looking at options for realising benefits from greater collaboration, including efficiencies arising from how we buy energy more efficiently; utilising TfL's 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.

Gross service expenditure

1.13 Gross service expenditure (total operating costs, debt servicing expense and capital investment support) decreases marginally by £8.3m, from £9,119.7m in the Budget for 2023/24 to £9,111.4m in the latest forecast due to lower debt servicing costs and lower revenue resources towards capital investment owing to some programmes slipping, offset by slightly higher operating costs.

1.14 The budget for gross service expenditure of £9,521.4m in 2024/25 is £401.7m higher than the Budget for 2023/24 as higher operating costs and higher debt servicing costs are accompanied by predominantly higher income allowing £262.8m of additional revenue resources towards capital investment.

Net financing and council tax requirement

1.15 The pandemic exposed TfL's increasing reliance on covering its operating costs from fare revenue compared to other similar authorities, although TfL is expecting to see passenger demand increase to circa 90 per cent of pre-pandemic levels in 2023/24.

1.16 TfL expects ridership to continue building as London recovers from the pandemic. 2024/25 Passenger Income of £5,647.1m is based upon a planning assumption of an annual national fare increase of four per cent in March 2024 in line with the 30 August 2022 Funding Settlement. The actual level of fares is set by the Mayor on an annual basis and implemented each March. After deducting passenger and commercial income, fees, charges, other income and its planned use of reserves, the Mayor proposes that TfL's net financing requirement for 2024/25 is £2,266.4m. An analysis of the revenue budget by service area is summarised on page 28.

1.17 The Mayor proposed in his Budget Guidance, that as a planning assumption, and consequent to Government funding conditions, TfL's council tax requirement for 2024/25 would increase to £244.3m from £178.3m and business rates retention would increase from £1,991.2m in TfL's 2023/24 forecast to £2,013.7m.

1.18 For March 2025 and onwards, TfL has assumed a planning assumption of an annual fare increase of the retail price index. The actual level of fares is set by the Mayor annually. The passenger demand assumption is steady growth, in line with current trends, returning to pre-pandemic levels of four billion journeys by the end of 2026/27.

Key items in the 2024/25 budget

1.19 The following table sets out TfL's budget on an objective basis
(^TfL Budget represents the TfL Budget published and approved by the TfL Board in March 2023)

TfL Objective Analysis	TfL Budget^ 2023/24 £m	Forecast Outturn 2023/24 £m	Budget 2024/25 £m	Plan 2025/26 £m	Plan 2026/27 £m
Income					
Passenger Income	(5,239.0)	(5,255.9)	(5,647.1)	(5,963.1)	(6,222.9)
Congestion Charge, LEZ & ULEZ Income	(1,016.6)	(998.5)	(988.0)	(751.7)	(565.0)
Other Operating Income	(650.9)	(598.4)	(602.1)	(633.9)	(643.8)
Third-party Contributions	(31.8)	(33.0)	(35.6)	(35.8)	(36.2)
Subtotal income	**(6,938.3)**	**(6,885.8)**	**(7,272.8)**	**(7,384.5)**	**(7,467.9)**
Operating costs					
London Underground	1,742.5	1,819.9	1,710.2	1,692.1	1,692.7
Bus, Roads, Compliance & Policing	3,133.5	3,123.8	3,369.4	3,422.1	3,427.6
Contracted Rail & Sponsored Services	608.4	609.7	647.1	663.7	663.6
Elizabeth line	538.0	522.5	586.6	581.4	583.2
Congestion Charge, LEZ & ULEZ expense	613.2	663.3	555.8	453.5	349.8
Other Operations	1,251.9	1,165.9	1,141.6	1,170.1	1,212.4
Subtotal operating costs	**7,887.5**	**7,905.1**	**8,010.7**	**7,982.9**	**7,929.3**
Other					
Debt Servicing	417.0	414.0	432.7	475.1	511.6
Revenue resources used to support capital investment	815.2	792.3	1,078.0	1,212.0	1,406.1
Net service income and expenditure	**2,181.4**	**2,225.6**	**2,248.6**	**2,285.5**	**2,309.2**
Transfer to/(from) Reserves	10.6	22.0	17.8	3.1	(5.7)

Financing requirement	**2,192.0**	**2,247.6**	**2,266.4**	**2,288.6**	**2,303.5**
Specific grants	7.5	9.4	8.4	8.1	-
GLA funding from transport reserve	92.7	141.8	-	-	-
Retained business rates	1,991.6	1,991.2	2,013.7	2,032.5	2,051.8
Services grant	-	4.6	-	-	-
Collection fund deficit	(78.1)	(77.7)	-	-	-
Council tax requirement	**178.3**	**178.3**	**244.3**	**248.0**	**251.7**

Explanation of budget changes

1.20 An analysis of the year-on-year movement in the Mayor's proposed council tax requirement for TfL compared to the Budget for 2023/24 is set out below. An explanation of each change is provided in the paragraphs that follow.

Changes in the council tax requirement	**£m**
2023/24 council tax requirement	**178.3**
Changes due to:	
Passenger and commercial revenue and other income	(334.5)
Net change in service expenditure	123.2
Including:	
Savings and efficiencies	*(301.0)*
Inflation	*255.0*
Revenue surplus / (deficit)	262.8
Debt servicing	15.7
Use of reserves	7.2
Government and other revenue grants	91.8
Retained business rates	(22.1)
NNDR deficit repayment to the GLA	(78.1)
2024/25 council tax requirement	**244.3**

Net change in passenger and commercial revenue and other income

1.21 Passenger, commercial and other income is estimated to increase by £334.5m, from £6,938.3m in the Budget 2023/24 to £7,272.8m in 2024/25, primarily due to passenger income from growing ridership and a higher fare yield.

1.22 To help meet the conditions of earlier funding agreements, the Mayor announced in December 2021 that he had to consider some modifications to fare structures and ticketing to raise between £60m and £80m per year. This involved making some hard decisions, but the Mayor must balance protecting important concessions with the requirement from Government to raise additional revenue. TfL supported the Mayor by implementing several options. These were:

- All journeys to and from Heathrow via Zone 1 are now an all-day peak fare
- The fee for a new Oyster card has changed from £5 to £7, which is now non-refundable
- The temporary suspension of free travel for 60+ Oyster card and Older Persons Freedom Pass holders between 4.30am and 9am on weekdays is now permanent

1.23 In July 2023, TfL gave notice of its intent to withdraw the Day Travelcard in January 2024. However, after close collaboration with the Rail Delivery Group, a way was found that enables the Day Travelcard to continue to be accepted on services, while still meeting the terms of TfL's funding agreement with Government. This means customers can continue to buy Day Travelcards as part of their train tickets to London. The proposal includes a one-off price increase on Day Travelcards bought outside Zones 1-6 as part of a National Rail ticket from March 2024 (three per cent on average), which will be in addition to any general regulated fares increase at the time. In 2023/24 the Mayor has provided £9m in recurring funding to retain Monthly and Annual Travelcards.

1.24 In November 2022, the Mayor announced that he would expand the ULEZ London-wide to tackle the triple threats of air pollution, the climate emergency and congestion, and to ensure five million more Londoners can breathe cleaner air. The expansion came into effect on Tuesday 29 August 2023 across all London boroughs up to the existing Low Emission Zone boundary. The expansion was accompanied by a brand new £160m scrappage scheme launched in January 2023 to support Londoners, charities, small businesses and sole traders to transition to less polluting vehicles. As of 22 October 2023, £121m has been committed to 95,000 applicants.

Net change in operating expenditure

1.25 The change in total operating expenditure is an increase of £123.2m between the Budget for 2023/24 and 2024/25. Increased costs on TfL's Bus and other Contracted Services are key drivers of the increase (see Subjective Analysis on page 29), partially offset by savings and other efficiencies.

Inflation & Interest Rates

1.26 Throughout this last year, the rate of inflation has decreased as compared to the dramatic increases of the previous year which saw highs not seen since 1981. At the time of publication, RPI stood at 6.1 per cent and Consumer Price Index (CPI) at 4.8 per cent, which though high in a historical context, is significantly lower than the peak of 14.2 per cent (RPI) and 11.1 per cent (CPI) seen in October 2022. Nevertheless, inflation has continued to cause significant pressure on TfL's total operating cost base and current expectations are that the impact of higher inflation will drive an additional circa £255m of cost on a year-on-year basis into the total operating cost base in 2024/25.

1.27 On 22 November 2023 the Office for Budget Responsibility (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 TfL Budget published in March 2024. This plan is based upon the OBR forecasts and economic outlook published in March 2023.

1.28 As a response to the increased levels of inflation in the economy, the Bank of England has been raising interest rates in line with its mandate to return CPI inflation to two per cent. At the time of publication, Bank Rate stood at 5.25 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.

1.29 While TfL benefits from its stock of debt being of long maturity and fixed at relatively low rates, new recent borrowings and re-financing have experienced the sharp rise in interest rates seen in the market. Partially offsetting this effect however 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.

Savings and efficiencies

1.30 Following the 2023 Business Plan, TfL reset its savings programme to a target of £600m of recurring operating savings from 2022/23 to 2025/26. TfL is committed to reducing like-for-like operating costs by inflation less two per cent, and as such, as part of the 2024 Business Plan, TfL has re-assessed its target to £650m over the same period, plus a further £141m of recurring savings in the final year of this plan.

Recurring Savings	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	TOTAL £m	2026/27 £m
TfL	92	122	301	135	**650**	141

1.31 TfL expect to make further recurring operating savings of £122m in 2023/24 through:

- Continuation of TfL's Stations and Trains Modernisation Programme, and savings arising from the Four Lines Modernisation Programme
- Savings through supplier partnerships programmes across TfL's asset maintenance contracts, third-party technology and contracted services suppliers
- Review of the bus contract commercial model and payments to operators
- Tightly controlled recruitment and overtime
- Driving additional sub-let income through TfL's "3 Hub Strategy" across the Head Office estate

1.32 TfL plan to make incremental recurring operating savings of £301m in 2024/25. TfL is committed to meeting these targets through:

- Delivering the existing savings programme - in order to become a more affordable and effective organisation that is a great place to work for all colleagues, TfL is reviewing its working practices to drive improvements and efficiencies where possible. TfL will optimise its procurement and commercial approach to deliver savings across third-party expenditure, including operational concessions, other key operating and maintenance contracts and head office accommodation. TfL will also maintain tight controls on recruitment and overtime.

- Embedding a culture of continuous saving - the launch of the TfL Strategy helped communicate the need for continuous improvement in efficiency. This approach will be driven through TfL's annual budget process, supported by a roll-out of zero-based budgeting and increased use of benchmarking.

- Reducing bus operating costs – TfL is reviewing its operating model to ensure it delivers efficiency and supports the transition to a zero-emission network. TfL has set a target to decrease bus journey times, which will mean fewer buses are required to deliver timetables.

- Creating a whole-life assets approach - working effectively across the TfL value-chain creates the opportunity to deliver, maintain and renew assets more efficiently. This includes how TfL specifies, procures, delivers, maintains, reports and assures on its asset delivery.

- Exploring opportunities for innovation - to build a new programme of savings initiatives to 2030 will require embracing the benefits of innovation and new technology. TfL's innovation team will identify opportunities and run trials which can develop into a new programme of savings initiatives to be delivered over the second half of this decade.

Debt servicing costs

1.33 Debt servicing increases by £15.7m in 2024/25 compared to the 2023/24 Budget as maturing debt is expected to be refinanced at higher rates, although this is partially offset by higher interest income on TfL's cash deposits. In 2023/24 TfL applied for and drew down on its first tranche of lending from the GLA's Green Finance Fund (GFF) which was used to support the expansion of the ULEZ London-wide. There is incremental borrowing anticipated in each of the future years out to 2026/27, and TfL will look for future opportunities to make use of the GFF where suitable projects and initiatives arise. 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.

GLA contributions from the Transport Reserve

1.34 The Scrappage Scheme supporting the expansion of ULEZ London-wide was underpinned by funding from the GLA. The Scrappage Scheme commenced in January 2023 and is the UK's biggest-ever scheme. Originally totalling £110m, in August 2023 the Mayor increased the Scheme by a further £50m, to £160m, and opened eligibility to all London residents.

Retained business rates and council tax

1.35 Retained Business Rates increase by £22.1m in 2024/25 compared to the 2023/24 Budget as an uplift of 2.5 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.

1.36 Subject to consultation and billing authority forecasts due in late January 2024, it is proposed that the Mayor will allocate a total of £2,258.0m to TfL in 2024/25, which comprises of funding from the Mayor's council tax precept of £244.3m and business rates funding of £2,013.7m. 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 (subject to Paragraph 14 of the 30 August 2022 Funding Settlement for 2023/24), and TfL has shown business rates funding in the Objective / Subjective Analysis tables in its entirety. TfL's Council Tax income benefits from an additional precept of £20 per Band D property in 2024/25 and an assumed 1.5 per cent uplift in the overall Council Tax base.

1.37 The Collection Fund Deficit decreases from £78.1m in the Budget 2023/24 to £nil in 2024/25 as the final instalment of the 2020/21 NNDR deficit is repaid to the GLA in March 2024.

Environmental Impact

1.38 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 (LES).

1.39 On 29 August 2023, the ULEZ expanded across all London boroughs. This follows on from an expansion to inner London on 25 October 2021 and the original introduction of the scheme in central London on 8 April 2019. One month after the launch of the London-wide expansion, monitoring shows that a larger proportion of vehicles seen driving in London are cleaner. The London-wide compliance rate for vehicles subject to the ULEZ standards during the first month was 95.3 per cent, up from 91.6 per cent in June 2023 and 39 per cent in February 2017 when changes associated with the ULEZ began. On an average day, there were 77,000 fewer unique non-compliant vehicles (i.e., individual vehicles detected travelling in the zone at least once) detected in the London-wide ULEZ compared to June 2023. This is a 45 per cent reduction in non-compliant vehicles.

1.40 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 will deliver a fully zero emission fleet by 2034. Around 15 per cent of the bus network will be zero emission by the end of March 2024.

1.41 TfL operates approximately 1,000 fleet vehicles, with less than five per cent currently being Zero Emission Capable (ZEC). TfL has funding to convert all cars and vans in the TfL fleet to zero emission in line with LES targets, with the leasing of new vehicles as well as the implementation of supporting infrastructure in the vehicle depots.

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

1.43 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.

1.44 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.

1.45 TfL is on track to meet its Adaptation Plan target of delivering 5,000 sqm 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 also continue to contribute to the development of the London surface water flood risk management strategy.

1.46 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.

1.47 Further details of our work to reduce carbon emissions and adapt the network to climate change can be found in Appendix B.

Reserves

1.48 On 31 March 2025, general fund reserves are expected to total £448.4m and are budgeted to increase to £500m at 31 March 2026.

1.49 In total, it is forecast that TfL will hold £467.6m of earmarked, street works, capital grants unapplied account reserves and general fund reserves at the close of 2023/24; these reserves will increase to £580.2m by the end of 2024/25, £603.9m by the end of 2025/26 and £647.0m by the end of 2026/27.

1.50 Earmarked reserves have been established to finance future projects. 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 ring fenced capital grants where the conditions to receive the money have been met, but the capital expenditure has not been incurred. TfL maintain a general fund, with a target minimum of £500m, to ensure liquidity and protect from short-term fluctuations in cash requirements.

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

Movement in reserves during financial year	**Outturn 2022/23 £m**	**Forecast 2023/24 £m**	**Budget 2024/25 £m**	**Plan 2025/26 £m**	**Plan 2026/27 £m**
Opening balances	634.1	319.1	467.6	580.2	603.9
Transfers to/(from) Earmarked reserves	(108.9)	-	-	26.7	61.3
Street works reserve	2.0	1.8	-	-	-
Capital grants unapplied account	102.2	32.9	(32.5)	(54.7)	(18.2)
General fund	(310.3)	113.8	144.9	51.7	-
TfL closing balances	**319.1**	**467.6**	**580.2**	**603.9**	**647.0**

1.52 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	**Outturn 2022/23 £m**	**Forecast 2023/24 £m**	**Budget 2024/25 £m**	**Plan 2025/26 £m**	**Plan 2026/27 £m**
Earmarked reserves	-	-	-	26.6	87.9
Street works reserve	27.2	29.2	29.2	29.2	29.2
Capital grants unapplied account	102.2	135.1	102.6	48.1	29.9
General fund	189.7	303.3	448.4	500.0	500.0
TfL closing balances	**319.1**	**467.6**	**580.2**	**603.9**	**647.0**

Equalities, Diversity, Inclusion and Social Integration

1.53 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. TfL is currently producing a report called *Equity in motion*, which analyses the needs of customers to identify the most impactful actions TfL can take. At the end of June 2023, TfL launched its first pan-TfL Diversity and Inclusion strategy, Action on Inclusion. This is TfL's new long-term promise to its people and sets out how TfL will create a truly inclusive workplace by 2030, where everyone has a part to play through active allyship. 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.

1.54 Action on Inclusion has been developed with people at its heart, addressing the issues that TfL colleagues identified were important to them. Action on Inclusion encompasses and builds on the work that TfL has been doing over the past few years to raise awareness of diversity and inclusion through initiatives such as the Anti-Racism Leadership Charter and campaigns such as Count Me In. Through the detailed action plan set out in the strategy, TfL aims to create a workforce that reflects London's diverse population by 2030.

1.55 Last year TfL produced a detailed, balanced budget setting out the new direction which took into account the impact of the pandemic. This year's budget builds on last year's budget, but there are some significant funding changes relevant to TfL's equality aims.

1.56 This plan provides an extra £20m of additional Sustainable Housing and Accessibility (SHA) funding in 2026/27. The SHA Fund is a programme of transport projects to unlock homes and regeneration where transport acts as a constraint and delivers accessibility improvements (such as Step Free Access) to unlock the public transport network for more Londoners.

1.57 Funding for the Safe and Healthy Streets programme will now increase with inflation, where last year's plan held it flat at £150m per annum. *Equity in motion* identifies reducing health inequality as one of the most important things TfL can do for equality. 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. 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.

1.58 Protecting and enhancing connectivity is another key priority identified within *Equity in motion*, which includes enhancing bus services. With lower fares, wide coverage and step-free-access, the bus is one of the most accessible transport modes. TfL is increasing services in outer London with Superloop, the new orbital bus service. Superloop means faster step-free journeys and better connectivity and supports the London-wide ULEZ expansion. The full network will be complete by spring 2024, subject to consultation.

1.59 The ULEZ is a vital part of tackling the public health emergency caused by toxic air pollution, and its expansion has extended the reach of those benefits to more Londoners. The scrappage scheme was increased to £160m in August 2023 and made available to all London residents, small businesses, sole traders and charities with a registered address in London.

1.60 Many disabled people have reduced access to the public transport network as a result of stations requiring navigating steps or escalators. 84 per cent of disabled Londoners report that their disability limits their ability to travel. We have been increasing the proportion of our network that is step-free: currently 92 Tube stations, 62 London Overground stations and all Elizabeth line, DLR and London Tram stations have step-free access. This represents 53 per cent of our total station estate. Approximately 95 per cent of bus stops are step-free.

1.61 Violence and the threat of violence is something that affects our colleagues as well as our customers. In 2023, we introduced a new team dedicated to preventing work-related violence and aggression. We have also made body-worn cameras part of the essential kit for most of our operational, customer-facing colleagues, and we are increasing our CCTV network and passenger help points to keep colleagues and customers safe. In 2023, we launched two high-profile campaigns against sexual harassment and hate crime.

1.62 This is part of the work on the last major inequality action point identified point identified by *Equity in motion*: customer experience. Other work in this area includes disability training for staff, improving the accessibility of customer information and improving inclusivity in our vehicles, spaces and places. By 2024 we will introduce Dial-a-Ride self-service to enable booking, amendment and cancellation of trips. We will also establish an inclusive design centre of excellence, providing organisational leadership, research and best practice, project support and appraisals, training and mentoring, and process reviews.

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. 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 2024/25 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 MTS 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 MTS 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 2024/25 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 Group and in the relevant Appendices.

	Section	2024/25 £m
A	Total external ring-fenced capital grants	628.7
	Opening balance of capital receipts	0
	Total capital receipts during the year	148.2
	Total capital grants/ receipts	**776.9**
B	Minimum s.120(1) grant	0.0
	Total borrowings during the year	254.2
	Total borrowings	0.0
	Total borrowings and credit arrangements	**254.2**
C	Total capital expenditure anticipated during the year	2,296.2
	Total credit arrangements	0.0
	Total capital spending for the year	**2,296.2**
D	Funding: capital ring-fenced grants	661.2
	Funding: capital receipts/reserves	285.0
	Funding: borrowings and credit arrangements	254.2
	Funding: revenue contributions incl. BRS	1,095.8
	Total funding	**2,296.2**

2.5 No new capital PFI/PPP schemes are included, other than those already committed.

Below is a summary of TfL's draft Capital Plan to 2027/28 and how this is financed. The funding includes TfL's estimates of DfT's contributions towards Major Rolling Stock and Signalling Replacements which have not yet been agreed.

Summary of the Capital Plan	2023/24 Forecast Outturn £m	2024/25 Budget £m	2025/26 Plan £m	2026/27 Plan £m	2027/28 Plan £m
TfL	2,031.4	2,296.2	2,071.2	2,182.8	2,415.4

Table 3: TfL's Draft Capital plan

TfL's Capital plan	2023/24 Forecast Outturn £m	2024/25 Budget £m	2025/26 Plan £m	2026/27 Plan £m	2027/28 Plan £m
Crossrail construction programme	62.7	42.9	-	-	-
Rolling Stock and Signalling replacement *	756.2	937.0	688.4	549.6	714.8
Enhancements	371.3	374.4	319.2	404.2	392.2
Places for London**	104.7	166.9	213.6	304.0	308.4
Renewals ***	736.5	775.0	850.0	925.0	1,000.0
Total capital expenditure	**2,031.4**	**2,296.2**	**2,071.2**	**2,182.8**	**2,415.4**
Funding:					
Capital Receipts	141.4	148.2	157.1	125.5	161.0
Ring Fenced Capital Funding	621.4	582.7	404.1	364.9	476.9
Borrowing	281.0	254.2	322.3	456.7	103.0
Crossrail Funding Sources	68.0	46.0	-	-	-
Revenue Contributions	814.3	1,095.8	1,215.1	1,400.4	1,653.5
Working Capital and Reserve Movements	105.3	169.3	(27.4)	(164.7)	21.0
Total funding	**2,031.4**	**2,296.2**	**2,071.2**	**2,182.8**	**2,415.4**

* 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

Key Deliverables

3.1 Our 2024/25 Budget builds on our Business Plan of last year.

3.2 Total capital expenditure for 2024/25 will be £2,296.2m including the Crossrail construction programme and Places for London. The key investment areas in 2024/25 include:

- Piccadilly line rolling stock - £712.1m
- DLR fleet replacement (including HIF funded elements) - £219.6m
- Modernisation of Circle, District, Hammersmith and City and Metropolitan lines - £77.8m
- East London Line Upgrade (HIF funded) - £30m
- Safe and Healthy Streets - £112.3m (£150m Healthy Streets spend including Opex)
- Crossrail construction programme - £42.9m

3.3 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 Circle, Hammersmith & City, Metropolitan and District lines, and new rolling stock on the Piccadilly line
	Progress the upgrade of Elephant and Castle station
	Continuing to progress the introduction of new trains on the DLR supporting jobs and homes
	Developing plans to replace the oldest trams in our fleet, although the pace that these can be introduced will be dependent on future funding levels
	Continue road renewal works to keep safe our carriageways, footways, traffic signals, lighting, bridges, tunnels and drainage.
	Continued roll out of cycleways network and Safer Junctions.
	Continue the refurbishment of the Jubilee line fleet and the Central Line Improvement Programme.
	Progress the life extension of our Central line signalling addressing obsolescence challenges

Division	Key Deliverable
TfL	Upgrading our communications and security systems to ensure we have safe and secure operational and customer information systems across our tube network
	TfL is investing in welfare facilities to improve both their condition and the consistency of provision across the network.
	Ongoing renewals of track across the network
Places for London	During 2023/24 our wholly owned property enterprise has been renamed as Places for London and will continue to bring housing projects through planning with the potential to generate significant ongoing revenue streams or reduce TfL's cost base.

3.4 Our capital spending is financed from seven main sources:

- Government grant assumed amounts beyond March 2024 for rolling stock and signalling replacement
- Fares and ticket income
- Charges under the road user charging schemes (Congestion Charge, LEZ and ULEZ)
- Secondary revenue (such as advertising and property rentals)
- Third party funding for specific projects
- Surplus revenue resource through the business rates devolution
- Prudential borrowing and related financing (including bond issuances, and the Green Finance Fund)

Our long-term Capital Strategy is presented in detail in Appendix C.

Appendix A

Table 1: TfL - Subjective analysis

TfL Subjective analysis	Revised Budget 2023/24 £m	Forecast Outturn 2023/24 £m	Budget 2024/25 £m	Plan 2025/26 £m	Plan 2026/27 £m
Income					
Passenger income	(5,239.0)	(5,255.9)	(5,647.1)	(5,963.1)	(6,222.9)
Congestion Charge, LEZ & ULEZ income	(1,016.6)	(998.5)	(988.0)	(751.7)	(565.0)
Advertising income	(139.5)	(144.5)	(135.6)	(136.5)	(137.6)
Property income	(82.1)	(81.2)	(90.3)	(97.1)	(102.2)
Other income	(461.1)	(405.7)	(411.8)	(436.1)	(440.1)
Subtotal Income	**(6,938.3)**	**(6,885.8)**	**(7,272.8)**	**(7,384.5)**	**(7,467.8)**
Operating Costs					
Staff costs (gross)	2,404.8	2,380.9	2,506.8	2,487.7	2,495.1
Property, Utilities, Cleaning & Security	594.7	570.0	616.7	613.8	617.2
Bus Contract Payments	2,153.1	2,150.3	2,324.9	2,376.6	2,392.6
Other Contracted Services Costs	843.1	835.9	855.9	974.5	969.5
Traction Current	260.9	257.5	320.2	297.7	288.8
Maintenance	497.4	603.9	713.2	774.6	857.0
Legal and Professional Fees	130.8	151.3	147.5	124.5	117.3
Technology Costs	169.8	190.0	187.5	185.6	185.2
Bad Debt Provisioning	466.2	448.5	469.5	307.3	206.1
Investment Programme	237.6	303.4	128.2	136.2	106.6

TfL Subjective analysis	Revised Budget 2023/24 £m	Forecast Outturn 2023/24 £m	Budget 2024/25 £m	Plan 2025/26 £m	Plan 2026/27 £m
Staff Recharges	(406.8)	(415.5)	(453.1)	(449.5)	(451.3)
Other Operating Costs	535.9	533.5	357.2	358.8	358.3
Subtotal operating costs	**7,887.5**	**7,905.1**	**8,010.7**	**7,982.9**	**7,859.3**
Net operating income and expenditure	**949.2**	**1,019.3**	**737.9**	**598.4**	**391.5**
Debt Servicing	417.0	414.0	432.7	475.1	511.6
Revenue resources used to support capital investment	815.2	792.3	1,078.0	1,212.0	1,406.1
Transfer to/(from) reserves	10.6	22.0	17.8	3.1	(5.7)
Financing Requirement	**2,192.0**	**2,247.6**	**2,266.4**	**2,288.6**	**2,303.5**
Specific grants	7.5	9.4	8.4	8.1	-
GLA funding from transport reserve	92.7	141.8	-	-	-
Retained business rates	1,991.6	1,991.2	2,013.7	2,032.5	2,051.8
Services grant	-	4.6	-	-	-
Collection fund deficit	(78.1)	(77.7)	-	-	-
Council tax requirement	**178.3**	**178.3**	**244.3**	**248.0**	**251.7**

Table 2: TfL Group - Capital financing costs

Capital financing costs	Budget 2024/25 £m	Plan 2025/26 £m	Plan 2026/27 £m
Provision for repayment of debt	54.1	63.9	63.9
External interest	558.0	647.3	685.8
Total	**612.1**	**711.2**	**749.7**

Prudential borrowing

The TfL Board 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 (CIPFA). The strategies and policies also have regard to the Statutory Guidance on Local Authority Investments (the Investments Guidance) issued by the Department for Levelling Up, Housing and Communities (DLUHC) formerly the Ministry of Housing, Communities and Local Government (MHCLG) and last updated in March 2018.

Borrowing is undertaken within prudent limits approved by our Board and the Mayor. We plan to increase our 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. We constantly assess our financial position and will only borrow where it is prudent and affordable to do so.

Historically we have 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:

- The Public Works Loan Board
- A £5bn Medium Term Note programme
- A £2bn Commercial Paper programme
- The European Investment Bank and Export Development Canada, with loans linked to specific infrastructure projects
- Leasing arrangements, used for specific assets such as rolling stock
- Overdraft and liquidity facilities of £200m that are in place to provide contingency liquidity.
- Green Finance Fund where suitable projects are identified
- A £750m loan facility from the Department for Transport to support the completion of the Crossrail project

Additionally, the GLA has established a financing facility of up to £500m that TfL can call upon if needed, as contingency funding, during the 2023/24 financial year, to balance the Budget. Although, it is not anticipated that TfL will use this facility, it remains a part of the Authorised Limit for External Debt.

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.

We believe our proposed levels of borrowing remain affordable and consistent with prudent financial management.

Annual Minimum Revenue Provision

As TfL has a legal requirement to produce a balanced budget (and this approach had been extended to the published Business Plan), the cost of debt service is taken account of in determining whether the budget and business plans are in balance.

The significant majority of our 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.

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.

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.

Table 3: TfL Group - Authorised limit for external debt

Authorised limit for external debt	Current Approval 2023/24 £m	Revised Approval 2023/24 £m	Proposed 2024/25 £m	Proposed 2025/26 £m	Proposed 2026/27 £m
Borrowing	14,113.5	14,113.5	14,671.1	14,993.4	15,450.1
Long term liabilities	2,891.4	2,891.4	4,071.6	3,963.2	3,857.2
TfL closing balances	**17,004.9**	**17,004.9**	**18,742.8**	**18,956.6**	**19,307.3**

Table 4: TfL Group - Operational limit for external debt

Operational limit for external debt	Current Approval 2023/24 £m	Revised Approval 2023/24 £m	Proposed 2024/25 £m	Proposed 2025/26 £m	Proposed 2026/27 £m
Borrowing	13,113.5	13,113.5	13,471.1	13,793.4	14,250.1
Long term liabilities	2,391.4	2,391.4	3,571.6	3,463.2	3,357.2
TfL closing balances	**15,504.9**	**15,504.9**	**17,042.8**	**17,256.6**	**17,607.3**

Table 5: TfL Corporation - Authorised limit for external debt

Authorised limit for external debt	Current Approval 2023/24 £m	Revised Approval 2023/24 £m	Proposed 2024/25 £m	Proposed 2025/26 £m	Proposed 2026/27 £m
Borrowing	14,108.5	14,108.5	14,667.0	14,917.0	15,167.0
Long term liabilities	700.5	700.5	2,015.4	1,964.0	1,905.5
TfL closing balances	**14,809.0**	**14,809.0**	**16,682.4**	**16,881.0**	**17,072.5**

Table 6: TfL Corporation - Operational limit for external debt

Operational limit for external debt	Current Approval 2023/24 £m	Revised Approval 2023/24 £m	Proposed 2024/25 £m	Proposed 2025/26 £m	Proposed 2026/27 £m
Borrowing	13,108.5	13,108.5	13,467.0	13,717.0	13,967.0
Long term liabilities	450.5	450.5	1,765.4	1,714.0	1,655.5
TfL closing balances	**13,559.0**	**13,559.0**	**15,232.4**	**15,431.0**	**15,622.5**

Appendix B - Climate Budgeting

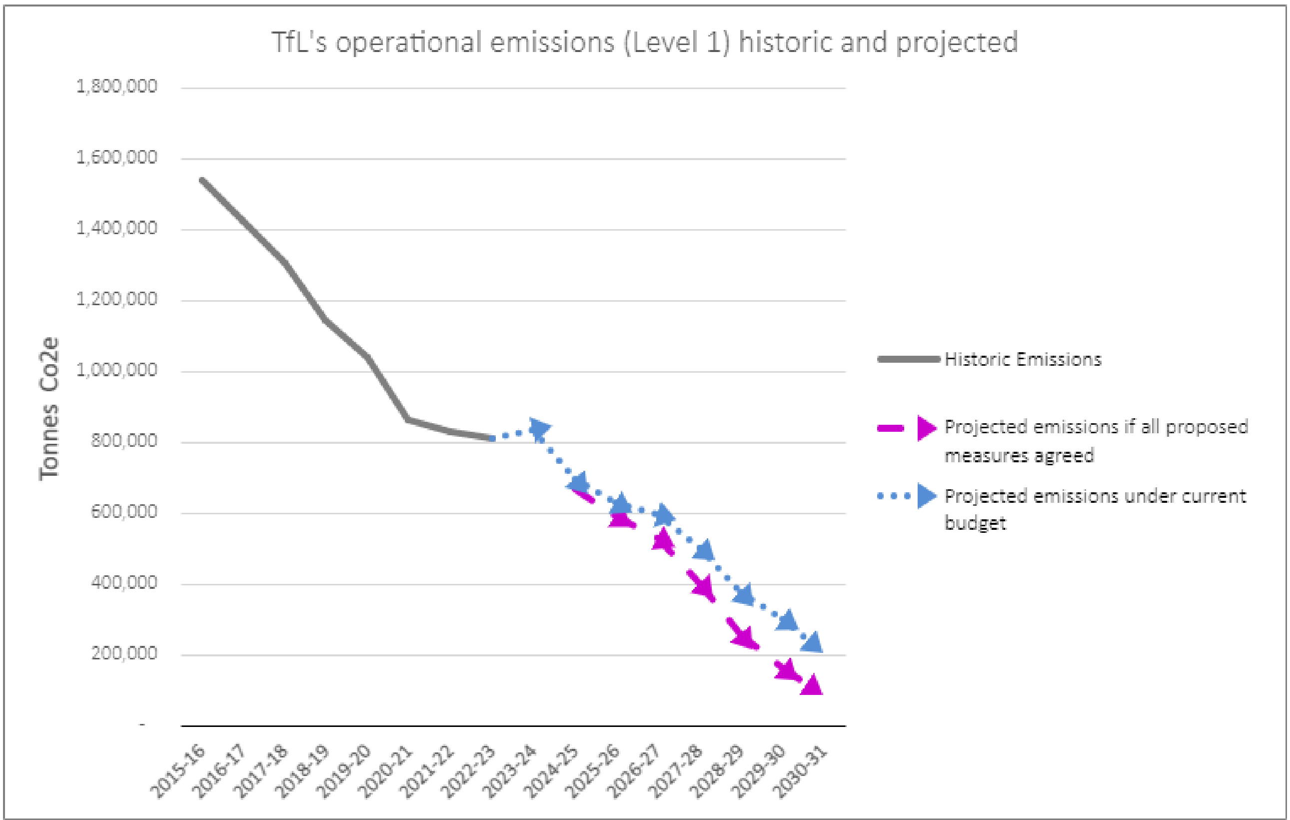
Climate Budget Scope

4.1 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 us adapt to climate change – (Level 1 and 2).

Level 1 – TfL's operational emissions

4.2 For TfL's operational emissions, the target is to achieve net zero by 2030. This includes all energy and fuel that TfL purchases directly, along with the emissions associated with the operation of TfL-branded services. For example, this includes the emissions associated with the TfL bus network and London Overground, where TfL doesn't directly purchase the energy or fuel directly.



4.3 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 87% 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 operations by 2030. Further assessment would be required to close the remaining gap beyond the 'with further funding' scenario. The slight increase in emissions this year is mostly due to an increase in the carbon intensity of the electricity TfL consumes. Electricity usage on TfL's rail services has also increased slightly as full service is resumed since the pandemic. The Elizabeth line also commenced full service this year.

Level 2 – TfL's impact on wider London emissions

5.1 Considering TfL's contribution to reduce wider London emissions, TfL has decided to include in the Climate Budget most of its investment programme. TfL also includes 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 this year

5.2 TfL has set out its Vision & Values, which has as its central vision ensuring TfL is the "strong, green heartbeat for London". This year the Our TfL Strategy was published, which sets out how we will achieve this vision. Green is one of five key themes and reaching net-zero carbon in our operations by 2030 is a key measure of success. 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 Budget, and with more funding TfL could go even further.

Level 1 – TfL's operational emissions

5.3 This year TfL launched its 1,200th zero-emission bus, making it the largest zero-emissions bus fleet in western Europe, with one in nine buses zero-emission. In 2016 there were only three zero-emission Bus routes, and by the end of 2023 TfL is expected to have a total of 73 zero emission bus routes. 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 Ultra Low Emission Zone.

5.4 Since setting out its plan for decarbonising our buildings estate last year, TfL has created a programme with dedicated funding to go towards delivering it – both on its operational estate and on its commercial estate through its new subsidiary Places for London. 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. This year TfL has completed feasibility studies to decarbonise heating at 14 buildings in 8 of its operational sites and it has secured £600k of government grant funding to deliver its first low-carbon depot at Therapia Lane Tramlink Depot. As per TfL's strategy, it is seeking external funding such as the Public Sector Decarbonisation Scheme in addition to existing business plan funding to accelerate decarbonisation initiatives at some of TfL's harder to decarbonise sites.

5.5 TfL has started to produce whole life carbon baselines for its Major Projects – this is the first time this has been done for all ten current Major Projects. This allows identification of carbon hotspots and reduction of the impact of these projects by management of carbon through the design process and in collaboration with TfL's supply chain. TfL is now working to expand the carbon baseline across its capital investment portfolio, which will support better decision making around carbon management throughout the whole project lifecycle.

5.6 In recognition that everyone has their part to play in cutting carbon the TfL Carbon Literacy Training was launched in summer 2022 with the Carbon Literacy Project. Over 2,400 employees have now taken the training (over 1,700 so far this Financial Year), which is delivered by a group of 75 volunteer trainers from all areas of TfL. TfL aims to train 3,000 TfL colleagues this financial year and is currently on track to achieve this, with 10 courses per week running from October through to March 2024.

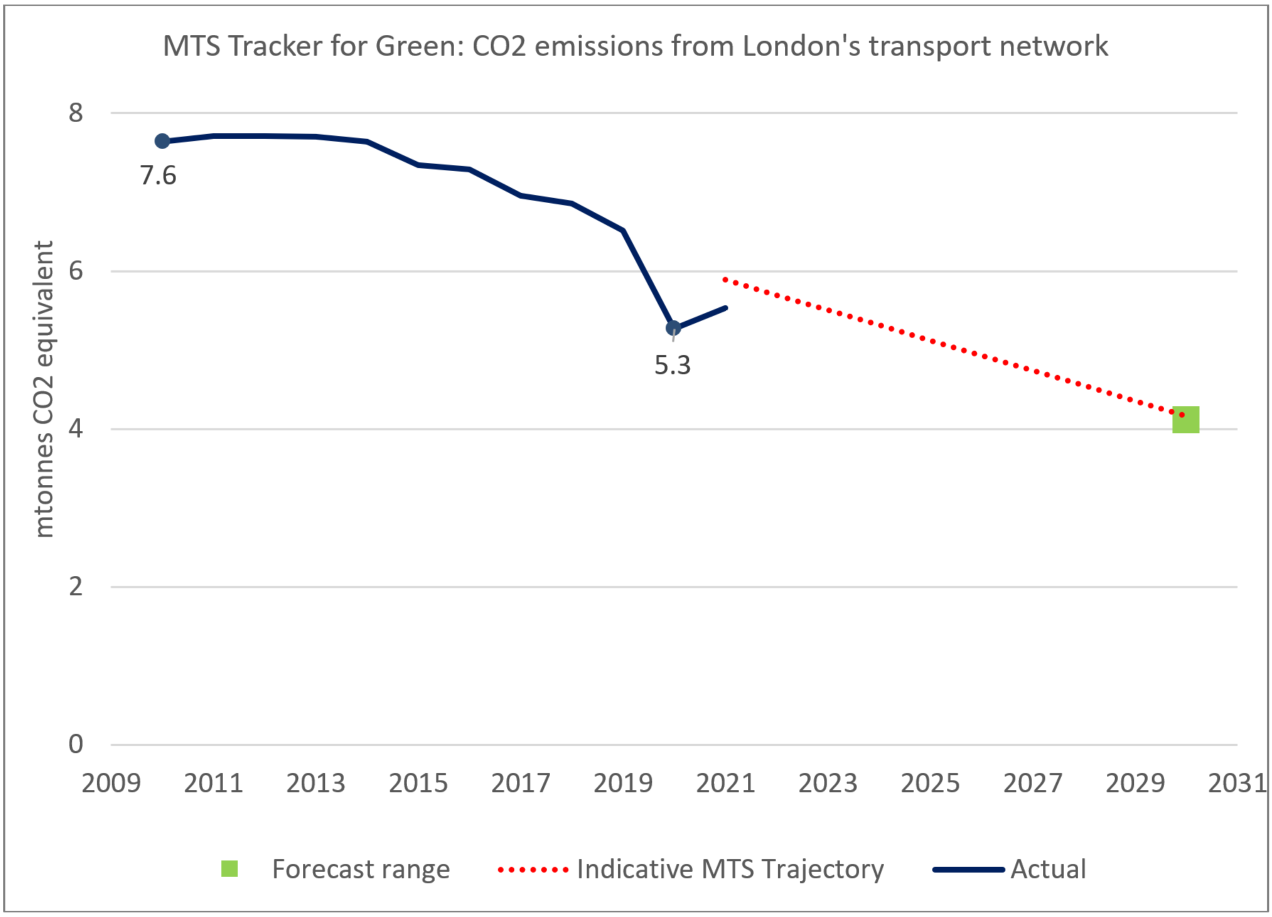
5.7 TfL's first Power Purchase Agreement (PPA) tender is a vital step towards ensuring that TfL's operations can be net zero by 2030. The tender encourages the market to increase the volume of renewable energy supplying the national grid. The Invitation to Tender stage of the procurement process has now closed and TfL has entered into the evaluation and negotiation stages which are expected to conclude by the end of November 2023, with contract signature planned for early 2024.

5.8 TfL is in the process of arranging further funding from the Mayor's Green Finance Fund (GFF) to finance the implementation and acceleration of carbon reduction projects. These include LED lighting on the Transport for London Road Network (TLRN) as well as in London Underground stations. LED lighting uses less energy than traditional lighting reducing TfL's related energy consumption and emissions by up to 65 per cent whilst also providing a brighter and more secure network for customers. In addition to LED lighting TfL is also exploring the use of GFF funding to install solar panels and fossil-fuel free heating systems whilst improving the insulation and efficiency of depots and head office buildings.

5.9 TfL published its brand-new Climate Change Adaptation Plan in March 2023. Over the course of the financial year, TfL has allocated £500k to a range of adaptation initiatives aimed at improving its understanding of climate risk, including an interdependencies project and contributing to London-wide SuDS opportunity modelling. This will improve TfL's ability to make evidence-based decisions on where to focus future adaptation initiatives. Furthermore, TfL has now made Sustainable Drainage Systems (SuDS), which slow the release of rainwater into London's streets and sewer systems, the default option for all future renewal and enhancement projects that involve changes to surface water management. This will reduce flooding, improve water quality and enhance biodiversity.

Level 2 – TfL's impact on wider London emissions

5.10 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 2022/23 Report, published in November 2023, 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 large-scale 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 budgets.



5.11 In August 2023, the Mayor expanded the Ultra Low Emission Zone (ULEZ) London-wide to tackle the triple threats of air pollution, the climate emergency and congestion, and to ensure five million more Londoners can breathe cleaner air. The expansion operates across all London boroughs and uses the same boundary as the Low Emission Zone which has applied to heavy vehicles since 2008. It is estimated that, since 2019, the ULEZ has led to a reduction of around 800,000 tonnes of carbon dioxide emissions from vehicles across London over the four-year period compared to without the ULEZ, a saving of three per cent of road transport emissions. This reduction in emissions is a vital step closer to achieving the Mayor's aim of reaching net zero carbon emissions by 2030

5.12 Aside from the ULEZ, TfL has numerous other policies that aim to reduce emissions and improve air quality in London. These include 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 Mayor's Transport Strategy update 2022/23.

Funded initiatives

Level 1 – TfL Operational emissions (projected scenario)

6.1 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.

6.2 Bus operations make up over 50 per cent of TfL's operational emissions. The MTS 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 TfL business plan maintains the 2034 zero emission bus plan, but confirms that investment is needed to keep the pathway open for an acceleration to 2030. Maintaining this trajectory towards a 2030 target beyond 2024/25 will require significant additional funding (see section on additional funding).

6.3 TfL continues to make progress on its plan for a cost-effective transition to zero carbon energy. Following on from the expected contract award for TfL's first PPA in early 2024, this year TfL will be reviewing and setting out its future energy purchasing strategy. This strategy will set out a plan to enable 100% of TfL's electricity to be from renewable sources by 2030, of which a significant proportion will be achieved thorough PPAs.

6.4 These two key initiatives are complemented by the following range of additional initiatives.

6.5 TfL is continuing to progress its plan towards decarbonising its buildings estate. This year TfL will be delivering on some of the feasibility studies it has already completed. It is also progressing a further tranche of feasibility studies for a minimum of 23 buildings across 14 sites. TfL will also continue to refine its assessment and prioritisation methodology to ensure that it is delivering interventions that deliver the greatest carbon savings soonest.

6.6 The MTS 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 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.

6.7 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.

6.8 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 the avoidance of costs associated with delivery of power via the grid, which typically makes up circa 40 per cent of the energy bill.

6.9 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 TfL's strategic 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 (see additional funding section).

6.10 Electricity used to power TfL's trains makes up 35% of TfL's emissions currently. Through introducing more modern and efficient trains and re-configuring its power network TfL is planning to reduce the amount of energy it is using. There is more TfL can do to optimise energy use across its network, which it will continue to explore.

6.11 TfL is investing £1.6m over the next three years 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 TfL to better prioritise and articulate interventions that will reduce emissions.

6.12 Next year, TfL has allocated £1.7 million to progressing its maturity and delivery of climate adaptation measures, including £500k on adaptation delivery projects, including highways SuDS and Trams 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 5,000sqm of catchment draining into SuDS each year, as well as targets within TfL's forthcoming Green Infrastructure and Biodiversity Plan.

Level 2 – measures that deliver benefits for wider London

6.13 Carbon emissions per person for transport in London are much lower than in the rest of the UK, and TfL's sustainable travel offer plays a key role in this. However, there is more TfL can do going forwards 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 MTS goals. This will 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.

6.14 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 mode choice and hence encourage the shift away from private car use. The same can be said for rail and station enhancements and rolling stock replacements, e.g. DLR, 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. (C.01, C.02, C.04, C.05, C.06, C.07, C.08, C.09, C.13, C.15, C.16)

6.15 To maximise the potential benefits of expanding the ULEZ and strengthen alternatives to private cars, the Mayor also announced a plan for improving the bus network with Superloop in outer London that will see over one million further kilometres added to the bus network. (C.18) Further information about enhancements to bus services can be found on our website.

6.16 TfL continues to invest in London's streets. The Healthy Streets programme ensures London's streets are safer and more pleasant, in turn making walking and cycling more appealing. E-bikes will also be a more viable option with the addition of 1,400 e-bikes being rolled out in Spring 2024. This further encourages the shift away from private car use, for those who are able to walk or cycle instead. In addition, the bus priority schemes facilitate more competitive and reliable bus journey times and make it a more viable option for Londoners to switch from using their private vehicles. (C.10, C.11)

6.17 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. The strategy forecasts a need for between 40,000-60,000 public charge points by 2030, of which up to 4,000 will need to be rapid. As of October 2023, TfL has 16,960 public charge points, of which 987 are rapid. The key commitment in the strategy is to unlock Greater London Authority land for EV charging. TfL's Electric Vehicle Infrastructure Delivery programme will deliver 100 EV charging bays on the TfL road network, with the first new rapid charge points operational in 2024. TfL will also tender later this year for a Joint Venture partner to deliver EV Charging Hubs on TfL land, with an initial five sites. (C.12) Further information is available in London's 2030 electric vehicle infrastructure strategy online.

6.18 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 deliver mode shift 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). (C.03, C.17)

6.19 Investment in infrastructure renewals and enhancements across the network such as track, lifts & escalators, bus infrastructure etc. overall provides the customer experience required to keep public transport options more attractive than private vehicles. (C.14)

6.20 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 learnings to then inform a longer-term strategy, to deliver additional sites across the network.

6.21 Whilst 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 figure in 2.3.1 demonstrates our 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

7.1 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.

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

7.3 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 ULEZ. While this considerably improved their emissions footprint, moving to electric vehicles 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.

7.4 TfL has plans to make its operational support fleet of cars and vans zero emission. 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 has estimated costs only at a very high level, though as the market matures options may improve.

7.5 Energy usage and emissions from TfL's rail modes could be reduced through further improving traction efficiency. This could include measures such as regenerative braking, energy storage and enhanced signalling measures such as 'green CBTC', where driving style is designed to minimise energy usage.

7.6 TfL's current funding will reduce the carbon emissions from its buildings by one third, by focusing on the most technically feasible sites. With additional funding TfL could eliminate all of its building fossil fuel emissions, however the remaining two thirds will be progressively more expensive as TfL takes action on its more technically challenging sites. Through its dedicated building decarbonisation programme, TfL is building a pipeline of feasibility studies to produce detailed plans for its buildings, which is improving the accuracy of its estimated funding requirements over the coming years. TfL will be looking at addressing sites at increasing level of complexity and for the most technically challenging sites it will continue to look at external funding opportunities like the Public Sector Decarbonisation Scheme.

7.7 TfL is progressing the replacement of LEDs in its advertising infrastructure, street lighting and traffic signals as part of its current investment programme. With further funding this could be accelerated to bring forward emissions savings, as well as supporting cost savings in operations.

Uncertainty over funded initiatives

8.1 TfL's Government funding settlement ends in March 2024, and it is on track to achieve operational financial sustainability in 2023/24. However, there is currently no certainty on Government funding for capital investment beyond March 2024. The TfL Business Plan 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 mode shift away from private cars to sustainable transport modes.

8.2 Funding discussions with Government are ongoing. 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 2024

Background

9.1 The Prudential Code for Capital Finance in Local Authorities (2017) requires all local authorities including Transport for London (TfL) to prepare and publish a Capital Strategy. This 2024 Capital Strategy supersedes TfL's Capital Strategy published in previous years.

9.2 On 30 August 2022, we reached agreement with the government on funding until 31 March 2024. We are on track to achieve operational financial sustainability by April 2024. This agreement with government means that across the funding period, we are able to deliver more capital investment than previously budgeted, although still below the long-term level necessary to meet the priorities of national and regional government.

9.3 We are currently in discussion with government about capital funding for 2024/25 and continue to make the case to for confirmed capital funding over the long term to support the level of investment described here. In the first four years, this Capital Strategy is aligned to our Business Plan, with investment assumed to increase through the late 2030s towards the necessary long-term level to support key MTS goals.

9.4 TfL plays a crucial role in driving growth and jobs across London and the UK, and equally we 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, we are seeking to maximise the benefits we 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 (MTS) and in support of national priorities. Even with the uncertainty of long-term planning, this Capital Strategy will support us in being resilient to a wide range of potential future economic and transport demand outcomes.

9.5 Our 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 MTS. The MTS, 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 2043.

9.6 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

10.1 Our 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. A long-term view that reflects the current realities and charts a trajectory towards supporting London's post-pandemic recovery is critical to ensure enhancements to London's transport network are delivered when they are needed.

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

10.3 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.

10.4 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 commencement 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

11.1 Our Capital Strategy reflects the long-term priorities set out in the MTS 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.

11.2 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 most recent Business Plan and the assumptions behind it, with changes to later years where needed to be consistent with this. We have also updated the outturn figures for the changes in inflation over the period.

11.3 The 2023/24 financial year is covered by our funding agreement with government to March 2024.

11.4 The first 5 years of the Capital Strategy assume Government funding will be limited to a proportion of Major Rolling Stock and Signalling replacements, constraining spending levels, while the final 10 years of the Capital Strategy ramp up spend to the levels required to be consistent with the MTS vision by 2041, although no specific source of the additional funds has been assumed.

11.5 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 our understanding of future capital investment needs will develop and improve as the future environment becomes clearer.

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

Influences

Our Capital Strategy is directly influenced by:

12.1 the Mayor's policies and statutory strategies for London, including the MTS, the London Plan, and the London Environment Strategy

12.2 the UK's infrastructure requirements, as set out in the National Infrastructure Assessment

12.3 Funding agreements reached with government, whether relating to specific projects to generally

12.4 the condition and lifecycle of our asset base; and

12.5 underlying behaviour trends in London, as analysed in documents such as our annual Travel in London report.

12.6 Our *Capital Strategy will be directly or indirectly influenced over time by:*

12.7 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.

12.8 external events with the potential to impact on the national economy, London's growth and/or our financial position, such as the war in Ukraine, the cost-of-living crisis, climate and ecological change and rising inflation levels.

12.9 the Mayor's future decisions on allocation of devolved business rates to functional bodies of the Greater London Authority.

12.10 Availability of finance through bodies such as the UK Infrastructure Bank may affect availability of financing for our projects.

12.11 This Capital Strategy continues to set out the level of capital expenditure required in the long term to deliver the MTS, which was written and approved before the pandemic.

Although the long-term effects of the pandemic will be complex and wide-ranging and impossible to fully predict at this time, the broad objectives of the MTS are almost certain to remain applicable in all potential future circumstances. Strategic aims such as increasing the shift to more sustainable ways of travel and improving the quality of public transport are central to securing a green recovery for London and supporting the national priorities of decarbonisation and economic growth.

12.12 Our financial planning since the pandemic has considered a range of potential demand scenarios to recognise the uncertainty around future travel demand. How the Mayor's transport policies in the MTS are implemented will need to be considered as the longer-term impacts of the pandemic on travel demand become clearer. As these long-term impacts become clearer, we will keep our future investment programme under review, and future Capital Strategies will further reflect any necessary changes resulting from new forecasts of future travel demand.

Policies

13.1 Our Capital Strategy is fully aligned to the Mayor's policies, the MTS policies and TfL's Business Plan on which the Capital Strategy is in part based.

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

13.3 In adherence with the Prudential Code for Capital Finance in Local Authorities (the 'Prudential Code') issued by CIPFA and last updated in 2021, the Capital Strategy references key principles underpinning our 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 on our website.

13.4 Capital spend on transport infrastructure and commercial/investment activity is budgeted for and included in our 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 MTS, and a more detailed Budget, reflecting our near-term targets.

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

13.6 TfL's commercial activity plans are produced reflecting the Investment Management Strategy (IMS) 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.

13.7 The IMS 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.

13.8 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.

13.9 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.

13.10 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 Group 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.

13.11 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 Greater London Authority Act 1999, details of all financial guarantees so granted are disclosed annually in TfL's Annual Report and Statement of Accounts.

13.12 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

13.13 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.

13.14 TfL considers the risk of its overall portfolio as well as individual investments, seeking to diversify its investments and has regard to the exposure to any one counterparty, country, industry, investment type, and credit. TfL targets allocating a portion of the portfolio across sovereign exposures, government agencies, financial institutions, and corporate instruments, subject to investments available at the time. TfL will seek to invest cash responsibly by investing in counterparties with strong Environmental, Social and Governance performance and policies.

13.15 The maturity profile of investments reflects the expected cash flow requirements of TfL and accommodates for forecast variability.

13.16 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

13.17 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.

13.18 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.

13.19 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.

13.20 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 Commercial Paper programme and Euro Medium Term Note programme in addition to holding loan facilities with financial institutions and the GLA, in particular, utilising the Mayor's Green Finance Fund when suitable projects are identified.

13.21 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. The latest business plan assumes approximately £250m annual incremental borrowing, although this will be subject to a further assessment of affordability at the time of borrowing.

13.22 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. The Business Plan assumes Places for London will borrow a cumulative total of £283m by 2026/27 financial year using their facility arrangements which are non-recourse to TfL.

13.23 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

14.1 Our Capital Ambition over the long term is to deliver the outcomes of the MTS, including supporting the three pillars of that strategy: Healthy Streets and healthy people, a good public transport experience, and new homes and jobs.

14.2 In the later years of this Capital Strategy, we hope to improve our funding position to enable an increase in the level of investment towards what is required to deliver all the outcomes of the MTS.

14.3 We estimate that delivering this Capital Ambition beyond the next five years would require an average annual spend of £6.2bn in outturn terms (including inflation), of which £4.1bn 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.

14.4 Our 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 (£1.5bn pa)

14.5 Across our 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. We are already contractually committed to replacement programmes on the Piccadilly line and DLR. 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.

14.6 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. We will require funding support to enable this programme of replacements to progress, and the government have acknowledged in the August 2022 funding letter 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.*

14.7 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 we replace our assets 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.

14.8 Some rolling stock for London Overground and the Elizabeth line is leased and not owned by TfL, so is not included here.

14.9 For signalling, costs are included for a replacement system on the Piccadilly line by the end of the plan and replacement Bakerloo line signalling. 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 (£2.6bn pa)

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

14.11 We continually assess asset condition to ensure we can maintain safe and reliable services. Our current Business Plan has allowed us to increase the level of renewals of our assets slightly, although this is still below the rate we need to achieve in the long term. In the second half of this strategy, we have increased renewals spend towards what is required for a more stable long-term investment rate.

14.12 Investing in maintaining the condition of our 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 we must deliver, as well as enabling the best whole-life cost for maintaining assets to be achieved. Failing to renew assets at an acceptable level will lead to reduced operations to maintain safety which will impact the reliability of our services, our revenue 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. This strategy sets out a path to returning renewals investment to a sustainable level in the long term.

Enhancements (£1.7bn pa)

14.13 Our latest Business Plan allows us to deliver enhancements to the network, however, this is still at a rate below that which we need to achieve in the long term. In the second half of this strategy, we hope 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.

14.14 The Enhancements category includes investment priorities that are required to deliver the wide range of improvements set out in the MTS. This includes progressing towards London's ambitious goal of making London's transport network zero-carbon; increasing mode shift to walking, cycling and public transport; our 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 our technology to increase productivity and improve customer experience.

14.15 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 the Local Implementation Plans.

14.16 This category also covers new-build schemes to extend existing lines or build completely new routes. We have 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. None of these have been assumed to commence construction in the next five years and are subject to funding. We have adapted our capital plans to respond to our funding challenges by deferring these schemes and this presents a level of risk to delivery. 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.

14.17 It remains crucial to focus on long-term demand and not solely on the volatility of our current circumstances. 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. We must plan now for longer-term enhancements that will enable us to prepare for a level of regeneration that will support recovery across London and the wider UK. 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 commencement of highly beneficial improvements.

14.18 The extension schemes included here are subject to funding becoming available to progress them. A potential DLR extension to Beckton Riverside and Thamesmead and a bus transit proposal serving Woolwich, Thamesmead and Abbey Wood would support delivery of 25,000 to 30,000 new homes and up to 10,000 new jobs. The Bakerloo line extension to Lewisham is assumed to commence in the mid-2030s and is aimed at improving connections within southeast London and into central London. The West London Orbital and a new rail service that would be part of the London Overground would improve connectivity across west and northwest London.

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

14.20 Many of these schemes would be likely to be delivered in cooperation with other organisations, but we have 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

14.21 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 commence within the timescales covered by this Capital Strategy, but it remains an important long-term scheme for London. We continue to safeguard the route. If a funding package can be identified, work on the scheme could be brought forward.

14.22 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.

14.23 Tackling the Climate Emergency creates a significant cost pressure on TfL, with costs heavily dependent on the speed of the improvements. TfL is improving its understanding of the pressures and priorities, and their likely costs. The outcome of this review will feed into next year's Capital Strategy.

20-Year Capital Investment Plan

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

15.2 While the MTS 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.

15.3 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 MTS, 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 MTS 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.

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

15.5 Uncertainty of funding over a long period constrains TfL's ability to optimise investment delivery. It is also inconsistent with the commitments we need 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.

15.6 The combined Capital Investment Plan and Capital Funding Plan are presented in Table 7.

20-Year Capital Funding Plan

16.1 TfL is on course to reach operational financial sustainability by 2023/24. 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, our intention will be to continue to fund them within a balanced operating account.

16.2 The other categories contain a large number of schemes, including all streets investment and much of our 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 our transport network.

16.3 Our funding agreements with government have acknowledged that we would not be expected to fully fund the replacement of life-expired rolling stock and signalling. Constructive discussions with Government have continued since submitting our 2024/25 funding request in September, but these have not yet concluded.

16.4 We regularly review the amounts we can borrow, ensuring they are prudent, affordable and sustainable. Around £250m per annum of incremental borrowing is anticipated across the Business Plan 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. We also plan to refinance the borrowing due to mature throughout the period of this plan.

16.5 The Business Plan assumes Places for London will borrow cumulative total of £283m by 2026/27 financial year using their facility arrangements which are non-recourse to TfL.

16.6 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. We must plan for the long-term demand and growth that London will need in the aftermath of the pandemic, to put it on the path to full economic recovery. 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.

16.7 Due to the size, complexity and expense of these schemes, they require bespoke funding and delivery plans, as was the case for Crossrail 1 and the Northern Line Extension. Sources of funding for these projects could range from central government investment grant 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.

16.8 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.

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

Table 7: Capital Investment and Funding

All figures are adjusted for future forecasts of inflation

TfL's Capital Strategy £bn	2023/24 to 2027/28 £bn	2028/29 to 2032/33 £bn	2033/34 to 2037/38 £bn	2038/39 to 2042/43 £bn	Total Yrs 6-20 £bn	Average pa Yrs 6-20 £bn
Major Rolling Stock and Signalling Upgrades	(3.6)	(2.6)	(12.0)	(7.7)	(22.3)	(1.5)
Enhancements	(1.9)	(3.9)	(9.8)	(11.5)	(25.2)	(1.7)
Renewals	(4.3)	(8.0)	(12.6)	(18.5)	(39.1)	(2.6)
Places for London	(1.1)	(2.0)	(2.4)	(2.8)	(7.2)	(0.5)
Crossrail	(0.1)	-	-	-	-	-
Total capital expenditure	(11.0)	(16.5)	(36.8)	(40.5)	(93.8)	(6.2)
Funding						
Capital Receipts	0.7	2.0	2.4	2.8	7.2	0.5
Revenue Contributions	6.2	11.2	15.9	21.7	48.8	3.2
Borrowing	1.4	-	-	-	-	-
Working Capital and Reserve movements	0.1	-	-	-	-	-
Capital Grants	2.5	-	-	-	-	-
Crossrail 1 Funding	0.1	-	-	-	-	-
Total funding	11.0	13.2	18.3	24.5	56.0	3.7
Overall additional funding required	0.0	(3.3)	(18.5)	(16.0)	(37.8)	(2.5)

Ambition Gap

17.1 Beyond the first four 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.

17.2 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 us to plan with more certainty for investments that will take many years to deliver. We continue 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.** We intend to achieve operational financial sustainability in 2023/24 and then generate a growing operating surplus from 2024/25 onwards. Any such surplus would be used to fund further investment.

d. **Generating new commercial income.** We generate income from property development, management of our media and advertising estate, and leveraging our 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. **Funding from new income sources.** We are considering and implementing new sources of operating income as part of the latest funding agreement conditions. This income is included within this strategy. Further new income sources identified in future could address the funding gap.

f. **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.

g. **DfT funding for Major Rolling Stock and Signalling Replacements** as acknowledged in the August 2022 Funding Agreement.

h. **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.

i. **Borrowing.** The borrowing set out in this strategy has been assessed against affordability criteria. If our 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.

j. **Funding contributions from developers and other third parties including boroughs.** We seek such funding for all appropriate projects.

Risks to the Capital Investment Plan

18.1 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.

18.2 The long-term impacts of the pandemic on travel demand remain to be fully understood and are the subject of ongoing analysis and review and TfL will continue to revise its plans as needed in coming years as the future environment becomes clearer. This section focuses on more ongoing risks, which in many cases relate to the pandemic but would also be true regardless of it.

18.3 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 commencing. This risk can be best managed by early identification and sharing of funding requirements with stakeholders.

18.4 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.

18.5 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 commence 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 ease of delivering projects included here.

18.6 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 circa £1.8bn.

18.7 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.

18.8 Risk related to asset condition: Due to affordability constraints, investment in our 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 we 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 the future.

18.9 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.

- 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.

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

- 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

- 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

- 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

- 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 our assets (including our natural assets) and network. Wider impacts due to the climate and ecological emergency include supply chain disruption, human and species migration and social unrest. We are improving our understanding of this requirement, but future climate challenges cannot be predicted with high confidence. Addressing the climate and ecological emergency will require us to invest in decarbonising our services, adapting to a changing climate and protecting and regenerating nature on our assets and through our supply chains, which we are already including in this Capital Strategy, but the specific requirements of this could change.

Appraisal and prioritisation

19.1 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.

19.2 Similarly, the MTS 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 MTS was approved by the Mayor in February 2018, then considered by the London Assembly in March 2018.

19.3 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 our 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 MTS to ensure that the desired outcomes are delivered.

19.4 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 HMT 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 a number of years prior to commencement. 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.

Annex F: Integration and Equality, Diversity, and Inclusion (EDI)

Activity	Budget 2024/25 £m	Plan 2025/26 £m
Professional body memberships	0.0	0.0
Colleague network groups	0.0	0.0
Workforce Training	0.2	0.2
EQIA	0.1	0.0
Action on Inclusion Launch Materials and Deliverables	0.1	0.0
External consultancy support	0.0	0.0
External programmes	7.2	7.3
Engagement	0.6	0.6
Bus EDI Training	0.3	0.2
Total	**8.5**	**8.3**

Notes:

- Colleague network groups: each colleague network group receives £5k per annum
- External programmes: includes items where people have responded such as schools programmes, ending violence against girls/women, hate crime, citizen programme. Mid-range disclosed (range between £5m-£8m p.a.)
- Engagement: specific items include: Valuing People and the Independent Disability Advisory Group. The Local Communities and Partnerships activities.