

TfL publishes revised budget showing progress towards financial sustainability – but more Government support required

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- Latest figures from TfL show a reduction in its funding gap for 2021/22, compared to its last budget published in March, due to higher operational savings, some deferrals of the capital spend into 2022/23 and use of own cash
- Total journeys across TfL's services now 54 per cent of pre-pandemic levels, showing increasing customer confidence in using London's safe, clean and reliable public transport network that is vital to London's recovery
- Revised budget assumes no material change to service levels on buses, Tube or rail compared to TfL's Financial Sustainability Plan published in January 2021, and will ensure the completion of station improvements, greener buses, the next phase of signalling upgrades and further work to encourage more walking and cycling
- Further government support still required to bridge the £500m shortfall remaining this financial year

Transport for London (TfL) has published its revised budget for 2021/22 for approval by the TfL Board. The

revised budget, which builds on the previous TfL budget published in March 2021, is both a legal requirement and a condition of TfL's funding agreement with Government. It outlines how TfL remains on track to reduce its funding gap, deliver the recurring savings required as part of its business plan, and work towards becoming financially sustainable by April 2023.

TfL's finances have been decimated by the pandemic as ridership plummeted due to Londoners doing the right thing and staying at home. This had a particularly catastrophic effect as TfL is one of the only major cities in Europe not to receive a regular Government grant to cover its day-to-day operations, and fares make up over 70pc of its operating budget pre-pandemic. Prior to the pandemic, TfL was on track to deliver an operating surplus by 2022/23, having reduced its net cost of operations by almost £1bn over the past four years and increased cash reserves to more than £2bn.

TfL's services, and its investment in sustainable travel, are vital to help drive a strong and resilient future for London and the wider UK economy. The budget will see service levels operating on the Tube, bus and rail services for 2021/22 remaining the same as outlined in TfL's Financial Sustainability Plan, published in January 2021, and ensure the delivery of a wide range of key improvements and schemes across London including:

- Delivering a range of Healthy Streets schemes, including work to transform Old Street roundabout and station, development of a number of cycle routes to boost safety, such as Cycleway 4 in south east London and more bus priority schemes across London;
- Completing more step-free stations across London, such as at Knightsbridge, Wimbledon Park and Harrow-on-the-Hill. Work will also restart on step-free improvements at Burnt Oak, Hanger Lane and Northolt to allow them to be completed in the coming years;
- Supporting the delivery of cleaner air across London by delivering new zero-emission buses as well as expanding the Ultra Low Emission Zone to cover all roads within the North and South Circular from 25 October 2021;
- Working to complete the Elizabeth line, which is on track to open in the first half of 2022 and once open will cut journey times, transform accessibility and add 10 per cent to Central London's rail capacity. Trial running continues to take place within the tunnels and work to hand over the new stations to TfL is progressing.
- Finishing station improvements like Tottenham Hale and ensuring the major Bank Station Upgrade can be completed for use by customers by the end of next year. The third-party-funded elements of the Elephant & Castle Underground station upgrade will also proceed, but TfL still needs long-term funding certainty to complete the fit out of the expanded ticket hall;
- Progressing major renewals on bridges and tunnels owned by TfL to keep them safe, reliable and operable, including the A40 Westway and Rotherhithe Tunnel. TfL will also continue to deliver improvement to staff welfare facilities at bus stations and planned refurbishments at Victoria Coach Station, as well as further improve the Santander Cycle Hire scheme that continues to attract record numbers of customers;
- Tackling London's housing crisis by progressing construction on thousands of affordable new homes across London, including at Southall, Nine Elms and Kidbrooke. This will be done via TfL's commercial property entity, which is capable of accessing commercial debt or Government support to bring forward housing and other development projects to generate significant ongoing revenue streams;
- Further progressing major signalling upgrades to the Tube network, as well as completing network extensions such as the Northern Line extension to Battersea and Barking Riverside extension on the London Overground. TfL will also continue to support third-party-funded work on a potential extension of the Docklands Light Railway to Thamesmead.

With Government investment TfL says it could make key further improvements that would help deliver a number of Government priorities such as decarbonisation and boosting productivity. TfL has a number of shovel-ready projects that could be quickly accelerated and would drive innovation, clean up our air, and strengthen the UK's place as a global leader.

The number of journeys made on TfL services has seen significant growth since the easing of Government restrictions began, supported by the Mayor's Let's Do London campaign. Combined ridership across TfL's services is now at 54 per cent of pre-pandemic levels, rising to 60-65 per cent at weekends, with passenger income to date almost treble that seen by this point last year.

Due to higher operational savings, some deferrals of elements of the capital programme into later financial

years and use of own cash, TfL now assumes a full year funding requirement of £1.9bn – down from £2.7bn in the March 2021/22 budget. Of this, £1.4bn has already been secured through the recent funding agreements with Government.

Since its most recent funding agreement with Government on 1 June 2021, TfL has been working to progress all of the conditions placed on TfL, and continues to be on track to deliver these on time. A £500m gap remains for the remainder of this financial year beyond the 11 December end date of the existing Government funding agreement, and TfL continues to discuss the need for a longer-term deal beyond this with the Government.

The current short-term funding agreement has restricted TfL's ability to plan, commit and deliver Active Travel and Borough travel schemes this financial year. TfL is keen to secure certainty on additional Government support before 11 December 2021 to restore Healthy Streets and Borough funding to a level closer to previous years and to ensure London's ability to deliver more of these vital schemes.

TfL is making the case to be allocated financial support by Government over a set time period of a number of years, similar to the arrangements offered to Network Rail and Highways England. Such a funding framework would allow for further efficiencies and help TfL engage and maintain a UK-wide supply chain – which currently employs more than 43,000 people across the country.

Sadiq Khan, the Mayor of London, said: "London's public transport network is essential to support our city's recovery and improving ridership demonstrates the importance of being able to run safe and frequent services. But very difficult decisions remain as the pandemic has had a devastating effect on TfL's finances due to the reliance on fare income. This is despite the fact that during my first term as Mayor TfL reduced their operating deficit by 71 per cent and increased their cash balances by 13 per cent.

"If we don't get further Government support in December, there could still be a £500m gap this year and so I urge Ministers to treat TfL as they do the private rail operators, and commit to a long-term funding agreement. This is vital not only for the good of London, but for the whole country."

Andy Byford, London's Transport Commissioner, said: "We are committed to ensuring we continue to play our full part in London's recovery from the pandemic. Our staff, supply chain and other partners have worked magnificently to keep London moving, but the pandemic has shown our financial model, with such a disproportionate reliance on fare revenue, to be not fit for purpose. The revised budget will ensure our services operate safely, while keeping vital capital investment going. This budget protects service levels, supports economic recovery and will help build a greener economy. TfL is meeting its part of the deal with Government to get back to financial self-sufficiency. I now call on Government to truly engage with TfL to secure the long-term funding agreement that will drive London and the wider UK's recovery."

TfL's Revised Budget, which will be discussed at TfL Board on 28 July 2021, is available to view here – <https://tfl.gov.uk/corporate/publications-and-reports/board-papers>

Photo credit: Transport for London