Transport for London Budget 2020/21

MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

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How we measure success

Our ambitious targets are measured against the three key themes of the Mayor's Transport Strategy, which are Healthy Streets and healthy people, a good public transport experience, and new homes and jobs

Commissioner’s foreword

Mike Brown MVO
Commissioner
Transport for London

This year sees the 2020 Mayoral and London Assembly elections taking place. There will also be a new Transport Commissioner to oversee the running of TfL as I move on after nearly five years in the role. There will, however, be no let-up in what we will deliver for London. This Budget sets out how we will maintain a safe, reliable and efficient transport network for London. Building on our five-year Business Plan, this report is fully aligned with the Mayor’s Transport Strategy and will continue to encourage more people to walk, cycle and use public transport.

Safety remains our top priority and we will accelerate work to achieve our Vision Zero ambition to eliminate deaths and serious injury on London’s transport network by 2041. We have recently introduced a 20mph speed limit on all our roads within the Congestion Charge zone, mirroring the lower speed limits already in place on most borough roads in central London.

We will continue to lead the way in cleaning London’s air and making the Capital a greener place to live. In October 2020, we will introduce tougher Low Emission Zone standards for heavy diesel vehicles. Those vehicles that fail to meet the new standards will pay a daily charge. We will introduce more zero-emission buses, aiming for up to 500 in the fleet by the end of 2020/21, and complete the installation of 300 rapid charging points for electric vehicles.

An additional 11 London Underground stations will become step-free, meaning a third of the Tube network will be fully accessible. We will also reach major milestones in projects to upgrade the Tube, including implementing new signalling on the Circle, District, Hammersmith & City and Metropolitan lines, and beginning testing of trains on the Northern Line Extension to Nine Elms and Battersea Power Station. Work will continue on the massive reconstruction of Bank/Monument station in the heart of the City of London. In addition, the north and south viaducts of the 4.5km London Overground extension to Barking Riverside will be completed, marking a key stage in this project that will help unlock 10,800 new homes in the area.

We will also see major progress on our Healthy Streets agenda. We have already achieved our target of tripling the amount of protected cycle lanes since 2016, months earlier than expected, and will continue to make major improvements to some of the most dangerous junctions in London, such as Old Street Roundabout. This year, work to transform the roads around Waterloo will begin, making it safer for cyclists, improving crossings and bus interchanges, and transforming the public space.

These improvements are being delivered despite an uncertain economic environment. We receive around 40 per cent less overall funding than we did in 2010/11, which is a reduction of around £1.4bn each year. We must also bear the costs of the ongoing delays to the opening of the Elizabeth line, with the GLA, despite this being a jointly sponsored project with the Government. To combat this, we have applied control on our finances, reducing our net deficit, on a like-for-like basis, by more than £1bn since 2015/16, improving efficiency and suspending non-essential work. However, we need long-term funding certainty from the Government to support a pipeline of vital work that will maintain safety and reliability of day-to-day services, improve connectivity, attract business and support new homes. This would also help create jobs and improve skills across the country. These benefits are not a zero-sum game and central Government must invest in both London and the rest of the country. The Capital will become more prosperous and attractive if the economies of the rest of the UK nations, regions and cities are enhanced, and vice versa.

> ‘We need long-term funding certainty from the Government to support a pipeline of vital work that will improve connectivity, attract business and support new homes’

I am confident that whoever leads the organisation through the next period will continue the good progress we have made to improve safety, deliver a reliable network and work to unlock the housing and sustainable growth London needs. I am confident we are in a positive place to respond to the challenges ahead.

Chief Finance Officer's foreword

Simon Kilonback
Chief Finance Officer
Transport for London

Our latest Business Plan, published in December 2019, set out our response to the challenges we face from a continued subdued economy, uncertainty around the final terms of the UK's exit from the European Union and the delays to the opening of the Elizabeth line.

Our funding settlement is confirmed for 2020/21, but we have no certainty of Government funding beyond this financial year. As we explained when we published our Business Plan, it is crucial that we secure long-term funding certainty in the forthcoming spending review. We published our 20-year Capital Strategy alongside the Business Plan, which describes London's transport infrastructure requirements. We are at the end of a 20-year funding cycle having completed or started upgrades to the Circle, District, Hammersmith & City, Jubilee, Metropolitan, Northern and Victoria lines, but have no future funding certainty for the next round of upgrades. We are working closely with Government and stakeholders to secure the funding to continue investing in the transport infrastructure London needs. This is critical for London and also to enable our supply chain to plan for the future and deliver the improvements needed to keep London competitive on a global stage, support investment across the country and be a place where people can travel safely, reliably, affordably and easily.

We have a strong track record of delivering our financial strategy, having reduced our net deficit, as measured by the net cost of operations, by more than £1bn since 2015/16 on a like-for-like basis. In 2019/20, we have seen the deficit improve for the fifth consecutive year, which is testament to our firm grip on cost and careful business management to navigate volatility in passenger demand and uncertainty in the macroeconomic environment.

This Budget builds on the strong operational performance in 2019/20. Passenger income trends continue to be unpredictable. Demand across all our modes was better than anticipated in the first half of 2019/20, however we saw a sharp deterioration in demand towards the end of 2019, which was consistent with a poor Christmas retail performance on the high street. These trends improved in January, but we still remain cautious and our projections for 2020/21 reflect the lowest point of the range of possible outcomes, as informed by forecasts from GLA Economics.

We launched the Ultra Low Emission Zone in April 2019, which resulted in a fall in roadside nitrogen dioxide pollution by 36 per cent in the zone in the first six months, compared to 2017 levels. Compliance rates are higher than we anticipated, which is positive for the environment. We have reduced our income projections for 2020/21 to reflect this. We started rolling out new trains on the London Overground, which is planned to complete in summer 2020. These new trains will result in higher operating costs in the short term, which are reflected in this Budget. We completed the planned changes to our bus network in central London in 2019 and continue to work hard to mitigate the impact of inflationary cost increases.

Since late 2018/19, we have taken a decisive step towards a leaner and more efficient back-office organisation, having worked in consultation with our trade unions to review 25 business areas and more than 3,000 roles. We are committed to continually improving, adapting to the external headwinds and building resilience to weather the challenges we face.

> 'It is crucial that we secure long-term funding certainty in the forthcoming spending review'

The 2019 Business Plan took a pragmatic view of our investment programme, prioritising work that is critical to maintaining current levels of safety and reliability, or those that are already contractually committed. We have also taken into account delivery realities, which are sometimes subject to factors outside of our control. As part of this budgeting round, I challenged the business to arrive at a financial budget that we can deliver which takes into account historical delivery rates, adjusted as appropriate for each area.

In 2020/21, total investment in both capital renewals and new capital will increase from £1,562m to £1,866m. This is a challenging but realistic Budget that maintains significant levels of investment in London. The key external risk to financial delivery in 2020/21 remains passenger income volatility, underpinned by a very uncertain macroeconomic environment. However, we have demonstrated that we can successfully manage risks, while maintaining financial discipline and building resilience. I am confident we will continue to deliver for the people who live and work in London.

We are set challenging targets to achieve our key ambitions

Measuring success

Our scorecard provides a clear line of sight between the Mayor's Transport Strategy, our five-year Business Plan and annual Budget

Our scorecard is aligned to the three key themes of the Mayor's Transport Strategy – Healthy Streets and healthy people, a good public transport experience and new homes and jobs. It is balanced across four quadrants – Safety and operations, Customer, People and Financial – with each carrying a weight of 25 per cent.

The TfL Board approves the measures we use to track performance against key priorities and outcomes, and we report the results at each Board meeting.

Our forecast results for 2019/20 show safety must remain our critical focus. If we are to achieve our Vision Zero objective of having nobody killed or seriously injured on our roads by 2041, then we must meet the target each year. In 2019, we saw a reduction in the number of people killed or seriously injured by buses beyond the trajectory to achieve Vision Zero. We must now see this across the whole transport network, including on our roads and among our customers and workforce.

In 2019/20, we increased the number of Euro VI compliant buses and have seen an improvement in bus reliability. We expect to achieve our financial target for a net operating surplus, but revised timings on the delivery of projects means we will not meet our revised target for the investment programme. The risks around capital delivery are described on pages 16 and 17, and we will continue to improve the accuracy of these forecasts. We have started to see a reduction to the additional time it takes to make a step-free journey compared to last year as a result of the investment in accessibility, however, we missed our target largely due to the delays in the Crossrail construction programme.

We have improved the total workforce engagement and inclusion index and expect to have improved workforce diversity. We also expect the percentage of people who agree we care about our customers to meet the target.

Our 2020/21 scorecard will be developed based on new priorities and key metrics to measure our performance in light of recent unfolding events.

Delivering a balanced budget

This Budget is balanced against a series of factors and risks, including passenger demand, lifespan of our assets and the evolving political landscape

Budget at a glance

Keeping London moving, working and growing to make life in our city better

How we report on our business

Streets, buses and other surface operations
Transport for London Road Network, London Buses, London Dial-a-Ride, London River Services, London Taxi and Private Hire, Santander Cycles, Victoria Coach Station and Emirates Air Line

Underground
London Underground

Elizabeth line
Currently operating as TfL Rail

Rail
DLR, London Overground and London Trams

Property
Our commercial and residential estate and building portfolio

Media
Advertising estate and digital marketing infrastructure

Commercial consulting and international operations
Our global consultancy operation and brand licensing

985 trains on the TfL network

300 rapid charging points by the end of 2020

755km TfL-operated Rail and London Underground routes

9,000+ buses across our network, all of which will meet the Euro VI engine standard by the end of 2020

6,300 traffic signals that we operate

Total sources and uses of funds

£9.7bn
Total sources of funds

- Grants **£2.0bn**
- Use of borrowing, working capital and cash reserves **£0.6bn**
- Other income **£1.2bn**
- Passenger income **£5.1bn**
- Crossrail funding (including borrowing) **£0.8bn**

79% spent on running and operating the network every day

21% spent renewing and improving the network through one of the largest capital investment programmes in Europe

£9.7bn
Total uses of funds

- New capital investment **£1.3bn**
- Capital renewals **£0.5bn**
- Operating costs **£6.6bn**
- Financing **£0.6bn**
- Crossrail programme **£0.7bn**

Passenger number assumptions have been revised since our Business Plan

Financial summary

Despite the challenges, we are on track to achieve operational breakeven by 2022/23 through stronger cost management

Operating account

We start 2020/21 in a challenging position compared to our 2019 Business Plan. We have seen a fall in passenger demand in the latter part of 2019/20, which we expect to continue into 2020/21. Our budgeted net cost of operations is now £571m, which is an increase of £78m against the Business Plan.

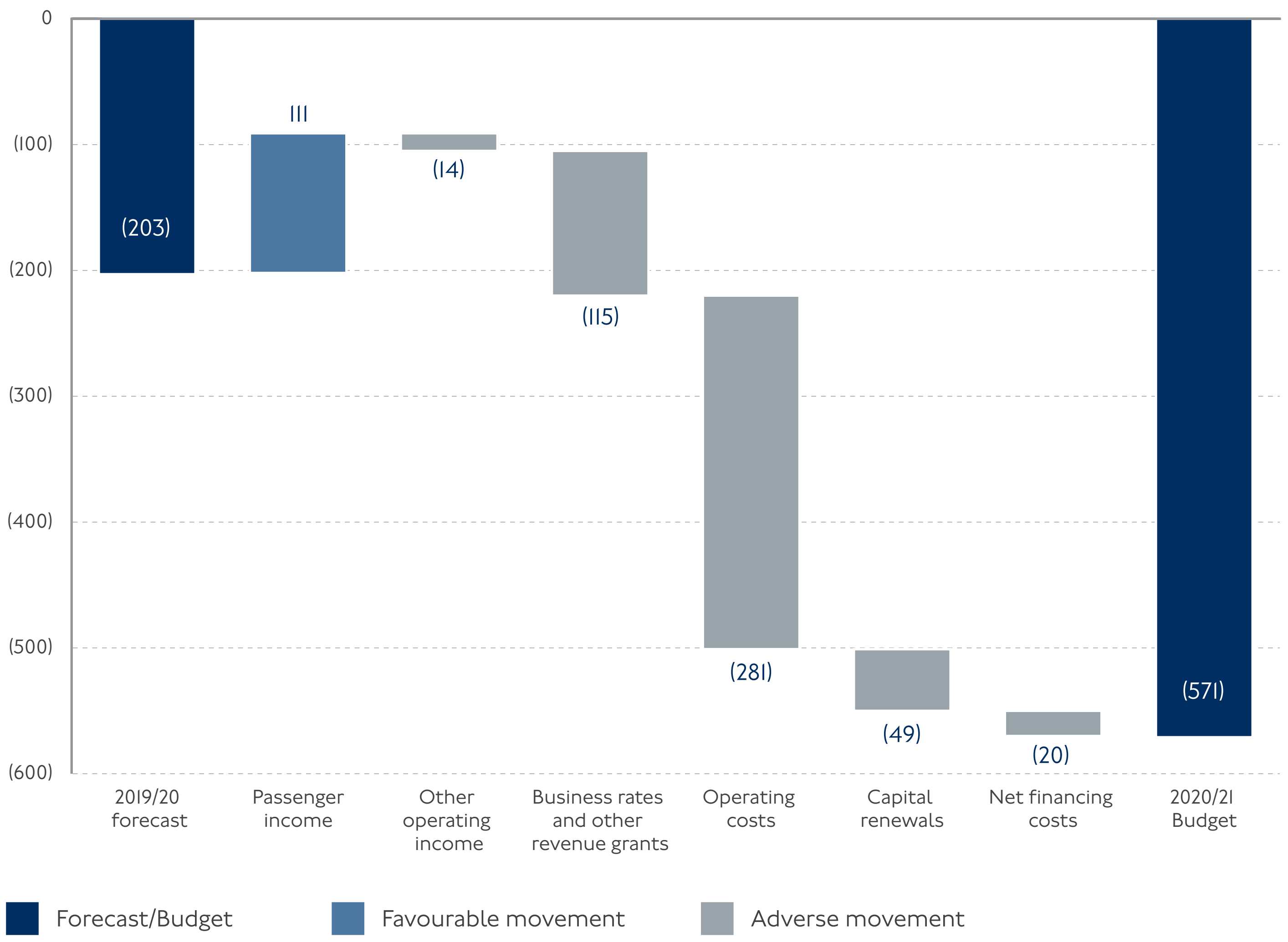
TfL Group (£m)	2020/21 Budget	2020/21 Business Plan	Variance to Business Plan	2019/20 forecast	2020/21 variance to 2019/20 forecast
Passenger income	5,063	5,123	(60)	4,952	111
Other operating income	1,006	1,045	(39)	1,020	(14)
Total operating income	**6,069**	**6,168**	**(99)**	**5,972**	**97**
Business Rates Retention	969	968	1	988	(19)
Other revenue grants	17	11	6	113	(96)
Total income	**7,055**	**7,147**	**(92)**	**7,073**	**(18)**
Operating cost	(6,625)	(6,618)	(7)	(6,344)	(281)
Net operating surplus	**430**	**529**	**(99)**	**729**	**(299)**
Net financing costs	(468)	(487)	19	(448)	(20)
Net surplus/(cost) of operations before renewals	**(38)**	**42**	**(80)**	**281**	**(319)**
Capital renewals	(533)	(535)	2	(484)	(49)
Net cost of operations	**(571)**	**(493)**	**(78)**	**(203)**	**(368)**

Passenger income

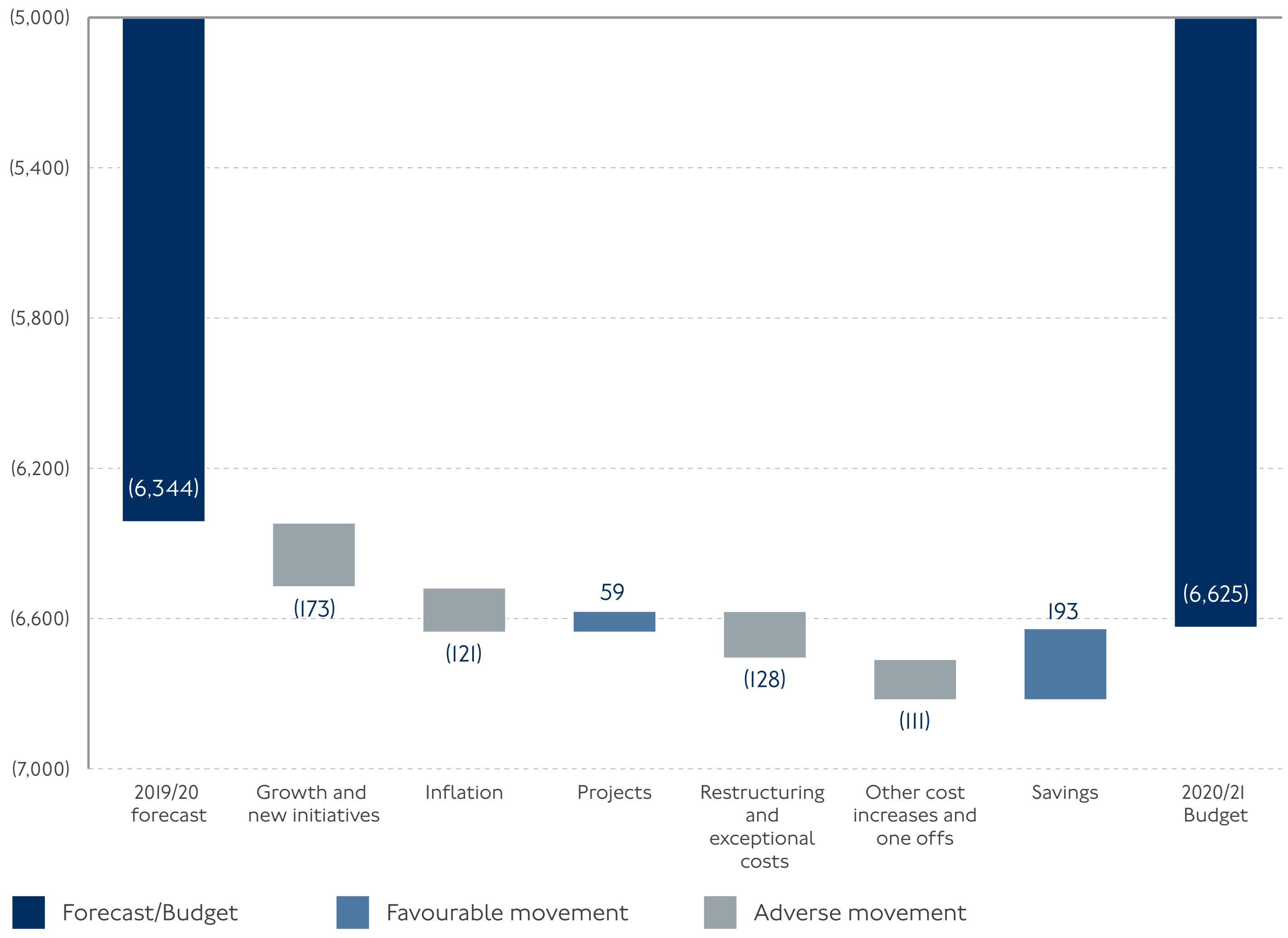
The passenger income budget in 2020/21 is £5,063m, a decrease of £60m compared to our 2019 Business Plan. This reflects the volatility of passenger journey trends.

We saw better than expected demand in the first half of 2019/20 across all modes, but demand fell towards the end of 2019. Although demand has shown some signs of recovery since January 2020, we remain cautious and our forecast for 2020/21 reflects this.

Movement on net cost of operations (£m)



Movement on operating costs (£m)



Other operating income

This includes the Congestion Charge, enforcement income and revenue generated through commercial activities, such as advertising, property rental and our newly launched consultancy arm. In April 2019, we also introduced the new Ultra Low Emission Zone (ULEZ).

There is a £39m decrease in other operating income since the 2019 Business Plan. This follows a fall in the number of vehicles entering the Congestion Charging zone and higher than expected ULEZ compliance rates, which has environmental benefits. However, year on year, we are mitigating some of this by growing our commercial income through upgrading our estate and opening new retail units.

Business rates and other revenue grants

These decrease by £115m compared to the 2019/20 forecast. This is largely due to one-off funding received as part of the 2019/20 Budget, including an additional £83m over two years from the GLA to fund Mayoral priorities, with £60m received in 2019/20. We also received £34m in 2019/20 to cover the initial implementation costs of the bus driver retention scheme. These receipts will not be repeated in 2020/21.

Operating costs

Budgeted operating costs for 2020/21 are £6,625m, which is in line with the 2019 Business Plan. We are mitigating inflationary pressures through our savings programme. However, total year-on-year operating costs are increasing by £281m in 2020/21 from a combination of new services, one-time costs and restructuring cost increases as explained in the graph above.

These costs feature £173m from the introduction of new services, including testing and preparations for the opening of the Elizabeth line (£110m), new higher capacity trains on London Overground and the introduction of the Direct Vision Standard – to improve safety of all road users, including pedestrians, cyclists and motorcyclists – from October 2020.

There will be a £128m increase from restructuring and exceptional costs. This is largely driven by a higher contingency, to ensure we have an operational buffer against unforeseeable events, and costs to support London Underground modernisation savings.

Inflation accounts for a cost pressure of £121m, from contract inflation across operators and suppliers, with approximately £50m on bus operators' contract costs, increased energy prices and wage inflation. We will see a £111m increase in other spend, including higher pension contributions, offset by lower project spend of £59m.

More than one third of these costs will be offset by £193m of planned savings through our cost reduction programme, encompassing supply chain savings across the Underground, bus contract savings, accommodation and back office.

Capital expenditure

This Budget reflects the latest project schedules, with some timing differences to our Business Plan following a zero-based review of our major programmes. Our new capital investment in 2020/21 is £1,333m, which is a reduction of £213m against the Business Plan.

We have updated our assumptions on Crossrail capital spend and funding, in line with the latest profile confirmed by Crossrail Limited.

Managing cash flow

To support our financial resilience, we must protect our liquidity. We are maintaining a minimum cash reserve equivalent to at least two months of our operating expenses. This is a prudent cash position, which enables us to respond to unexpected shocks, such as a recession, and any further risk against Crossrail timescales.

We need to build up our cash reserves to ensure we have the necessary funding to replace our existing assets and, where prudent, invest in enhancements.

The working capital movement is a result of the Budget having a lower level of creditors than the Business Plan. This has been influenced by the reduction in capital expenditure since the Business Plan, following a review of our major programmes.

Capital account (£m)

TfL Group	2020/21 Budget	2020/21 Business Plan	Variance to Business Plan	2019/20 forecast	2020/21 variance to 2019/20 forecast
New capital investment	(1,333)	(1,546)	213	(1,078)	(255)
Crossrail investment programme	(725)	(626)	(99)	(1,039)	314
Total capital investment	**(2,058)**	**(2,172)**	**114**	**(2,117)**	**59**
Funded by:					
Mayoral business rates	910	910	–	893	17
Property receipts and asset sales	153	172	(19)	164	(11)
Borrowing	1,333	1,352	(19)	544	789
Crossrail funding sources	114	112	2	1,031	(917)
Other capital grants	123	173	(50)	205	(82)
Total	**2,633**	**2,719**	**(86)**	**2,837**	**(204)**
Net capital account	**575**	**547**	**28**	**720**	**(145)**

Cash flow summary (£m)

TfL Group	2020/21 Budget	2020/21 Business Plan	Variance to Business Plan	2019/20 forecast	2020/21 variance to 2019/20 forecast
Net cost of operations	(571)	(493)	(78)	(203)	(368)
Net capital account	575	547	28	720	(145)
Working capital movements	(264)	(67)	(197)	(20)	(244)
Increase/(decrease) in cash balances	**(260)**	**(13)**	**(247)**	**497**	**(757)**

Meeting our challenges

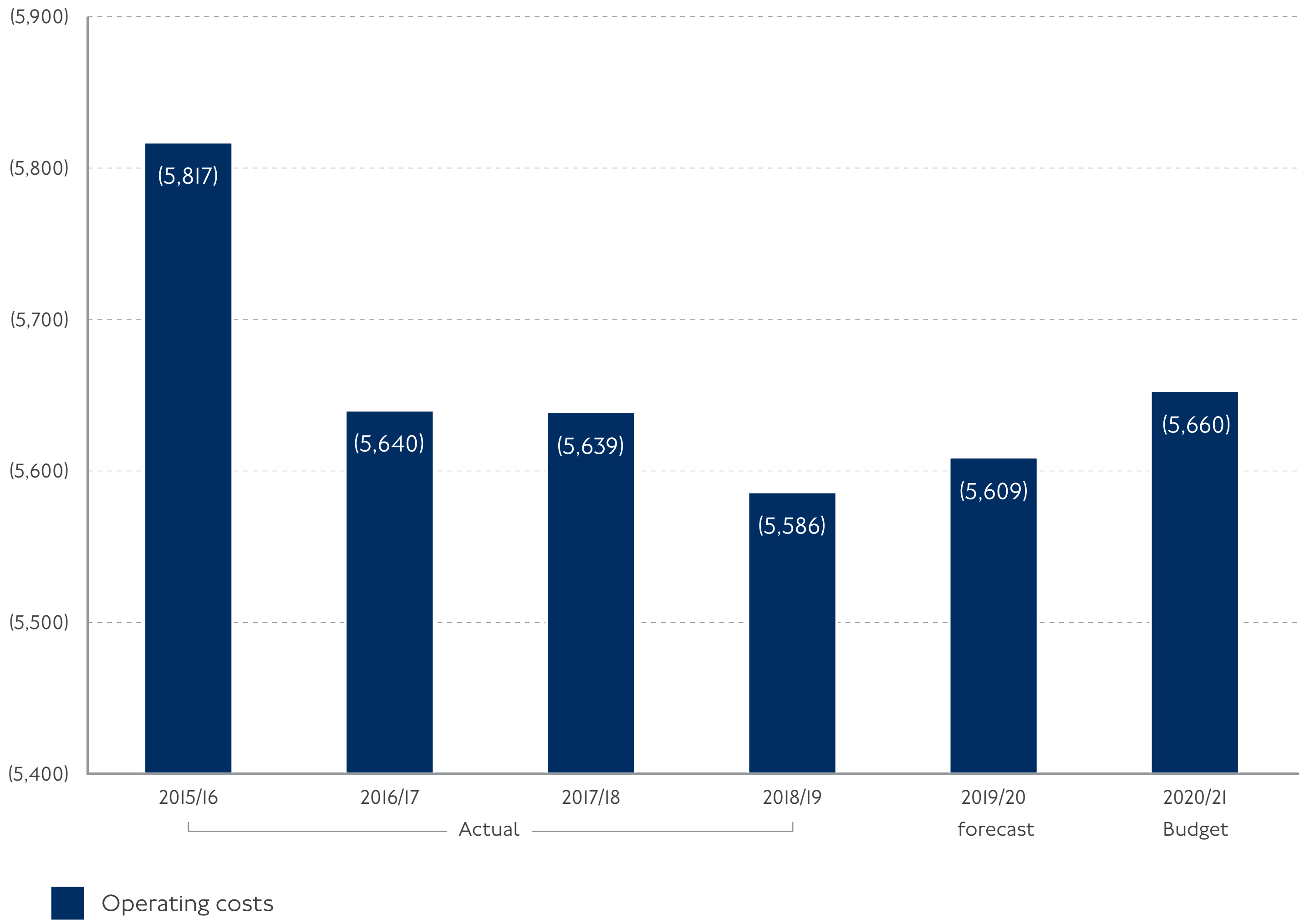
Passenger demand has the biggest impact on our finances and we face a series of challenges to maintain our robust financial performance

Our organisation faces a number of headwinds and tailwinds, which we must adapt to. Passenger journeys are largely determined by economic growth and employment, areas where the outlook remains subdued. While the immediate risk of a no-deal departure from the European Union has evaporated, there is still a great deal of uncertainty. We are also faced with inflationary pressures across our cost base, while introducing new services, changing behaviours to support walking and cycling, and reducing the number of people killed or injured on our roads.

Like-for-like costs

Through our savings programme and a tight grip on costs, we have reduced our like-for-like operating costs, adjusted for new services, restructuring and other one-off costs, each year from 2015/16 to 2018/19. Costs in 2020/21 will be around £150m lower than they were when we began the savings programme in 2015/16. We expect to see an increase in 2020/21, driven mainly by higher pension contributions following an agreement with the Pensions trustees.

Like-for-like operating costs (£m)



Savings programme

As part of our strategy to breakeven on the day-to-day costs of operations, we initiated a savings programme in 2015/16, reviewing all aspects of our organisation including structure, accommodation, headcount, commercial contracts and our vast supply chain. The initial phase of this programme saved £747m by the end of 2018/19 and we will have saved a further £211m in costs by the end of this financial year. This means we will have removed almost £1bn over four years – before inflationary pressures and increased costs for new services – from our cost base.

Our 2019 Business Plan set out plans for further savings of almost £600m, from 2020/21 to 2024/25, with £133m of these in 2020/21. To mitigate income pressures from lower journeys, we are now increasing our savings this year to £193m.

London Underground change plan

The London Underground change plan is critical to our future viability, to ensure the Tube can cover its own costs and the ongoing costs of renewing the network. The focus in 2020/21 is supply chain savings, and extensive planning for future savings over the Business Plan period.

Key savings this year include the Connect London Underground network radio infrastructure, which was originally contracted under a 20-year private finance initiative. This contract ended in November 2019, with a new contract set to reduce costs by almost 50 per cent. This is driven by ending loan repayments and rationalising operational and maintenance costs.

We will also make maintenance savings across the Underground by re-tendering contracts, improving forecasting and planning, making specification changes, and other in-contract mechanisms.

Bus operators' contracts

We have reduced tender prices, contract costs and bus performance payments, by maintaining a competitive market and expect to save a further £20m in 2020/21.

We will continue to adapt the bus network to more closely match capacity to demand, including increasing bus services in growth areas in outer London

Transformation and office accommodation

In late 2018/19, we began a three-year programme to reduce back- and middle-office costs by 30 per cent. We have worked with our trade unions to review 25 business areas and more than 3,000 roles. We have already saved almost £20m from this initiative, with a further £5m expected to be saved in 2020/21.

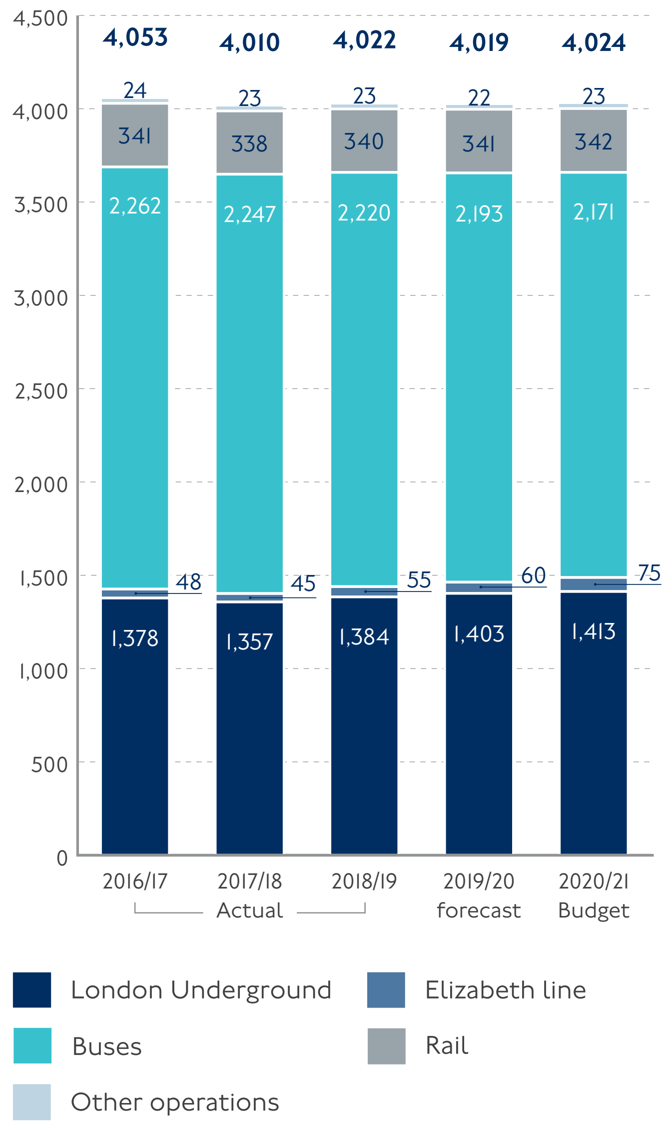
We are consolidating our head office accommodation by co-locating staff across three main office hubs. In September 2019, we sold our Broadway head office as part of a long-term estate management strategy to reduce accommodation costs, and generate income to support investment and housing development programmes. We will see full-year savings of £5m in 2020/21 from accommodation programmes.

Our accommodation strategy is supported by a smart working programme, which will reduce the demand for desks by 30 per cent. It will also make us a more attractive employer and improve the work-life balance for our people. We will also achieve efficiency savings through smarter working and better technology.

Lower journey demand

Our 2019 Business Plan was based on increasing passenger income – through higher demand on the Tube – and bearing down on our day-to-day costs, all while maintaining safety, frontline services and investment. However, we have since seen slower growth in Tube demand, as well as a higher rate of decline in bus journeys.

Passenger journeys (millions)



We now expect Tube journeys to be 1,403 million (0.8 per cent lower) in 2019/20, when compared to the Business Plan, with bus journeys to be 2,193 million (0.6 per cent lower). For 2019/20, this means there will be an underlying impact of £38m on our income against our 2019 Business Plan.

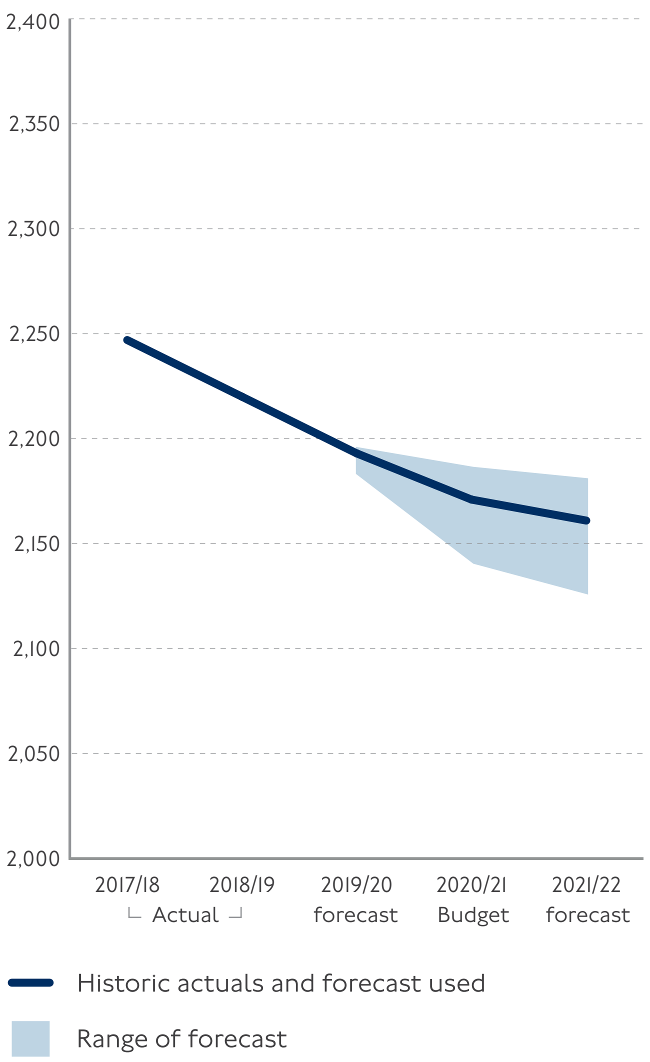
Latest economic indicators suggest this decline in growth will continue into next year. The forecast for economic growth and employment trends have been downgraded to reflect continued uncertainty. Latest forecasts also suggest household income will decline in 2020/21, before returning to growth. These headwinds are expected to reduce passenger income by £60m from our 2019 Business Plan.

We now expect the overall number of passenger journeys to increase from 4,019 million in 2019/20 to 4,024 million in 2020/21.

The following graphs on pages 14 and 15 show the forecast range of passenger journeys, factoring in economic scenarios, as informed by forecasts from GLA economics. Favourable economic performance is reflected by the highest point, while poorer economic conditions result in the lowest point.

Buses

Passenger journeys (millions)

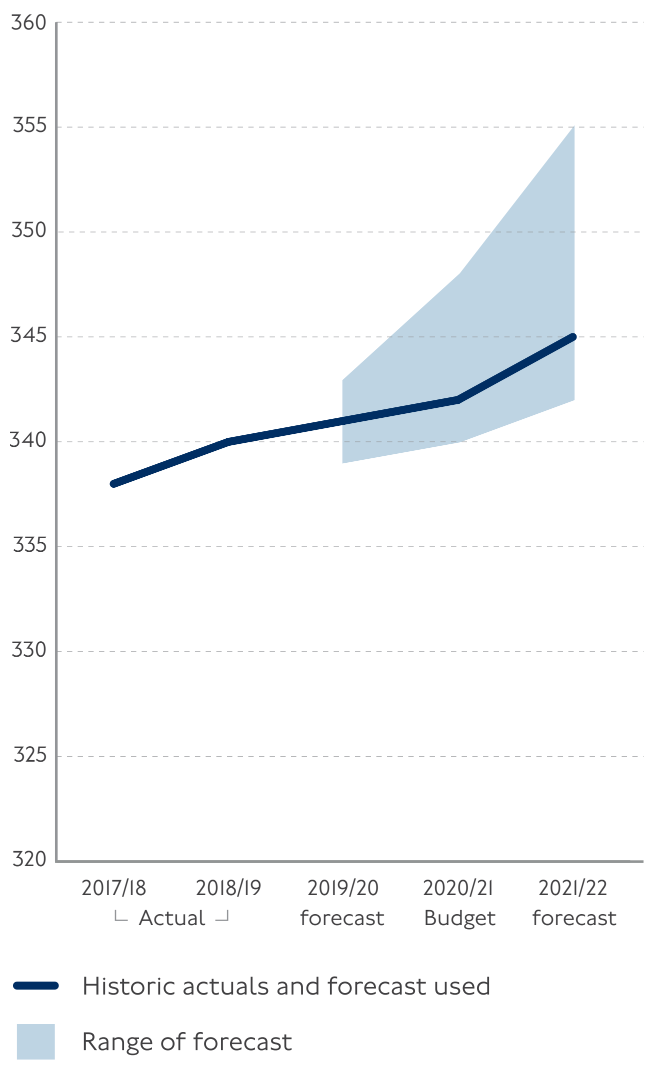


Economic growth, bus operated kilometres and speeds are the main drivers of demand. The year-to-date figures to December 2019 showed bus speeds were flat compared to 2018/19, while bus operated kilometres were about 1.5 per cent lower. This is in line with the central London bus service review, as we reshape services in central and inner London to deliver a more efficient network ahead of increases in the outer London bus network. We expect bus journeys to decline by 1.2 per cent in 2019/20, owing to relatively low economic growth, the fifth consecutive year of falling bus demand.

In 2020/21, budgeted journeys are expected to decline by 1.0 per cent year on year, with fare payer demand declining by 0.9 per cent and non-fare payer journeys 1.2 per cent lower. This represents an improvement in the trend we have seen since December 2019, as operated kilometres start to stabilise following the redistribution of services to better match demand, which includes increasing bus kilometres in outer London. In 2020/21, our assumptions about operated kilometres and bus speeds remain unchanged from the 2019 Business Plan, while economic growth is predicted to be weaker based on the GLA's latest forecasts for the UK economy.

Rail

Passenger journeys (millions)



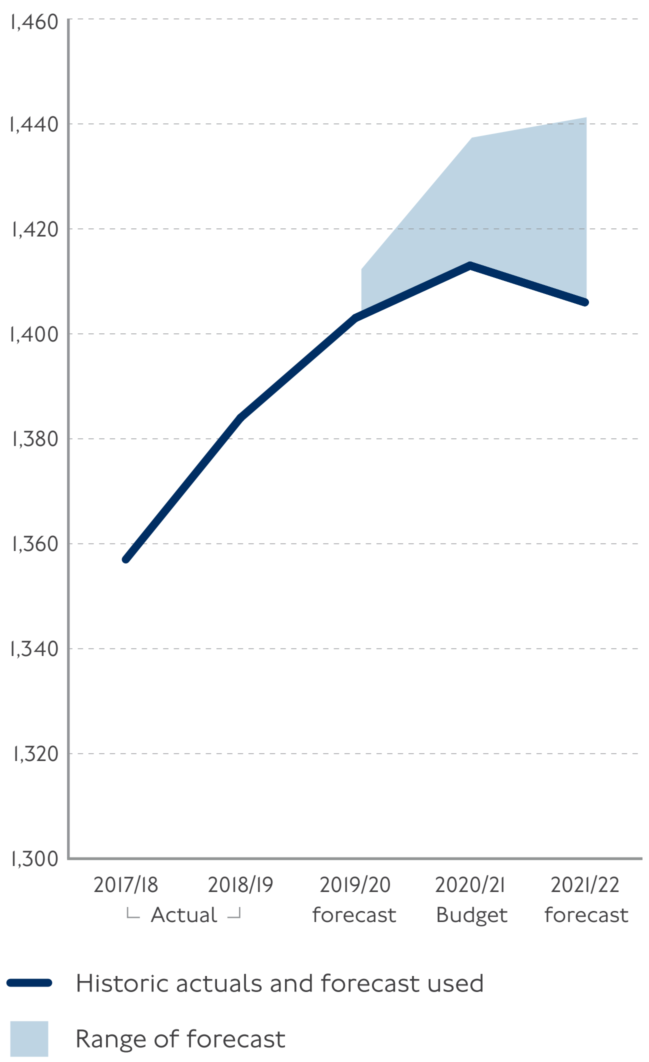
Internal factors that affect rail demand include planned engineering closures, new train deployments and changes to the frequency of services.

In 2019/20, we expect DLR demand to remain static, while we will see a small increase in London Overground journeys, owing to an increase in the number of services and the introduction of new trains between Gospel Oak and Barking.

In 2020/21, the further delay in the opening of the Elizabeth line has been reflected in the DLR budget, with a slightly stronger demand uplift mostly offset by weaker economic growth next year. The introduction of new trains and better peak and off-peak timetables on the London Overground in north and east London will boost journeys by two million in 2020/21, after allowing for more planned engineering closures in east London.

Trams demand is forecast to be lower in 2019/20 reflecting the poor high street retail activity, impacting areas such as Croydon town centre.

London Underground
Passenger journeys (millions)



Underground journeys are expected to be more than one per cent higher than the previous year. Underlying growth was moderate for most of 2019 but this stalled from the end of October, with early indications of declining growth. The number of journeys outside Zone 1 has been in decline over the last two years, which likely reflects a reduction in discretionary journeys, probably caused by a continued squeeze on household incomes. Continued employment growth is contributing to robust commuter demand.

The most significant factors affecting London Underground demand that are within our control include service improvements, reliability and asset upgrades. The assumptions built into this Budget include a small number of service improvements and station upgrades that increase demand.

Growing non-fare revenue

We are uniquely placed to use our assets and skills, as well as our property and advertising estates, to generate long-term revenues to reinvest back into our network. A more diverse range of income also supports our financial security, as we will be less dependent on the economies of the UK and London.

As one of London's largest landowners, our landholdings play an important role in meeting the Mayor's priorities to deliver the thousands of homes and jobs that the Capital needs. We have an extensive pipeline of sites and a target to deliver 10,000 homes. We are working with our partners to achieve our target of making 50 per cent of homes affordable. We will also continue to develop sites that will deliver two million square feet of commercial floor space.

We continue to invest in our commercial estate, which consists of more than 2,000 commercial units, expanding opportunities to make the most of our unique asset base and increase revenue. We continue to upgrade our arch estate, are refurbishing the listed Victoria Arcade to create new modern retail units, and we are creating new opportunities in Canary Wharf and other stations.

Our advertising estate is one of the most valuable in the world, accounting for 20 per cent of the UK's and 40 per cent of London's outdoor advertising value. We have introduced innovative high-tech advertising platforms and are finding new ways to collaborate more creatively with brands and advertisers.

We continue to develop our transport authority consultancy work, partnering with cities, regions, consultancies and transport operators around the world to deploy our unique, specialist expertise. We will focus on three key work streams of advisory services, intellectual property, and operations and maintenance to generate revenue that can be reinvested into our transport system.

Maximising these opportunities and building our commercial reputation will diversify our income base and improve our financial resilience.

This Budget assumes bus passenger demand will stabilise

Managing our risks

We face a range of risks, including economic uncertainty and the delay to the opening of the Elizabeth line

Delivering this Budget requires balancing risks and opportunities, identifying what we can and can't control, and taking an informed view of our organisational tolerance to them based on their impact. We regularly monitor the validity of our assumptions and use data from external independent bodies, so we can manage risks and capitalise on opportunities. Safety is the top priority in any decision we make.

Key risks in the 2020/21 Budget still include economic uncertainty, given the political and economic situation in London and the UK, which is a key driver of passenger journeys and income. They also include the opening of the Elizabeth line, and delivering investment projects on time and budget, ensuring associated income is received in line with our plans. This Budget also includes an ambitious savings target of £193m this year, with a risk that not all of this will be delivered to schedule.

Passenger income is budgeted to contribute around 50 per cent of our overall £9.7bn funding in 2020/21. The health of the economy and employment are the main drivers of changes in demand for our services, and our forecasts are built from prudent economic forecasts, using data from GLA economics. However, continued economic volatility makes these forecasts less certain. For example, this Budget assumes bus passenger demand will stabilise, with a 1.0 per cent reduction in journeys, the smallest reduction since 2017/18. It also assumes continued passenger growth on the Underground.

Economic uncertainty also affects our other income. This creates risk against our planned growth in retail leases, and the sub-letting of office floorspace.

The income we receive from schemes such as the ULEZ and Congestion Charge, is also subject to variation. If higher than anticipated compliance rates continue, as they did in 2019/20, this has a positive impact on the transport network and the environment, but reduces the income we receive from these schemes.

While income is often subject to factors outside our control, we have more influence to manage our costs. In 2020/21, we plan to save £193m in operating costs, as described on page 12. These changes represent a significant management challenge, which we monitor and will act on as required.

We operate a work bank of renewals. Additional scrutiny has been placed on this Budget to ensure it accurately reflects the interventions required to maintain asset condition and the volume of work we can deliver. However, planned work can be delayed, for example due to unforeseen events and resource constraints.

Crossrail

The delay to the opening of the Elizabeth line, announced in August 2018, continues to have a major impact on our capital funding and revenue generation. Elizabeth line services through central London are now expected to start in summer 2021. However, as the programme is currently at a challenging phase, with systems integration and testing to complete, there will remain a risk over the costs, which we will be monitoring closely.

Our expenditure on new capital investment is harder to predict as this is a collection of individual projects at different stages of their lifecycle. The main financial risk relates to increased costs, such as higher tender prices or unplanned requirements on existing projects. Our projects are often complex and there is risk that timings can slip, often due to approval delays or to accommodate stakeholder requirements. This results in lower in-year costs. We seek to avoid delays as this ultimately delays improvements to our services.

Our capital funding sources consist of Mayoral business rates, property receipts and asset sales, borrowing, Crossrail funding sources, and other capital grants. Most of these sources have a low degree of in-year risk. However, income for property receipts and asset sales is a risk, determined by the economy, property market, local planning administration and commercial negotiations. Beyond 2020/21, the certainty of our funding arrangements and borrowing are unknown and will be discussed with the Government as part of the 2020 Spending Review. This certainty is vital for making investment decisions that will drive the future growth and enhancement of London's transport network.

52%
of our overall funding to come from passenger income in 2020/21

1.0%
reduction in bus journeys assumed, the smallest reduction since 2017/18

Preparing for the UK outside of the European Union

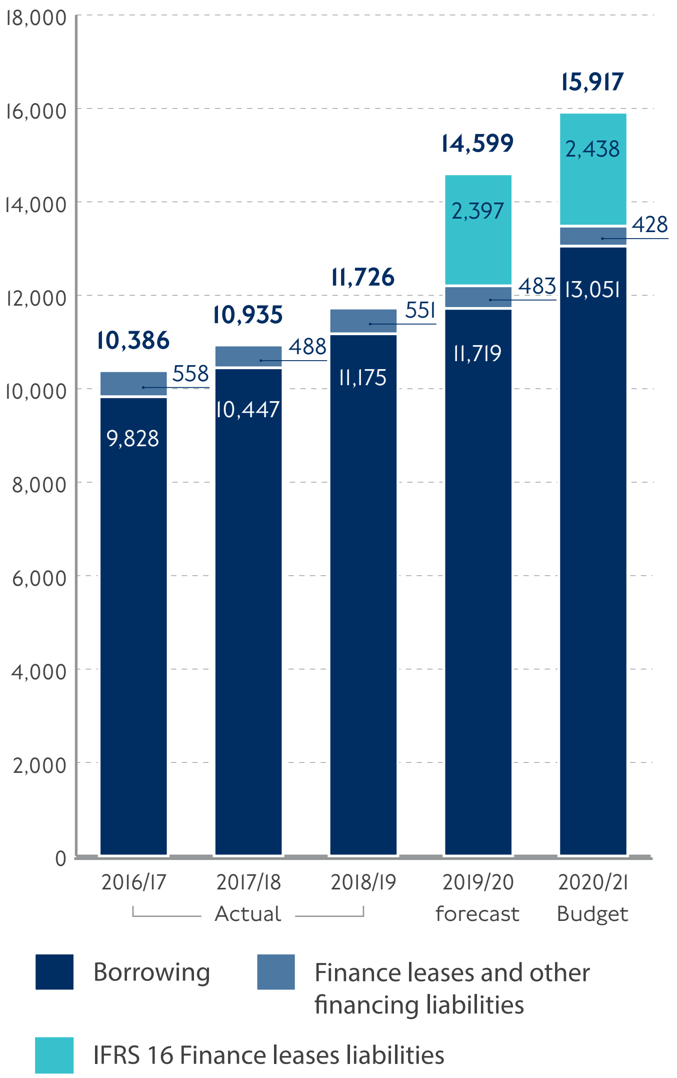
Since the UK began the process of leaving the European Union, we have been monitoring and managing the risks associated with this change, and supporting our people who are affected. This work will continue as we await details of the long-term arrangements that will follow on from the current transition period, which is due to expire on 31 December 2020. Any significant change to trading and mobility at that time would have a significant impact on our long-term financial position, as well as potential short-term impacts on demand for our services towards the end of this financial year.

We remain confident that our operations will continue in all scenarios. However, our financial position is closely related to the strength of the London and UK economy, and any outcome that weakens this will have implications for our finances. Throughout this year we will continue to carefully manage the risks and maintain a strong cash position so that we can deal with any potential negative outcomes.

Debt and cash

We control the level of our debt and maintain prudent levels of cash

Total value of debt (£m)

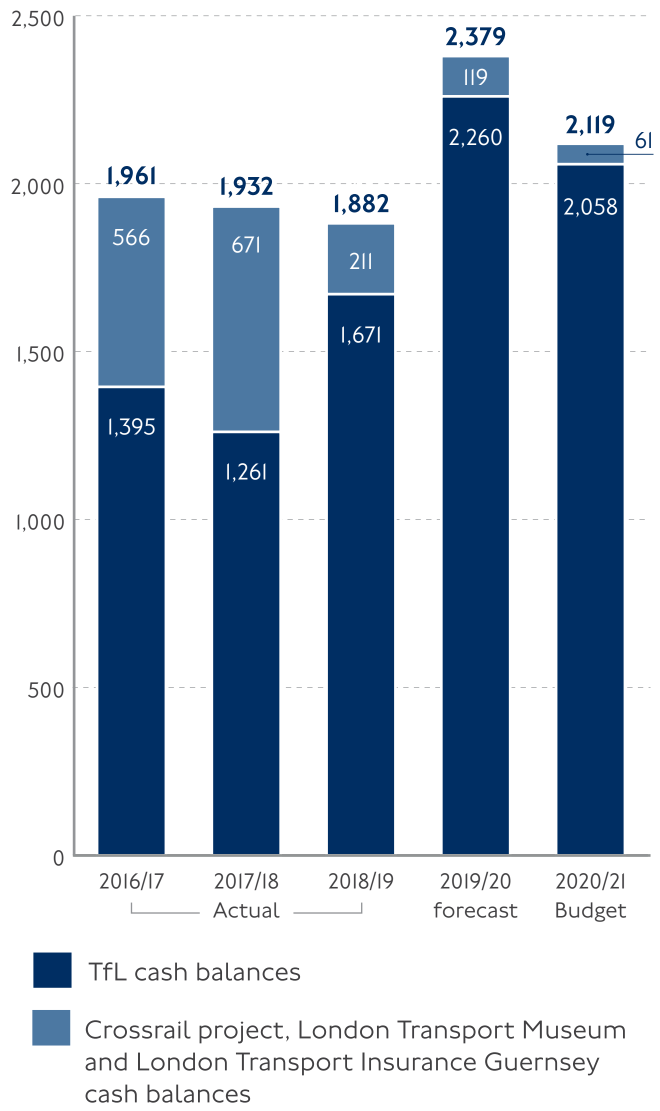


The total value of our debt, which includes borrowing and finance leases, must always remain within our Authorised Limit for external debt set by the Mayor. Affordability is linked to both recurring annual income and cash available to pay financing costs.

By 31 March 2021, borrowing is expected to grow by £1,332m, within the limits agreed with the Government. This includes an assumption of £750m borrowing under the Crossrail loan facility from Government. Our borrowing will finance capital investment, including Tube and rail line upgrades, and new DLR trains.

The new accounting standard IFRS 16, which supersedes IAS 17, means we will now recognise additional finance lease liabilities of £2.4bn in 2020/21. These are existing contracts and were previously classified as operating leases. We are in consultation on the eventual impact, if any, that the application of IFRS 16 will have on the borrowing limits currently agreed with the Government.

Cash balances (£m)



We maintain a prudent minimum level of cash, in line with the liquidity policy approved by the TfL Board. This ensures we are always able to meet our payment obligations and will help us deal with unexpected external events if they arise.

We will close 2019/20 higher than 2018/19, as we experienced higher passenger income, new income from the introduction of the ULEZ, lower capital spend and more property and capital receipts from the sale of assets, including Broadway.

Cash balances are expected to close at £2.1bn at the end of 2020/21, excluding the cash we hold for the Crossrail project, London Transport Museum and London Transport Insurance Guernsey. Our cash balances will reduce in 2020/21, as we continue to fund our asset programme.

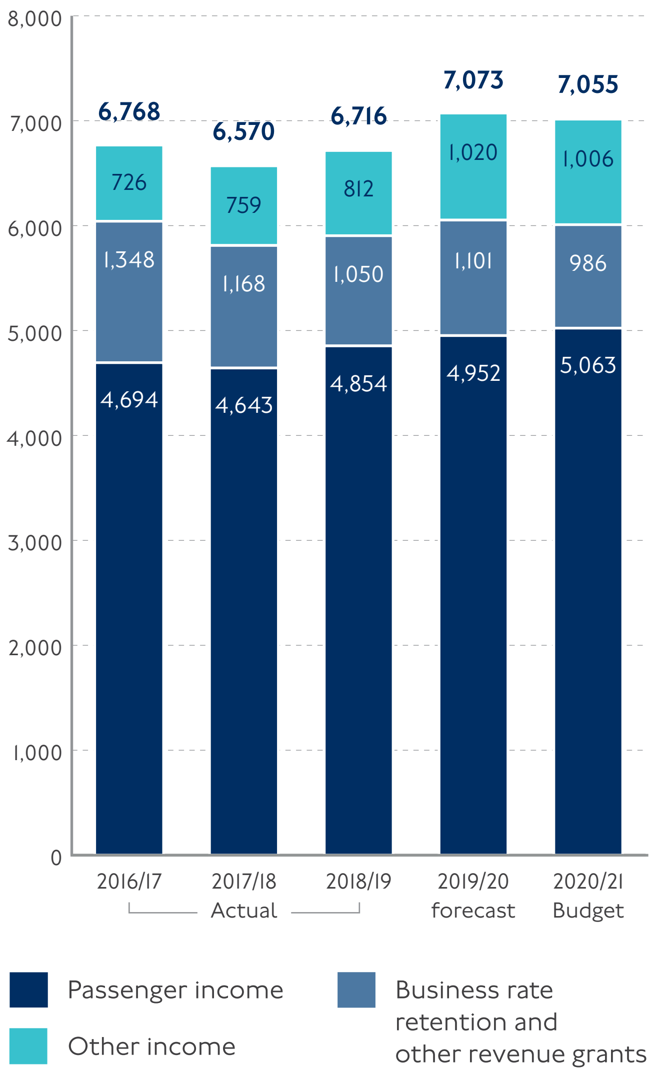
Credit ratings	
Moody's	Aa3 stable outlook
Standard & Poor's	AA- negative outlook
Fitch	AA- stable outlook

Strong credit ratings reflect our strategic importance as London's main public transport provider, strong demand for our services and our institutional framework. Our ratings also reflect our strong link to the Government.

Financial trends

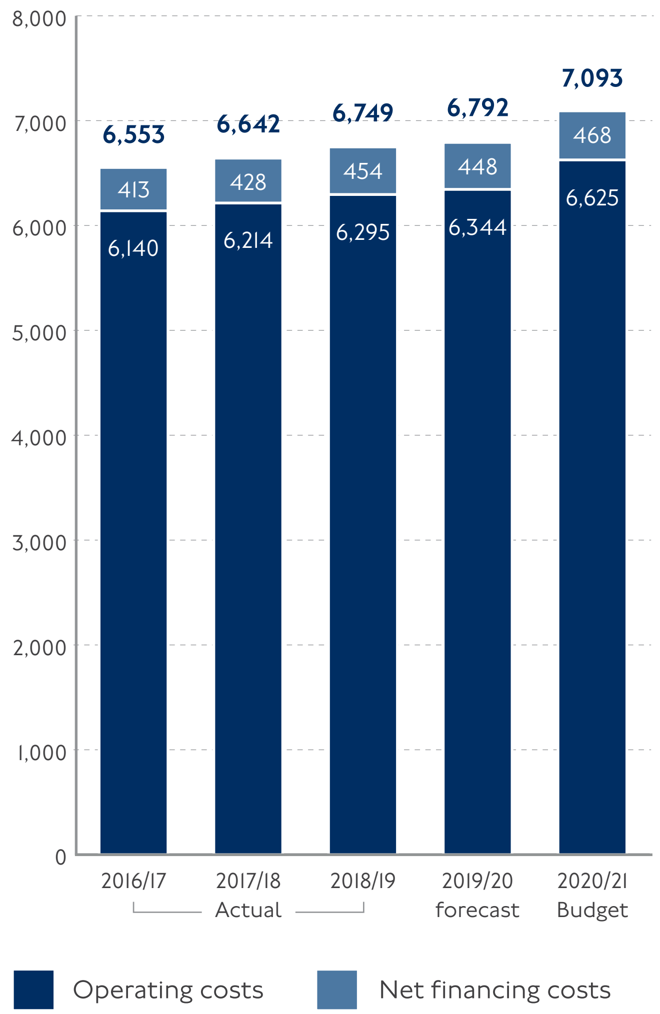
We use forecasts from costs and income streams to make decisions on our finances and priorities

Total income (£m)



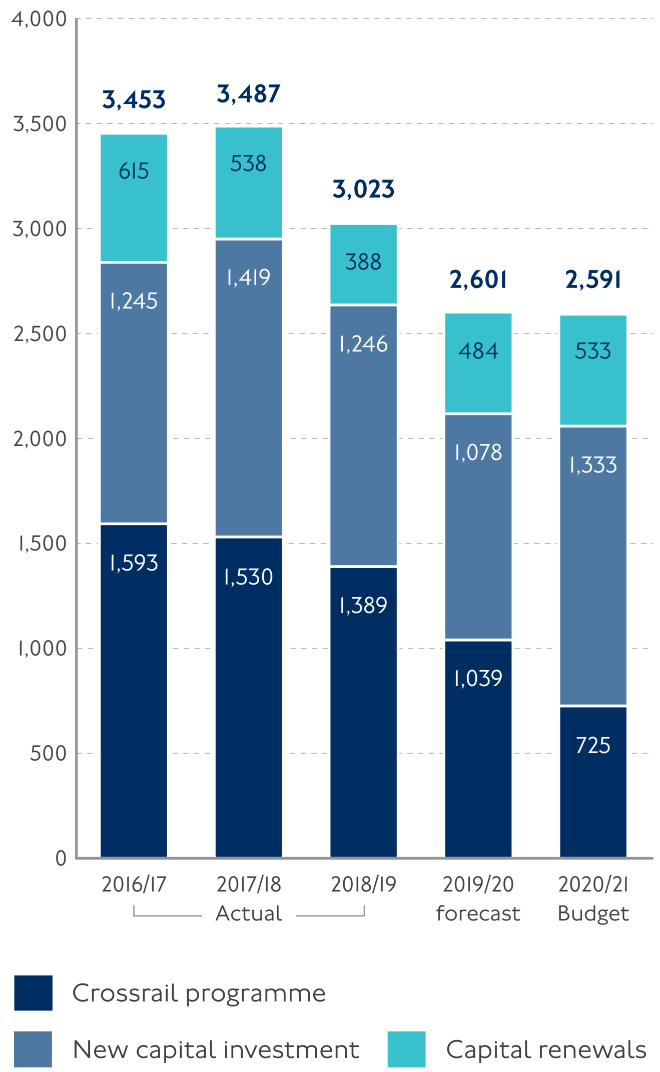
Despite an increase in passenger income, overall income decreases by £18m in 2020/21, largely because of one-off grants we received in 2019/20 that will not be repeated, as well as a reduction in income from the ULEZ and Congestion Charge.

Total cost (£m)



The increase in operating costs relates to the introduction of new trains on London Overground, and preparation for the opening of the Elizabeth line. It also includes inflation. These increases are partly offset by savings.

Total capital expenditure (£m)

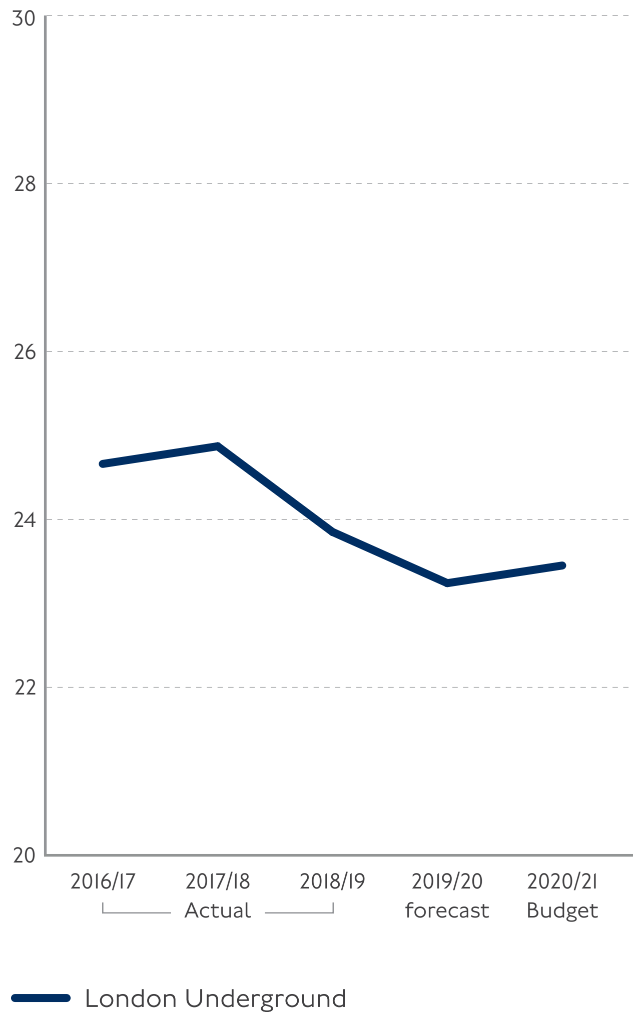


Overall capital expenditure remains broadly in line with last year. An increase in our investment programme is offset by a reduction in Crossrail capital expenditure.

Efficiency trends

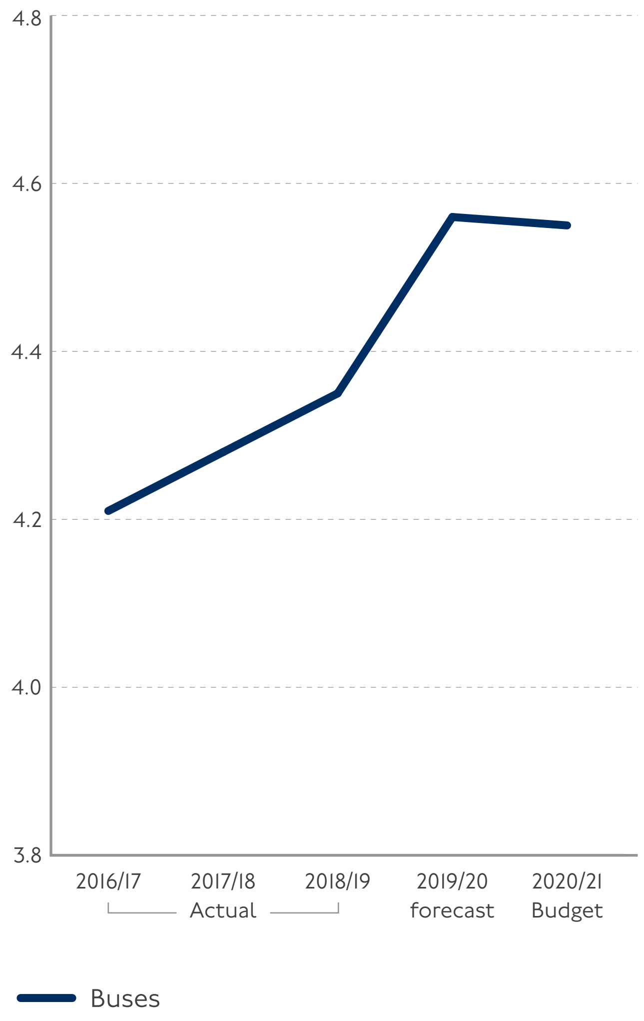
The costs of running our wide range of transport services

London Underground
Direct operating cost per operated km (£)



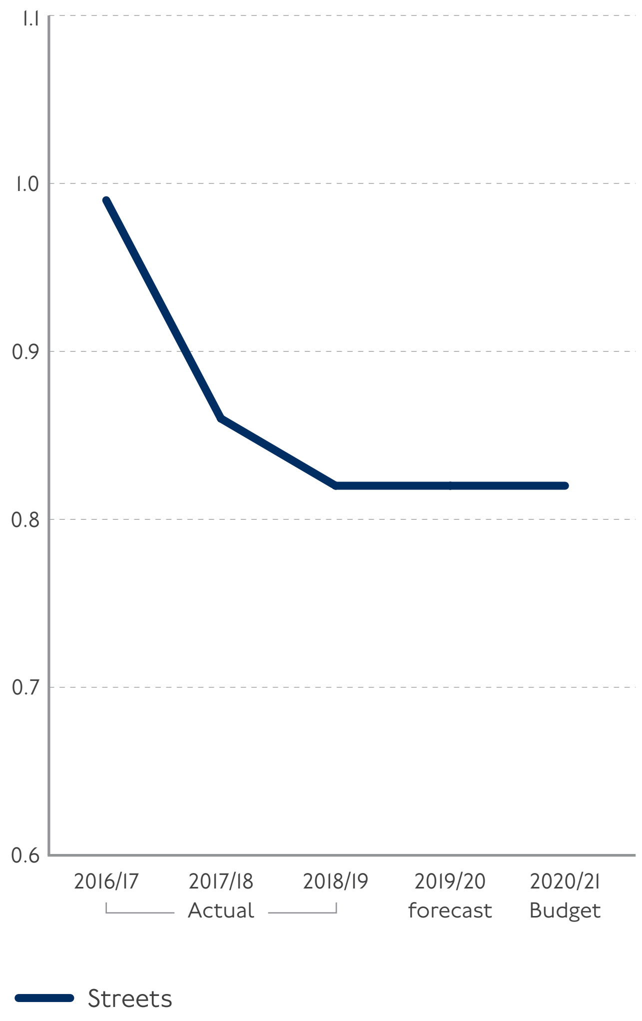
These costs increase slightly in 2020/21, but these increases are minimised as our ongoing modernisation programme substantially mitigates inflation.

Buses
Direct operating cost per operated km (£)



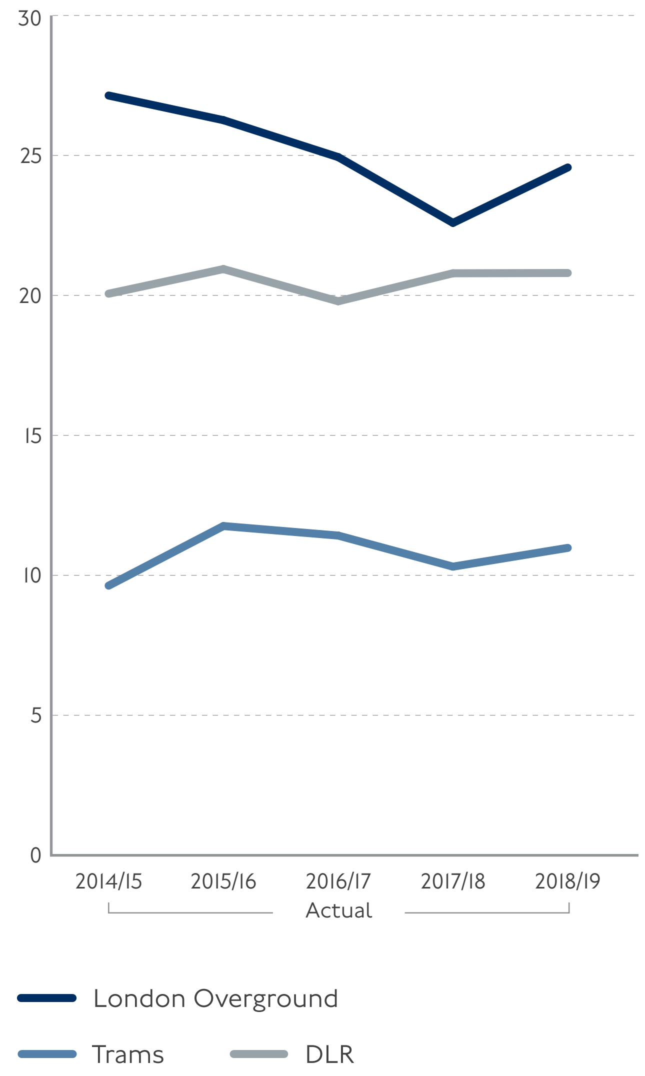
Over recent years, these costs have risen broadly in line with inflation. We are working with our operators and improving how we tender contracts to control costs while improving the fleet.

Streets
Direct operating cost per operated km (£)



Operating costs have reduced as a result of pausing proactive road maintenance for two years, owing to a lack of dedicated funding. These costs will rise again as we return closer to previous levels of activity.

Rail
Direct operating cost per operated km (£)



Costs have generally fallen, with variation reflecting operating conditions. London Overground operating costs increased in 2018/19, largely due to new train leases under the LOTRAIN agreement.

Assets and investment priorities

We are investing to maintain our assets, but with additional funding we could unlock new capacity

Our 2019 Business Plan set out our investment programme for the next five years and was accompanied by a 20-year Capital Strategy that described our longer-term investment priorities and funding requirements. Certainty of funding is essential if we are to commit to the projects required to maintain reliability and support growth over this timeframe.

Renewing and replacing our assets is our required baseline to simply maintain our current performance in terms of safety, reliability, capacity and asset condition. Additional enhancements can unlock new capacity and enable us to use our existing network more intensively. This supports London's growing population and economy, enhances the quality of life for Londoners and creates jobs and improves skills across the UK. This year, we will maintain reliability on our Tube and rail modes, while restoring our renewals programme on our streets assets. We will continue to lobby the Government for sustained funding support to enable us to be much more ambitious in later years.

Rolling stock

We are beginning a crucial programme of modernisation for our Central line trains, one of our poorest-performing fleets. Through the Central Line Improvement Programme, we will replace all traction motors, create more space for wheelchair users, improve audio and visual information, and install CCTV. The first upgraded train will return to service in early 2021, and the whole programme will be completed by 2024.

'We are beginning a crucial programme of modernisation for our Central line trains'

Through our renewal programme, we will work on the Victoria and Metropolitan line fleets, both of which are now 10 years old. We will complete the preliminary design of the new trains we have ordered for the Piccadilly line, which will enter service between 2024 and 2026, and complete work on the existing fleet to ensure reliability until then.

Design will continue for the new fleet of DLR trains, which will be introduced from 2023. We will also run new trains on London Overground services to and from Liverpool Street and our reliability improvement programme will continue on the existing fleet. We will start design and market engagement activities to replace the oldest trams on our network, and maintain the condition of the vehicles while they remain in service.

Signalling

The Four Lines Modernisation programme will see us replace analogue signalling with automatic train operation across the Circle, District, Hammersmith & City and Metropolitan lines. Once completed by 2023, customers will benefit from a 33 per cent increase in capacity across the four lines. We have already delivered the first sections of signalling between Hammersmith and Paddington to Euston Square, and Finchley Road to Euston Square. In 2020/21, we will continue to work towards transitioning the entire Circle line onto the new signalling system.

We will continue to extend the life of the signalling system on the Central line and will re-signal Northumberland Park Depot, which serves the Victoria line. These works are essential to maintain the performance of these systems to deliver a reliable service and meet capacity requirements.

Replacing the signalling system on the Piccadilly line, parts of which date back to the 1950s, is one of our highest priorities. Replacing this system with a modern digital network would provide faster and more frequent trains, with a train arriving every 100 seconds in central London. This would support the delivery of tens of thousands of new homes across the Piccadilly line corridor and boost productivity and access to jobs. We will only be able to commit to this transformational scheme if we secure long-term funding support from central Government. We will continue to make the case for that this year.

Track, power, lifts and escalators

We will continue our track renewal programme, including replacing 7.3km of life-expired track. This is critical to supporting service reliability, and increased train speeds and frequencies. As part of our ongoing maintenance, we will continue rail grinding to remove defects, helping to reduce noise and vibration for passengers, staff and people living and working near the lines.

We will upgrade power supplies to enable an additional train to run each hour during the peak on the Morden branch of the Northern line. We will also refurbish or replace 20 escalators and four lifts in our stations to ensure reliability.

Major highways structures

Our investment will maintain the safety of bridges and tunnels to enable goods and

7.3km

of life-expired track will be replaced

20

escalators and four lifts will be refurbished or replaced across our Tube stations people to move throughout the Capital. The Rotherhithe Tunnel was built in 1908 and was not designed to cope with modern levels of traffic. This year we will start detailed design on restoration works, and we will seek approval for concept design by October 2020.

We are working with and supporting local authorities to confirm a plan for the refurbishment of Hammersmith Bridge. We are also investigating options to build a temporary bridge while the main structure is being repaired.

> 'In spring 2020, five new docking stations will open along Cycleway 4 in Southwark and we plan to expand docking stations on our Cycleways network'

We are also starting a programme of renewal works on the Westway (A40) and will seek approval for concept design by March 2021. We are working with the Department for Transport to progress our Major Road Network funding bids to refurbish key bridges on our network. These include the Brent Cross structures, Croydon Flyover, Hope & Anchor Flyover and Kew Bridge.

The condition of our smaller assets has declined slightly due to the two-year pause on renewal work, which means additional safety measures are required. This year, we will carry out additional inspections and interim measures on 43 bridges.

Highways assets

We are responsible for London's most strategically important roads. These comprise many types of assets including 580km of carriageway, 6,300 traffic signals, and 1,238 pedestrian countdown locations This year, we plan to resurface more than 30km of road, modernise around 50 traffic signal sites, replace 800 lighting columns and 600 trees.

We will continue to improve the energy efficiency of street lighting. More than half of our 33,900 street lighting columns will be installed with greener LED luminaires, with 3,000 more set to be converted before the end of 2020.

Buses

Maintaining, renewing and refurbishing bus infrastructure will provide a safe, comfortable and appealing environment that will encourage people to use public transport. In our 2019 Business Plan we increased investment in maintaining bus shelters and stations to boost passenger numbers. This year we will replace 325 bus shelters and refurbish a further 25, alongside ongoing repairs.

Cycle hire

In spring 2020, five new docking stations will open along Cycleway 4 in Southwark and we plan to expand docking stations elsewhere along our Cycleways network. We will also renew 3,700 Santander Cycles bicycles this year.

Technology

Technology investments will ensure we continue to improve safety, customer service and operational reliability.

Providing easy access to information ensures a smoother journey experience. Following the introduction of 4G services on the Underground, with a pilot launching on a section of the Jubilee line, we will award the wider concession to enable mobile connectivity to be brought to the whole Tube network. Through our Bus Technology Programme, we will refresh service planning assets, real-time information, ticketing and performance management. This will ensure customers can receive accurate and timely information to help them plan their journey.

We are also taking steps to further protect our staff and revenue. Body-worn video equipment is currently being piloted as part of a strategy to stop violence against our people, and we have a strategy in place to reduce lost revenue. This will ensure our colleagues have the tools they need to work effectively and safely.

We continue to drive forward our digital workplace, with regular software updates, eradicating the need for large upgrade programmes. We will spend a further £1.25m on end-user computing, which will support flexible working. We are also researching infrastructure technology and investing in cloud-based assets to reduce operational cost and enhance security against cyber-attacks.

> 'We will award the wider concession to enable mobile connectivity to be brought to the whole Tube network'

325

bus shelters will be replaced

3,000

street lights will be replaced with LED luminaires by the end of 2020

Delivering the Mayor's Transport Strategy

We will align our work to the Mayor's Transport Strategy, which emphasises support for Healthy Streets and healthy people, a good public transport experience and new homes and jobs

Healthy Streets and healthy people

The Mayor's Transport Strategy makes a commitment to Vision Zero – eliminating all deaths and serious injuries on London's transport network by 2041. We will work towards this by delivering ambitious schemes to reduce road danger.

Our Healthy Streets Approach aims to create far-reaching improvements on London's roads, in collaboration with our borough partners. This includes improving safety, increasing sustainable transport use, and creating pleasant environments.

By creating places that feel safe to use, we will encourage people to get out of their cars and use more sustainable modes of travel. We can only achieve this through steady and sustained long-term funding.

Safe streets

We will continue to work alongside the Metropolitan Police's Roads and Transport Policing Command to identify and target the root causes of road danger at a number of high-priority locations. We will use a combination of enforcement, education and engineering measures.

We will significantly increase our camera and on-street speed enforcement activity to reduce the risk speeding motorists continue to pose on our streets.

We will also continue to enforce decriminalised offences – such as parking contraventions – to improve compliance with the rules of the road, reduce road danger and improve the reliability of our buses.

Working closely with the local boroughs, law enforcement and security agencies, we will continue to design and implement protective security measures on London's roads. This work is designed to reduce the risk from terrorism and further help us to achieve our Healthy Streets ambitions.

Greener buses

We will continue to upgrade the entire bus fleet to meet the ultra-low Euro VI standard or better by retrofitting mid-life buses with enhanced exhaust systems and replacing older buses with new vehicles. So far, around 90 per cent of the fleet meets or betters this standard.

By autumn 2020, the entire fleet will meet a Euro VI standard. We are already working on the next steps to ensure our fleet is even cleaner, by converting the entire fleet to zero-emission at tailpipe by 2037 at the latest. We have a good starting point with more than 280 zero-emission buses already and expect the number to climb to up to 500 zero-emission buses, including single and double decks by 31 March 2021.

Increasing the amount of green space

We will upgrade the environment across 90 high streets through our Bees, Trees and Meadows programme. This will see 1,000 trees planted across our street network and a further roll out of the grass verge meadows programme, following a successful trial on the A40 and A406 last year.

In the spring, we will be creating five green roofs on bus shelters in Lewisham, which have been specially selected to encourage more honeybees.

We will also introduce a rain garden at Joe Strummer subway in Westminster, which will help create more sustainable urban drainage. We will continue planting along West Cromwell Road and identify new locations for 'pocket parks' across London.

Safe buses

We will use a combination of training and technology to improve safety for bus passengers and other road users

We want to reduce the number of people killed or seriously injured on, or by, a bus by 70 per cent by 2022 (against 2005-09 levels), with all deaths on or by a bus eliminated by 2030.

Our world-leading Bus Safety Standard will continue to be rolled out, having been incorporated into new bus operator contracts last year. This sets out design features and technologies required of new buses, to minimise the risk of injuries. We now have 129 buses that meet the Bus Safety Standard and 1,229 (13 per cent) that are enabled with intelligent speed assistance to prevent vehicles from exceeding the speed limit. By October 2020, we will have started retrofitting buses. An acoustic vehicle alerting system – to make quiet running buses identifiable to vulnerable road users – will be required on all new buses.

As part of our continued work on fatigue management, we will ensure all bus operators have robust fatigue risk management systems in place and that all managers receive specific fatigue training. We will also launch a £500,000 fatigue innovation fund to encourage development and trial of new measures aimed at preventing fatigue. Our new Destination Zero safety training for all London bus drivers, which uses virtual reality headsets, will continue until the end of 2020.

70%
reduction in the number of people killed or injured on or by a bus by 2022, compared to 2005-2009 levels

£500k
funding to develop and trial schemes that prevent bus driver fatigue

Rolling out our Direct Vision Standard scheme

Lorries account for just four per cent of the overall miles driven in the Capital, but between 2015 and 2017, heavy goods vehicles (HGVs) were involved in 63 per cent of fatal collisions involving cyclists and 25 per cent involving pedestrians.

Our new HGV Safety Permit scheme, which comes into force in October 2020, will require all HGVs more than 12 tonnes to hold a Safety Permit to operate in Greater London.

Our Direct Vision Standard (DVS) rates how much an HGV driver can see directly from their cab in relation to other road users and assigns a star rating from zero to five.

Those vehicles that do not meet a minimum DVS star rating of one star will be required to have additional safety equipment fitted.

Permits will be electronic and enforced by automatic number plate recognition cameras and non-compliant HGVs will be issued with a penalty charge of £550 per day.

Safe trams

We continue to work with the Office of Rail and Road and the wider UK tram industry to implement the recommendations set out by the Rail Accident Investigation Branch following the tragic overturning of a tram at Sandilands in 2016.

The entire tram fleet has been fitted with stronger window glazing and the UK's first automatic braking system for trams is now in place, which will bring a moving tram to a controlled stop if it exceeds the speed limit at certain locations.

This year, our highest priority will be to provide a safe environment for customers and staff. Safety and security considerations will continue to be built into the planning, design and management of our services. While levels of crime remain low on our rail networks, we are working with British Transport Police to tackle the crime and antisocial behaviour issues that matter most to our customers and staff and have the biggest impact on our service's safe and reliable operation.

New Healthy Streets schemes

Following the success of the 16 Healthy Street local projects we ran last year, we will deliver another 16 schemes in 2020/21. These include a new zebra crossing and cycle track on Harrington Square in Camden to encourage people to use the park, four new pedestrian crossings on the South Circular Road at the junction with Lordship Lane to improve safety, along with 10 new crossings across various London boroughs.

We will also create a more accessible route for cyclists and disabled people around and through the A40 subways within the London Borough of Ealing and improve interaction between cyclists and pedestrians.

£1.7bn

saving in NHS treatment costs over 25 years as a result of Healthy Streets investments

Creating even more Safer Junctions on London's streets

We will have delivered 20 more Safer Junctions by spring 2020, bringing the total number to 41. This will complete more than half of the Safer Junctions programme, supporting our Vision Zero ambition to eliminate death and serious injury from London's roads.

We have now introduced a 20mph speed limit on all our roads within the Congestion Charge zone, mirroring the lower speed limits already in place on most borough roads in central London.

Over this Budget, the lower speed limit will be supported by new 20mph signage and road markings, as well as raised pedestrian crossings in seven locations where lots of people walk, including near Embankment and Tower Hill Tube stations and outside Tate Britain.

We have recalibrated all speed cameras in central London and will use mobile speed cameras to ensure that drivers comply with the new safer speed limit. We will look to complete work overnight to minimise the impact on road users and use single-lane closures, avoiding any roads being fully closed, subject to permits.

Preparing to extend the Ultra Low Emission Zone

As of December 2019, 77 per cent of vehicles in the ULEZ now meet the emissions standards, which is up from 39 per cent in 2017. Roadside nitrogen dioxide pollution reduced by 36 per cent in the zone in the first six months compared to 2017 levels.

During this Budget, we will prepare for the extension of the central London ULEZ, which will be bounded by the North and South Circular Roads from October 2021.

Covering most of Greater London, the Low Emission Zone operates to encourage the most polluting heavy diesel vehicles driving in London to become cleaner.

Tougher standards will be introduced in October 2020 for heavy vehicles including HGVs, lorries, vans, buses, coaches, minibuses and other specialist diesel vehicles. Owners of vehicles not meeting the tougher emissions standards will need to pay a daily charge to drive within the Low Emission Zone.

Investing in cycling

We will continue our work to promote cycling by making it a safer and more appealing option

We plan to continue significant investment in a safe, high-quality cycling infrastructure, including the completion of the Mini Hollands programmes in Kingston and Enfield. Construction will continue on several major routes including between Tower Bridge and Greenwich, and Brentford and Olympia.

We will continue to expand the Cycleways network, linking more communities, businesses and destinations. We have recently achieved our target of tripling the total length of protected cycle infrastructure, by adding an additional 100km since 2016.

We have already awarded more than £3.5m to 30 London boroughs to create 7,800 new cycle parking spaces in town centres, stations, schools and residential areas. This investment will enable thousands more cycle journeys to take place each week by ensuring more journeys begin and end with a place to park, with the first spaces set to be in place by spring 2020.

7,800
new cycle parking spaces created across 30 London boroughs

100km
of protected cycling infrastructure added since 2016

Switching to zero-emission taxis

We continue to help taxi drivers swap their cars for zero-emission capable (ZEC) vehicles – the only type of taxi that can now be newly-licensed. Grants, part funded by us, are available to those wishing to buy a ZEC taxi. We are also providing incentives for de-licensing older, more polluting taxis, and supporting a limited number of liquid petroleum gas conversions.

In summer 2019, we confirmed our plans to reduce the taxi age limit for Euro 3, 4 and 5 taxis to 12 years on a phased basis by 2022, removing the most polluting vehicles from London's roads. The changes were introduced in November 2019 and within 12 months we predict that the combination of measures should reduce NO_X emissions from taxis on London's roads by 38 per cent.

We will continue to encourage more drivers to take up the £68m available for taxi delicensing, ZEC grants and conversions. So far, £18m has been paid, leading to more than 2,000 taxis being delicensed and has supported the take up of more than 3,000 ZEC taxis – around 15 per cent of the entire taxi fleet.

£68m
funding available to encourage taxi drivers to switch to greener vehicles

15%
of London's taxi fleet is made up of zero-emission capable vehicles

Rapid charging points

In partnership with London Councils and the GLA, we have installed 1,700 residential charging points, delivered through the Go Ultra Low Cities programme. The next round of funding has been allocated, following bids from 29 boroughs, with investment set to enable more residential charging points, community charging hubs and rapid charging points across London to encourage more people to buy ultra-low emission vehicles.

This year, we will continue to work with the private sector to identify opportunities for additional hub sites and encourage the wider uptake of ultra-low emission vehicles. We will complete the installation of 300 rapid charging points across London by December 2020, to support the growing number of zero emission capable taxis and electric vehicles, with 232 already installed. Following the successful launch of a hub site at Stratford International Station, we have plans for two more in the City of London and Woolwich.

Traffic light technology

We will make more use of our existing traffic signal technology and infrastructure. Specifically, we are developing a programme of future technology to maximise the capacity at traffic light junctions through the increasing use of sensors.

Our annual traffic signal review programme will save 16,500 daily hours of travel time at targeted locations next year for people using sustainable modes. This will reduce wait times for people walking and delays to bus passengers and cyclists. We are working with bus operators, Living Streets and the London Cycling Campaign to focus on making improvements at traffic signals that benefit the greatest number of people using active and sustainable modes.

16,500

daily hours of travel time saved through traffic signal reviews for people choosing sustainable travel

Reducing disruption on our streets

Using police and our own on-street enforcement teams and other resources, including cameras and signals, our 24/7 control centre will continue to monitor and intervene to prevent and respond to issues disrupting the network.

We continue to support the major infrastructure schemes that are helping deliver the growth that is essential for London's future. We will ensure that construction of the Tideway Tunnel and High Speed 2 is carried out as efficiently as possible, while also supporting the aims of Healthy Streets and Vision Zero as a priority.

We encourage block closures to enable multiple maintenance activities and different works promoters to work within a single closure, negating the need to close the road too many times.

Carbon neutral ambition

We are committed to the mayoral aspiration for London to be carbon neutral by 2030 – meaning we strive to balance out the carbon emissions caused by our activities by making an equivalent amount of carbon savings elsewhere.

Projects this year that will help reduce transport's contribution to climate change include developing our plans for a central London Zero Emission Zone, introducing more zero-emission buses into our fleet, completing the installation of 300 rapid charge points for electric vehicles, and procuring more renewable energy, including new contracts with providers of renewable energy sources through the National Grid.

We will continue installing solar panels at the tram depot in Sutton, the Tunnelling and Underground Construction Academy in Ilford and at Stratford Market Depot. Once fully commissioned, these three locations will generate 1.1 megawatts of clean power. We are on track to complete and commission the installation at the tram depot this year.

Transforming our streets

We will continue to develop our streets to make them greener, safer and more appealing places to be

As well as continuing to transform the dangerous and outdated Old Street Roundabout, we will start work on the roads around Waterloo in the summer, making them safer for cyclists, improving crossings, simplifying bus interchange and transforming the public space.

The first stage of the Kings Cross safety, cycling and pedestrian improvements will be completed this summer, providing controlled pedestrian crossings at the junction with Duke's Road, Churchway and Euston Road. This will take us closer to making these traffic-dominated areas safer for people walking, cycling and using public transport.

Public consultations are planned for Greenwich town centre, while we will continue to improve the overall environment across our network, by removing up to 3,000 pieces of street furniture. We will also declutter and revamp 10 more high streets.

Working with the boroughs, we will improve walking, cycling and bus routes to support regeneration in areas such as Nine Elms, Old Kent Road, Catford and Bow.

Improving bridges and tunnels

We will carry out important works on the A40 Westway and Vauxhall Bridge to ensure they remain safe and operable. This includes replacing expansion joints and waterproofing the decks to slow down deterioration and prolong their life.

We will continue with the designs for the full refurbishment of Rotherhithe Tunnel, with a view to starting works in 2021/22. This is essential if we are going to bring the tunnel up to modern standards and make it fit for the long term.

We will continue to work with and support Hammersmith & Fulham Council on the refurbishment of Hammersmith Bridge.

We are working with Department for Transport to progress our Major Road Network funding bids to refurbish key bridges on our network.

These include the Brent Cross structures, Gallows Corner, Croydon Flyover, Hope & Anchor Flyover and Kew Bridge.

A good public transport experience

Shifting journeys from cars to public transport is the single biggest driver to reduce our carbon footprint. By improving and intensifying our existing services, we will attract more people to use sustainable modes of transport. Long-term funding certainty will enable us to commit to the infrastructure projects needed to achieve this.

We will continue to invest in services and products that support London's growth. We will also work with the police and our other partners to ensure the transport network remains a safe, low-crime environment.

Bus priority

We are improving the efficiency and reliability of our bus network through the bus priority programme. Schemes range from small-scale interventions that provide an immediate benefit and can be delivered quickly, such as minor changes to road layouts and extending bus lane operating hours, through to larger interventions, such as improving major junctions.

We have already completed work at Catford Gyratory, Greenford Road, Tollgate Road, Blackheath, Coombe Lane, Barkingside High Street, Aldgate, Downs Park Road and Pimlico, and this year will be working on major junction improvements at the A124 Barking Road and Ron Leighton Way, which will save buses up to four minutes at peak times.

Improving the customer experience

We will continue to promote our Customer Incentive Scheme, which encourages and rewards operators that deliver sustained improvements in customer service. Our mystery shopper survey, which helps us monitor customer service levels, has been updated to better reflect the key issues for customers, such as bus drivers making announcements. As well as improving the experience for existing customers, this also should increase the appeal of bus services to new users.

We recently launched a new bus customer journey time measure to capture and analyse the key components that affect the customer experience, including journey and waiting times, how busy the bus is and whether they can sit down.

This year, we predict the overall bus customer experience will remain stable. There were several major service changes, including those in central London, that slightly increased waiting times, but this is not expected to dip further. By running future proposals through the journey time measure tool, we expect to minimise any negative customer impacts.

Tackling crime on the network

Our partnership with the Metropolitan Police Service ensures that the bus network continues to be a safe, low-crime environment where very few of our customers ever witness or experience crime.

We will continue our important work to reduce the risk of violence and aggression to bus drivers and our staff through our first organisation-wide, work-related violence and aggression strategy. Our Metropolitan Police Service partners will focus on preventing offences such as violent crime, hate crime and sexual offences, and safeguarding the most vulnerable passengers, including children and adults at risk from harm.

We will also work closely with the British Transport Police and other partner agencies to integrate new technology and target our resources where they will have the greatest impact. This includes the roll out of body-worn videos for staff at key stations and recruitment of additional frontline enforcement officers to help tackle fare evasion.

Our officers will work with the police to provide a visible and reassuring presence across the network, keeping our customers and staff safe and tackling antisocial behaviour and fare evasion.

3,000

police officers funded by us to help keep the transport network safe

Ensuring the standards across London's taxi and private hire industries

Our commitment to improving the standards of London's taxi and private hire industry will continue through effective regulation and rigorous enforcement.

Working with our partners from the Metropolitan Police Service, we will continue to look to improve operator, vehicle and driver standards. We will do this by continuing to tackle illegal and non-compliant activity, unsafe vehicles, poor driving and also sexual offences.

Our top priorities are to maintain the high standards of safety for licensees and passengers, as well as reducing the emissions from both the taxi and private hire fleets.

We also remain committed to working with representatives from within the trade in order to promote the importance of ensuring health and wellbeing of people working within the taxi and private hire industries.

London Overground improvements

We are working to enable more frequent services on the London Overground, as well as improving our existing infrastructure

Following a busy year on the London Overground, which saw us build a new station at White Hart Lane and launch new trains between Gospel Oak and Barking, and Liverpool Street to Chingford, Cheshunt and Enfield Town, we will continue work to improve the service this year. We will upgrade the signalling systems in east London to enable more trains to run per hour, with the potential to improve from 16 to 18 trains during peak times between Dalston Junction and Surrey Quays stations.

We will also continue works to develop step-free access schemes at Brondesbury, Hackney Downs and Seven Sisters stations, as part of the Department for Transport Access for All scheme.

18

trains per hour could eventually run during peak hours between Dalston Junction and Surrey Quays

Three

more stations where we are working to provide step-free access

Capacity boost on the DLR

This year, we will renew various parts of our critical infrastructure from power systems to track and train improvements, as well as rewiring and replacing cabling at some stations to keep the service running efficiently. We will also refurbish almost one-third of the lifts and escalators across the DLR.

Construction will continue on the capacity enhancement project at Custom House station. This will improve the interchange when the new Elizabeth line station opens.

This year, construction will begin on 43 new walk-through DLR trains, which will begin service from 2023 and will increase capacity by 30 per cent across the network. Construction will also complete on the southern sidings and will commence on the northern sidings at the Beckton depot.

Creating more step-free access on the Tube

Work is under way to provide step-free access at an additional 11 Tube stations by the end of 2020, making a third of the Underground accessible. A further eight stations are planned to be made step-free by the end of 2023/24, making 38 per cent of the Tube network step-free by then.

We have completed the refurbishment of Jubilee line trains, including enhancements to handrails, additional wheelchair space and better customer information.

Supporting growth in south London and Croydon

We are investigating and reviewing opportunities to improve capacity and reliability on the London Trams network, which is important for supporting significant future growth in Croydon and south London.

This year we will be making some improvements to East Croydon tram stop to improve pedestrian safety, passenger wayfinding and capacity.

We recently started a project to replace the original Bombardier CR4000 trams, while continuing to overhaul the existing fleet to keep it performing effectively. We will significantly renew track and power systems and strengthen the retaining wall at Birkbeck station.

Launching 4G capability on the Underground

The Mayor has committed to improving telecoms connectivity across London's transport network by providing a 4G mobile phone signal on the Tube and making our assets available for digital infrastructure improvements.

Working with the four mobile network operators – Vodafone, Telefonica, EE and 3UK – we will launch a public pilot of mobile services on the Jubilee line from Westminster to Canning Town in March 2020. This 12-month pilot will provide us with important technical, delivery and customer insight to help us with the full rollout of 4G over the next three years.

In summer 2020, we will award a 20-year telecoms concession to use our assets, which will generate revenue to reinvest into the transport network. From early 2021, the concessionaire will use the information from the pilot to roll out commercial mobile across the Underground, line by line. Contractually, the London Underground 4G installation works have to be completed by the end of 2023, but the contract is structured to incentivise an earlier completion.

We are working with the Home Office to replace Airwave on the Underground, the current radio comms system used by the emergency services, with a new 4G service that will form part of the new national Emergency Service Network. Significant progress has been made laying the required cabling infrastructure and this will continue through during 2020.

Modernising the Circle, District, Hammersmith & City and Metropolitan lines

We are transforming some of the oldest parts of the Underground network by replacing and improving outdated signalling, power and depot assets. Once completed by 2023, customers on the Circle, District, Hammersmith & City and Metropolitan lines will benefit from increased services and a 33 per cent increase in capacity.

We have delivered the first sections of signalling between Hammersmith and Paddington to Euston Square, and Finchley Road to Euston Square. The operation of the new signalling enables us to run on the new higher capacity system. In 2020/21, we will continue to work towards transitioning the entire Circle line onto the new signalling system, which is a huge milestone for the programme. We will also complete works at Ealing Common and Upminster depots to support District line trains.

New trains on the Piccadilly line

We are investing around £1.5bn in new trains to replace our existing Piccadilly line fleet, which dates from the early 1970s. The 94 new state-of-the-art Tube trains will feature wider doors and longer, walk-through, air-cooled carriages. They will also boost reliability and frequency during peak times, increasing from 24 to 27 trains per hour.

Working closely with our supplier, Siemens Mobility Limited, we have completed the concept design. We will continue working towards detailed design by early 2021, ahead of production and the first new trains entering passenger service in 2024.

Bank station upgrade

We continue our major upgrade of Bank Tube station to boost capacity by 40 per cent. The station is currently used by more than 400,000 people each day and the project is due to be completed by 2022. We reached a landmark last year as the project passed the halfway mark with the completion of the roof over the new station entrance on Cannon Street.

Work will continue to create step-free access to the Northern line, additional interchange between the DLR platforms, and a new southbound tunnel and platform for the Northern line. We will focus on finishing tunnelling for the new passenger concourse to the DLR by the end of 2020.

Better Dial-a-Ride experience

Our Dial-a-Ride service provides fully accessible, step-free transport for people with disabilities and older people who have difficulty accessing the public transport network.

We continue to invest in renewing our fleet, building on our work to ensure we comply with the central London ULEZ, with 186 ultra-clean Euro VI diesel buses entering service in time for the expansion of the ULEZ in October 2021.

This year, we will procure a new booking and scheduling system, which will improve the customer experience, enabling online bookings while continuing to offer phone bookings.

New homes and jobs

We will target our work in areas where it will have the most benefit and link new communities with the jobs, services and homes they need. This includes extending our current services and building new stations to ensure we continue to support London's growth now and in the future.

We will also continue to open up our land to provide the vital new, affordable homes that Londoners need.

Barking Riverside Extension

We are extending the London Overground to support this key area of east London

Barking Riverside is the largest housing development in east London, with planning permission for up to 10,800 new homes.

In 2020/21, we will complete the construction of the north and south viaducts for this 4.5km line extension. This will enable the track to be laid and the final station works to be completed in late 2021.

Works to start on Silvertown Tunnel

Following the award of a contract to design, build, finance and maintain the Silvertown Tunnel, the main construction works are expected to begin this year, with the new tunnel proposed to open from 2025.

This new river crossing will effectively eliminate congestion and improve the reliability and resilience of the road network in and around the Blackwall Tunnel. It will enable a significant upgrade in cross-river bus services, with all of the new double deck buses using the tunnel expected to be zero-emission from launch.

Extending the Northern line

Running from Battersea Power Station to Kennington, via a new station at Nine Elms, the Northern Line Extension will bring Battersea and the surrounding area within 15 minutes of the City and the West End.

It will act as a catalyst for the regeneration of the area, supporting the creation of 25,000 jobs and more than 20,000 new homes.

Through 2020/21, we will continue with the new signalling system to enable us to start running test trains. We will also continue the construction of the new stations at Battersea and Nine Elms. The extension is expected to open in 2021.

New homes at Kidbrooke site

We have started constuction of 619 homes, 50 per cent of which will be affordable, alongside Notting Hill Genesis at our site in Kidbrooke. This includes 152 London Affordable Rented homes and 157 London Shared Ownership homes. The new homes will be a mixture of one-, two- and three-bedroom properties.

Once complete, our site will include new and improved amenities for the community, such as an improved transport hub, a nursery, and new village square. The village square will offer the community new spaces to shop, eat and relax with a new café and convenience store.

Developing our Build to Rent portfolio

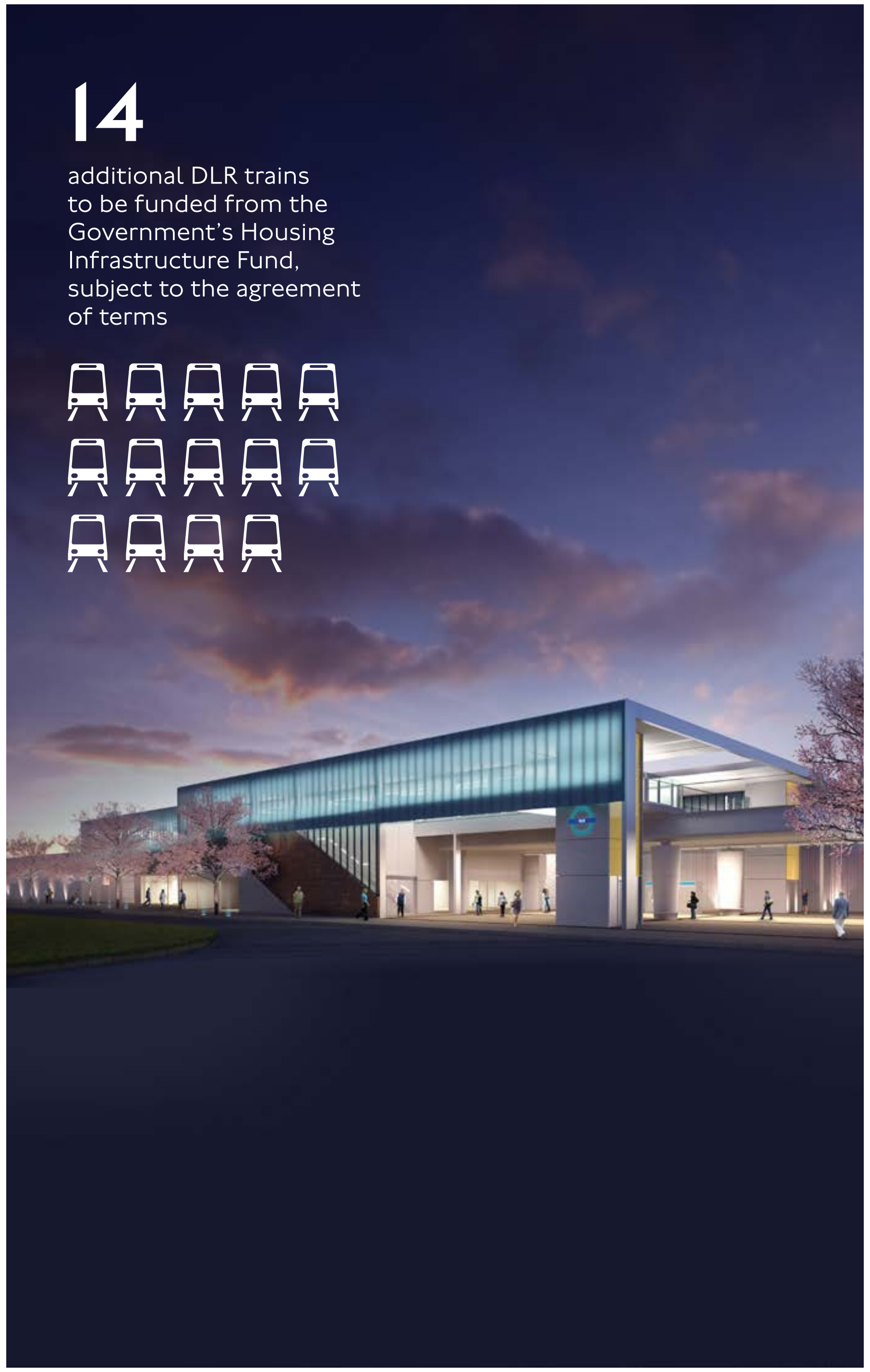
We have partnered with Grainger plc to create Connected Living London. Together, we are delivering more than 3,000 quality rental homes, 40 per cent of which are affordable.

These homes will be purpose built, with the specific needs of renters in mind. Residents will benefit from a well-designed scheme, and professional services including on-site management and maintenance support.

We are committed to investing in this partnership for the long-term, and we are going to create places and quality buildings that last. From providing cycle storage, electric vehicle charging points and access to car clubs to using recycled materials and building roof gardens – sustainability will be at the heart of our developments.

3,000

homes to be delivered through Connected Living London



New DLR station to support new homes

We have been awarded funding from the Government's Housing Infrastructure Fund, subject to the agreement of terms, to provide a new station at Thames Wharf, which will support additional housebuilding in the area. The fund will enable us to purchase 14 additional DLR trains and the land to stable them.

In 2020/21, subject to agreeing terms, we will purchase land for the depot extension and start design work.

Housing developments on our carparks

We are transforming some of our carparks to support the development of new homes

We are working with Catalyst, one of the UK's leading housing associations, to transform the carparks at Rayners Lane, Stanmore and Canons Park in Harrow into hundreds of much needed affordable homes. We have submitted our plans to Harrow Council and expect to start building nearly 500 affordable homes across the three sites over the course of this Budget.

Not only will we provide the homes London desperately needs, but by developing on carparks, like Stanmore and Canons Park, and by improving the local infrastructure, we will be promoting active and sustainable travel in line with the Mayor's Transport Strategy. This is part of our wider development programme to start on sites that will deliver 10,000 homes.

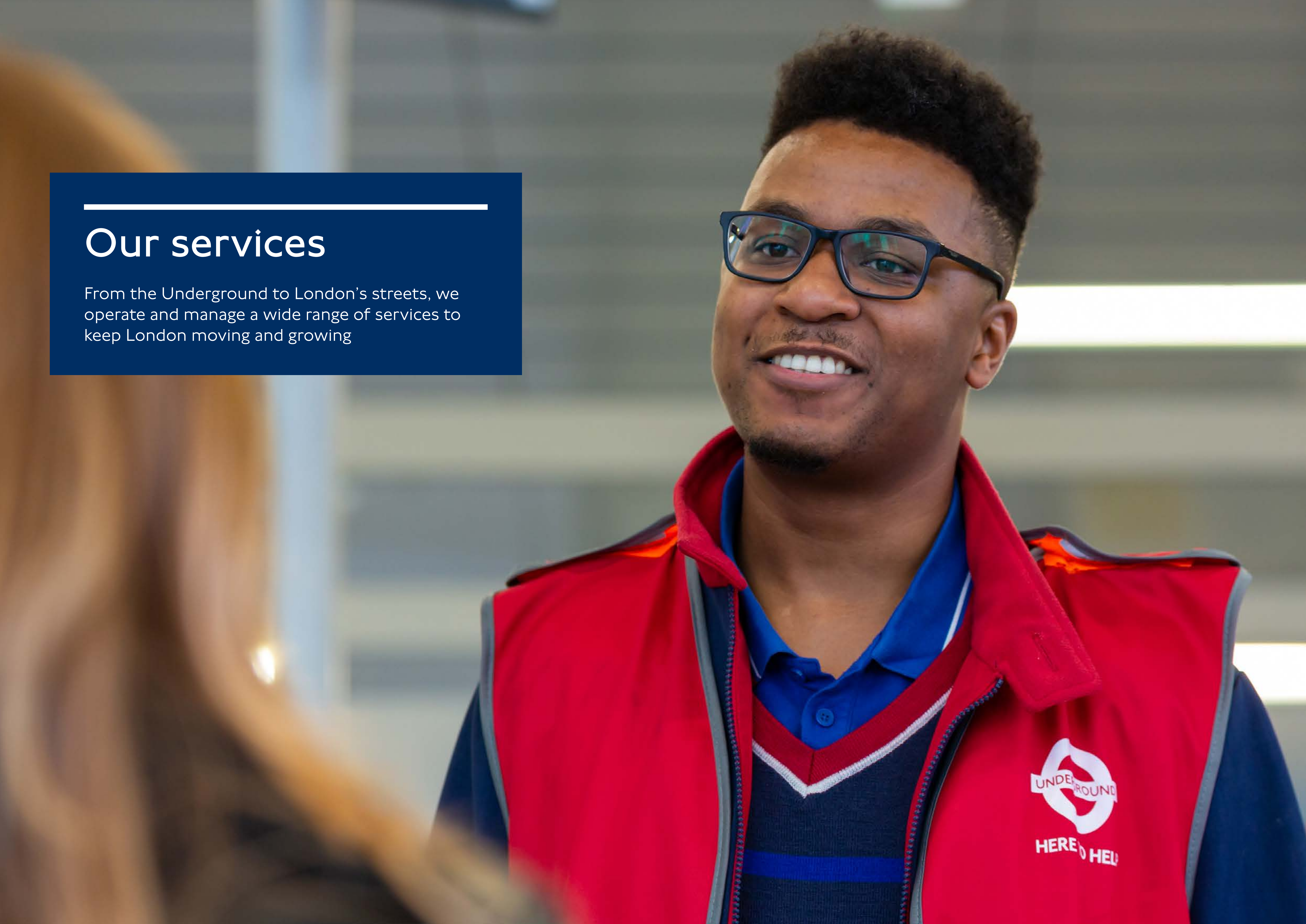
At Stanmore the development also provides a much-needed lift helping increase accessibility for the thousands of people that use this station each day.

Three

carparks being developed for housing in Harrow at Rayners Lane, Stanmore and Canons Park

500

new homes to be built on our carparks in Harrow



Our services

From the Underground to London's streets, we operate and manage a wide range of services to keep London moving and growing

100,000
new Santander Cycles subscribers in 2019

86%
ULEZ compliance rate expected by March 2021

ULEZ

Streets, buses and other surface operations

We are focused on achieving the Mayor's Transport Strategy Vision Zero ambition, while continuing with schemes that will improve air quality

Financial summary

We continue to invest in Healthy Streets and our bus network. Our priority is to support initiatives to reduce road danger, improve walking, cycling and access to public transport, and ensure that the network is maintained on both TfL and borough roads. We will ensure that buses continue to be safe, reliable and sustainable and we will continue to find ways to make our fleet greener.

(£m)	2020/21 Budget	2019 Business Plan	Variance to Business Plan	2019/20 forecast	2020/21 variance to 2019/20 forecast
Passenger income	1,480	1,473	7	1,479	1
Other operating income	571	596	(25)	585	(14)
Total operating income	**2,051**	**2,069**	**(18)**	**2,064**	**(13)**
Direct operating cost	(2,838)	(2,886)	48	(2,852)	14
Direct operating deficit	**(787)**	**(817)**	**30**	**(788)**	**1**
Indirect net operating cost	(160)	(147)	(13)	(142)	(18)
Net operating cost before financing and renewals	**(947)**	**(964)**	**17**	**(930)**	**(17)**
Financing cost	(29)	(30)	1	(30)	1
Capital renewals	(125)	(123)	(2)	(71)	(54)
Net cost of operations	**(1,101)**	**(1,117)**	**16**	**(1,031)**	**(70)**
Capital renewals	(125)	(123)	(2)	(71)	(54)
New capital investment	(263)	(362)	99	(131)	(132)
Total capital investment	**(388)**	**(485)**	**97**	**(202)**	**(186)**

The budgeted operating deficit of £787m is marginally lower than that planned in our 2019 Business Plan. Bus ridership continues to fall, which has significantly affected our passenger income. This is offset by an increase in yield following the continued switch to contactless payments and a rigorous review of our bus cost base, which is driving further efficiencies. There has been a higher than expected compliance rate with the ULEZ and the volumes of vehicles entering the Congestion Charging and ULEZ zones have also dropped slightly. While this has added some pressure on our income, these schemes are successfully delivering the desired impact of reducing the number of polluting vehicles coming into central London.

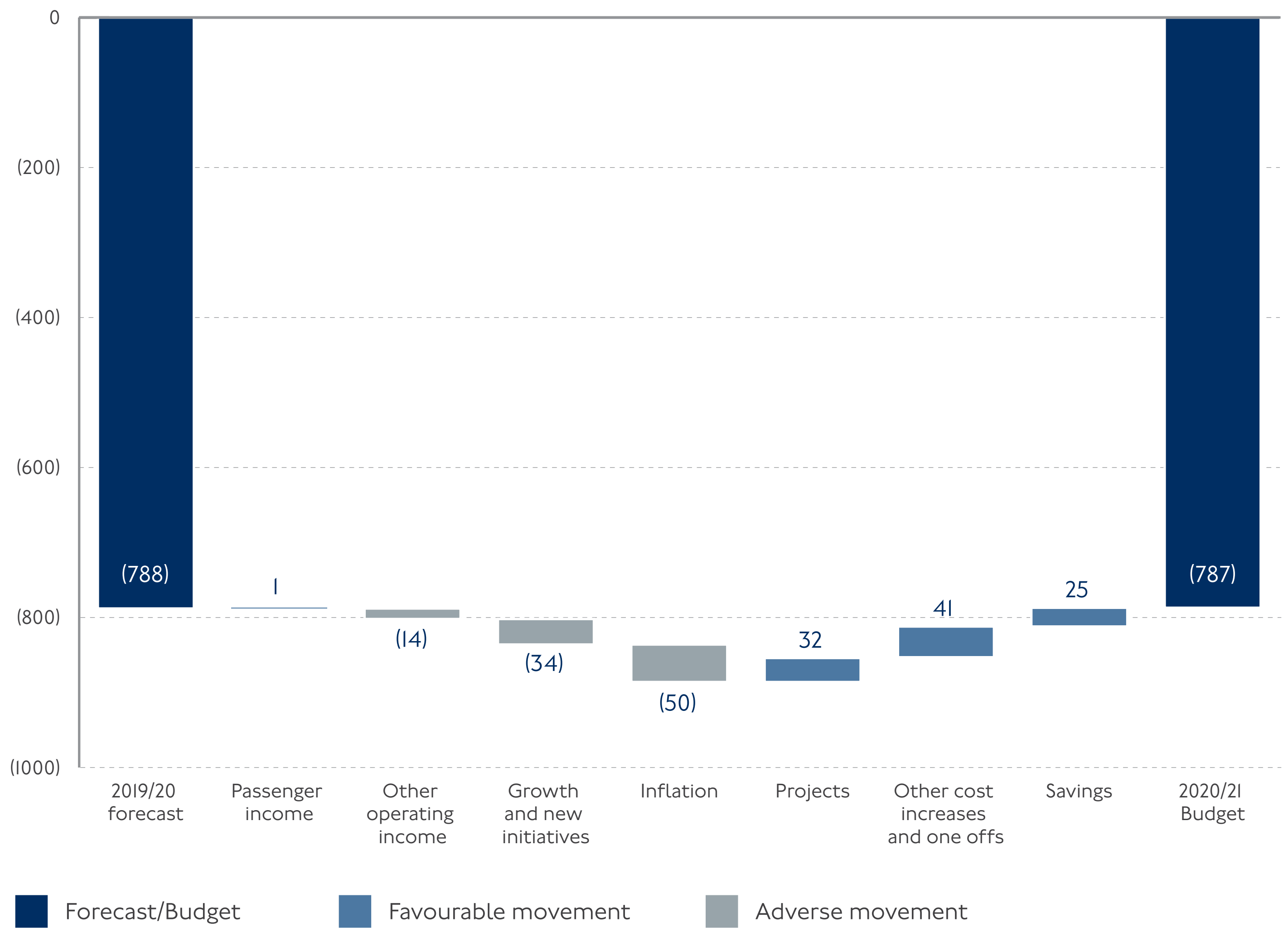
Since we published our Business Plan, our investment has reduced by around £100m. This is not because we have cancelled projects or are planning to deliver less. We have taken a more pragmatic approach to our forecasts to account for the reality of work banks of activity and likely delays – often due to negotiations on complex procurement arrangements and extended consultation with stakeholders as projects near the end of planning.

Capital

As part of our strategy to ensure we have a safe and reliable network, we will restart our proactive road renewals this year following a two-year pause. This includes resurfacing more than 30km of road and modernising around 50 traffic signal sites.

Our Major projects directorate is due to start work on the new Silvertown Tunnel river crossing in 2020, with enabling works expected to be complete at the end of the year and the new crossing expected to open in 2025.

Movement on direct operating deficit (£m)



Our operating deficit will decrease by £1m from £788m in 2019/20 to £787m in this Budget. Other operating income has fallen as there is further reduction in ULEZ volumes, as well as improved compliance rates. We estimate that compliance rates will increase from 79 per cent in March 2020 to 86 per cent by March 2021.

Bus contract inflation adds a £50m pressure to our operating account, with half of this offset by bus operating cost improvements. Our Investment Programme operating expenses reduce by £10m, mainly due to reclassifying our contribution to repair Hammersmith Bridge as capital spend as we are now investigating options to build a temporary bridge.

We are contributing to the essential repair work on Hammersmith Bridge

Volume analysis

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Streets					
Congestion Charge volumes (millions)	16.6	15.3	14.1	15.7	14.8
Congestion Charge and enforcement income (£m)	250	230	230	249	235
Average Congestion Charge including enforcement income (£m)	15.03	15.04	16.27	15.86	15.85
Average kilometres cycled per day in central London*	500,423	497,867	529,475	543,938	560,256
Buses					
Number of passenger journeys (millions)	2,262	2,247	2,220	2,193	2,171
Average yield per passenger journey (£)	0.65	0.65	0.66	0.67	0.68
Direct operating cost per journey (£)	(0.92)	(0.94)	(0.94)	(0.99)	(1.00)
Emirates Air Line					
Number of passenger journeys (millions)	1.5	1.4	1.3	1.3	1.4
Average yield per passenger journey (£)	4.07	4.15	4.46	4.52	4.57
Direct operating cost per journey (£)	(4.48)	(4.33)	(4.53)	(4.67)	(4.57)
Santander Cycles					
Number of cycle hires (millions)	10.5	10.2	10.9	10.2	10.2
Average income per hire (£)	1.08	1.09	1.07	1.13	1.13
Direct operating cost per hire (£)	(2.08)	(2.09)	(2.03)	(2.29)	(2.28)
London River Services					
Number of passenger journeys (millions)	8.8	8.2	8.2	8.6	8.9
Average yield per passenger journey (£)	0.32	0.34	0.28	0.30	0.32
Direct operating cost per journey (£)	(0.39)	(0.42)	(0.43)	(0.34)	(0.32)
Woolwich Ferry					
Number of passenger journeys (millions)	1.9	1.8	1.6	1.0	1.6
Direct operating cost per journey (£)	(4.24)	(4.32)	(5.81)	(6.30)	(6.94)

Around 75 per cent of the vehicles entering the Congestion Charge zone during charging hours are liable to pay the full charge. This is an increase from around 50 per cent in previous years. Although overall vehicle volumes have continued to fall, in part due to the introduction of the ULEZ, the removal of the private hire vehicle discount has led to an overall increase in chargeable volumes.

The latest data from the central London cycling metric shows that the year-to-date cycling growth between January and September 2019 is two per cent compared to the previous year. This is slightly below the 2.5 per cent target, owing to the lower than expected performance between April and June 2019, which was based on particularly good performance in the same quarter last year. Despite this, we achieved record levels of cycling in the other two quarters of 2019 since monitoring began in 2014. Furthermore, the current forecast for the full-year 2019 expects an increase that may meet the full year target.

Bus reliability is at historically high levels and bus speeds have stabilised after a long period of decline. We must maintain this level of performance. However, the ongoing squeeze on incomes and relatively low economic growth are likely to continue to reduce demand in the short to medium term. While TfL fares remain frozen in 2020, our Business Plan assumes they will increase by retail price index plus one per cent in 2021. The impact of this is offset by a new weekly cap on Oyster cards to bring them in line with contactless payments. The average yield is assumed to increase by one penny in 2020/21.

Overall, bus operating costs are forecast to increase year on year, owing to the annual contracted price increase within the bus operators' contracts. This, combined with the decrease in passenger journeys, means the operating cost per journey is forecast to increase. We are responding to changing travel patterns by revising the bus network to best meet demand, in particular increasing bus kilometres in outer London.

There were 10.2 million cycle hires in 2019/20, a slight decrease from the previous year, primarily due to there being more rain in key months compared to 2018/19. The Santander Cycles app is proving popular, with more than 25 per cent of members requesting hires through it, while more than one million downloads have been recorded. The increased use of on-street hubs at certain locations has proved popular as it means customers know they can hire and dock cycles.

* As cycling data is reported one quarter in arrears, the cycling data in the table opposite is based on calendar quarters and therefore represents the respective calendar years. Also, the data represents average daily (06:00-22:00) kilometres cycled within the Congestion Charge zone

The number of new members joining the scheme increased in 2019, with more than 100,000 people signing up. We are celebrating the 10th anniversary of London's cycle hire scheme. This comes as a record 709,000 Santander Cycles were hired in January 2020, the best start to a year in the history of the scheme.

We have upsold Emirates Air Line premium products, which has led to further increases in yield despite falling volumes. Passenger numbers on London River Services have grown year-on-year, leading to further projected growth in 2020/21.

The Woolwich Ferry ridership target remains the same. Actual passenger volume for 2019/20 has been lower than target, owing to downtime from a number of operational issues.

On 10 February 2020, we confirmed our intention to take over the operation and maintenance of the Woolwich Ferry to improve the service. The plans mean passengers will benefit from an increased focus on reliability and customer service.

We expect to transition to an in-house operation by the end of 2020, after the necessary preparation and employee consultation has concluded. Alongside Briggs Marine, we have agreed to a short contract extension to help ensure there is a smooth transition.

There will be a new focus on customer service on the Woolwich Ferry

Safety and security

	Actual			Forecast	Budget
	2016	2017	2018	2019	2020
Streets					
People killed or seriously injured on road, including by buses - Reduction from 2005-09 baseline (%)	40.4	39.4*	36.5	38.1	42.6
Absolute reduction against previous year**	102	63*	184	102	287

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Other operations					
Customer injuries	172	114	113	135	132

Provisional figures for 2019 show a 38.1 per cent reduction in the number of people killed or seriously injured compared to the 2005-09 baseline. Our long-term Vision Zero target is for a 100 per cent reduction in deaths on London's roads by 2041, against the 2005-09 baseline. We have two milestones to reach this of a 65 per cent reduction by 2022 and a 70 per cent reduction by 2030. We are delivering a series of targeted road safety interventions, including the Direct Vision Standard for HGVs to help drivers see vulnerable road users better, 20mph speed limits on our roads, as well as delivering or consulting on the remaining Safer Junctions locations.

The increase in injuries recorded for our other surface operations is largely down to an increase on London River Services. Our relationship with the operators continues to improve in terms of safety reporting, and we are receiving more reports due to improved communications. We expect customer injuries to reduce in all areas through running successful safety campaigns and Vision Zero targeted activity throughout the year.

* The data was re-baselined in 2018. However, further re-baselining may be needed to account for the increase in online self-reporting of injuries. People killed or seriously injured is defined as fatal and serious personal injury from road traffic collisions occurring on the public highway and reported to police

** Total number of people killed or seriously injured in 2016 was 3,818

Customer satisfaction (score out of 100)

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Streets					
All road users	70	70	71	71***	70
Pedestrians and cyclists	70	70	71	71***	70
Buses	86	86	85	84	84
Dial-a-Ride	91	92	89	90	90

Customer satisfaction has been consistent over the past five years and this level is expected to continue. In 2020/21, we will deliver a programme of works, including carriageway resurfacing, lighting and traffic signal renewals, and bus shelter replacements, while also seeking to identify a long-term funding source for our roads.

There were several challenges to customer satisfaction during 2019/20 on buses, including planned service changes across the network and the hot summer affecting perceptions of comfort and crowding. As a result, the target is 84 for 2020/21.

Dial-a-Ride customer satisfaction remained high in the first quarter of 2019/20, achieving the target of 90 for both the third quarter and the full year. Satisfaction ratings for individual attributes remained broadly stable which we expect to continue in 2020/21, as the fleet replacement programme rolls out.

*** Actual score

Reliability

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Streets					
Time saved for pedestrians, cyclists and bus passengers at traffic lights (hours)*	n/a	n/a	16,985	17,500	16,500
Average road journey time disruption within % of previous year	n/a	n/a	1%	Within 10% of baseline (currently 2% YTD)	Within 8% of baseline
Buses					
Average bus speeds (mph)	9.2	9.2	9.3	9.2	9.3
Customer journey time (weighted minutes)	n/a	32.4	32.5	32.6	33.2
Buses – service volume (million km operated)**					
Inner London	n/a	n/a	148.0	141.9	140.0
Outer London	n/a	n/a	323.0	323.7	325.9
Sections of routes outside the Greater London Authority boundary	n/a	n/a	10.4	10.4	10.1
Total	495.0	490.0	481.4	476.0	476.0
Other operations					
Dial-a-Ride trips requests scheduled (%)	89	88	89	89	89
Santander Cycles – number of hires (millions)	10.5	10.2	10.9	10.2	10.2

* New KPI

** Categorising the kilometres operated between inner and outer London is a new way of reporting the service volume metric. The figures for 2019/20 are pending the outcome of consultation

A new approach to support bus performance has seen us meet our stretch target for 2019/20. It is more challenging to realise time savings going forward, as locations with high bus users, pedestrians and cyclists have already been improved. As a result, the 2020/21 target is a daily saving of 16,500 hours.

The improvement in average road journey time disruption is due to stable traffic volumes across London, with a noticeable drop in central London as a result of the ULEZ. This has helped reduce the disruption levels in central London, which were caused by an increase in protests and planned works.

Bus customer journey time is a performance measure that incorporates wait times, journey times and reliability. In 2020/21, we expect a slight downside in performance while we invest in road schemes and a number of Healthy Streets road improvement schemes as part of our investment programme.

We will continue to increase bus services in outer London, while continuing to adapt the bus network, to more closely match capacity to demand.

Dial-a-Ride will maintain an 89 per cent target through careful management of schedules and resources.

The 2020/21 target for Santander Cycles hires reflects the actual hires for 2019/20 and is aligned with income forecasts. Plans are under way to install new Santander Cycles docking stations across London, including Westbourne Park Tube station and Victoria Embankment, at the junction of Temple Avenue, by spring 2020.

£377m

to be spent on network renewals and enhancements this year

31

trains per hour service to run on the Northern line by August 2020

London Underground

We are working to improve safety and reliability, while introducing more step-free access across our Tube stations

Financial summary

Direct operating surplus increased by 21 per cent from 2018/19 to 2019/20 driven by a combination of strong revenue growth and cost control. In the last six months revenue has flattened predominately as a result of lower employment in central London and the Isle of Dogs. We continue to make savings and mitigate cost increases by modernising the way we operate.

(£m)	2020/21 Budget	2020/21 Business Plan	Variance to Business Plan	2019/20 forecast	2020/21 variance to 2019/20 forecast
Passenger income	2,932	2,978	(46)	2,865	67
Other operating income	18	22	(4)	36	(18)
Total operating income	**2,950**	**3,000**	**(50)**	**2,901**	**49**
Direct operating cost	(1,977)	(2,014)	37	(1,941)	(36)
Direct operating surplus	**973**	**986**	**(13)**	**960**	**13**
Indirect net operating cost	(445)	(380)	(65)	(353)	(92)
Net operating surplus before financing and renewals	**528**	**606**	**(78)**	**607**	**(79)**
Financing cost	(296)	(308)	12	(293)	(3)
Capital renewals	(330)	(339)	9	(350)	20
Net cost of operations	**(98)**	**(41)**	**(57)**	**(36)**	**(62)**
Capital renewals	(330)	(339)	9	(350)	20
New capital investment	(543)	(607)	64	(629)	86
Total capital expenditure	**(873)**	**(946)**	**73**	**(979)**	**106**

Our revenue assumptions remain cautious as a result of recent slowing of demand. Our passenger revenue is lower than the Business Plan, reflecting these updated economic forecasts.

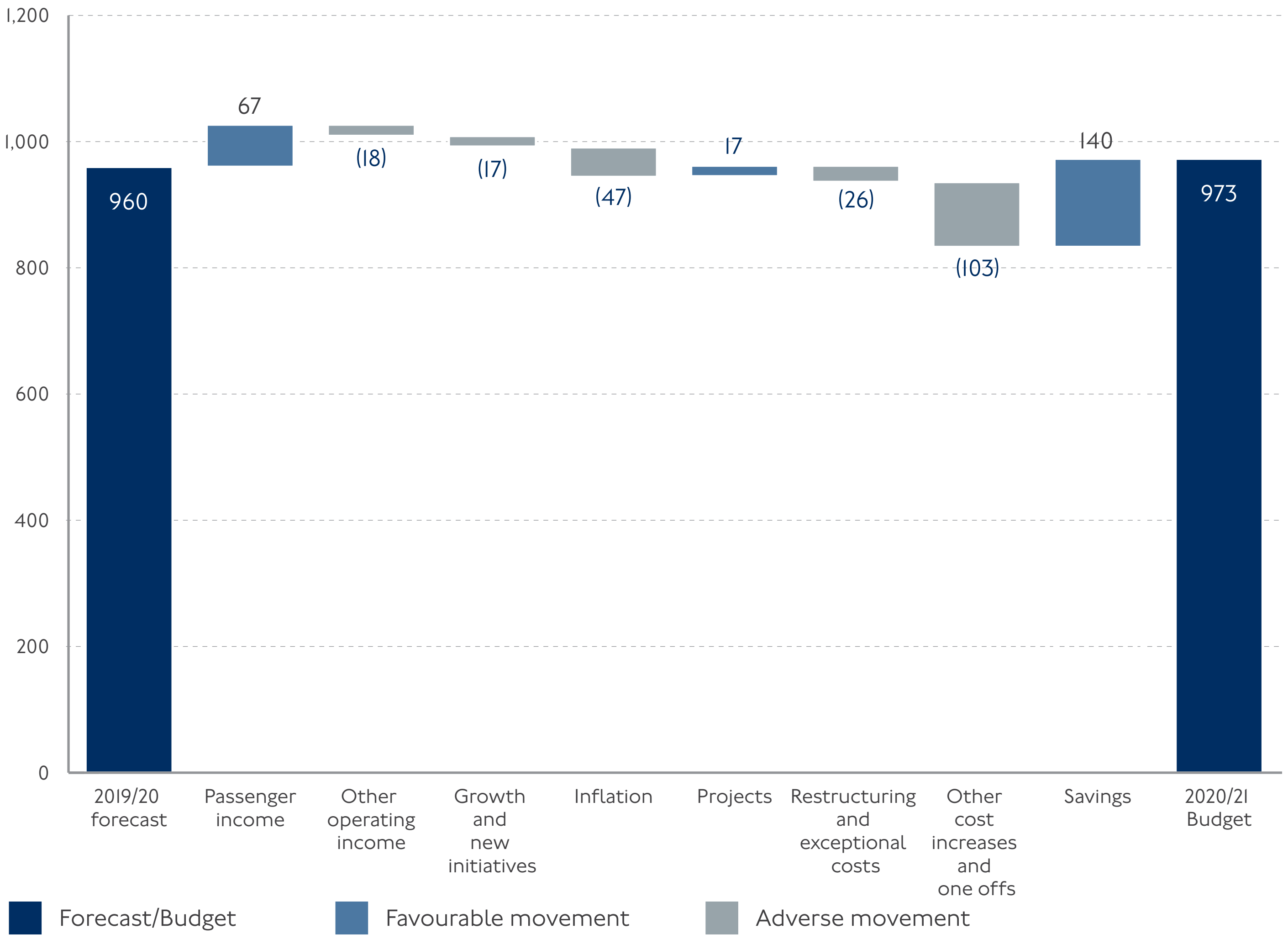
Costs have reduced against our Business Plan, with improvements planned in maintenance. The underlying year-on-year costs have reduced with inflation mitigated, however, the overall costs have increased marginally, owing to the increase in pension contributions.

Capital

Our long-term strategy remains to use operating surpluses generated from the Underground to cover the cost of our capital renewals. It is vital that we invest in our current asset base to ensure safety and performance. Our surplus will also cover indirect costs, such as the customer contact centre, HR, finance, legal and the finance cost associated with our capital investment. We have an ambitious programme and we are forecasting to spend £377m this year to support network renewals and enhancements. These include upgrading the signalling, track and power capability for a 31 trains per hour service on the Northern line, which is planned for August 2020.

Our Major projects directorate will continue works to modernise the Circle, District, Hammersmith & City and Metropolitan lines by replacing and improving outdated signalling, power and depot assets. In 2020/21, we will continue work to transition the entire Circle line onto the new signalling system and will complete the works at Ealing Common and Upminster depots to fully prepare them to cater for more frequent District line trains.

Movement on direct operating surplus (£m)



Our operating surplus is still forecast to improve despite challenging economic conditions. Compared to 2019/20, passenger revenue will be £67m higher, driven largely by increases on Travelcard fares, in addition to an increase in customer demand.

Overall, operating costs have slightly increased from 2019/20 to 2020/21 due to inflation, and initiatives to support workplace violence and improve services. However, considerable savings of £140m have been planned to mitigate this.

Passenger journey analysis

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Number of passenger journeys (millions)	1,378	1,357	1,384	1,403	1,413
Average yield per passenger journey (£)	1.94	1.94	2.02	2.04	2.08
Direct operating cost per journey	(1.50)	(1.55)	(1.46)	(1.38)	(1.40)

Demand for Tube services showed strong growth at the start of 2019/20, however, this slowed significanly halfway through the year and demand growth has remained flat year on year since.

Despite the fall in demand, we had our busiest day ever on 29 November 2019, with more than five million journeys completed. Our operating cost per journey has continued to improve, showing that we are controlling our costs, and we have remained cautious about demand growth into 2020/21, including only modest growth in this Budget.

Safety and security

The safety and security of our customers and colleagues remains our top priority. Our plans will support the Mayor's Transport Strategy vision to eliminate fatalities and major injuries on the network. This means focusing on activities that reduce the risk of accidents relating to escalators, stairs, and boarding and exiting trains. Our initiatives to reduce the risk of injuries to our staff include tackling accidents relating to contact injuries, working with electricity, and reducing slips, trips and falls.

We will tackle antisocial behaviour on the Tube, including aggression against our people, as part of our workplace violence strategy. This will include tackling the common triggers of violence and aggression, which include fare evasion and drinking alcohol.

Customer injuries

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Number of serious customer injuries	156	138	170	143	137

Serious customer injuries are those which fall within the industry standard Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) definition, excluding customer-on-customer assaults, injuries arising from medical issues and intentional self-harm. Over the next year, we will continue to focus on reducing the number of injuries occurring on our network through infrastructure changes and marketing campaigns to promote safe customer behaviour.

We want our customers to complete the whole of their journey safely

Customers

We will focus on improving the support provided to customers when there is disruption on the network. This could be from planned maintenance work or when there is an unexpected problem, like a signal failure.

Work will continue to improve the accuracy and timeliness of our customer information across all our communication channels. We will improve the terminology used to describe incidents and the explanations given to describe the impacts of major upgrade programmes. Our station staff and train operators provide a critical role during disruption, so we will continue to encourage and support them to provide a better experience.

Customer satisfaction (score out of 100)

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Customer satisfaction	85	85	85	84	85

A dip in customer experience in 2019/20 has largely been driven by dissatisfaction with temperatures on our trains during an extended period of unusually warm weather this summer. It is anticipated that the plans we have in place to improve customer experience will mean satisfaction improves in line with previous performance.

Reliability

Along with safety, reliability is the bedrock of our service. During the morning and evening peaks, there are more than 540 trains serving 270 stations.

Our organisational model sets out clear accountabilities so that we can deliver reliable services and react quickly and effectively to any issues that arise.

We also have dedicated teams to analyse and focus on the most common factors affecting reliability. These include staff availability and fleet management.

Step-free access availability(%)

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Step-free access availability	98.6	98.6	98.7	98.5	98.5

We are committed to ensuring our step-free routes are available for our customers to use throughout the year. As a result, we have set ourselves a target of 98.5 per cent and continually monitor the performance of our accessibility supporting assets, with plans in place to respond quickly if issues arise.

Scheduled services (million kilometres operated)

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Services operated	83.7	84.4	84.9	83.5	84.3

Performance in 2019/20 has been impacted by a Jubilee line fleet fault, which was identified in October and took a number of weeks to resolve. It is anticipated that performance in 2020/21 will recover in line with previous years, however, ongoing modernisation work on our subsurface lines may subdue this slightly.

10%

increase in rail capacity in central London when the Elizabeth line fully opens

2021

when the Elizabeth line will open

Elizabeth line

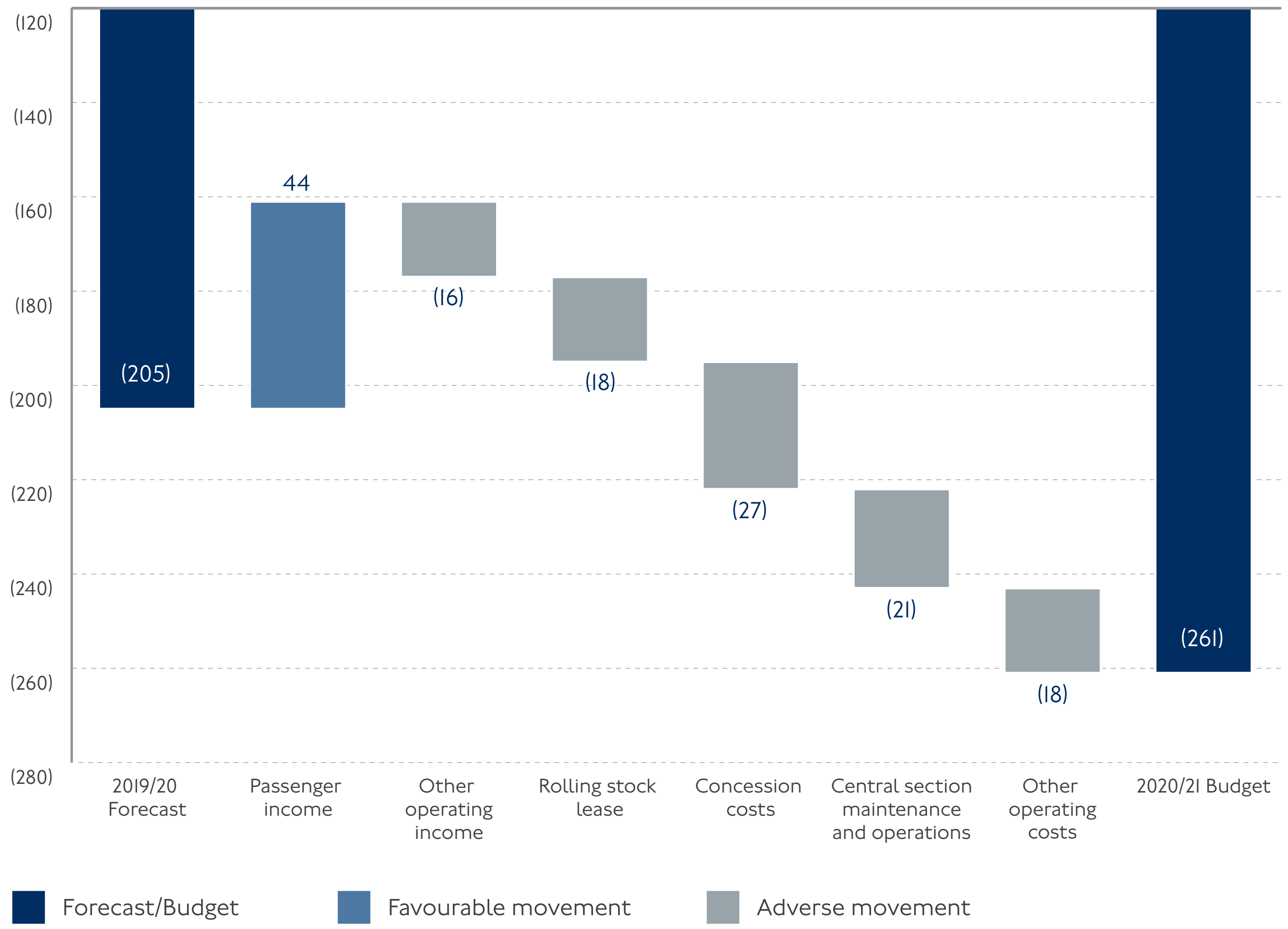
When fully open, the Elizabeth line will provide essential transport capacity, as well as a vital new revenue stream

Financial summary

The Elizabeth line will redefine how people move around London, adding 10 per cent to central London's rail capacity once fully completed.

(£m)	2020/21 Budget	2020/21 Business Plan	Variance to Business Plan	2019/20 forecast	2020/21 variance to 2019/20 forecast
Passenger income	166	173	(7)	122	44
Other operating income	14	31	(17)	30	(16)
Central section regulatory income	27	27	-	-	27
Total operating income	**207**	**231**	**(24)**	**152**	**55**
Direct operating cost	(441)	(446)	5	(357)	(84)
Central section regulatory cost	(27)	(27)	-	-	(27)
Direct operating deficit	**(261)**	**(242)**	**(19)**	**(205)**	**(56)**
Indirect net operating cost	(20)	(18)	(2)	(16)	(4)
Net operating cost before financing	**(281)**	**(260)**	**(21)**	**(221)**	**(60)**
Financing cost	(99)	(103)	4	(77)	(22)
Net cost of operations	**(380)**	**(363)**	**(17)**	**(298)**	**(82)**
New capital investment	(41)	(42)	1	(20)	(21)
Crossrail investment programme	(725)	(626)	(99)	(1,039)	314
Total capital investment	**(766)**	**(668)**	**(98)**	**(1,059)**	**293**

Movement on direct operating deficit (£m)



The operating deficit is forecast to be £19m worse than our Business Plan expectation, mainly due to the timing of third-party contributions which occurred earlier in 2019/20. The other variances in operating income and costs against the Business Plan represent minor changes in assumptions, with a decrease in passenger income offset by further savings in operating costs.

We continue to work hard to reduce the financial and customer impact of the delayed opening of the central section, which is now scheduled for summer 2021. This Budget assumes the continuation of services between Paddington and Reading, which started in December 2019.

Compared to 2019/20, the overall Elizabeth line operating deficit will increase by £56m in 2020/21 as we prepare to handover assets.

Passenger income is forecast to increase by £44m, mainly owing to the full-year effect of services between Paddington and Reading, which is then offset by a £16m decrease in other operating income, mainly from lower third-party contributions.

The central section regulatory income charge and costs relate to access charges following the handover of the central section and net to nil.

Direct operating costs will increase by £84m, driven by costs relating to the central section, which will be non-fare generating in 2020/21. Of the operating cost increases, £21m relate to the handover of the central section as we increase maintenance activity and prepare for opening. Concession costs increase by £27m, in advance of opening, along with the costs of Paddington to Reading services.

Next year, we will also see increased rolling stock costs of £15m as we move towards maintaining a full fleet of trains. There is also £18m relating to the lease charge for the new trains.

Our key focus in 2020/21 will be to control mobilisation costs, owing to the opening delays as Crossrail Limited works to deliver the central section of the line as safely and quickly as possible.

Passenger journey analysis

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Number of passenger journeys (millions)	48	45	55	60	75
Average yield per passenger journey (£)	1.73	1.89	1.83	2.03	2.21
Direct operating cost per journey	(2.72)	(3.24)	(4.29)	(5.95)	(6.24)

Passenger journeys increase mainly because of the full-year effect of services between Paddington and Reading. These services also drive an increase in yield per journey. The cost per journey increases in 2020/21. This is mainly because of central section regulatory access charges, pre-opening costs for the central section and rolling stock costs for maintenance and leasing.

Customer satisfaction (score out of 100)

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Customer satisfaction	83	83	84	84	84

We expect to maintain our customer satisfaction score this year.

Performance

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Public performance measure	94.7	93.4	94.5	94.5	94.5

Plans are in place to maintain performance, including continued replacement of inherited rolling stock with new Class 345 train units.

2 million

more journeys on the London Overground in 2020/21 as a result of new trains and services

4.5km

extension on the London Overground to Barking Riverside

Rail

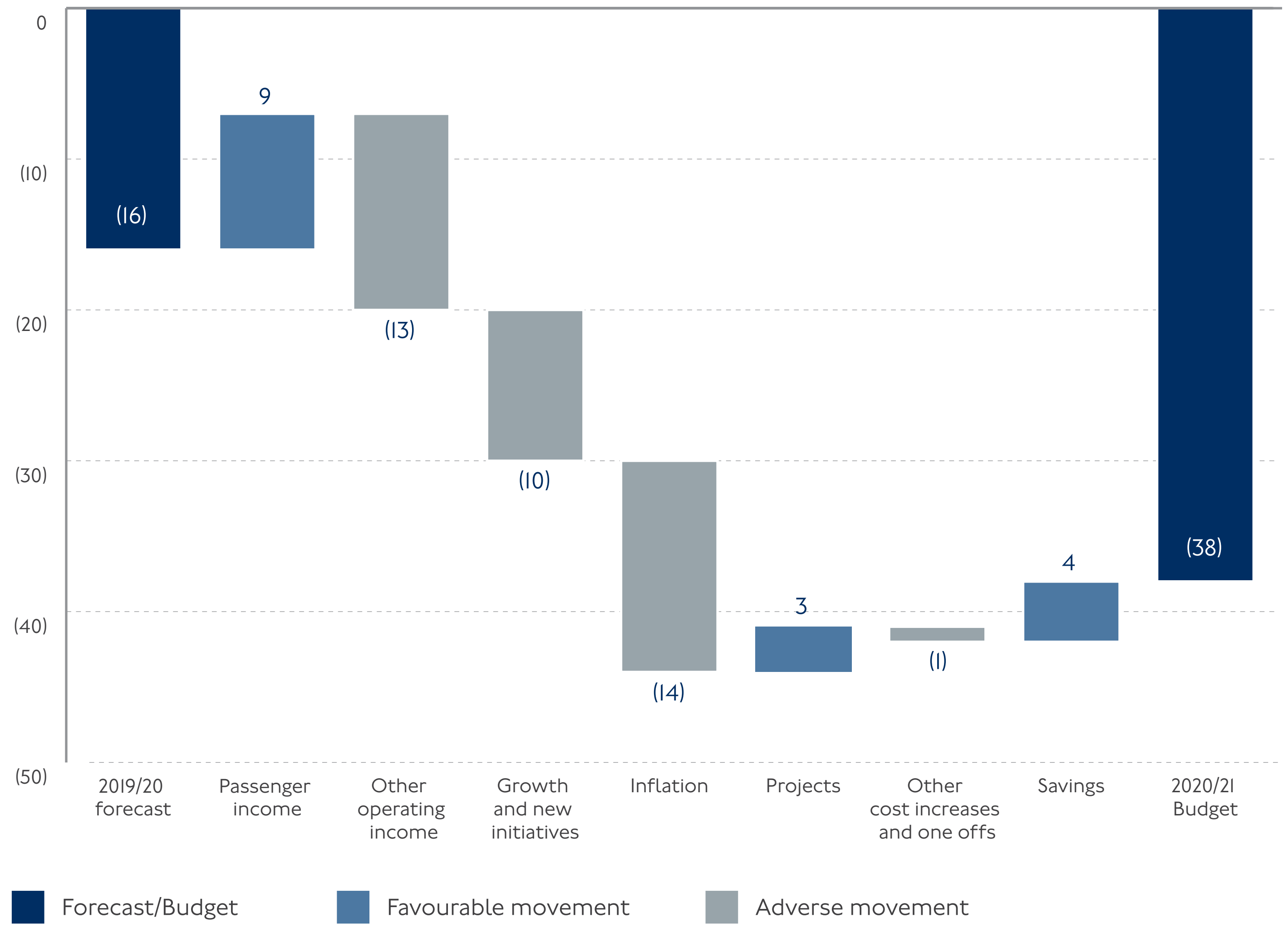
We will be rolling out new trains and extending our rail network to support the development of new homes and jobs

Financial summary

Demand levelled off towards the end of 2018 and into 2019. We have again revised our growth assumptions as the economic uncertainty continues.

(£m)	2020/21 Budget	2020/21 Business Plan	Variance to Business Plan	2019/20 forecast	2020/21 variance to 2019/20 forecast
Passenger income	441	455	(14)	432	9
Other operating income	10	9	1	23	(13)
Total operating income	**451**	**464**	**(13)**	**455**	**(4)**
Direct operating cost	(489)	(496)	7	(471)	(18)
Direct operating deficit	**(38)**	**(32)**	**(6)**	**(16)**	**(22)**
Indirect net operating cost	(22)	(20)	(2)	(19)	(3)
Net operating deficit before financing and renewals	**(60)**	**(52)**	**(8)**	**(35)**	**(25)**
Financing cost	(43)	(44)	1	(45)	2
Capital renewals	(38)	(33)	(5)	(45)	7
Net cost of operations	**(141)**	**(129)**	**(12)**	**(125)**	**(16)**
Capital renewals	(38)	(33)	(5)	(45)	7
New capital investment	(140)	(155)	15	(105)	(35)
Total capital expenditure	**(178)**	**(188)**	**10**	**(150)**	**(28)**

Movement on direct operating deficit (£m)



The budgeted operating deficit has increased by £6m compared to the 2019 Business Plan. This reflects lower demand assumptions, owing to continued economic uncertainty. This year, more class 710s will join the London Overground in east London. We assumed additional income in our 2019 Business Plan for these services but have revised down the income uplift, to reflect the lower demand expected. We have partially offset this lower income with planned efficiencies in our cost base.

Capital

We will continue to invest in renewals works on the DLR, London Overground and trams to maintain safety and reliability. This year, our Major projects directorate will continue works on the Barking Riverside Extension, which will include 4.5km of additional track and a new station at Barking Riverside. We will work on the track, points and signalling, with train services due to start running in late 2021.

Our operating deficit will increase by £22m from £16m in 2019/20 to £38m in this Budget. Passenger income has increased by £9m, owing largely to the additional services introduced on the London Overground, but this is offset with the additional cost of running this service. Contract inflation across all modes creates further headwind of £14m.

Other operating income has reduced by £13m, mainly due to one-off income that occurred in 2019/20. We receive compensation for any contract breaches, such as delays in delivering new trains or any issues that impact our service. Compared to 2019/20, we will receive £7m less compensation payments during 2020/21. We will continue to work with third parties to reduce our costs and we are exploring ideas to generate further revenue.

Passenger journey analysis

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
London Overground					
Number of passenger journeys (millions)	189	189	190	191	193
Average yield per passenger journey (£)	1.17	1.19	1.22	1.22	1.24
Direct operating cost per journey (£)	(1.51)	(1.39)	(1.47)	(1.55)	(1.64)
DLR					
Number of passenger journeys (millions)	122	120	122	122	122
Average yield per passenger journey (£)	1.36	1.41	1.41	1.43	1.46
Direct operating cost per journey (£)	(1.03)	(1.06)	(1.04)	(1.06)	(1.10)
London Trams					
Number of passenger journeys (millions)	30	29	29	28	27
Average yield per passenger journey (£)	0.86	0.83	0.82	0.85	0.86
Direct operating cost per journey (£)	(1.31)	(1.24)	(1.22)	(1.27)	(1.38)

The modest demand growth from 2018/19 continued at the start of 2019/20, followed by a marked slowdown in the second half of the period. Forecast demand in 2019/20 is broadly expected to be in line with 2018/19 levels. The slowdown is due to continuing uncertainty in some parts of the economy.

The further delay to the opening of the Elizabeth line has been reflected in the 2020/21 DLR budget, with a slightly stronger demand uplift mostly offset by weaker economic growth next year.

The introduction of new London Overground trains and services between Gospel Oak and Barking and in north London in the second half of 2019/20 will deliver a much-needed capacity boost. Two extra early morning services were introduced between Gospel Oak and Barking on 16 December, with new trains on services in and out of Liverpool Street introduced from March 2020.

New services on the London Overground will help boost passenger demand

Safety and security

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
Customer injuries	398	292	306	313	305

Customer injuries are on the rise, owing to a 15 per cent increase recorded on the London Overground. Heavy rain resulted in passengers slipping on concourses and platforms, with most notable injuries occurring at White Hart Lane station. We are planning safety initiatives and campaigns in 2020/21 aimed at reducing injuries. These include infrastructure changes and encouraging customer safety when boarding and alighting trains.

Customer satisfaction (score out of 100)

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
London Overground	84	84	83	84	85
DLR	89	88	87	89	89
London Trams	90	91	90	91	91

The rollout of new London Overground trains has been delayed, which has negatively impacted our scores in the short term. We expect this to rise later in 2020/21, once the fleet has been fully delivered.

Reliability (%)

	Actual			Forecast	Budget
	2016/17	2017/18	2018/19	2019/20	2020/21
London Overground					
Performance - Right time moving annual average (%)*	New	New	New	New	79.4**
DLR					
Scheduled services operated	98.5	99.0	99.0	99.0	99.2
London Trams					
Scheduled services operated	99.0	97.1	98.4	98.3	99.0

In 2020/21, we will measure London Overground performance using the right time moving annual average. This replaces the previous method, which was the annual public performance measure. There has been a slight downward trend in performance on the London Overground over the past year due to late delivery of the new Class 710 fleet, an increase in infrastructure failures and a recent freight derailment on the line between Gospel Oak and Barking, which closed the route for three weeks. In 2020/21, we will complete the roll out of the Class 710 fleet on services from Liverpool Street, and increase capacity through timetable changes.

The DLR is expected to maintain a high level of performance in 2020/21. London Trams continue to focus on reliability, following an increase in delays and tram availability challenges in 2019/20. We are committed to improving tram performance, reviewing all failures to identify the root causes and delivering targeted maintenance and performance improvement plans across our assets.

* The percentage of trains that were on time compared to the total number of trains planned. A train is defined as being on time if it arrives within one minute of the planned destination arrival time, having called at all scheduled stops. This metric is monitored and reported using its moving annual average, to smooth seasonal variation

** 2020/21 is the first full-year recording right time moving annual average

12

new retail units to open at Canary Wharf

50

sites identified for developing new homes

Property

Our property estate continues to support small businesses across London, while providing our customers with access to retail and services

Financial summary

Direct operating surplus builds on growth achieved during 2019/20 and is forecast to reach £72m by the end of 2020/21. We are on track to start on sites on our land that have the capacity to deliver 10,000 homes by March 2021. We aim to become London's leading build-to-rent housing operator.

(£m)	2020/21 Budget	2020/21 Business Plan	Variance to Business Plan	2019/20 forecast	2020/21 variance to 2019/20 forecast
Other operating income	115	122	(7)	102	13
Direct operating cost	(43)	(44)	1	(33)	(10)
Direct operating surplus	**72**	**78**	**(6)**	**69**	**3**
Indirect net operating cost	(16)	(9)	(7)	(9)	(7)
Net surplus of operations	**56**	**69**	**(13)**	**60**	**(4)**
New capital investment	(274)	(264)	(10)	(99)	(175)
Property receipts	153	172	(19)	164	(11)
Crossrail over station developments	66	29	37	49	17
Total capital investment	**(55)**	**(63)**	**8**	**114**	**(169)**

Our operating surplus of £72m is £6m lower than our Business Plan. This change is mainly due to lower than expected income from Crossrail sites, which we expect to receive when the Elizabeth line opens.

Our direct operating surplus is £3m higher than 2019/20. Revenue is forecast to grow by just over 12 per cent. This growth includes the opening of new retail units, such as the Wood Lane arches in White City and Kingsland Viaduct arches in Shoreditch. We continue to reposition our units in the market and open new spaces within our stations, including 12 new retail units at Canary Wharf.

We will invest significantly in our commercial property estate to ensure we are meeting required health and safety requirements and creating modern, fit-for-purpose retail spaces for businesses. Costs therefore increase, but this includes catching up on previous years repair underspend. We continue to work at pace to hit our target of starting on sites that will deliver 10,000 homes. Construction is under way on 1,123 homes across a number of sites in London, including Kidbrooke (Greenwich), Blackhorse Road (Waltham Forest), Fenwick (Lambeth) and Beechwood Avenue (Barnet).

Our development programme includes more than 50 sites for development and we have already submitted planning applications for 500 affordable homes across three sites in Harrow. We have formed a major strategic Build to Rent partnership with Grainger plc, called Connected Living London and, within a year, have submitted applications for hundreds of homes in Ealing and Enfield, 40 per cent of which will be affordable. At our major sites, such as Limmo Peninsula in Canning Town, which can deliver around 1,500 homes, we will also look at site-specific enabling works packages to progress the delivery of homes.

We continue to support the Mayor's Small Sites, Small Builders programme, releasing small sites for development each year. Construction has started on one of the first sites at Beechwood Avenue, which is due to be completed by the end of 2021.

2020/21 priorities

As one of London's largest landowners, we have an important role in delivering the thousands of homes and jobs that our city needs. As outlined in our latest Business Plan, we will continue to develop sites that will deliver 10,000 homes, as well as two million square feet of commercial floor space. We are working with our partners to achieve our target of making 50 per cent of the homes affordable, as well as generating vital revenue that we can reinvest back into the transport network.

Construction is progressing well on 1,123 homes at five sites across London – Kidbrooke, Blackhorse Road, Fenwick South, Bond Street and Beechwood Avenue. Subject to planning permission we will break ground at Canons Park, Rayners Lane and Stanmore at the end of 2020 to deliver 500 affordable homes in partnership with Catalyst. In 2020, we will also start building at Sudbury Town and Woodside Park, where Pocket Living is delivering 149 homes – each will be affordable and will be exclusively for local first-time buyers. Construction on the remainder of the sites is planned to start in early 2021.

In 2020/21, there will be around 7,000 people employed in construction across our development sites. We are investing in skills and training to address the endemic skills shortage in the construction industry, particularly targeting Londoners who have difficulty accessing this industry. We have established onsite learning facilities at the Olympic Park in Stratford in partnership with the London Legacy Development Corporation, and in Lambeth in partnership with the borough. In 2019, we supported 120 Londoners to get into the construction industry and this number will increase over the course of this Budget.

More Londoners are choosing to rent, but too many find themselves in poor quality accommodation, while 17 per cent are on short-term leases with no security. That is why we established Connected Living London, our long-term partnership with Grainger plc that will deliver more than 3,000 quality rental homes, of which 40 per cent will be affordable. Connected Living London will provide excellent service and flexible, long-term tenancies, allowing our residents to feel secure and have a place they can proudly call home. We have been engaging with communities who have helped inform the applications we have submitted in Ealing and Enfield, and the others we plan to submit in spring 2020.

Retail

We continue to invest in our commercial estate, expanding opportunities to make the most of our unique asset base and increase revenue. We are refurbishing the listed Victoria Arcade, restoring the existing heritage and creating new modern retail units. We have started work and expect the first tenants to move in by the end of 2020/21. We continue to refurbish and upgrade our arch estate, with works due to start on Kingsland Road in Shoreditch, and new businesses moving into our arches at Wood Lane in White City.

Small businesses will always make up the majority of our estate. In 2020/21, we will publish our Small Business Policy, which builds on our statement of support for small businesses that we published in 2018. Our policy will set out how we work with new and existing small business tenants to help them thrive and generate a sustainable income stream for us. We will continue our partnership with StreetDots to offer pop-up opportunities, enabling businesses to test their ideas and boost exposure – with even more locations being made available in 2020/21. Subject to planning, vacant space at our Ash Grove bus garage will be upgraded and turned into a modern day crafters and makers space supporting start-ups as well as small and micro businesses.

We continue to reposition our units in the market to attract innovative new tenants and will continue to expand the number of retail carts at our stations over the course of 2020/21. We will also launch a new affordable work zone at our arches in Latimer Road, which will give small businesses the chance to thrive in newly refurbished spaces.

> 'We are working with our partners to achieve our target of making 50 per cent of the homes affordable, as well as generating vital revenue that we can reinvest in the transport network'

2,400
high-quality digital advertising screens rolled out

40%
of London's outdoor advertising value is from our estate

Media

With the huge number of customers across our transport network, we provide a valuable and innovative advertising space

Financial summary

The direct operating surplus for 2020/21 is forecast to grow to £152m as we continue to drive improved financial performance from our advertising assets. Our ambition is to become the media partner of choice for engaging with the London audience.

(£m)	2020/21 Budget	2020/21 Business Plan	Variance to Business Plan	2019/20 forecast	2020/21 variance to 2019/20 forecast
Other operating income	156	153	3	152	4
Direct operating cost	(4)	(3)	(1)	(3)	(1)
Direct operating surplus	**152**	**150**	**2**	**149**	**3**
Indirect net operating cost	(1)	(2)	1	(2)	1
Net surplus of operations	**151**	**148**	**3**	**147**	**4**
New capital investment	7	13	(6)	(6)	13

Our operating income is forecast to increase by more than two per cent in 2020/21, which reflects the investment we have made in digital assets, and our position within the out-of-home advertising market. This growth in income is expected to be generated by the existing contracts with Global and JC Decaux, as well as through some growth in sponsorship income.

We continue to tightly control operating costs to maximise the direct operating surplus that is achieved, which can then be reinvested back into the transport network.

New capital investment reduces significantly in 2020/21 as we complete our investment in new digital assets. We are forecasting less than £10m of capital spend in 2020/21, with investment in new assets expected to total around £80m since the programme started in early 2017. Capital investment figures also include the capital repayments from the finance leases relating to the Global contract, which we will continue to receive in 2020/21 and into the future.

2020/21 priorities

The advertising landscape in the UK, especially London, has changed dramatically in recent years and we continue to play a part in that transformation. We have effectively completed our major advertising infrastructure upgrade across the rail and roadside estate, with more than 2,400 high quality digital screens rolled out. We will now be putting increased effort into promoting and selling these new formats. We will do this through direct transactions with globally recognised brands, and better and more commercial relationships with our key media partners, such as JCDecaux and Global.

The out-of-home advertising marketplace has recently gone through some significant consolidation, with Global acquiring Exterion Media, Outdoor Plus and Primesight in mid-2019. In 2020/21, this will create more effective and sizeable estates within which our assets can be sold. Advertisers will also be able to more efficiently purchase campaigns that utilise our advertising opportunities, ensuring that we remain competitive within the market.

As automated trading, which helps advertisers to plan and buy advertising, becomes more established, we will continue to work on understanding how we can add value to that process.

Delivering more insights from our Wi-Fi network will also help underpin and drive the fundamental value of this activity. This development will bring the industry truly into the 21st century, enabling us to compete with other forms of media, growing the overall value of the market available to us.

The value of our brand, audience and assets continues to become more recognised by the media marketplace and also enables us to maximise our income with short- and long-term activity in non-traditional ways. Although relatively small in number, these high-value activations deliver significant revenues, while entertaining and surprising our customers.

This year, more global brands will use our environments and our unique position as the integrated transport authority in one of the world's leading cities, in order to introduce their products and services to London and beyond.

We will also continue to investigate and develop new media opportunities where we can, be it the further digitisation of traditional products or refreshing the classic formats across the network. The advertising industry is always looking for new ideas, but our place as the most influential player in this dynamic market remains constant.

Commercial Consulting and International Operations

We continue to pursue opportunities to work with organisations across the world who value our unique expertise and experiences

Financial summary
We continue to invest in the development of our consulting business. In 2020/21, we are looking to break even. Our costs will increase year on year as we build our consulting practice by employing more people, which will be offset by our continued success in selling our services.

2020/21 priorities
In our first full year of operations we have built the foundations for success and delivered projects in seven different markets. We are often approached by public transport authorities and operators from across the world with exciting opportunities that will help cities worldwide develop, grow and thrive.

From 2020/21, we will transition from start-up to growth phase. We will focus on three workstreams – advisory services, intellectual property (IP), and operations and maintenance – and solidify relationships with partners to generate revenue that can be reinvested in our transport system.

The rail sector is undergoing a global renaissance, be it new light rail or the renewal of metro systems. Our proven success in modernising an ageing metro is in demand and we will continue to provide engineering services in Scandinavia and the USA (subject to contract). Our unique position as both the operator of the Tube and as a client with contract management expertise, helps to open doors in the global operations and maintenance sector.

We will complete the first phase of assistance on the Dublin Metrolink project, a proposed new 19km metro line connecting Dublin airport to the city centre, which is Ireland's first metro. The Tube is fundamental to London's economic and social success and Metrolink could be a bigger game-changer for Dublin. We will provide a range of services and advice as part of a multi-year programme. Sharing our expertise will strengthen the important relationship between our cities and demonstrate that London will always remain open for business.

Our IP assets include a significant number of products, at various stages of development, with the potential to be commercialised. We have prioritised the most suitable for licensing and sale in the short term. Expanding our portfolio of advisory work and stronger relationships with clients are opening more opportunities to promote these products. We are also partnering with our teams to embed a more 'IP savvy' approach to our projects, to enable better protection of our IP for future commercialisation.

We remain focused on winning work in our target markets, and we are pursuing long-term strategic projects that have well-defined timescales. This is integral to effective workforce planning. We want to continue to provide opportunities for our talented people to develop their skills, to help staff retention, and we aim to double the number of staff involved with consulting from across the business. We continue to refine and enhance control and management measures to minimise risk. At this stage of our evolution, we are concentrating on specific regions and demonstrating our capability, which will help us capitalise on the global demand for our skills and expand to other markets over the next five years.

'We are often approached by public transport authorities and operators from across the world with exciting opportunities that will help cities worldwide develop, grow and thrive'

Appendices

Our financial tables, including the TfL Group balance sheet and overview of key projects

Financial tables

TfL Group balance sheet including IFRS 16 adjustments (£m)

	Actual	Forecast			Budget		
	31 March 2019	31 March 2020 prior to IFRS 16	IFRS 16 adjustment	31 March 2020	31 March 2021 prior to IFRS 16	IFRS 16 adjustment	31 March 2021
Intangible assets	113	163	-	163	189	-	189
Property, plant and equipment	40,815	42,313	-	42,313	43,967	-	43,967
Right-of-use assets	-	-	2,301	2,301	-	2,272	2,272
Investment property	492	492	-	492	480	-	480
Equity accounted investment in associated undertakings	233	195	-	195	201	-	201
Long-term derivative financial instruments	7	2	-	2	2	-	2
Long-term finance lease receivables	39	34	-	34	21	-	21
Long-term debtors	113	96	-	96	96	-	96
Long-term assets	**41,812**	**43,295**	**2,301**	**45,596**	**44,956**	**2,272**	**47,228**
Inventories	61	60	-	60	60	-	60
Short-term debtors	697	606	11	617	515	11	526
Assets held for sale	122	119	-	119	119	-	119
Short-term derivative financial instruments	12	9	-	9	9	-	9
Short-term finance lease receivables	13	18	-	18	19	-	19
Cash and short-term investments	1,882	2,379	-	2,379	2,119	-	2,119
Current assets	**2,787**	**3,191**	**11**	**3,202**	**2,841**	**11**	**2,852**
Short-term creditors	(2,167)	(2,174)	-	(2,174)	(1,810)	-	(1,810)
Short-term borrowings	(746)	(835)	-	(835)	(224)	-	(224)
Short-term lease liabilities	(70)	(33)	-	(33)	(32)	-	(32)
Short-term derivative financial instruments	(3)	(6)	-	(6)	(6)	-	(6)
Short-term provisions	(346)	(209)	-	(209)	(181)	-	(181)

TfL Group balance sheet including IFRS 16 adjustments (£m) continued

	Actual	Forecast			Budget		
	31 March 2019	31 March 2020 prior to IFRS 16	IFRS 16 adjustment	31 March 2020	31 March 2021 prior to IFRS 16	IFRS 16 adjustment	31 March 2021
Current liabilities	**(3,332)**	**(3,257)**	**-**	**(3,257)**	**(2,253)**	**-**	**(2,253)**
Long-term creditors	(61)	(126)	69	(57)	(185)	138	(47)
Long-term borrowings	(10,399)	(10,854)	-	(10,854)	(12,798)	-	(12,798)
Long-term lease liabilities	(348)	(314)	(2,397)	(2,711)	(281)	(2,438)	(2,719)
Other long-term financing liabilities	(133)	(136)	-	(136)	(132)	-	(132)
Long-term derivative financial instruments	(46)	(60)	-	(60)	(60)	-	(60)
Long-term provisions	(55)	(61)	-	(61)	(41)	-	(41)
Retirement benefit obligation	(5,371)	(5,367)	-	(5,367)	(5,367)	-	(5,367)
Long-term liabilities	**(16,413)**	**(16,918)**	**(2,328)**	**(19,246)**	**(18,864)**	**(2,300)**	**(21,164)**
Net assets	**24,854**	**26,311**	**(16)**	**26,295**	**26,680**	**(17)**	**26,663**
Reserves							
Usable reserves	1,627	2,070	(5)	2,065	1,950	(4)	1,946
Unusable reserves	23,227	24,241	(11)	24,230	24,730	(13)	24,717
Total reserves	**24,854**	**26,311**	**(16)**	**26,295**	**26,680**	**(17)**	**26,663**

Group comprehensive income and expenditure statement (£m)

	Net income/ (expenditure)	IFRS 16 adjustment	Net income/ (expenditure) after IFRS 16
Operating segment			
Streets, buses and other surface operations	(788)	-	(788)
London Underground	973	-	973
Elizabeth line	(261)	-	(261)
Rail	(38)	-	(38)
Property and Media	224	-	224
Corporate overhead	(666)	-	(666)
Net cost of operations per internal management reports	**(556)**	**-**	**(556)**
IFRS 16 adjustment	-	489	489
Depreciation and amortisation	(1,005)	(441)	(1,446)
Central items	16	-	16
Net cost of services	**(1,545)**	**48**	**(1,497)**
Other net operating expenditure	(13)	-	(13)
Financing and investment income	229	-	229
Financing and investment expenditure	(412)	(49)	(461)
Grant income	2,100	-	2,100
Surplus on the provision of services before tax	**359**	**(1)**	**358**
Taxation income	-	-	-
Surplus on the provision of services after tax	**359**	**(1)**	**358**
Derivative fair value loss recycled to income and expenditure	(9)	-	(9)
Total comprehensive income and expenditure	**350**	**(1)**	**349**

Reconciliation of the total Group comprehensive income and expenditure account (£m)

	Budget 2020/21
	Net income/ (expenditure) after IFRS 16
Total Group comprehensive income and expenditure	**349**
Amounts included in the comprehensive income and expenditure account not reported in the operating account	
IFRS 16 adjustment	1
Depreciation and amortisation prior to IFRS 16	1,005
Capitalised interest	(75)
Loss on disposal of fixed assets	12
Gain on disposal of investment properties*	(209)
Capital grant funding**	(1,114)
Derivative fair value loss recycled to income and expenditure	9
Other central items	(16)
Amounts included in the Operating Account not reported in the comprehensive income and expenditure account	
Capital renewals net of third party contributions	(533)
Net cost of operations per the operating account	**(571)**

* Gain on disposal of investment properties is included with financial and investment income in the Group comprehensive income and expenditure statement

** Grant allocated in the Group comprehensive income and expenditure statement includes funding allocated to capital in the capital account: business rates, Crossrail funding, other capital grants and third party contributions towards our capital expenditure

Capital investment

London Underground

Project	Description	2020/21 £m
Piccadilly Line Upgrade	Modernisation of the Piccadilly line (new trains and enabling works)	115
London Underground investment programme	Maintain the safety, reliability and legal compliance of our passenger rolling stock, track assets, stations and other buildings and civils structures. It also involves maintaining our existing signalling equipment ahead of its eventual renewal as well as updating our power assets and work to support the Mayor's energy priorities	331
Modernisation of the Circle, District, Hammersmith & City and Metropolitan lines	Upgrade of the four lines will significantly increase capacity	164
Northern Line Extension	Extension from Kennington to Battersea	99
Major station upgrades (including Bank station)	Station capacity projects that are already in progress or starting imminently	93
Station step-free access	Additional step-free access schemes beyond those delivered as part of station capacity projects or Crossrail construction	46
Capacity optimisation programme - Railway System Enhancements	World class capacity will deliver capacity improvement outcomes for the Jubilee and Northern lines	16
Total		**864**

Elizabeth line

Project	Description	2020/21 £m
Elizabeth line enabling work	Various works paid for directly by us rather than through Crossrail Limited	41

Streets, buses, rail and other surface operations

Project	Description	2020/21 £m
Air quality	Capital funded schemes, infrastructure and initiatives that improve air quality. Additional schemes are also funded through the operating account	81
Assets	Renewals and refurbishments to maintain the safety and reliability of highway, traffic, bus, coach and river assets. Key projects include bus driver facilities, Rotherhithe Tunnel and Woolwich Ferry	104
Public transport	The renewal of our London Overground, DLR, Tram and other public transport assets. This includes stations and stops across all modes and fleet on the London Overground and DLR. On trams it includes new rolling stock to replace the current fleet and infrastructure works to improve reliability. Additional items are also funded through the operating account	85
Barking Riverside Extension	Extension of the London Overground to Barking Riverside, supporting new housing	32
Capacity optimisation programme - DLR rolling stock	Asset renewals, capacity enhancements and supporting infrastructure for new trains	67
Technology	Asset renewals and infrastructure works to replace life-expired technology and use the latest innovations to improve our transport offering for our customers. Additional items are also funded through the operating account	13
Healthy Streets	Work recognising the value of increasing walking, cycling and public transport, creating more sustainable, safe, clean and efficient freight and servicing. Additional schemes are also funded through the operating account	147
Silvertown crossing	New road crossing at Silvertown via a tunnel under the Thames	64
Total		**593**

Professional services

Project	Description	2020/21 £m
Customer experience	Various renewal and investment projects relating to revenue collection assets (for example, ticket vending machines and ticketing technologies), internal systems, IT infrastructure and cyber security	105

Property

Project	Description	2020/21 £m
Commercial property	Improving and investing in our retail environments in and around stations and our commercial property to generate sustainable income	83
Property development	Developing and delivering our property portfolio, including delivering the Mayor's affordable housing pledge, Crossrail development sites and creating a significant Build to Rent portfolio	198
Total		**281**

Budget milestones

TfL Strategic Milestones 2020/21

Project	Milestone	Complete by end of month
Elizabeth line	Start of trial running on the Elizabeth line	Autumn 2020
Bank station upgrade	Tunnelling complete for the new passenger concourse that will enable improved access to the DLR at Bank station	September 2020
Low Emission Zone 2020	Low Emission Zone 2020 goes live	October 2020
Barking Riverside Extension	Complete all structural steel work for the new station at Barking Riverside	October 2020
Blackhorse Road development	Marketing suite opens for sale of first home at the Blackhorse Road development	October 2020
Northern Line Extension	Test train running on the Northern Line Extension	November 2020
London Overground capacity	Signalling installed and ready for testing and commissioning on the London Overground in east London to enable 18 trains per hour to run	November 2020
4G on the Underground	Mobile phone services available on parts of the Jubilee line as part of Phase 2 of the Public Cellular Network pilot	November 2020
Rapid charging infrastructure	Delivery of 300 rapid charging points to provide infrastructure to support the wider uptake of electric vehicles in London	December 2020
London Underground accessibility	11 London Underground stations are made step-free*	December 2020

Project	Milestone	Complete by end of month
Victoria line improvement	Complete the heavy overhaul of all trains in the Victoria line fleet	February 2021
DLR rolling stock	Detail design of new DLR trains is complete	February 2021
Cycleways	Complete 20km of Cycleway	March 2021
Lowering speed limits	Introduce 20mph speed limit to 15km of TfL roads	March 2021
Healthy Streets local schemes	Complete 15 new or improved pedestrian crossings across the TfL road network	March 2021
Road renewals	Resurface 220,000 square metres of carriageway on the TfL road network	March 2021
Street environment	Increase the number of trees on our roads by 1,000	March 2021
Four Lines Modernisation	Resignalling complete across the northern section of the Circle line ready for future increased service frequency	March 2021
Piccadilly Line Upgrade	Detail design of new Piccadilly line trans is complete	March 2021
Track renewals	Install 7.3km of new track on the London Underground	March 2021
London Underground lift renewals	Four lifts refurbished and refitted on London Underground stations	March 2021

* one station to be funded in 2019/20

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'. We are committed to creating a 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 on foot, by cycle or using public transport by 2041. To make this a reality, we prioritise health and the quality of people's experience in everything we do.

We manage the city's red route strategic roads and, through collaboration with the London boroughs, can help shape the character of all London's streets. These are the places where Londoners travel, work, shop and socialise. Making them places for people to walk, cycle and spend time will reduce car dependency and improve air quality, revitalise town centres, boost businesses and connect communities.

We run most of London's public transport services, including the London Underground, London Buses, the DLR, London Overground, TfL Rail, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the Emirates Air Line. The quality and accessibility of these services is fundamental to Londoners' quality of life. By improving and expanding public transport, we can make people's lives easier and increase the appeal of sustainable travel over private car use.

We are moving ahead with many of London's most significant infrastructure projects, using transport to unlock growth. We are working with partners on major projects like Crossrail 2 and the Bakerloo Line Extension that will deliver the new homes and jobs London and the UK need. We are in the final phases of completing the Elizabeth line which, when open, will add 10 per cent to central London's rail capacity.

Supporting the delivery of high-density, mixed-use developments that are planned around active and sustainable travel will ensure that London's growth is good 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 freezing TfL fares so everyone can afford to use public transport, using data and technology to make services intuitive and easy to use, and doing all we can to make streets and transport services accessible 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. We all need to pull together to deliver the Mayor's Transport Strategy; by doing so we can create a better city as London grows.

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