

Mayor's Budget 2018/19

TfL Consultation Extracts

20 December 2017



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 Docklands Light Railway, 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 it opens, will add 10 per cent to 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 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.

Chief Finance Officer's Foreword

This budget reflects the latest TfL Business Plan being presented to the Finance Committee (under delegated power) in December 2017 and will deliver the draft Mayor's Transport Strategy (MTS), including improving air quality, creating healthy streets, while continuing to make public transport more affordable for all Londoners. In the first year of the Plan, London will become one of the only major cities in the world to operate a public transport network without central government subsidy to help cover day-to-day running costs.

The Capital is still growing rapidly. Its population already exceeds 8.6 million and will rise to 10.5 million by 2041. This budget will present a more holistic plan for the city than ever before. We will aim to increase walking, cycling and public transport use to 80 per cent of all journeys by 2041, up from the 65 per cent made today.

We are also fully committed to making our transport network affordable while delivering safe, high-quality and reliable services alongside one of the biggest capital investment programmes in the world and taking action to tackle poor air quality in London. Fares remain frozen to 2020 and concessions to Londoners over 60, young people, those individuals looking for work, apprentices and eligible war veterans have been maintained. Against a backdrop of reduced passenger levels on rail services across London, ridership on TfL services has been more resilient, with the fares freeze helping Londoners afford to travel.

The Plan encourages Londoners to shift towards active and healthier travel. We will reduce traffic, making walking, cycling and public transport safer, more attractive and more fun. We will also improve air quality levels, which have reached critical levels over the past years. The introduction of the T-charge in October 2017 will go some way in improving air quality, but we will do more over the period of the Plan. We will further enhance the transport system with improved connections between services, ultimately creating Healthy Streets and a city that is more pleasant to live in and move around. This will, in particular, benefit Londoners in communities that experience poorer health.

The Mayor will boost cycling levels through a safe network of Cycle Superhighways, Quietways, new Safer Junctions and Liveable Neighbourhoods. This will not only make cycling safer, but benefits us all by reducing overcrowding (on roads and public transport) and improving air quality.

In order to achieve this, the Plan will see us achieve break-even on our net cost of operations (including taking into account financing costs) by 2021/22, when our operating income will cover our total cost of day-to-day operations, including capital renewal costs. We plan to make significant and sustainable

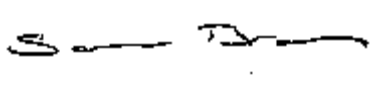
cost reductions across all areas of our business, while ensuring our frontline services and capital investment continue to support London's success as a world-leading city. We have already started along this path, with the first year-on-year operating costs reduction in TfL's history of £153m in 2016/17.

Under the guidance of the Mayor, a comprehensive review of our organisation is being undertaken to identify opportunities where costs can be reduced whilst maintaining significant levels of investment and delivering against the MTS outcomes. This is now consolidated into a TfL-wide transformation programme that has three elements; Value, Organisation and Culture. We have achieved the first stage of this in 2017/18, by reducing management layers, consolidating head office accommodation, eliminating duplication and by re-evaluating 15 entire business areas affecting 10,000 staff.

Our commercial suppliers are also key to achieving our aim of long-term financial sustainability. We are improving our procurement processes, re-negotiating existing contracts and challenging the standards and scope of works we specify. We have also identified potential savings in our programmes to maintain, renew and enhance assets. This includes modernising our asset maintenance regimes, re-negotiating maintenance contracts and seeking to bring together functional teams that have previously been dispersed across TfL.

By holding our operating costs stable on a like-for-like - absorbing cost pressures including inflation and delivering new services such as the Elizabeth line - we can deliver the Mayor's priorities. Over the course of the Business Plan we will continue to invest record levels in schemes across the city in collaboration with our borough partners and will work with local communities to make choices about our investment programme to ensure our services are convenient, accessible and affordable while securing our long term financial.

Our cash projection will fully fund the capital programme we have committed to, and in accordance with Section 25 of Local Government Act 2003, I confirm that the proposed reserves and the financial estimates are respectively prudent and robust.



Sarah Bradley
Statutory Chief Finance Officer
Transport for London

The focus of this Plan is to provide new connections and a healthier balanced approach that will change the face of London's streets under three core themes as outlined in the draft Mayor's Transport Strategy (MTS). Financially, we will deliver break-even on net cost of operations by 2021/22 and maintain significant levels of investment.

Healthy Streets and healthy people

Investment will focus on improving the experience of being in the places where we live, work, go to school and spend time and travel. Reducing traffic dominance and prioritising walking, cycling and public transport use will help Londoners live active, healthy lives and create a city that works well for its residents.

A safe, secure network

- Our vision for safety is 'Everyone home safe and healthy each day'
- Run, maintain and improve our services so they meet the highest safety standards
- Retain spending on front-line policing activity, working with the Metropolitan Police Service (MPS) and British Transport Police (BTP) to ensure people feel confident about using our services and being on London's streets at all times.

Road danger reduction

- Committed to our 'Vision Zero' approach to road danger
- Using the Mayor's Direct Vision Standard for heavy goods vehicles (HGV's), we will work towards banning the most dangerous lorries from the Capital by 2020
- Bus safety programme will help reduce the number of people killed or seriously injured by a bus in London by 70 per cent over the period of this Plan

Improving air quality

- Launched the Emissions Surcharge (Toxicity Charge or T-Charge), meaning all vehicles in Central London must meet minimum exhaust emission standards, in addition to congestion charge
- Launched the first Low Emission Bus Zone on Putney High Street and a further 11 zones by 2020
- Continue investment in rapid charging points, delivering 300 by 2020

Tackling traffic on London's roads

- Continue to manage congestion levels by improving our road status information and coordinating roadworks, to tackle long-term congestion

A good public transport experience

The right investment will ensure that public transport becomes an increasingly attractive alternative to using a car. Proper planning for the whole journey will help integrate public transport and street-level investment, reducing overcrowding and helping keep fares affordable.

Better services for more people

- The Elizabeth line will provide the biggest boost to public transport services, opening in central London in 2018 and along the whole route in 2019
- Deliver increased capacity and frequency on the Circle, District, Hammersmith & City and Metropolitan lines
- Complete the Barking Riverside extension

Affordable and accessible

- Our fares remain frozen for the Mayor's term for TfL Tube and bus journeys until 2020
- Expand the Hopper fare so that by the end of 2018, customers can make unlimited bus or trams transfers within the hour
- Continuing record levels of investment in step-free access, at least 30 more stations by 2022 will be fully step-free

Faster, more reliable journeys

- Complete major station upgrades at Victoria and Bank – two of the busiest, most crowded stations on the Tube – and at Bond Street in the next five years.

Harnessing the power of technology

- Improving the way we use technology to make it easier for people to travel, how and when they want
- Introduce in 2019 the new Emergency Services Network on the Underground

More digital services

- Install more than 750 digital screens, boosting commercial revenues on the Tube and Elizabeth line
- Digital displays around the network will be optimised to provide better real-time information
- Launch the first phase of 4G on the Underground in 2019

Smartcard ticketing

- Oyster enhancements including weekly capping and a system to help us get refunds to customers more reliably
- 'pay as you go' introduced across the Elizabeth line

New homes and jobs

Transport improvements are vital to the creation of new homes and jobs, and can ensure that London's growth supports healthy lives. Our investment will help to create communities where local amenities are within walking and cycling distance and public transport is available for longer journeys, reducing car dependency and improving quality of life.

Sustainable travel

- Investigate options for more public transport links across the river including a DLR extension to Thamesmead
- Extension of London Overground to Barking Riverside, planning work on Bakerloo line
- Investing in transport measures in and around Old Oak Common in preparation for the new High Speed 2 and Crossrail stations on that site

Unlocking opportunities

- Develop proposals for Crossrail 2 so a hybrid Bill can be submitted to Parliament in early 2020
- Development of plans for the Silvertown Tunnel, helping to address the lack of cross-river connections in East London
- Unlocking development and regeneration schemes in growth areas including new stations in Tottenham Hale, White Hart Lane and Beam Park
- Completing the Northern line extension from Kennington to Battersea leading to more homes and jobs
- Continue to provide new, affordable housing through development of our own property estate delivering 10,000 homes by 2021, of which 50% are affordable

GLA SECTION I

Introduction

The Greater London Authority (GLA) is the strategic authority for London and supports the Mayor and the London Assembly in delivering their respective responsibilities and functions. The GLA's five functional bodies are its principal delivery arms: the Mayor's Office for Policing and Crime (MOPAC; overseeing the work of the Metropolitan Police Service - MPS); the London Fire and Emergency Planning Authority (LFEPA); Transport for London (TfL); the London Legacy Development Corporation (LLDC) and the Old Common and Park Royal Development Corporation (OPC).

The tables below set out the revenue and expenditure of TfL and the council tax requirement to 2021/22.

Overall Gross Revenue and Capital Expenditure of the Group

Set out below is a summary of the total capital and revenue expenditure of TfL.

TfL Gross Revenue and Capital Expenditure	2017/18 £m	2018/19 £m	Change £m	Change %
Revenue Expenditure	6,900.3	7,091.4	191.1	3%
Capital Expenditure	3,544.4	2,467.5	(1,076.9)	(30%)
TOTAL CAPITAL AND REVENUE	10,444.7	9,558.9	(885.8)	

nb: the 2017/18 figures are forecast outturn

Component Council Tax Requirements

Component council tax requirements	Approved 2017/18 £m	Proposed 2018/19 £m	Plan 2019/20 £m	Plan 2020/21 £m	Plan 2021/22 £m
TfL	6.0	6.0	6.0	6.0	6.0

TfL's total gross expenditure budget for 2018/19 is expected to increase by £191.1 million from £6,900.3 million to £7,091.4 million. This takes into account year-on-year inflation (including bus contract and employee costs), operating additional services, incremental cost reductions and an increase in the debt service due to greater levels of borrowings to provide for capital investment. In addition, total capital expenditure is planned to be £2,467.5 million which is £1,076.9 million lower than the 2017/18 forecast outturn of £3,544.4 million, primarily due to lower levels of investment in Crossrail construction programme as it nears completion.

GLA SECTION 6 - TfL Main Budget Section

Introduction

- 6.1 Transport for London (TfL) is responsible for the planning, delivery and day-to-day operation of the Capital's public transport system, including London's buses, Underground and Overground including the Elizabeth line, the Docklands Light Railway (DLR), Tramlink and London River Services. It is also responsible for managing the Congestion Charge, maintaining London's main roads and traffic lights, regulating taxis, making London's transport more accessible and promoting walking and cycling initiatives.

Key operating account deliverables

- 6.2 Full details of TfL's priorities are set out in its Business Plan which was published in draft on 24 November 2017. The key deliverables over the next five years include:
- Making transport more affordable by keeping TfL fares at current levels, protecting concessions and extending the new Hopper fare over the Mayor's term.
 - We're investing a record £2.2bn in street schemes and initiatives designed to make walking, cycling and public transport safer, cleaner and more appealing, including funding eight new Cycle Superhighways and transforming major junctions like Waterloo IMAX, Old Street roundabout, Lambeth Bridge north and south, and Highbury Corner.
 - Developing Crossrail2 and the Silvertown tunnel, and working towards releasing TfL land to provide new affordable housing, workplaces and offices across the city.
 - We will introduce step-free access at five more London Underground stations in 2018/19 and work will be under way at a further 13.
 - Continue significant funding for London's boroughs including through the Liveable Neighbourhoods programme, to transform town centres and neighbourhoods so they are attractive places to walk, cycle and spend time.
 - Completing and opening services on the Elizabeth line and introducing Night Overground.

- Travelling on buses will be more attractive through our 'Hello London' training programme for drivers, bus controllers and other operational staff. As part of our 'whole journey' approach, we are improving the quality and consistency of customer service at bus stations, as we have done at Tube stations.
- Use new and improved strategic management, technology and communications to address problems on our roads.
- We are looking at ways of improving the way we use technology to enhance the customer experience including using the data collected from anonymous WiFi connections on Tube stations to better understand customers' journey choices. This information could be used to reduce crowding, prioritise investment and improve services.
- Customer information is now available in more languages and in 'Easy Read' formats and we continue to look for additional ways to help people plan their journeys. We have introduced the 'Please offer me a seat' badge for people with hidden disabilities, to help them travel with confidence. We will continue working closely with boroughs developing our Assisted Travel Service.
- To reduce the gender pay gap, and improve diversity in senior management roles, we will set more ambitious targets. More opportunities for career progression will be made available and we will measure our people's experiences of TfL, with the aim of eradicating any disparity.
- We will introduce more schemes that exploit Tube waste heat, use our land and assets for low-carbon energy generation, and look to energy storage technology to save costs and encourage the growth of electrified transport.

Gross revenue and capital expenditure

- 6.3 Net services expenditure rises in 2018/19 by £109 million in line with the introduction of Elizabeth line services and through growth in commercial revenue delivering improvements to our property portfolio and media income.
- 6.4 The Mayor's proposed budget for TfL is summarised below for the years 2018/19 through to 2021/22 and the proposed Capital Plan is set out in Section 8 as part of the Group-wide Capital Spending Plan (CSP).
- 6.5 The objective analysis presentation is consistent with in-year reporting. Our reporting has been adjusted to bring it more closely in line with our audited financial statements.

Objective Analysis

TfL Service Analysis	Revised Budget	Forecast	Budget	Plan	Plan	Plan
	2017/18	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m	£m
Income						
Passenger Income	(4,777.8)	(4,637.7)	(4,793.5)	(5,155.6)	(5,721.1)	(6,007.5)
Congestion Charge	(281.9)	(244.4)	(259.6)	(248.1)	(263.9)	(271.1)
Other Income	(490.2)	(446.9)	(516.7)	(610.8)	(694.3)	(959.6)
Interest Income	(5.2)	(7.3)	(10.8)	(11.7)	(12.8)	(15.8)
Sub total income	(5,555.1)	(5,336.3)	(5,580.6)	(6,026.2)	(6,692.1)	(7,254.0)
Operating costs						
London Underground	2,186.8	2,120.4	2,111.4	2,047.1	2,052.5	2,012.8
Buses	2,089.9	2,090.0	2,094.0	2,091.6	2,139.7	2,209.9
Streets	541.0	511.1	518.6	533.0	533.9	532.2
Rail	457.1	447.4	506.6	524.0	534.4	545.5
Elizabeth Line	127.9	127.7	331.0	467.3	518.3	538.1
Other Operations	994.9	929.6	994.3	988.7	948.1	935.7
Commercial Development	57.5	51.5	51.8	46.0	41.1	41.7
Sub total operating costs	6,455.1	6,277.7	6,607.7	6,697.7	6,768.0	6,815.9
Other						
Third-party contributions	(40.3)	(36.7)	(67.1)	(37.6)	(38.2)	(22.9)
Debt servicing	450.4	440.8	494.5	523.0	555.6	590.6
Sub total other	410.1	404.1	427.4	485.4	517.4	567.7
Net services expenditure	1,310.1	1,345.5	1,454.5	1,156.9	593.3	129.6
Revenue surplus / (deficit)	(151.6)	(190.0)	(469.8)	(265.2)	267.4	731.1
Financing requirement	1,158.5	1,155.5	984.7	891.7	860.7	860.7
Financed by:						
GLA Transport grant	228.0	228.0	0.0	0.0	0.0	0.0
Other Specific grants	70.2	67.2	49.4	31.4	0.4	0.4
Retained business rates	854.3	854.3	929.3	854.3	854.3	854.3
Council tax requirement	6.0	6.0	6.0	6.0	6.0	6.0

Net revenue expenditure and council tax requirement

- 6.6 The Mayor's **forecast for TfL's gross revenue expenditure for 2018/19 is £7,102.2 million**. After deducting passenger and commercial income, fees, charges, other income and its planned use of reserves, the Mayor proposes that TfL's **net revenue expenditure for 2018/19 is £984.7 million**. An analysis of the revenue budget by service area is summarised in the table overleaf.
- 6.7 The Mayor is proposing that TfL's council tax requirement for 2018/19 is £6 million. The balance of its net revenue expenditure is financed by £929.3 million of resources allocated by the Mayor through business rates retention. This includes £75 million of repayment for TfL's share of the business rate refund appeals in 2015/16. There is no revenue grant from 2018/19 from the Department of Transport (DfT). Other specific revenue grants of £49.4 million will be received.

Explanation of budget changes

- 6.8 An analysis of the year on year movements in the council tax requirement against the 2017/18 budget (published March 2017) is set out below and an explanation of each change is detailed in the paragraphs that follow.

Changes in the TfL's council tax requirement	£m
2017/18 council tax requirement	6.0
Inflation*	157.3
Savings	(176.7)
Passenger and commercial revenue and other income	(52.3)
New initiatives and service improvements	172.0
Debt servicing charges	44.1
Revenue deficit	(318.2)
Government revenue grants	248.8
Retained business rates	(75.0)
2018/19 council tax requirement	6.0

* TfL does not separately account for inflation and so the numbers in this table are an estimate of the changes were the effects of inflation to be isolated. The paragraphs below reference the figures in the table above. These figures are an estimate of the year-on-year change with the effect of inflation isolated. TfL figures in this budget document have inflation included and may differ from the figures quoted in the above table.

Inflation

- 6.9 The Budget proposes that TfL's net costs will increase by £157.3 million as a result of inflation. This represents 2.2 per cent of operating and financing costs.
- 6.10 TfL is increasingly covering its operating costs from fares and other income and have set the financial objective of breaking-even on the cost of day-to-day operations, including the costs of financing, in 2021/22.

Savings and efficiencies

- 6.11 We are continuing with the comprehensive review of our organisation and changing the way we work to make sure we deliver the Mayor's vision for London and continue to deliver against the financial objective of breaking-even on the cost of day-to-day operations, including financing costs by 2021/22.
- 6.12 One year into our cost reduction programme we have successfully delivered against budgeted savings in 2016/17 and will continue to deliver in 2017/18 and onwards from 2018/19 having identified opportunities including receiving better value from our supply chain, consolidating our buildings and reviewing our organisational structure, while protecting safety, services and reliability.
- 6.13 Our Transformation programme continues across all areas of our business, as we drive the development of a modern, efficient, high performing organisation to deliver our net operating surplus target by 2021/22.
- 6.14 The transformation team have been working with finance to ensure business areas are held accountable for the delivery of their savings and efficiencies programmes, undertaking assurance on initiatives, and providing periodic reporting to both the Executive Committee and the Finance Committee against their targets.
- 6.15 We have enhanced our savings and efficiencies reporting, ensuring that our savings are now captured in our core finance system alongside our conventional performance and forecast data. Savings reporting is a key part of our periodic cycle, ensuring clear line of sight between our savings reporting, and our periodic financial statements.
- 6.16 We will reduce costs by a further £177 million in 2018/19 this is incremental to the savings already achieved in 2016/17 and forecast to be delivered in 2017/18. The programmes embedded in the business, which are all cashable are:

London Underground will deliver £22 million through their savings plan, with the target of delivering a £2 billion railway by 2021/22, including:

- The two phases of LU Operating model change – which have reduced organisational layers, but not impacted frontline services
- Continuing the modernisation of the maintenance functions, including exiting a private partnership maintenance contract

Surface Transport will deliver £88 million through their savings plan, with the target of delivering an integrated healthy streets target of £800 million subsidy for buses and streets and bringing the rail and other divisions to breakeven:

- The two phases of re-design of the Surface operating model
- Reviewing, retendering and re-negotiating bus contracts

Corporate and TfL wide savings will deliver £67 million, with Professional Services capping operating costs to a target of £0.5 billion by 2021/22, including:

- Consolidating our head office accommodation, vacating older buildings and co-locating staff to our new hub in Stratford
- Consolidation of back office functions, and the re-design of the Professional Services operating model
- The further review of technology projects

Passenger and commercial revenue and other income

- 6.17 The Mayor announced an overall freeze on TfL fares to 2020. Single bus fares, single pay as you go fares on the Tube and DLR and Santander cycle hire, will be held at current prices. This will put more than £200 back into the pockets of Londoners by 2020 and encourage more people to use our network.
- 6.18 Travelcard prices and daily and weekly caps are set with the train operating companies and not controlled by the Mayor. The net impact of passenger and commercial revenue and other income changes is £52.3 million in 2018/19.
- 6.19 Elizabeth line services begin operating from Paddington through central London to Abbey Wood and to Heathrow Terminal 4 in December 2018. Night Overground services also begin operating in December 2017.
- 6.20 In September 2016 the Hopper fare was introduced, allowing customers to make an extra bus journey free, as long as it is within one hour of touching in on the first bus. In 2018/19 the Hopper fare will be extended to allow unlimited bus and trams transfers within the hour.
- 6.21 All TfL travel concessions will be protected during the Mayor's term, providing more than £300 million of free or discounted travel every year to children, people over 60, those on income support, and other socially disadvantaged groups.

New initiatives and service improvements

- 6.22 The Budget includes £172.0 million of new initiatives and service improvements against 2017/18. This predominately relates to the commencement of journeys on the Elizabeth line from Paddington to Abbey Wood and Heathrow Terminal 4.
- 6.23 Following the huge success of Night Tube services, which started last year, London Overground night services will start operating on the route between New Cross Gate in South East London and Dalston Junction in East London on 15 Dec (early hours 16 Dec) 2017. The service will then be extended to Highbury & Islington in North London next year.

Debt servicing

6.24 Debt servicing increases by £44.1 million in 2018/19 against 2017/18 budget due to increasing cumulative debt and higher interest rates. Borrowing is raised to finance TfL's investment programme, within the limits agreed with Government, including capacity and station upgrades on the Underground and rail networks and investments in cycling infrastructure schemes.

Revenue surplus / (deficit)

6.25 TfL currently have a net cost of operations largely due to the general revenue grant ceasing in 2018/19 and the introduction of the Elizabeth line services which do not initially generate an operating surplus. TfL will generate a surplus by 2020/21, which will be used to support capital investment, Mayoral priorities and revenue generating assets.

6.26 As the operating deficit needs to be balanced before investment expenditure is committed to, funding received under the business rates retention pilot will be allocated to fund revenue. When TfL generates an operating surplus, that surplus together with the Investment Grant will be applied to Capital Investment.

Use of reserves

6.27 The Budget assumes no change in the use of general reserves.

Government grants

6.28 TfL's overall income from Government grants and specific revenue grants will decrease by £248.8 million in 2018/19 compared to 2017/18 budget. The general element of TfL's transport grant has now ceased, meaning London is one of the only major cities in the world to operate a public transport network without government subsidy to cover day-to-day running costs. £49.4 million will be received in specific grant income for revenue purposes.

Retained business rates

- 6.29 The Mayor has allocated £854.3 million in rates retention funding in 2018/19 to TfL. This assumes no inflationary uplift from the 2016/17 receipt. There will also be a refund of £75 million to TfL to reflect the balance of the appeals process previously withheld in 2015/16.
- 6.30 The indicative allocation of discretionary revenue income from the Mayor for 2018/19 and future years of this Mayoralty will be held at the same cash level on a like for like basis as in 2016/17.
- 6.31 The Investment Grant, due to be passported under the business rate devolution trial, is expected to be paid at the level previously approved with HM Treasury in the 2015 autumn statement until 2020/21.
- 6.32 The allocation for 2018/19 is £976 million and funding for 2019/20 is set to increase by 1.7 per cent in line with consumer price inflation to £993 million.
- 6.33 Funding received under the business rate devolution proposals are not restricted to support capital investment and are classified as a resource grant. In the short term these can be used to cover revenue expenditure and when TfL generate an operating surplus will be applied together with the investment grant to fund capital investment.
- 6.34 It is important to note that over the period of TfL's Business Plan all capital resources will be used to support capital investment. Therefore, there is no overall cross-subsidisation of revenue expenditure from capital resources. Further, local authority accounting rules require TfL and other public bodies to account for certain items that are capital in nature as revenue expenditure.
- 6.35 One example is Local Investment Programme (LIP) programmes for London Boroughs funded through TfL's operating expenditure where TfL is required to account for this as revenue expenditure but Boroughs classify this resource as capital. Another example is the bus contracts where capital investment in vehicles, premises and plant made by bus operators appears as operating expenditure for TfL as these assets are owned by the bus operators.

Producing the budget

- 6.36 The TfL Business Planning process began in July 2017 and followed a strict governance timetable that included engagement between TfL, the Mayor, the Deputy Mayor for Transport, TfL Finance Committee and TfL Board. This strict timetable of engagement and governance enabled the draft 2017 Business Plan to be published ahead of schedule, on 24 November 2017. This will be presented for approval by TfL Finance Committee on 5 December 2017.
- 6.37 The 2017 Business Plan sets out how TfL will deliver an efficient, affordable and modern transport network for London, and focus its commitment to implementing the Mayor's Transport Strategy to make London a fairer, greener, healthier and more prosperous city. Over the next five years TfL will deliver major investment in services across London, including record capacity on the Underground and take forward an integrated investment programme across walking, cycling, air quality and buses. The TfL Business Planning team, including its Executive Committee worked with the Deputy Mayor for Transport to set this framework for the Business Plan process.
- 6.38 Initial prioritisation and optioneering took place during August – September 2017, including prioritisation meetings at Portfolio Board level, such as with the Walking and Cycling Commissioner at the Healthy Streets Portfolio Boards. This enabled analysis to be undertaken at a local level (informed by subject matter and technical experts to validate scenarios), and a series of prioritised options to be presented for review and approval by the TfL Executive Committee. The decisions were made at regular Executive Committee meetings and ratified with the Deputy Mayor for Transport. Checkpoints for this decision making were also held with the Mayor in early October, and again in early November.
- 6.39 As part of the process, regular engagement took place on an informal basis with the Finance Committee and TfL Board to explain and understand the assumptions underpinning the principles within the new Business Plan. This included modelling to set out the impact of possible external scenarios affecting the plan to ensure proactive mitigations can be identified and implemented.
- 6.40 TfL Board formally delegated authority to approve the draft Business Plan 2017 to Finance Committee on 9 November 2017, required to facilitate the compliance with the statutory timeframes for the GLA Budget process. Following final meetings with the Mayor and his team in early November, the Business Plan document was finalised and approved for publication by City Hall on 24 November 2017.

- 6.41 The Plan is balanced as income from passengers and charges, together with government grant, secondary income, available reserves and borrowing fully meet the costs of operations and the capital programme.
- 6.42 The capital investment programme is aligned to the outcomes of the draft Mayor's Transport Strategy (MTS). As part of the annual business planning cycle, we have assessed and scored each individual project against MTS criteria, which are subsequently ranked following robust challenge sessions undertaken by our Executive Committee, and with extensive consultation with the TfL Finance Committee and Board. Based on the available funds, a series of prioritisation meetings with the TfL's Executive Committee and Deputy Mayor for Transport were held to agree a final Capital Investment Programme which meets all of the key priorities.
- 6.43 Capital receipts from the sale of property are inherently volatile in their value and timing. TfL therefore plans on the basis of a portfolio of capital receipts and maintains headroom between the budgeted level of receipts and the value of transactions being progressed in order to reduce this risk and increase confidence that at least the budgeted value of receipts will be delivered.
- 6.44 We assess the Group's overall exposure to inflation and interest rates as they can affect the commercial market (passenger levels, fare revenue and costs) and our financial activities (financial costs and investment returns on cash balances). To ensure liquidity and protection from short-term effects which may arise from the crystallisation of specific risks in market fluctuations, we seek to manage our borrowings in a manner that combines flexibility, security of access to funds, diversity of funding sources and value for money while maintaining a conservative investment strategy.

Reporting against the budget

6.45 We monitor our Budget through regular public reporting which includes:

- A Quarterly Performance Report (QPR) that monitors our year-on-year financial and operational performance. This highlights key financial and operating performance over both the last five quarters and the last five years.
- We produce a periodic Finance Report that includes progress against the delivery of budgeted savings and efficiencies, and against the approved capital programme.
- Project delivery is reported through the quarterly Investment Programme Report (IPR). This will monitor both project costs and milestone delivery against Budget. This report is provided to the Programmes & Investment Committee and the TfL Board.
- Quarterly performance review of financial, operational and capital results with City Hall, examining year-to-date and year-on-year variance analysis. We will publish analysis online within 35 working days (or 55 calendar days) after the end of the quarter.

6.46 Project slippage is highlighted in the IPR; any slippage in project costs or schedule which are expected to roll over into future years will be assessed as part of our annual Budget setting process and will be incorporated into future Budgets subject to approval by the TfL Board.

6.47 As part of our continued drive to enhance transparency and ease of use, the basis of preparation for 2017/18 reporting has been adjusted to bring it more closely in line with our audited financial statements. This has brought the disclosure of PFI contracts in line with our audited financial statements as the treatment is now the same.

6.48 The annual unitary payment is separated into the following components:

- The service charge – included in operating expenditure
- Repayment of the capital – a reduction in the finance lease creditor
- The interest element – included within net financing costs

Reserves

- 6.49 At 31 March 2018 TfL's general reserves balance is expected to be £150.0 million. This balance is forecast to remain constant through to 31 March 2022. In addition, TfL estimates that it will hold £699.0 million of earmarked reserves at 31 March 2018 which is estimated to increase to £718.2 million by 31 March 2022 based on TfL's planned profile of income and expenditure.
- 6.50 Earmarked reserves have been established to finance future capital projects, consistent with TfL's approved Business Plan, and form part of the overall funding available for the Investment Programme. Earmarked reserves will be expended on a number of major capital programmes as part of the Investment Programme.
- 6.51 TfL maintains a general fund to ensure liquidity and protect from short-term fluctuations in cash requirements.
- 6.52 The expected movements in reserves over the planning period are set out in the table below.

Movement in reserves during financial year	Outturn 2016/17 £m	Forecast 2017/18 £m	Budget 2018/19 £m	Plan 2019/20 £m	Plan 2020/21 £m	Plan 2021/22 £m
Opening balances	1,425.1	1,212.4	848.8	1,294.9	814.9	627.3
Transfers to/from:						
Earmarked reserves	(212.7)	(363.6)	446.1	(480.0)	(187.6)	240.7
General reserves	-	-	-	-	-	-
TfL closing balances	1,212.4	848.8	1,294.9	814.9	627.3	868.0

- 6.53 The expected total reserves at the end of each financial year are summarised below:

Balance of reserves at end of financial year	Outturn 2016/17 £m	Forecast 2017/18 £m	Budget 2018/19 £m	Plan 2019/20 £m	Plan 2020/21 £m	Plan 2021/22 £m
Earmarked reserves	1,062.4	698.8	1,144.9	664.9	477.3	718.0
General reserves	150.0	150.0	150.0	150.0	150.0	150.0
TfL closing balances	1,212.4	848.8	1,294.9	814.9	627.3	868.0

Diversity and Inclusion

- 6.54 At the heart of TfL's 2017 Business Plan is a commitment to create a more equal and inclusive London where, regardless of your background, you are able to access the transport network and be treated with dignity and respect. This aligns with the Mayor's equality objectives and manifesto commitments, and his vision as set out in 'A city for all Londoners'.
- 6.55 TfL will provide a more accessible transport system with improved connectivity and capacity which will enable us to meet this commitment.
- 6.56 The Business Plan sets out planned expenditure for the whole of TfL from 2018/19 to 2022/23. This includes a number of projects and programmes, which aim to achieve the goals set out in Action on Equality and the draft Mayor's Transport Strategy. Each of the individual projects and programmes will be subject to its own equality impact assessment.
- 6.57 All groups will benefit from the overall Business Plan and the specific projects, outcomes and improved services which this will deliver. For example, encouraging the use of healthier transport options and improving air quality has health benefits for all groups and particular advantages for areas with health inequalities, and making transport more affordable has positive benefits for those on low incomes.
- 6.58 TfL aims to recruit, retain and develop a diverse workforce, harnessing the best talent from across London, and to make sure underrepresentation is tackled at every level of the business.
- 6.59 This includes taking various actions to significantly increase the number of black, Asian and minority ethnic apprentices, setting more ambitious targets to reduce the gender pay gap and improve diversity in senior management roles.
- 6.60 Our role as a procurer of services creates opportunities to improve social outcomes and mobility through working closely with our suppliers to expand opportunities to underrepresented groups in the transport industry. This includes putting new requirements in contracts; hosting joint recruitment events for underrepresented groups in STEM careers, and co-producing joint initiatives to increase the recruitment of people from underrepresented groups.
- 6.61 The 2017 Business Plan is central to achieving our commitments on diversity and inclusion and for the delivery of our Action on Equality Plan. TfL has significantly prioritised diversity and inclusion by taking visible action. This includes our Action on Equality Plan being included in measuring the overall performance of the organisation by being included in the balanced scorecard.

6.62 To provide further assurance, TfL will be implementing more robust diversity and inclusion governance to ensure there is rigorous oversight of any strategic risks, whilst driving improved diversity and inclusion outcomes for our workforce, passengers, supplier chain and the wider public. The revised governance arrangements will reflect the Mayor's Diversity and Inclusion strategy and the draft Mayor's Transport Strategy.

6.63 The key themes in the 2017 TfL Business Plan are:

- Affordable transport
- Shift towards healthier forms of transport – public transport, walking and cycling
- Safer London
- Creating attractive public spaces
- Increasing accessibility
- Helping business
- Improve air quality
- Increased housing and regeneration
- Raising more commercial revenue
- Harnessing technology to make journeys better
- Partnerships with boroughs and communities

6.64 These will be underpinned by TfL's equality objectives as published in Action on Equality: TfL's commitments to 2020. The key areas of focus are:

- Customer experience
- Customer information
- Accessible network
- Travelling safely and securely
- Value for money and affordability
- Health
- Workforce diversity
- Supporting current and future employees
- Engaging with employees and promoting an inclusive culture
- Our business partners
- Communication and engagement

6.65 TfL monitors progress against its equality objectives as set out in Action on Equality annually. The year 2 action plan will be updated to reflect the Mayors Diversity and Inclusion strategy once it is fully published.

Environmental Impact

- 6.66 TfL plays an important role in helping the Mayor to achieve his vision for London whilst protecting and enhancing the environment. The draft Mayor's Transport Strategy (MTS) and draft London Environment Strategy (LES), published this year, set out TfL's actions to support the Mayor's environmental goals. These include delivery of schemes to improve air quality such as the Ultra Low Emission Zone (ULEZ); increasing the level of low carbon energy generation in London; coordinating measures to increase the resilience of transport in London to the impacts of climate change; and supporting additional green infrastructure and sustainable drainage.
- 6.67 As a member of the GLA group TfL supports the measures set out in Chapter 11 of the draft LES, including adopting the GLA's Responsible Procurement guidance, reducing emissions from the TfL support fleet, and reducing waste and increasing recycling rates in TfL operations.

GLA SECTION 9

Draft Capital Spending Plan and Borrowing Limits

Introduction

- 9.1 The Mayor is required to prepare a Capital Spending Plan (CSP) every year for each of the GLA's functional bodies. Before issuing his final plan he is required to consult on a draft plan with the Assembly and each functional body under section 123 of the GLA Act. This section sets out the draft capital spending plan for consultation. Even though the statutory timetable for the submission of the CSP is different from the requirements for the revenue budget, the same timeframe is adopted to ease consultation. The Mayor is also required to set the borrowing limits for the GLA Group – the proposals for which are set out in Appendices A to E for the GLA and each functional body.
- 9.2 Transport for London (TfL) is responsible for the planning, delivery and day-to-day operation of the Capital's public transport system, including London's buses, Underground and Overground, the Docklands Light Railway (DLR), Tramlink and London River Services. It is also responsible for managing the Congestion Charge, maintaining London's main roads and traffic lights, regulating taxis, making London's transport more accessible and promoting walking and cycling initiatives.
- 9.3 We have examined the capital programme carefully to identify a 'steady state' level of capital investment that balances the vital need to maintain and improve transport with supporting London's growth and continued success. We have scrutinised all capital projects to see where costs can be reduced through value engineering, while continuing to deliver the outcomes required in full. We have also reviewed project timing to ensure the programme can be delivered.
- 9.4 The investment in this plan, aligned to the draft Mayor's Transport Strategy will increase the quality and capacity of public transport. The modernisation programme will add 33 per cent more capacity. We will also make better use of our existing assets to run faster and more frequent services, making better use of technology and modernising how we work on the Jubilee and Northern lines. Our work on upgrading the existing network will support 80,000 homes across the city, serving important Opportunity Areas and leading to more homes and jobs.

Key capital investment deliverables

Set out below is a summary of the key deliverables in the Mayor's CSP:

- 9.5 TfL's total capital spend for 2018/19 will be £2,467.5 million, including £459.9 million on delivering the Crossrail programme. Other key investment programmes in 2018/19 include:
- Modernisation of Circle, District, Hammersmith and City and Metropolitan lines - £372 million
 - Elizabeth line (trains and enabling works) - £318 million
 - Major Station Upgrades including Victoria, Tottenham Court Road, Bond Street and Bank - £111 million
 - Northern Line Extension - £202 million
 - Healthy Streets and Air Quality - £224 million
 - Barking Riverside extension - £8 million
 - White Hart Lane - £13 million
 - Deep Tube Upgrade Programme (Piccadilly line) - £88 million
- 9.6 The new White Hart Lane station will include step-free access and a relocated entrance, and an underpass will be created through the existing railway embankment. The project obtained planning permission from the London Borough of Haringey in October 2016, with construction work scheduled for completion in spring 2019.
- 9.7 In 2018, we will complete the upgrade of Victoria station, including a newly refurbished and enlarged southern ticket hall with new escalator access to the Victoria line and step-free access to all platforms. Overall, the expansion of the station will provide 40 per cent more capacity, ensuring the benefits from the upgrade to the Victoria line are maximised.
- 9.8 We will introduce step-free access at five more stations in 2018/19 and work will be under way at a further 13.
- 9.9 We will begin construction in 2018 at Old Street creating a new peninsula to replace the roundabout to enhance the local environment and provide crossing facilities for pedestrians to improve access to new station entrances.
- 9.10 Working with the local borough to transform and enhance the area at Stratford town centre, we will complete work on replacing the gyratory with two-way traffic, provide better cycling facilities and improve bus accessibility.

- 9.11 We are investing in the re-design of the DLR Custom House station, increasing platform access and connecting to the Crossrail station. The new White Hart Lane overland station will include step-free access and an underpass through the existing railway embankment, scheduled to complete in 2019.
- 9.12 This year we received powers from the Government to begin building the 4.5km extension of the Gospel Oak to Barking line to Barking Riverside, a project that will support 10,800 homes on one of east London's largest new housing developments. Construction will begin in 2018 and services will start in 2021.
- 9.13 Capital investment increases on Buses in 2018/19 as the work to fit Selective Catalytic Reduction systems to around 4,500 of London's bus fleet ramps up. This programme will continue until September 2020 contributing to making the entire bus fleet Euro VI compliant.
- 9.14 The ULEZ will be introduced in central London in April 2019 and – subject to consultation – then expanded to the North and South Circulars for all vehicles in 2021. London's low emission zone will have tougher standards for lorries, coaches and buses in 2020. Our capital programme will establish the infrastructure needed for the ULEZ, which will require motorcycles, cars, vans, minibuses, buses, coaches and HGVs to meet minimum emissions standards reducing harmful nitrogen oxides and particulate matter, or pay a daily charge.
- 9.15 Crossrail construction programme is on schedule and within available funding. 2018/19 will see the introduction of services between Paddington and Heathrow Terminal 4 (via the central terminals), replacing the existing Heathrow Connect service. In December 2018 Elizabeth line services start on the central section between Paddington and Abbey Wood.
- 9.16 TfL's capital spending is financed from six main sources:
- Fares and ticket income;
 - Charges under the Congestion Charging Scheme;
 - Secondary revenue (such as advertising and property rentals);
 - Third party funding for specific projects, such as the GLA's contributions (financed by a business rate supplement) for Crossrail;
 - Surplus revenue resource from the passportation of capital grant funding through the business rate devolution trial
 - Prudential borrowing and related financing (including bond issuances)

Draft Capital Spending Plan

Under Section 122 of the GLA Act (for consultation)

9.17 Set out below is a summary of the Mayor's Draft Capital Spending Plan (CSP) for 2018/19 which sets out the capital funding sources for the CSP in line with the format required under section 122 of the GLA Act. Further details on the GLA and each functional body's draft plan are set out below. More details of the key deliverables are set out in this section under each member of the Group and in the relevant Appendices.

Section		2018/19 £m
A	Total external capital grants	1,182.2
	Opening balance of capital receipts	-
	Total capital receipts during the year	874.5
	Total capital grants/ receipts	2,056.8
B	Minimum s.120(1) grant	-
	Total borrowings during the year	800.7
	Total borrowings	-
	Total borrowings and credit arrangements	800.7
C	Total capital expenditure anticipated during the year	2,467.5
	Total credit arrangements	-
	Total capital spending for the year	2,467.5
D	Funding: capital grants	1,262.1
	Funding: capital receipts/reserves	874.6
	Funding: borrowings and credit arrangements	800.7
	Funding: revenue contributions incl. BRS	(469.8)
	Total funding	2,467.5

TfL's Capital Spending Plan is fully funded and no new capital PFI/PPP schemes are envisaged, other than those already committed.

9.18 Set out below is a summary of the TfL's draft Capital Plan to 2021/22 and how this is financed. This shows that overall the TfL Group will be investing £1,076.9 million less in 2018/19 than is forecast in 2017/18. The majority of this change is due to the Crossrail investment reducing in line with the scheme nearing completion.

Summary of the Capital Plan Plan 2017/18 to 2021/22	Forecast 2017/18 £m	Budget 2018/19 £m	Plan 2019/20 £m	Plan 2020/21 £m	Plan 2021/22 £m
TfL	3,544.4	2,467.5	2,041.3	1,860.1	1,862.4

Table 3: TfL's Draft Capital Plan

Capital spending plan	Forecast 2017/18 £m	Budget 2018/19 £m	Plan 2019/20 £m	Plan 2020/21 £m	Plan 2021/22 £m
London Underground	1,098.4	1,075.0	1,104.7	1,029.0	1,042.2
Buses	49.2	76.0	59.8	44.6	52.0
Streets	207.6	153.9	364.1	328.8	395.7
Rail	97.9	110.2	120.7	128.0	71.3
Elizabeth line	464.9	317.5	80.9	5.2	0.0
Other operations	124.8	173.0	104.7	210.6	174.0
Commercial Development	99.1	101.9	141.3	114.0	127.3
Crossrail construction investment	1,402.5	459.9	65.1	0.0	0.0
Total capital expenditure	3,544.4	2,467.5	2,041.3	1,860.1	1,862.4
Funding:					
Capital receipts/property sales	88.8	874.6	161.5	7.7	139.9
Grants to support capital expenditure	1,170.6	1,192.3	1,170.6	1,174.9	1,188.6
Borrowing	621.1	800.7	499.9	600.9	501.2
Crossrail funding sources	208.1	312.2	53.2	144.0	41.8
Revenue contributions	(190.0)	(469.8)	(265.2)	267.4	731.1
Working capital and reserves movements	1,645.8	(238.7)	382.5	(183.0)	(594.1)
Total funding	3,544.4	2,467.5	2,041.3	1,860.1	1,862.4

Table 4: London Underground Draft Capital Plan

London Underground	Forecast	Budget	Plan	Plan	Plan
	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Four Lines Modernisation	347.0	372.2	233.8	186.5	154.4
Deep Tube upgrade programme	17.8	87.7	117.2	178.4	320.5
Northern Line Extension	197.4	202.4	252.8	130.6	9.5
Major station upgrades	163.5	110.8	87.0	74.6	31.8
Future major stations	15.0	9.5	14.2	41.8	65.7
World Class Capacity	29.3	16.6	23.9	27.1	24.5
Renewals and reliability	279.4	259.0	327.2	304.0	347.1
Other Underground investment	49.0	16.8	48.7	86.1	88.7
Total capital expenditure	1,098.4	1,075.0	1,104.7	1,029.0	1,042.2

Table 5: TfL Rail Draft Capital Plan

TfL Rail	Forecast	Budget	Plan	Plan	Plan
	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Elizabeth line rolling stock and depot works	464.9	317.5	80.9	5.2	-
Crossrail construction investment	1,402.5	459.9	65.1	-	-
Total capital expenditure	1,867.4	777.4	146.0	5.2	-

Table 6: Surface Transport Draft Capital Plan

Surface Transport	Forecast	Budget	Plan	Plan	Plan
	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Buses	49.2	76.0	59.8	44.6	52.0
Streets	207.6	153.9	364.1	328.8	395.7
Other Surface investment	58.9	84.6	38.3	85.8	38.4
Total capital expenditure	315.7	314.6	462.3	459.2	486.1

Table 7: Rail Draft Capital Plan

Rail	Forecast	Budget	Plan	Plan	Plan
	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
DLR Rolling Stock	5.9	12.1	49.0	56.8	39.2
London Overground	49.5	38.3	18.1	9.4	5.6
Trams	14.5	25.0	11.0	6.5	4.3
Barking Riverside extension	-	7.5	24.0	33.2	-
Other Rail Investment	28.1	27.3	18.5	22.1	22.2
Total capital expenditure	97.9	110.2	120.7	128.0	71.3

Table 8: Corporate Draft Capital Plan

Corporate	Forecast	Budget	Plan	Plan	Plan
	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Commercial Development	99.1	101.9	141.3	114.0	127.3
Customer experience projects	64.1	54.8	45.3	41.3	30.6
Other corporate investment	1.8	33.6	20.9	83.5	104.9
Total capital expenditure	165.0	190.3	207.6	238.8	262.8

GLA Appendix D

Annual MRP and VRP

- 9.19 As TfL has a legal requirement to produce a balanced budget (and this approach had been extended to the full business plan), the cost of debt service is taken account of in determining whether the budget and business plans are in balance.
- 9.20 The significant majority of TfL's borrowings are passed down to its subsidiaries, where they are used to fund capital expenditure in the year they are drawn down. As the assets funded by these borrowings come into use and are depreciated, revenue grant is passed down by the Corporation to fund that element of the annual depreciation expense that is not already covered by other sources of revenue within the respective subsidiary. The revenue grant passed down is charged against the Corporation's General Fund Reserve and hence acts as a proxy for MRP.
- 9.21 For the debt used to finance capital expenditure within the Corporation, an Annual Minimum Review Provision is made. This has been calculated to build up a provision over the average expected useful economic life of the assets funded. This has been calculated at 35 years.

Table 9: Capital financing costs of TfL's Draft Capital Plan

TfL Capital financing costs	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
MRP and external interest	503.5	530.5	564.8	597.3
Total financing costs	503.5	530.5	564.8	597.3

Prudential borrowing

TfL's Board approves prudent treasury strategies and policies that have regard to both the principles of the revised CIPFA Prudential Code and the revised investment guidance (effective 1 April 2018) issued by the Department for Communities and Local Government.

Borrowing is undertaken within prudent limits set out in our funding agreement with central Government and approved by our Board and the Mayor. The maximum amounts of borrowing in each financial are set out in the table below. We constantly assess TfL's financial position and will only borrow where it is prudent to do so.

We borrow from a variety of sources, with consideration given to the cost of borrowing, market conditions and the level of flexibility offered. These sources include:

- The Public Works Loan Board
- A £5bn Medium Term Note programme, created in 2004, which saw us become the first UK local authority to raise medium to long term finance through issuing bonds independently of Government
- A £2bn Commercial Paper programme created in 2010, which made us the first UK local authority to raise short-term finance through the issuance of up to 12 months paper independently of Government
- The European Investment Bank and Export Development Canada, with loans linked to specific infrastructure projects
- Finance leasing arrangements, used for specific assets such as rolling stock
- Bank loans, including a £200 million bank overdraft facility that is in place to provide contingent liquidity

We believe our proposed levels of borrowing remain affordable and consistent with prudent financial management, which is reflected in our strong credit ratings.

Borrowing Limits

The tables below set out the proposed borrowing limits over the period having regard to proposed capital spending plan, and have been prepared with reference to the requirement of the Prudential Code, including providing calculations of the prudential indicators.

Table 10: TfL's authorised limit for external debt

	2017/18 Current Approval £m	2017/18 Revised Approval £m	2018/19 Proposed £m	2019/20 Proposed £m	2020/21 Proposed £m	2021/22 Proposed £m
Borrowing	11,924.9	11,924.9	12,382.1	12,882.9	13,482.8	13,982.8
Long term liabilities	218.0	218.0	200.3	177.4	166.4	153.9
Total	12,142.9	12,142.9	12,582.4	13,060.3	13,649.2	14,136.7

Table 11: TfL's Operational boundary for external debt

	2017/18 Current Approval £m	2017/18 Revised Approval £m	2018/19 Proposed £m	2019/20 Proposed £m	2020/21 Proposed £m	2021/22 Proposed £m
Borrowing	10,539.8	10,539.8	11,339.9	11,840.7	12,440.6	12,940.6
Long term liabilities	218.0	218.0	200.3	177.4	166.4	153.9
Total	10,757.8	10,757.8	11,540.2	12,018.1	12,607.0	13,094.5

Table 10: TfL - Subjective analysis

Subjective analysis	Revised Budget	Forecast	Budget	Plan	Plan	Plan
	2017/18	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m	£m
Income						
Passenger Revenue	(4,777.8)	(4,637.7)	(4,793.5)	(5,155.6)	(5,721.1)	(6,007.5)
Congestion Charging	(281.9)	(244.4)	(259.6)	(248.1)	(263.9)	(271.1)
Enforcement Income	(55.1)	(49.5)	(58.9)	(65.5)	(73.5)	(73.1)
Taxi & Private Hire and VCS fees	(42.2)	(35.2)	(48.7)	(54.7)	(55.7)	(61.6)
Advertising Income	(171.7)	(147.1)	(170.7)	(195.7)	(202.1)	(208.6)
Rental Income	(67.4)	(68.5)	(73.8)	(76.6)	(77.3)	(79.8)
Other Income	(194.1)	(183.4)	(231.6)	(255.8)	(323.9)	(559.4)
Total Income	(5,590.2)	(5,365.7)	(5,636.9)	(6,052.1)	(6,717.6)	(7,261.0)
Operating Expenditure						
Employee Expenses	2,214.3	2,144.9	2,153.1	2,148.2	2,162.7	2,184.5
Premises	365.9	352.0	412.1	443.6	452.2	468.8
PFI Service Charge	76.5	77.3	80.0	100.5	62.8	63.3
Bus Contract Payments	1,979.9	1,985.3	1,988.0	1,985.5	2,032.6	2,101.4
CCS Income and other road contracted services	353.4	351.1	365.4	390.4	417.9	474.3
Asset Maintenance and Local Authority Payments	547.8	527.2	646.7	631.2	641.6	665.3
Professional and consultancy fees	177.7	170.8	195.3	191.2	171.0	158.9
Ticket Commissions	54.4	53.1	58.5	63.9	69.7	73.7
Customer Information	34.6	38.7	36.9	36.4	36.4	35.9

Subjective analysis	Revised Budget	Forecast	Budget	Plan	Plan	Plan
	2017/18	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m	£m
National Rail Payments	6.6	6.9	32.2	86.6	89.2	91.7
Franchise Payments	413.1	405.5	504.1	541.5	571.2	578.9
Information and Communication Technology	192.7	190.5	188.9	176.0	176.0	155.4
Insurance	30.8	30.5	28.5	25.8	25.8	25.9
Traction Current	120.8	118.2	134.1	145.8	158.8	175.5
Other operating expenses	125.9	59.5	15.0	(60.3)	(87.2)	(229.4)
Capital resources and other recharges	(293.8)	(278.6)	(286.6)	(268.3)	(272.3)	(267.1)
Bad debt provision	54.5	44.7	55.5	59.9	59.4	58.8
Total Operating Expenditure	6,455.1	6,277.8	6,607.7	6,697.7	6,767.9	6,815.9
Net Operating Expenditure	864.9	912.1	970.9	645.6	50.3	(445.1)
Group Items	445.2	433.5	483.7	511.3	542.8	574.8
Revenue surplus / (deficit)	(151.6)	(190.0)	(469.8)	(265.2)	267.4	731.1
Total net revenue expenditure	6,455.1	6,277.8	6,607.7	6,697.7	6,767.9	6,815.9
Use of reserves	0.0	0.0	0.0	0.0	0.0	0.0
Net Financing Requirement	1,158.5	1,155.6	984.8	891.7	860.5	860.8
Financed by:						
GLA General Grant	228.0	228.0	0.0	0.0	0.0	0.0
Other specific grants	70.2	67.2	49.4	31.4	0.4	0.4
Retained Business Rates	854.3	854.3	929.3	854.3	854.3	854.3
Council tax requirement	6.0	6.0	6.0	6.0	6.0	6.0

Table 11: Application of Net Congestion Charging Revenue by TfL

It is anticipated that net revenue (after direct operating costs) of £192.1 million will be generated from the Congestion Charge in 2018/19. This also includes the net revenue from the Emissions Surcharge (also known as the T-Charge or 'toxicity charge').

An indicative attribution on how this revenue will be applied in line with the Congestion Charging scheme order is shown below. With the complete removal of the Government funding to support operating costs, the Congestion Charge is the primary source of funding for the operating costs of London's roads, which includes the investment TfL makes in Borough roads

	2018/19
	£m
Congestion Charging	
Borough plans:	101.3
We will maintain the current record level of investment in borough roads. The boroughs control 95 per cent of the Capital's road network, so the successful delivery of the Mayor's Transport Strategy will demand close partnership working to achieve the outcomes for which the Mayor strives.	
Roads and bridges:	82.0
Activities will be prioritised using a risk-based approach so we get the best results for our investment to ensure network safety and provide a serviceable level of 'state of good repair' for all highway assets, including carriageways, footways, traffic signals, bridges, tunnels, street lighting, drainage and trees.	
Walking and cycling:	4.5
TfL will continue a programme of improvements for both pedestrians and cyclists on its own roads. Investment will continue to be made to enhance the attractiveness of walking and cycling whilst delivering a safe, comfortable and attractive street environment.	
Air quality:	4.3
We have already committed significant resources to cleaning up London's air quality and will continue to do so. The net revenue from the Emissions Surcharge is allocated to the acceleration of our programme of air quality and environmental improvements which includes the introduction of cleaner vehicles, launching a network of rapid charge points and funding to support new borough projects.	
Congestion Charge net revenue	192.1

Appendix G: Savings and Efficiencies

Savings and Efficiencies across the GLA Group

The total savings and efficiencies to 2021/22 which have been identified across the Group are summarised below. The figures are presented on an incremental basis and do not include any savings still to be identified. All cost savings and efficiencies are identified as cashable.

Savings and efficiencies	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m
TfL	176.7	303.0	302.6	165.6

Appendix H: Summary of Revenue Expenditure and Financing

Introduction

The tables below summarise how the net expenditure (financing requirement) and council tax requirement is calculated for the GLA and each functional body in 2018/19. The spending review reduction has been applied to revenue expenditure in the tables below for indicative purposes only, cost reductions may be achieved through the capital investment programme.

	Gross expenditure	Fares and congestion income	Other general income	Net expenditure before use of reserves	Use of Reserves	Net expenditure after use of reserves
	£m	£m	£m	£m	£m	£m
TfL	6,565.3	(5,053.1)	(527.5)	984.7		984.7

Council Tax Requirement and Band D Council Tax

	Net expenditure after use of reserves	Specific Government Grants	General Government Grants	Retained Business Rates	Council Tax Requirement	Band D Amount
	£m	£m	£m	£m	£m	£m
TfL	984.7	-	49.4	929.3	6.0	