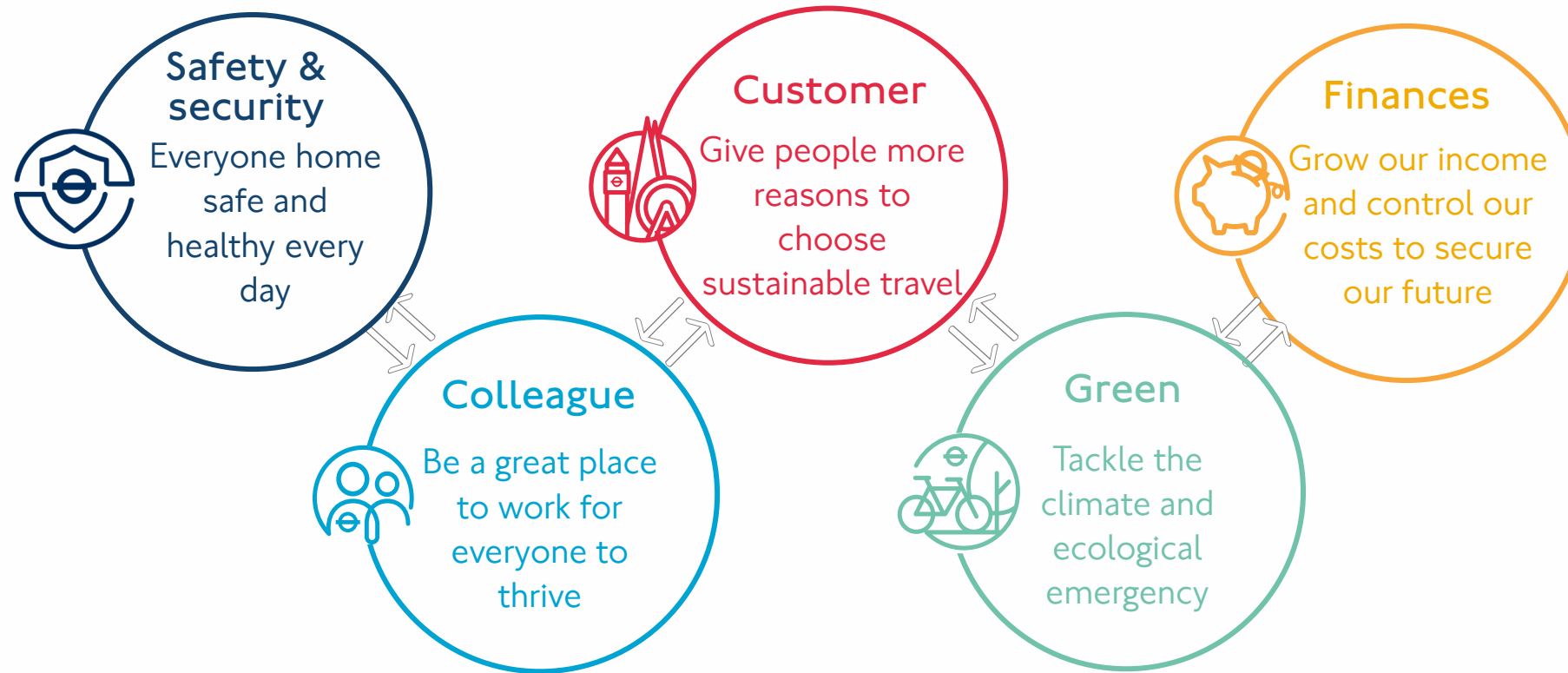


TfL Budget 2025/26

TfL Board
26 March 2025



Our Budget makes further progress against our strategic goals and the Mayor's priorities



Financial Summary

Building upon 2023/24, TfL will again deliver an operating surplus in 2024/25, of all which is reinvested into the maintenance and improvement of our network.

Our 2025/26 Budget shows how, for the third year running, TfL will deliver an operating surplus in the face of a significant number of headwinds.

Government has consistently recognised that it is not possible for TfL to fully fund all major projects and asset replacements from its own sources of income, and we await the outcome of 2025 Spending Review in June.

TfL is uniquely placed to deliver significant enhancements and improvements to the Capital’s transport network: ensuring both prosperity and growth for London and the wider United Kingdom.

**assumes unidentified savings are recurring and includes £181m pension savings*

Journeys:

3.7bn

+1.3% vs 24/25

Revenue:

£9,566m

+3.0% vs 24/25

Operating Costs:

£8.4bn

Like-for-like flat (real terms)

Operating Surplus:

£5m

Surplus for the 3rd year running

Capital Investment:

£1,897m

£174m increase year-on-year

Cash Balances:

£1,481m

Maintaining at least 60 days operating cash

Key highlights for 2025/26:

Rising passenger demand: we will grow our ridership by a further 1.3 per cent and passenger income by £320m.

Other income sources: Increased ULEZ compliance is delivering cleaner air for London. We are growing all our other sources of income.

Continuing to deliver recurring operating cost savings: targeting £352m* of incremental recurring savings including already secured pension revaluation savings of £181m; total savings of £456m including one-off savings.

We will continue to deliver an operating surplus for the third year running: Demonstrating financial sustainability through delivery of an operating surplus which will be re-invested in our network

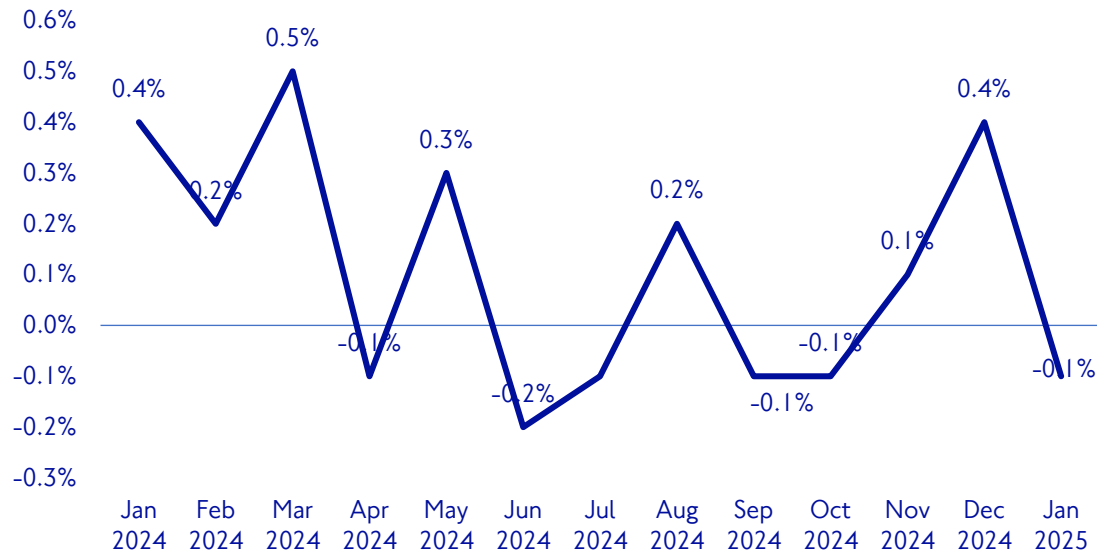
Funding investment: we are investing £1.9bn into our assets and maintaining the outcomes we set in our 2024 Business Plan.

Rebuild our cash reserves: we will hold just above 60 days’ worth of operating costs and maintain a General Fund Reserve of £250m



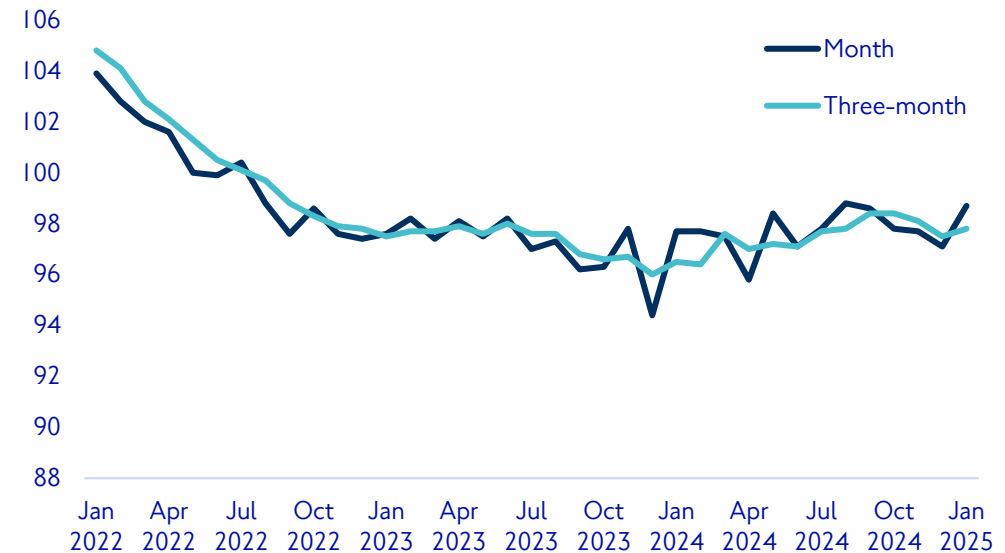
The economic outlook has worsened since our initial submission into the Mayor's Budget in November 2024

Economic growth remains sluggish



ONS, GDP monthly estimate, UK: January 2025 (March 2025)

Retail sales are levelling off after a falling trend

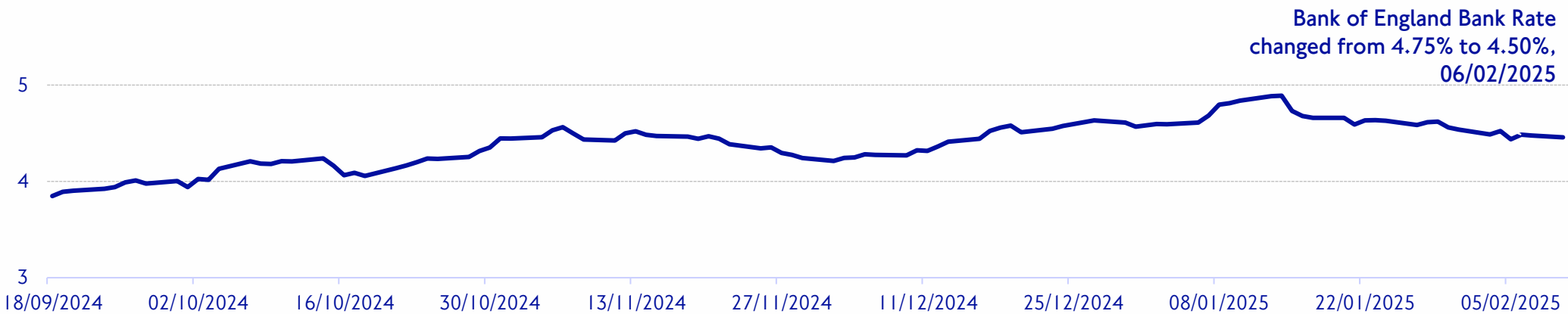


ONS, Retail sales, Great Britain: January 2025 (March 2025)

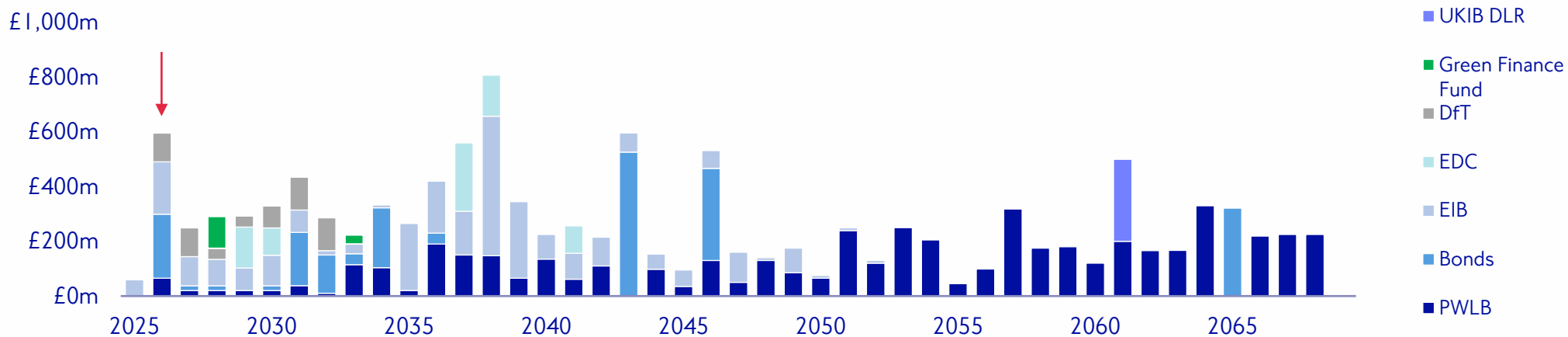


Market interest rates have been increasing and 2025/26 is a peak year for our refinancing requirement

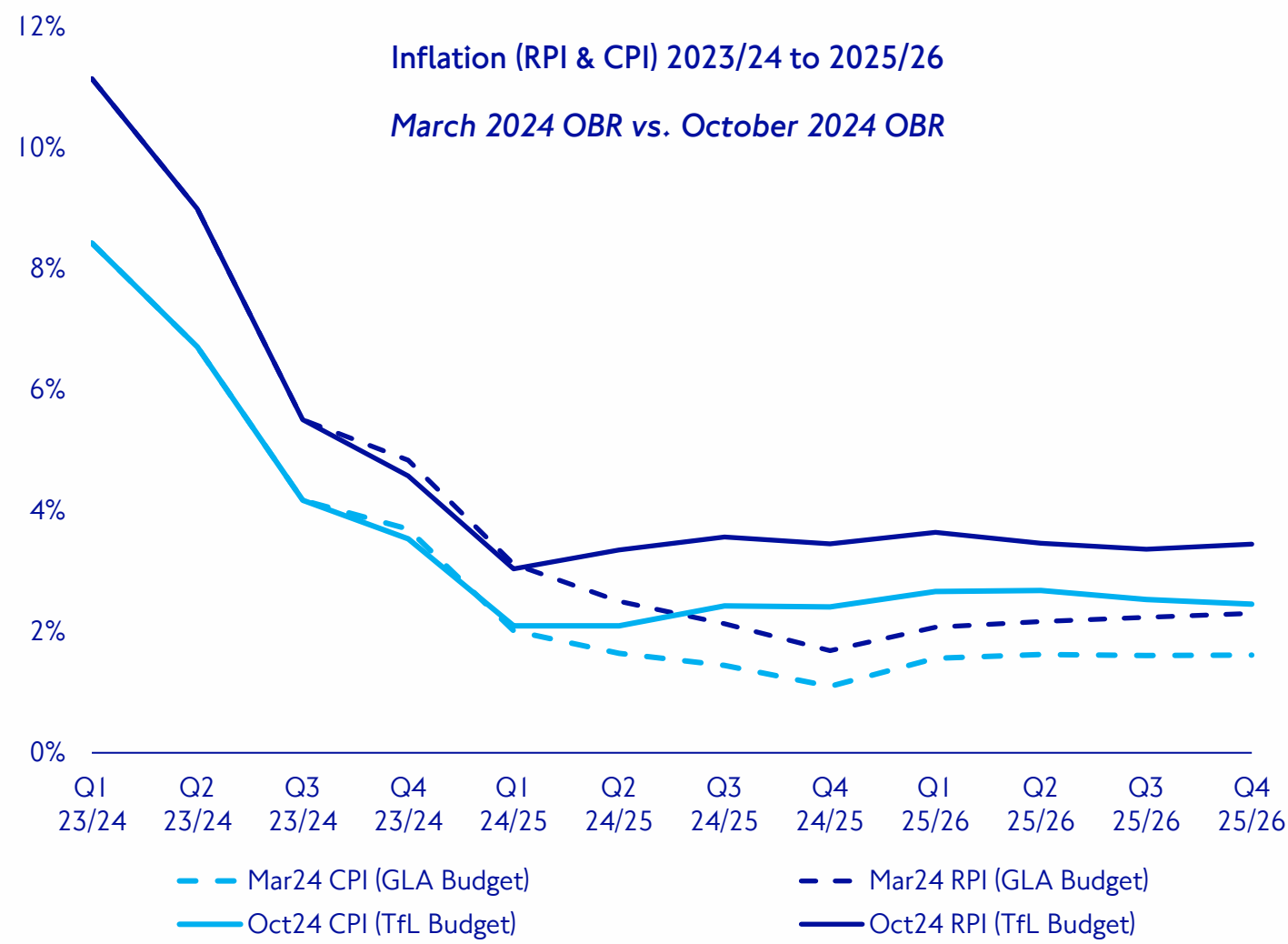
10-year UK gilt rates (%)



Borrowing maturity profile (£m)



Inflation headwinds persist: higher for longer



The draft TfL Budget 2025/26 incorporates the inflation forecast published by the Office for Budget Responsibility (OBR) on 30 October 2024 alongside the UK Budget.

While inflation has fallen from the highs seen in prior years, it has not fallen as far in 2024/25 as was expected in our initial submission into the Mayor’s Budget in November 2024, which was based on the March OBR forecast.

Inflation is now expected to plateau at a higher level in the medium-term, presenting a headwind as our rail concessionaire contracts and bus contracts are indexed directly to inflation.



Our financial strategy

Grow our income and control our costs
to secure our future



Our Finance Strategy shows how we are building a sustainable financial future

We will use the 2026 Business Plan which comes after the 2025 Spending Review too also review the financial strategy in the face of the high levels of uncertainty we are mitigating in the short term.

Our strategic priorities



Diversify and grow our revenue

We need to attract more customers on to our network, reduce our reliance on fares income and motivate our colleagues to achieve our revenue goals.



Continually improve our efficiency

We need to continue to be affordable for our customers and the taxpayer. We'll do this by improving working practices to make TfL a great place to work, and targeting continuous savings.



Build our resilience and continue to invest

We need to continue to run a safe and reliable transport system that delivers for London. We need to prepare for whatever challenges lie ahead and, through steady investment, deliver vital improvements for London.

Our 2030 success measures

Ensure our income always exceeds our costs, delivering an operating surplus

Control our costs in real terms, targeting inflation minus 2 per cent

Secure long-term funding approach and settlement by 2025

Diversify and grow our revenue

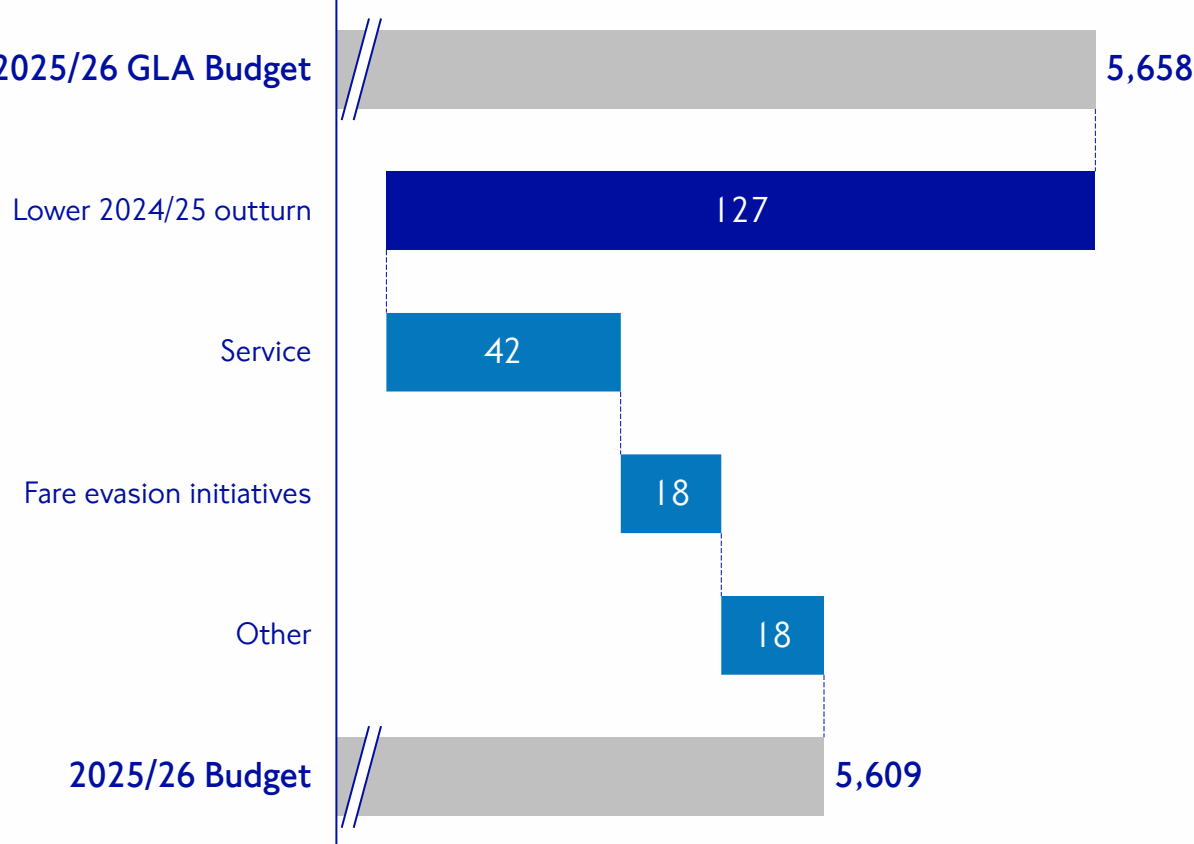
Continually improve our efficiency

Build our resilience and continue to invest



Our passenger income is lower than the Mayor's Budget due to the headwinds we face

2025/26 Passenger Income (£m)



Our passenger income is £48m lower than our submission into the Mayor's Budget in November 2024.

This is primarily due to the current lower than forecast demand trends we are seeing in 2024/25, particularly on Buses.

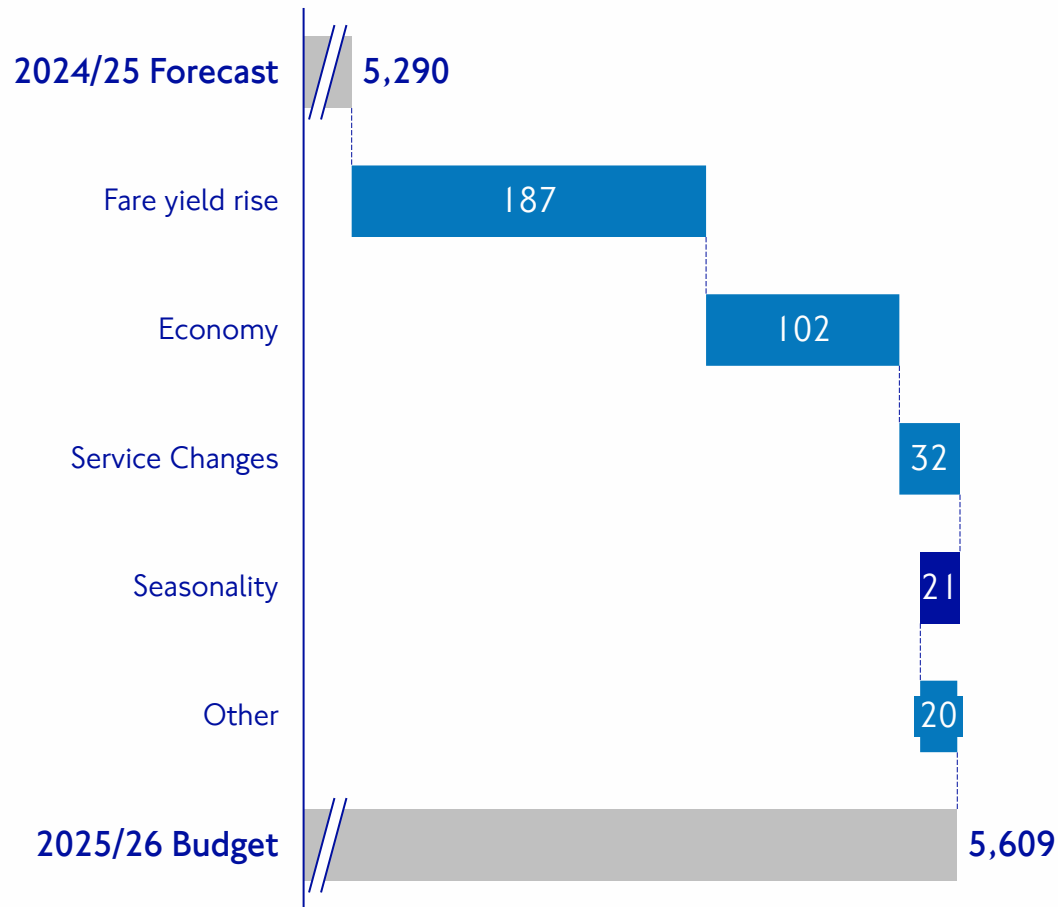
The trend on Buses is currently under investigation, but we are implementing our Bus action plans at improving safety, journey times and customer experience as well as extending services such as Superloop to drive improvements in demand.

We are also improving our LU and Rail services, improving customer journey time and expect additional growth from the Elizabeth line. We are stepping up our focus on reducing fare evasion and have assumed continued successful delivery of our plans in this area.



Despite these headwinds, we continue to grow passenger income year on year

Passenger Income 2024/25 Forecast to 2025/26 Budget (£m)



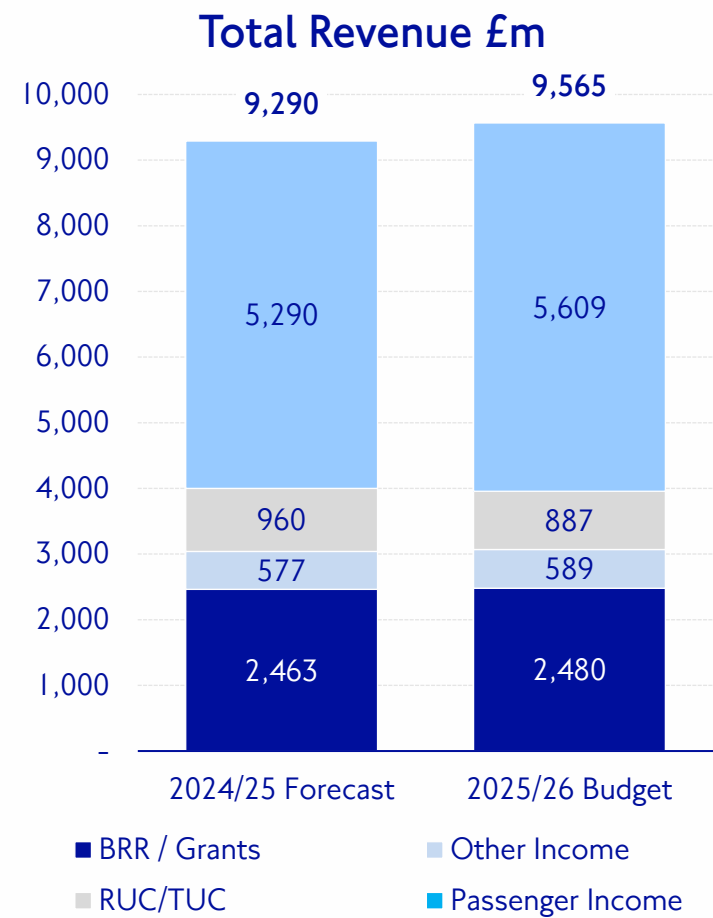
Our passenger demand continues to grow year on year, with especially strong demand growth on the Elizabeth line. Bus demand is not expected to grow year-on-year.

In December 2024, the Mayor approved a freeze of bus and tram fares, with Tube and rail fares, travelcards and nationally-regulated fares increasing by 4.6%. These new fares were implemented on 2 March 2025.

| | Journeys | Pre-covid % | YoY demand growth %* | Yield % |
|-------|----------|-------------|----------------------|---------|
| LU | 1,246 | 90% | 2.5% | 4.7% |
| Buses | 1,870 | 84% | 0.0% | 1.2% |
| LO | 187 | 98% | 2.3% | 5.1% |
| EL | 244 | 442% | 6.0% | 4.5% |
| DLR | 94 | 77% | -3.2% | 5.3% |
| Trams | 18 | 62% | 0.7% | 1.7% |
| Total | 3,658 | 91% | 1.3% | 4.7% |



And we are also increasing income from other sources while achieving policy aims



Unlike transport providers in many other major cities around the world, TfL continues to receive well over half of its revenues from the fare box.

Rising passenger demand: we will grow our ridership by a further 1.3 per cent and passenger income by over £300m year-on-year.

Income from Road and Tunnel User Charging: the £210m GLA-funded scrappage scheme came to an end in 2024/25, having helped Londoners to move to cleaner vehicles*. Income falls by just over £70m year-on-year which is in line with the intended policy outcomes.

Other income: we are growing our income from other sources – this will include completing a review of all non-fares related fees and charges to ensure these are appropriate and reflective of economic conditions.

BBR / Grants: Business rates retention (BRR) and Council Tax have increased in line with inflation and the totals set by the Mayor via his Budget process. 2025/26 does not include the one-off GLA funding for the scrappage scheme received in 2024/25.

Places for London: These figures exclude income from Places for London, which will make a net contribution of £28m in 2024/25 and £29m in 2025/26.

*One-Year Report: [London-Wide Ultra Low Emission Zone – One Year Report](#)

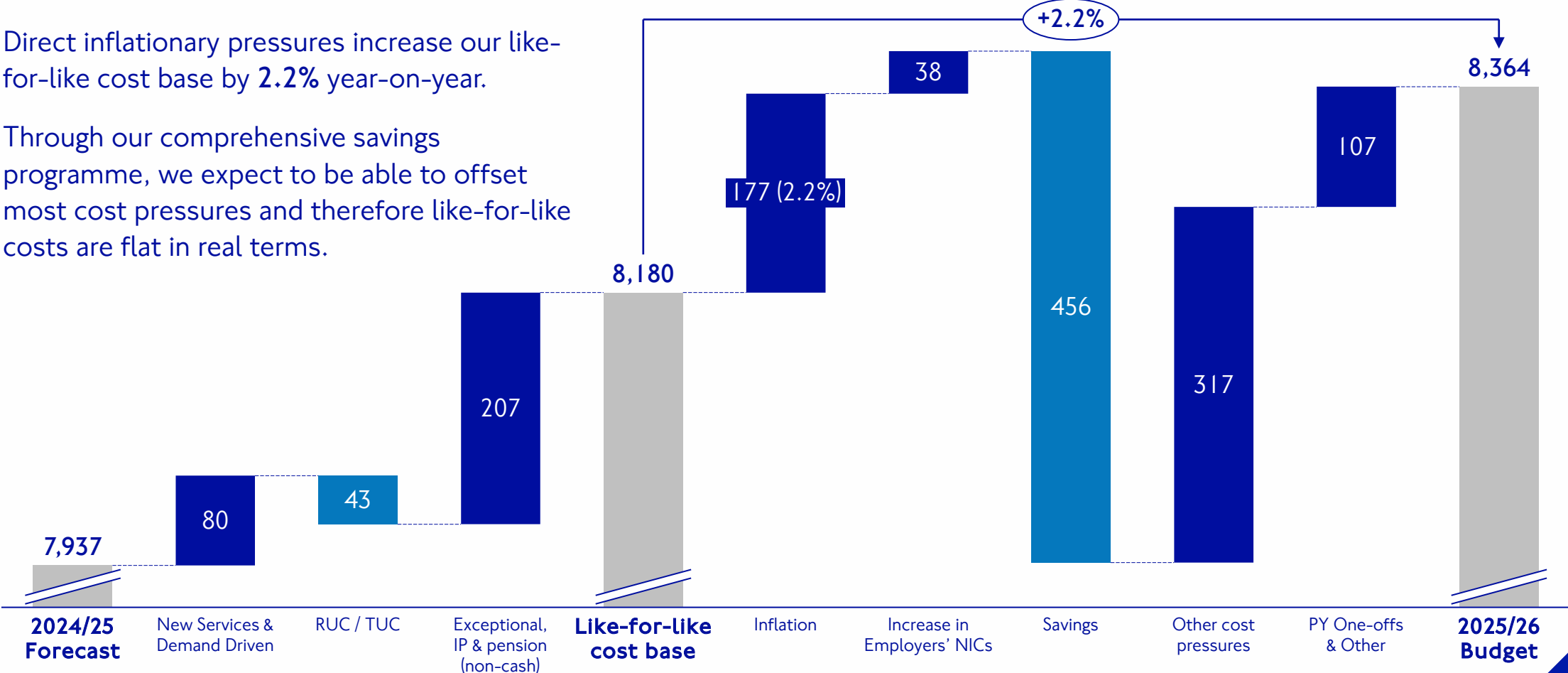


We're managing the growth in operating cost, such that like-for-like costs are flat in real terms

Operating costs 2024/25 forecast to 2025/26 budget (£m)

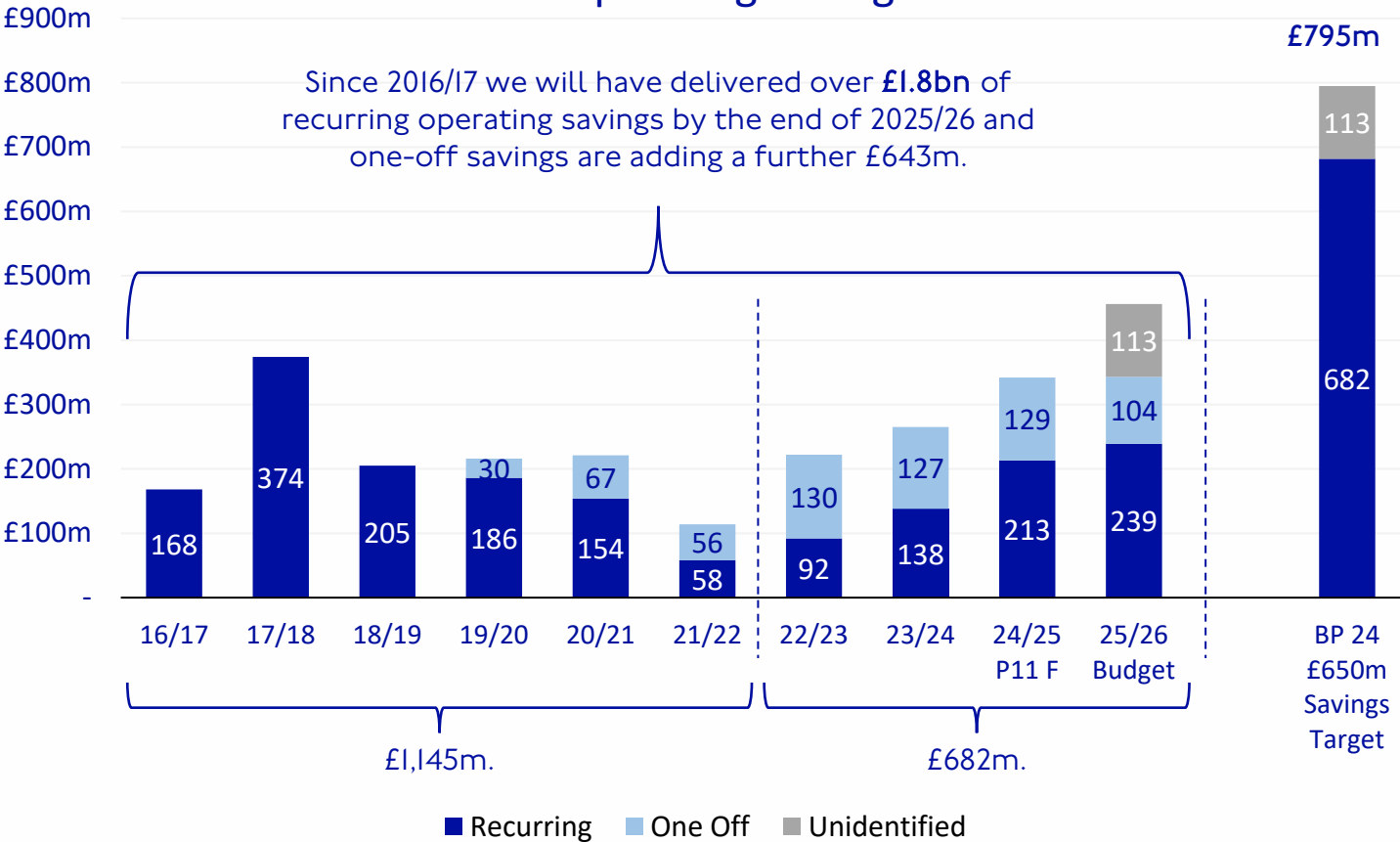
Direct inflationary pressures increase our like-for-like cost base by 2.2% year-on-year.

Through our comprehensive savings programme, we expect to be able to offset most cost pressures and therefore like-for-like costs are flat in real terms.



We continue to deliver on savings to mitigate the impact of inflation and other cost pressures

Annual Operating Savings £m



In the 2024 Business Plan, we committed to delivering £650m of recurring operating savings between 2022/23 to 2025/26. This budget forecasts that this target will be delivered.

How we will do this in 2025/26:

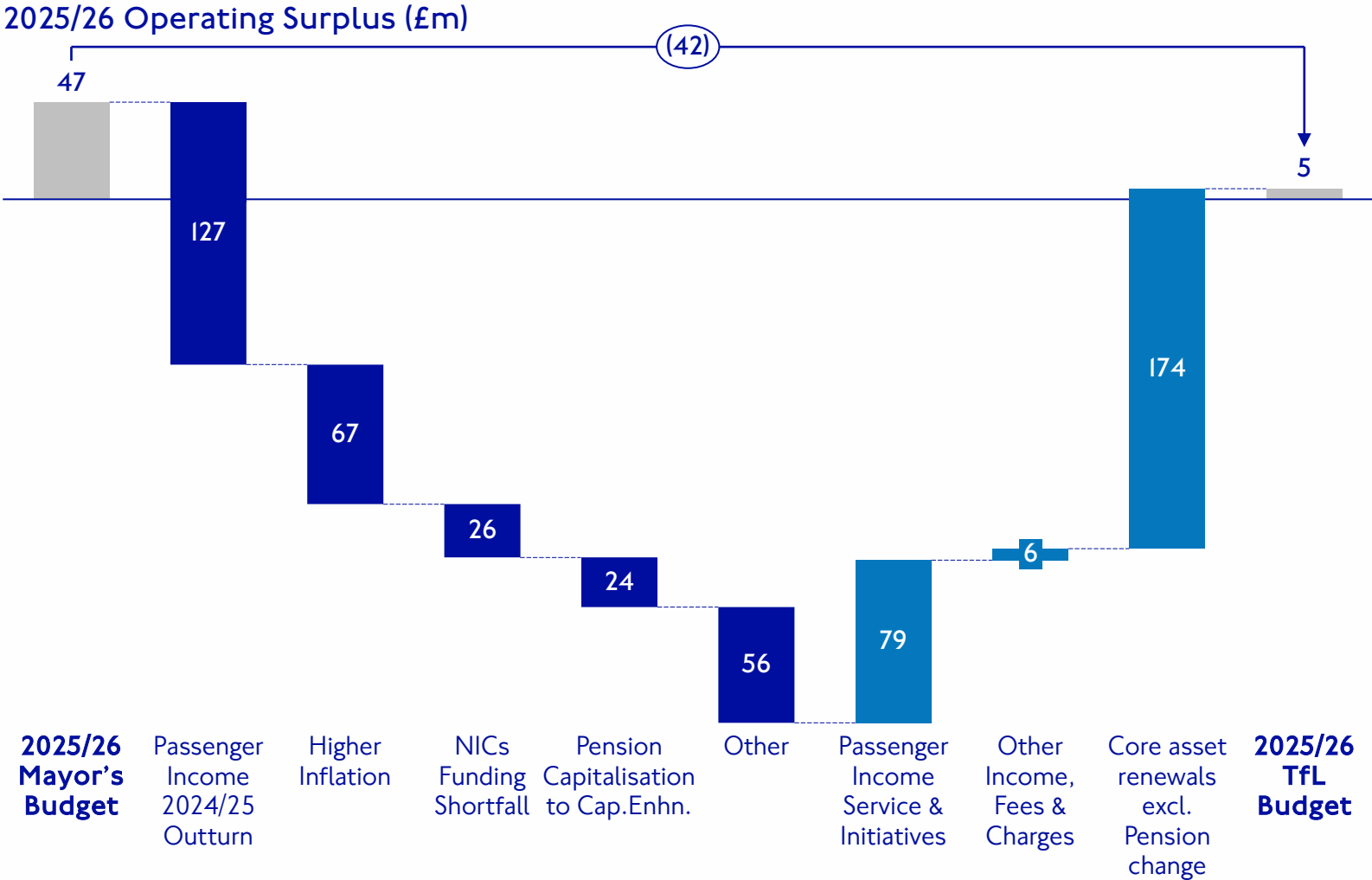
1. Lower employer pension contributions: through significant management effort we have secured and will deliver around £180m of savings in 25/26
2. We are building on the success this year of our ‘swap out’ initiative on NPL and extending into every aspect of NPL and consultancy.
3. We are reviewing all of our smaller projects to ensure they are value for money and benefits are being realised.

We still have an unidentified savings target of circa £113m which is a similar challenge to that we have taken in previous years.

We have also developed a budget management plan to support the delivery of revenue growth and cost reduction initiatives.



We have mitigated the majority of the headwinds and pressures we are facing



After mitigating the majority of the headwinds and pressures we are facing, we have a gap of £42m compared to our submission into the Mayor's Budget.

We have done this through going further on revenue and reviewing our investment in core asset renewals to ensure it is deliverable in-year, we have the right scope and is fully prioritised with no impact on safety, reliability and revenue.

Our core renewals investment is still over £700m (over £800m when including our Major road renewals), a substantial increase on the investment made pre-pandemic and during the pandemic years.

Overall, capital investment will rise from £1.7bn to £1.9bn.



We have maintained an operating surplus to fund investment

| £m | 2024/25 | | | 2025/26 Budget | | | Variance YoY | |
|---|------------------|--------------------------------|------------|--------------------|----------------------------|-------------|---------------------|-------------|
| | 2024/25 Forecast | Variance to 2024/25 TfL Budget | | 2025/26 TfL Budget | Variance to Mayor's Budget | | 2024/25 vs. 2025/26 | |
| Passenger income | 5,290 | (240) | -4% | 5,609 | (48) | -1% | 320 | 6% |
| Other operating income | 1,537 | 59 | 4% | 1,476 | 16 | 1% | (61) | -4% |
| Business Rates Retention | 2,170 | 0 | 0% | 2,192 | - | 0% | 22 | 1% |
| Other revenue grants | 294 | 4 | 1% | 288 | 0 | 0% | (6) | -2% |
| Total revenue | 9,290 | (177) | -2% | 9,566 | (32) | 0% | 275 | 3% |
| Core operating costs | (7,713) | 79 | -1% | (8,094) | (175) | 2% | (381) | 5% |
| Investment programme opex | (166) | (13) | 8% | (163) | 9 | -5% | 3 | -2% |
| Exceptional costs | (58) | 79 | -58% | (107) | (7) | 7% | (49) | 83% |
| Total operating costs | (7,937) | 145 | -2% | (8,364) | (173) | 2% | (427) | 5% |
| Operating surplus before interest and renewals | 1,353 | (32) | -2% | 1,202 | (205) | -15% | (152) | -11% |
| Capital renewals | (768) | 27 | -3% | (715) | 206 | -22% | 53 | -7% |
| Net interest costs | (436) | (7) | 2% | (481) | (43) | 10% | (46) | 10% |
| Operating surplus / (deficit) | 150 | (12) | -7% | 5 | (42) | -89% | (145) | -97% |
| Places for London net contribution | 28 | 3 | 13% | 29 | 1 | 3% | 1 | 2% |
| Operating surplus / (deficit) including Places | 178 | (8) | -4% | 34 | (41) | -55% | (144) | -81% |



Our goals

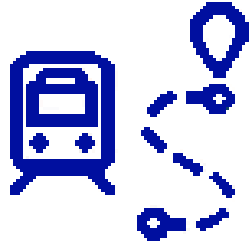
What this budget protects and delivers
against our goals and the Mayor's priorities



We are progressing the Mayor's priorities



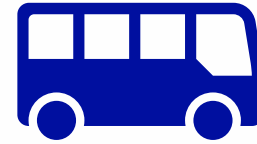
Step Free Access -
Developing
programme for
50% of LU stations
step-free



DLR
Thamesmead -
Progress
towards TWAO



Other Growth -
Progress other priority
schemes: West London
Orbital, BLE with
borough support



Superloop 2
Delivery of bus priority
and supporting
infrastructure



Zero-emission buses
Start to deliver
enabling
infrastructure



Delivering on our Safety and Security goal

Everyone home safe and healthy every day



Our budget delivers

- New layouts to improve safety at seven bus stations
- Works to improve road safety continue at Lambeth Bridge and Battersea Bridge
- Start platform train interface new technologies trial to reduce risk
- Publish Vision Zero Action Plan 2 for road danger reduction
- Continue to deliver lower speed limits on the TLRN
- Launch task force for tackling transport hate crime and violence against women and girls
- New operating model for TfL funded roads and transport policing services provided by the Metropolitan Police Service
- Improve resilience against attacks on core IT services

Scorecard targets for 25/26



No more than **3604*** people killed or seriously injured on London's roads



No more than **194** customers killed or seriously injured on our network



No more than **17** colleagues seriously injured at work and zero colleagues killed at work



Delivering on our Colleague goal

Be a great place to work for everyone to thrive



Our budget delivers

- Completion of upgrade of 50 staff welfare rooms across TfL public transport modes
- Embed the value chain and deliver the operating models through our change programmes
- Introduce job families within pay for performance and senior manager reward framework
- Continue to focus on reducing our pay gaps, publishing an action plan
- Launch a programme of principle-based policies
- Achieve Disability Confident leader status
- Publish integrated leadership programme packages to support colleagues develop leadership skills
- Continue to deliver our Action on Inclusion Plan

Scorecard targets for 25/26



+1% point total engagement



Improve senior leadership representation so that at the end of 25/26 the composition is at least :

- Women 35.6%
- BAME 21.5%
- Have a disability 6.9%
- Minority faith/belief 13.2%
- LGB 6.1%



Delivering on our Green goal

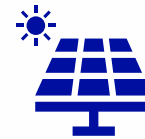
Tackle the climate and ecological emergency



Our budget delivers

- Bring 600 more zero emission buses into service, bringing the total to 2500 ZE buses in the fleet
- Expand wildflower verges on the TfL network by 13 ha
- Start works to instal charge points to support the transition to zero emission support fleet vehicles
- Continue the buildings decarbonisation programme
- Start construction of the first EV hub site at Hatton Cross
- Continue delivery of LED lighting
- Complete decarbonisation of Therapia Lane Depot
- Commence evaluations of Private Wire stage 2
- Deliver 9,000m² of new rainwater catchment area resulting from sustainable drainage schemes
- Launch 2nd Power Purchase Agreement procurement
- Contribution to the swimmable rivers scheme

Scorecard targets for 25/26



740 ktonnes CO₂e from TfL operations and buildings



7 / 9 Green milestone delivery



Delivering on our Customer goal

Give people more reasons to choose sustainable travel



Our budget delivers

- Silvertown tunnel open providing new bus services across the river
- Continue the development of the Superloop network
- 4LM upgrade complete between Finchley Road and Preston Road delivering faster journey times
- Public consultation for Thamesmead DLR extension
- First new DLR train and Piccadilly line train in service
- TfL Go Personalisation – enhance the cycle journey planning feature and accessibility information
- Colindale station is a step-free station and 75% of Bakerloo line trains are fitted with wheelchair bays
- Deliver new and accessible customer toilets
- Develop proposals to pedestrianise Oxford Street
- Continue to deliver outcomes from Equity in Motion

Scorecard targets for 25/26



60% of Londoners agree we care about our customers



26.9 mins LU customer journey time



27.5 mins Rail customer journey time (DLR, Trams, Overground, Elizabeth Line)



34.3 mins Bus customer journey time



90% Investment programme milestone delivery



Our capital programme delivers £1.9bn of investment

| Capital expenditure (£m) | 2025/26 TfL Budget | | Mayor's Budget | | Variance | |
|----------------------------------|--------------------|----------------|----------------|----------------|-----------|------------|
| | 2024/25 | 2025/26 | 2024/25 | 2025/26 | 2024/25 | 2025/26 |
| | Forecast | Budget | Plan | Plan | Variance | Variance |
| Piccadilly Line Upgrade | (322) | (451) | (329) | (528) | 7 | 77 |
| DLR train replacement | (196) | (132) | (204) | (141) | 7 | 9 |
| Four Lines Modernisation | (69) | (72) | (70) | (82) | 2 | 10 |
| Environment | (60) | (22) | (65) | (35) | 5 | 13 |
| Safe & Healthy Streets | (114) | (113) | (116) | (120) | 2 | 7 |
| Rail & Station Enhancements | (83) | (73) | (81) | (88) | (2) | 15 |
| Technology | (42) | (68) | (56) | (68) | 14 | 1 |
| Other Enhancements | (69) | (155) | (65) | (112) | (4) | (43) |
| Core Renewals | (768) | (715) | (798) | (921) | 30 | 206 |
| Major Renewals | 0 | (94) | 0 | (185) | 0 | 91 |
| Total capital expenditure | (1,723) | (1,897) | (1,784) | (2,281) | 61 | 384 |

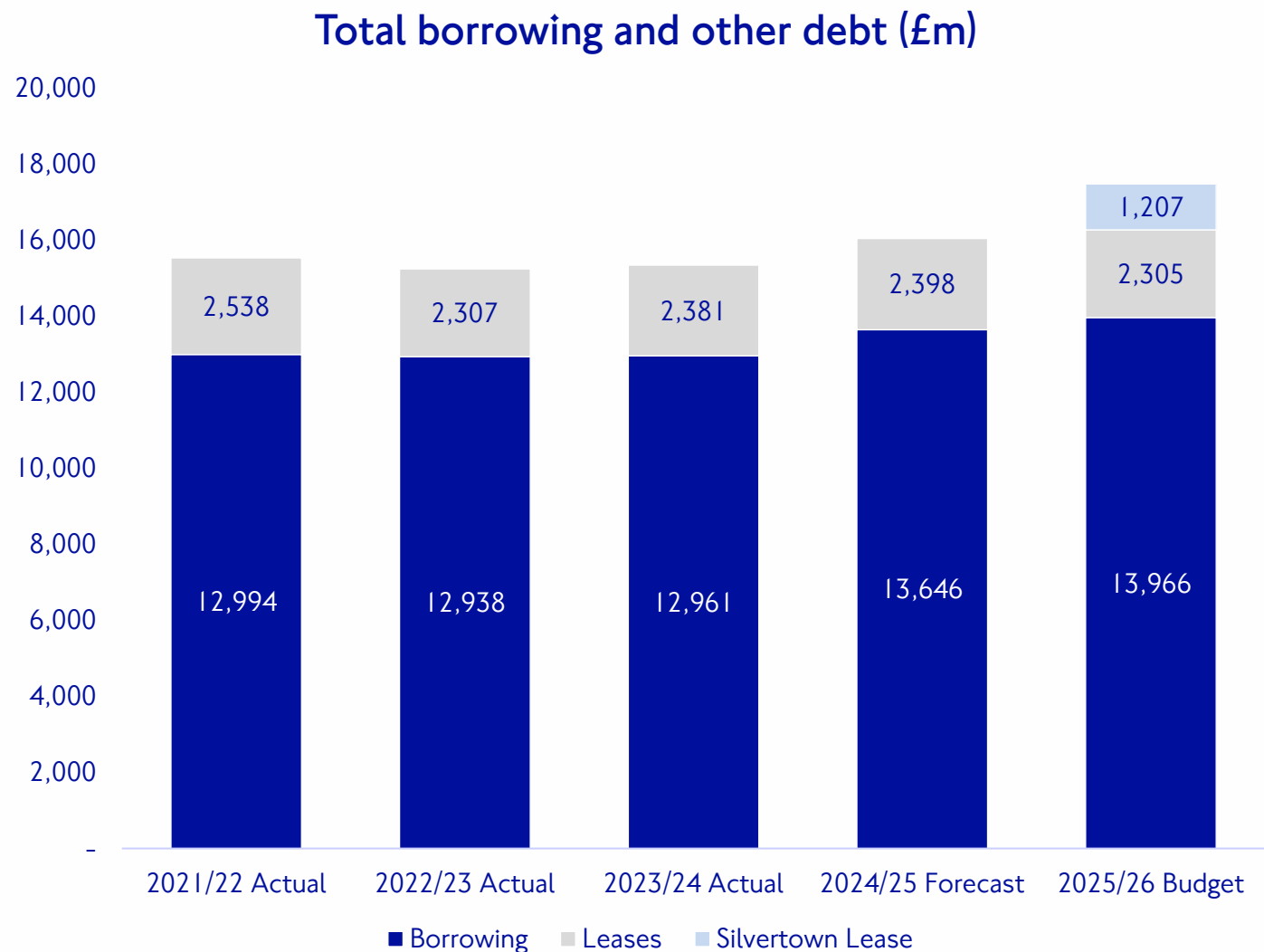


Maintaining our financial resilience

How we are being prudent and managing risks in our budget



We have a prudent approach to borrowing



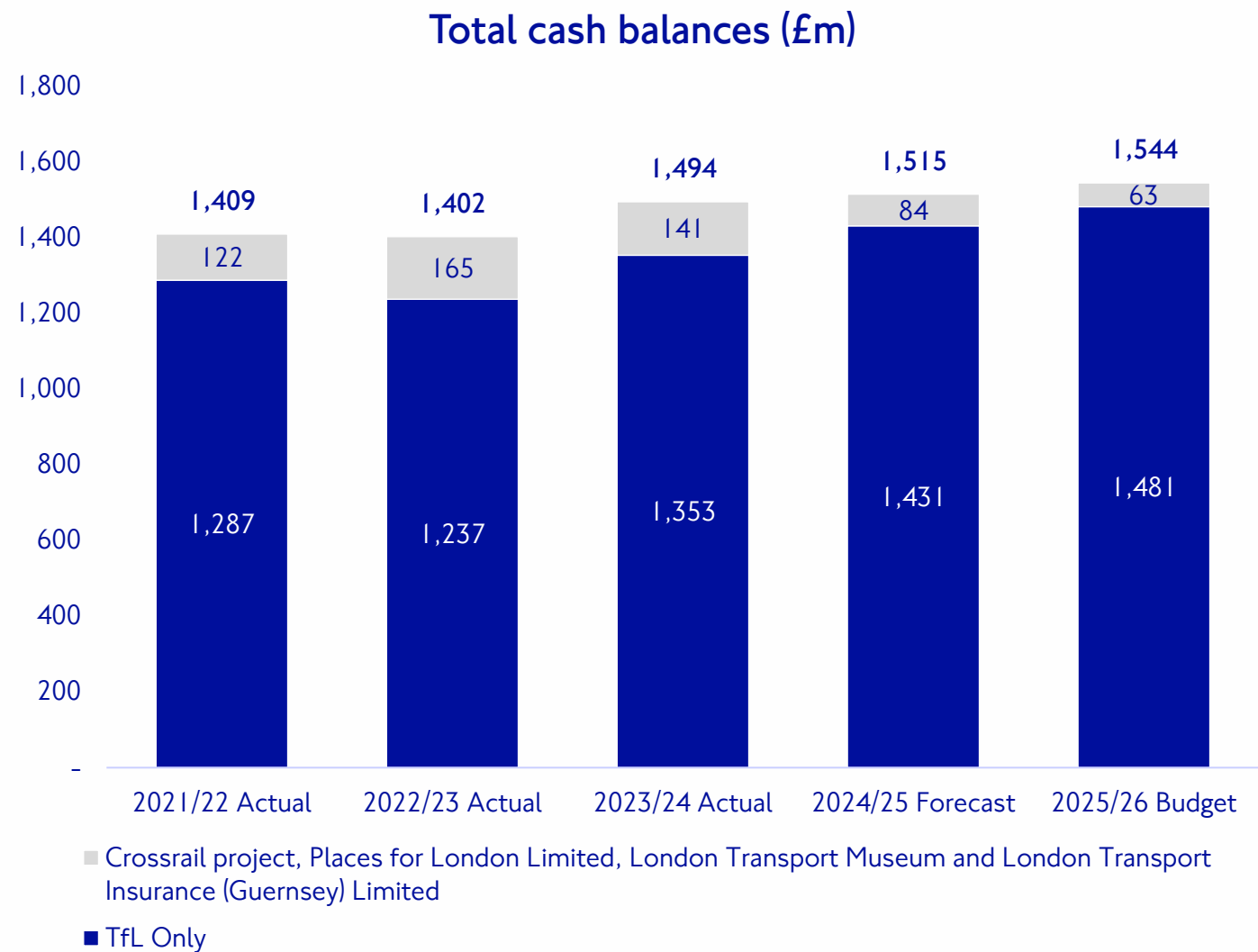
TfL maintains a prudent approach to borrowing, which is both sustainable and affordable. The TfL Finance Committee approves prudent treasury strategies and policies that have regard to the principles of the Treasury Management Code and the Prudential Code.

Borrowing helps support TfL’s capital investment programme, and generating a sustainable operating surplus means there will be borrowings headroom in the medium term.

With the Silvertown Tunnel opening on 7 April 2025, a further £1.2bn liability and corresponding asset are recognised on the balance sheet. This represents the capital cost of the project, which is repaid over the next 25 years funded by user charges.



We are rebuilding our cash reserves



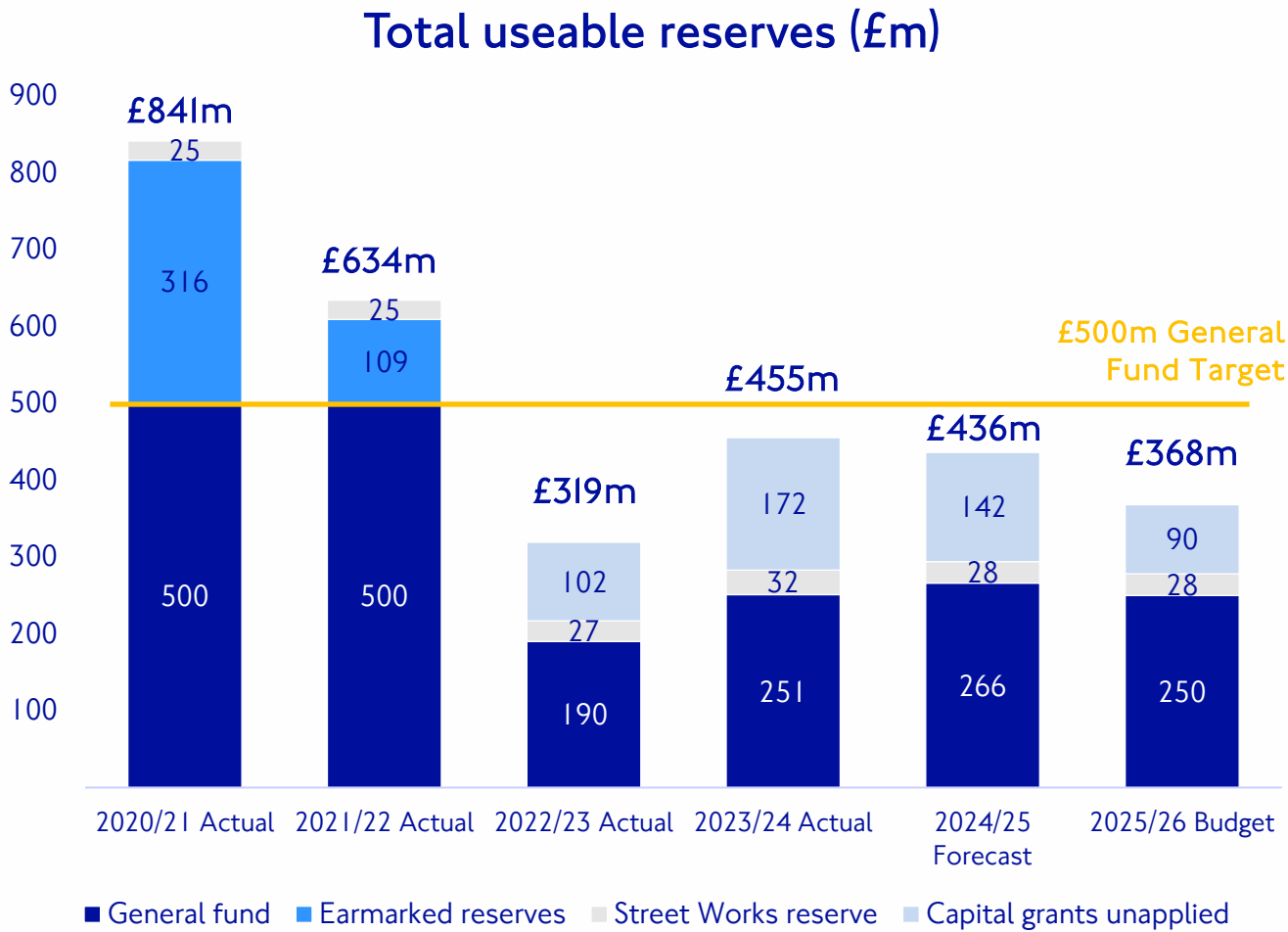
TfL’s Treasury Management Policy aims to maintain a minimum level of cash reserves of at least 60 days of annual operating expenditure, on average.

Over the last five years, we have been in line with this policy and continue to prudently manage cash and borrowings in line with this policy.

The GLA Financing Facility of £350m and other sources of financing are available to absorb shocks and withstand strategic, safety and operational risks.



We are maintaining our accounting reserves



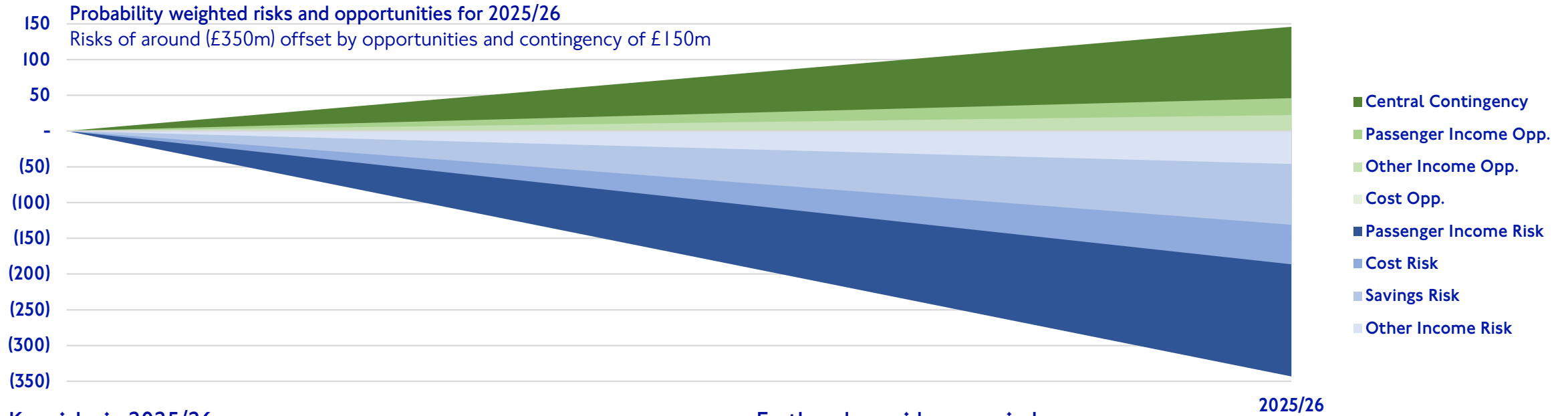
TfL’s General Fund represents available monies in reserves that are usable rather than set aside for statutory purposes or committed to incurred expenditure. It is primarily used to as contingency for unexpected events or emergencies.

We had been targeting to rebuild our General Fund reserves to £500m by 2025/26, but the headwinds we face and the lower operating surplus this creates, means that we are only able to retain our General Fund at the level we have had for the last three years.

We have sufficient levers and mitigations in place for risks that may arise. Reserve levels are kept under regular review to ensure they are maintained at reasonable levels over the medium term.



We have a range of risks which we are managing



Key risks in 2025/26:

1. Passenger income – risks around macro-economic environment, demand, volatility and service
2. Other income – there is a range of uncertainty around some of our other income streams and fees & charges workstream
3. Savings – there remains some risks to achieving our challenging operating savings targets this year, but we are committed to delivering our programme of change and efficiency

Further downside scenario levers:

Our net-weighted risk exposure of circa £300m is greater than the £100m central contingency held. We have identified levers to course-correct during the year if required. This will be achieved by:

- Maintaining the £350m GLA financing facility to provide time to respond to shocks
- Managing the commitments of our expenditure to maintain levers to slow or stop expenditure if required.
- Introducing more stringent controls on operating costs if required



Appendices



Cash flow statement

| | 2025/26 Budget | | Variance to Mayor's Budget | | Variance YoY | |
|--|------------------|----------------|----------------------------|----------------|--------------------|--------------------|
| £m | 2024/25 Forecast | 2025/26 Budget | 2024/25 Forecast | 2025/26 Budget | 2024/25 vs 2023/24 | 2025/26 vs 2024/25 |
| Operating surplus before renewals and interest | 1,354 | 1,201 | 100 | (206) | 79 | (153) |
| Less: London Transport Insurance (Guernsey) Ltd. and London Transport Museum | 4 | 4 | - | - | 7 | - |
| Cash generated / (used) from operating activities | 1,358 | 1,205 | 100 | (206) | 86 | (153) |
| Capital renewals | (768) | (715) | 30 | 206 | (5) | 53 |
| Major asset renewals | - | (94) | - | 91 | - | (94) |
| New capital investment (VOWD) | (955) | (1,087) | 31 | 87 | 153 | (132) |
| Investment grants and ring-fenced funding | 266 | 599 | 7 | (102) | (635) | 333 |
| Working capital movements | (72) | 304 | (186) | 127 | (277) | 376 |
| Cash generated / (used) from investing activities | (1,529) | (993) | (118) | 409 | (764) | 536 |
| Free cash flow | (171) | 212 | (18) | 203 | (678) | 383 |
| Net financing costs | (436) | (481) | (4) | (43) | (22) | (45) |
| Net borrowings | 685 | 320 | - | - | 662 | (365) |
| Cash generated / (used) from financing activities | 249 | (161) | (4) | (43) | 640 | (410) |
| Net increase/(decrease) in cash | 78 | 50 | (22) | 160 | (38) | (28) |
| <i>TfL cash balances</i> | <i>1,431</i> | <i>1,481</i> | <i>(22)</i> | <i>137</i> | <i>78</i> | <i>50</i> |



Comparison to the Mayor's Budget

Note: this includes Places for London

| £m | 2025/26 TfL Budget | | Final Mayor's Budget | | Variance | |
|--|--------------------|----------------|----------------------|----------------|-------------|--------------|
| | 2024/25 Forecast | 2025/26 Budget | 2024/25 Forecast | 2025/26 Budget | 2024/25 | 2025/26 |
| Passenger Income | 5,290 | 5,609 | 5,342 | 5,658 | (52) | (48) |
| Other Operating Income | 1,537 | 1,476 | 1,540 | 1,460 | (3) | 16 |
| Places for London | 101 | 110 | 101 | 109 | 0 | 1 |
| Subtotal income | 6,928 | 7,196 | 6,983 | 7,227 | (55) | (31) |
| London Underground | (2,385) | (2,329) | (2,351) | (2,346) | (33) | 17 |
| Buses | (2,406) | (2,679) | (2,454) | (2,691) | 48 | 12 |
| Streets and other operations | (1,271) | (1,159) | (1,254) | (1,192) | (17) | 33 |
| Rail | (590) | (620) | (593) | (609) | 3 | (11) |
| Elizabeth Line | (568) | (594) | (575) | (615) | 8 | 21 |
| Places for London | (74) | (78) | (74) | (79) | 0 | 1 |
| Other | (718) | (984) | (864) | (738) | 147 | (245) |
| Subtotal operating costs | (8,011) | (8,442) | (8,167) | (8,270) | 155 | (172) |
| Net operating income and expenditure | (1,083) | (1,246) | (1,183) | (1,043) | 101 | (203) |
| Capital financing costs | (505) | (538) | (502) | (531) | (2) | (7) |
| Interest receivable | 70 | 54 | 70 | 91 | 0 | (38) |
| Net service income and expenditure | (1,517) | (1,730) | (1,616) | (1,483) | 99 | (247) |
| Revenue resources used to support capital investment | (966) | (817) | (782) | (1,141) | (184) | 324 |
| Transfer (to)/from reserves | 19 | 68 | (66) | 145 | 85 | (77) |
| Financing requirement | (2,463) | (2,480) | (2,464) | (2,479) | 0 | (0) |
| Unringfenced Revenue Grants | 13 | 25 | 18 | 25 | (4) | 0 |
| GLA group reserves | 36 | 14 | 32 | 14 | 4 | 0 |
| Retained business rates | 2,170 | 2,192 | 2,170 | 2,192 | - | - |
| Council Tax requirement | 244 | 249 | 244 | 249 | - | - |

