



Neil Garratt AM
Chairman of the Budget and Performance Committee

Sir Sadiq Khan
Mayor of London
(Sent by email)

4 January 2026

Dear Sir Sadiq,

Transport for London 2025-26 Budget

I am writing to you on behalf of the Budget and Performance Committee, following its meeting on 16 December 2025. This is the fourth of a series of letters on your 2026-27 Budget proposals.

During the Committee's meeting, we spoke with representatives from Transport for London (TfL) and the Deputy Mayor for Transport about TfL's budget submission which was published on 21 November 2025.

The Committee appreciates that this was an early version of the budget and there are issues that need to be resolved, including the implications of the Government's fares freeze on National Rail services, the cost and funding for the Mayor's bus and tram fares freeze and the impact of the business rate review. It is important that any changes to the budget as it develops are made clearly and transparently.

Bus and tram fares freeze to July 2026

TfL fares are assumed in the 2026-27 Budget to increase by 5.8 per cent in March 2026.¹ This aligns with the June 2025 Government funding package which included the condition that "*The funding in this settlement is provided against an assumed scenario that overall TfL fares will rise*

¹ TfL, [TfL Mayor's Budget Submission 2026-27](#), P13, 21 November 2025

by the value of RPI+1 for each year of this settlement.” The Government announced in the 26 November autumn statement that: “the Government is freezing all regulated rail fares in England for one year starting from March 2026.”²

The TfL 2026-27 Budget submission was published in advance of your announcement made on 11 December 2025 to freeze fares on bus and trams until July 2026. During the 16 December 2025 Budget and Performance Committee meeting, the TfL Commissioner confirmed that the cost of this proposed fares freeze was not yet known. Your fares announcement did state that the bus and tram fares freeze would be funded by City Hall and the TfL Commissioner confirmed that “I am expecting TfL to be made good for the amount for the freeze up until July.”³ The Committee is concerned that it appears that a commitment to a fares freeze has been made before the full cost of the freeze has been established or any funding source has been identified.

Recommendation:

1. The Mayor should confirm the cost of the fares freeze and the funding source to the Budget and Performance Committee as soon as possible and ensure that the cost is also included in the Draft 2026-27 Budget that is due to be published on 15 January 2026.

Operating surplus and income projections

The number of passenger journeys on the TfL network in 2025-26 is currently forecast to fall by 0.9 per cent, compared with last year. TfL’s 2025-26 Budget anticipated 1.4 per cent passenger growth year-on-year. Over the last two years TfL has over estimated passenger growth in its budgets. The extent can be seen in the following table

Growth in passenger journeys compared to target

Mode	2023-24 Target Growth (%)	2023-24 Actual Growth (%)	2024-25 Target Growth (%)	2024-25 Actual Growth (%)	2025-26 Target Growth (%)	2025-26 YTD Growth ⁴ (%)
London Underground	6.3	11.1	7.0	3.0	2.9	1.4
Bus	7.2	4.9	6.0	(1.0)	0.0	(4.5)
Rail	7.4	11.1	4.0	0.0	0.0	1.6
Elizabeth line	60.9	52.2	8.0	10.0	7.0	6.9
TfL Overall	9.2	9.5	6.0	0.9	1.4	(0.9)

Source: P5, [TfL Board](#), 3 December 2025, P11, [TfL - Q4 2024-25](#) and P11, [TfL - Q4 2023-24](#)

TfL’s passenger income shortfall in 2024-25 was covered by TfL’s increased pension fund valuation, which resulted a reduction in employer pension contributions of £226 million. In 2025-26, the forecast unbudgeted £205 million increase in road user charging enforcement income is also helping to meet the income shortfall.⁵ The Committee is concerned by the gap between target and actual growth in the last two years and wants to know how TfL will address the financial implications if a similar shortfall persists into 2026-27.

Recommendation:

2. In the Final Draft Consolidated Budget, TfL should provide details on the process that it would adopt and the contingencies available to manage the financial implications of any variation from budget projections to its 2026-27 income.

² HMT, [Budget 2025](#), 26 November 2025

³ Budget and Performance Committee, 16 December 2025

⁴ At P7 2025-26 (11 October 2025)

⁵ TfL, [TfL Q2 2025-26](#), P11, November 2025

Bus ridership

The biggest reduction in ridership numbers this year on TfL passenger services is in bus journeys, which have fallen by 4.5 per cent as compared with 2024-25. The 2025-26 budget assumed bus journeys would remain steady. We heard from TfL's Chief Finance Officer, who stated:

*"We have analysed 22 different factors that we believe underlie changes in bus demand. It is a very long-term trend. In the bounce back from COVID, we did see big year-on-year increases in buses but, if you go back to 2014, you can see that bus demand has resumed its long-term trend. Employment is one of those 22 factors, but there are lots of other factors driving changes in consumer behaviours. Ordering and having things delivered at home is a factor. Over that longer term, employment is a positive. There are only two of those 22 factors that are improving. The relative cost of buses is the second but, across all of the different population, the number of trips that people take and so on, we do see this long-term decline. The net of all of that is we are budgeting for a 1.5 per cent improvement in demand."*⁶

During the same meeting, we heard about plans for bus service improvements from the TfL Commissioner. These included:

*"working with the boroughs around what more we can do to improve bus priority, lane rental, how we get better control of utility works, how we overall improve bus journey times, and how we continue to invest in new vehicles, which are zero-emission, have the latest customer features, have the latest safety features, and continue to deliver a better experience. We are investing in new technology over the course of the Business Plan to improve customer information, new bus shelters, and investments in bus stations. There are a whole range of factors that will be part of the Business Plan early in the new year."*⁷

The Committee welcomes any improvements to the bus network, but notes that bus priority and new vehicles have operated at a time when ridership has fallen. It remains to be seen the extent to which these initiatives will reverse the decline.

Recommendation:

3. TfL should set out clearly in its final 2026-27 budget how a 4.5 per cent reduction in bus passenger journeys seen so far in 2025-26 can be turned around to deliver a 1.5 per cent increase in bus passenger journeys in 2026-27.

Capital renewals

TfL's 2026-27 Budget includes £800 million for capital renewals to help ensure the continued safe operation of transport services. This is £91 million or 13 per cent more than the forecast for 2025-26. The TfL 2026-27 Budget states that: "*renewals expenditure is necessary to ensure the continued safe operation of transport services.*"⁸

⁶ Budget and Performance Committee, 16 December 2025

⁷ Budget and Performance Committee, 16 December 2025

⁸ TfL, [TfL Mayor's Budget Submission 2026-27](#), P25, 21 November 2025

The TfL 2026-27 budget goes on to highlight that:

“Due to affordability constraints, investment in TfL’s asset base in recent years has been less than is required for a sustainable long-term rate. This means asset condition has declined. This creates risks to performance, which TfL will have to manage through maintenance, inspections and if necessary, restrictions. In the long term, there will be ongoing risk that worse asset condition will lead to higher required spend in future.”⁹

Last year, TfL’s original 2025-26 Budget submission anticipated higher spending on capital renewals, but this was reduced in the final 2025-26 Budget by more than a quarter. The TfL 2025-26 Budget Submission set out spending of £1,106 million on capital renewals, compared to £798 million in 2024-25 an increase of £308 million or 39 per cent.¹⁰ On 24 February 2025 TfL wrote to the Committee in response to questions on the renewals backlog. The letter stated that: *“The £1.1 billion investment in renewals in 2025-26 will tackle critical assets which need renewing, but the overall number of issues that need fixing isn’t getting smaller.”¹¹* However, the approved TfL 2025-26 Budget for capital renewals was later cut by £297 million, or 27 per cent.¹²

At the 16 December 2025 Budget and Performance Committee, the TfL Group Finance Director confirmed the process to establish the required renewals expenditure to stop TfL assets deteriorating. He said:

“Over the last few years, we have been doing an enormous piece of work on exactly that: what is our steady state level of renewals required to keep the assets as they currently are in that state of repair? We have brought together all of our asset teams across TfL in the different modes that we have. We are looking at all the different assets that we have to do that piece of work and all the data across safety, reliability and what generates revenue. At the moment, we think that the amount required is about £1.1 billion to £1.2 billion a year in spend but, as we have said, we cannot afford that level of spend at the moment.”¹³

Recommendation:

4. TfL should clarify the implications for the long-term state of London’s transport network of spending £800 million per year on renewals versus the required level of £1.1 billion to £1.2 billion to maintain a steady state of repair in the GLA’s Final Draft Consolidated 2026-27 Budget.

DLR extension to Thamesmead

The Chancellor of the Exchequer, Rachel Reeves, delivered her Budget on 26 November 2025. This included an announcement on the DLR extension to Thamesmead. It states:

“The Government welcomes confirmation that London will deliver the DLR extension to Thamesmead, funded through Transport for London (TfL) and Greater London Authority (GLA) borrowing. The majority of the costs will be met by TfL and GLA, with the Government also contributing over the long term. The Government will continue to work

⁹ TfL, [TfL Mayor's Budget Submission 2026-27](#), P56, 21 November 2025

¹⁰ P11, [TfL 2025-26 Budget submission](#), 22 November 2024

¹¹ TfL, [Letter from TfL](#), 24 February 2025

¹² TfL, [Quarterly performance report, Q1 2025-26](#), page 26 [page 168 of linked pack]

¹³ Budget and Performance Committee, 16 December 2025

with London to finalise funding details and will continue to work with the GLA to look at options for innovative financing to support the delivery of infrastructure projects in the capital.”¹⁴

The funding package has not yet been announced, and it remains uncertain whether the structure of any borrowing could impact TfL’s ability to generate an operating surplus. TfL’s CFO confirmed the expected progress in 2026-27 in advance of a funding package being agreed. She said:

“the budget that we have submitted included work to progress the scheme. That was before the Government’s announcement and that reflects its priority. What we are doing now is moving from the outline business case, which was included in our [Spending Review] submission, into [...] what needs to step up for us to work at pace now towards the [Transport and Works Act Order] approval and to step up and start the procurement on it.”¹⁵

Recommendation:

5. The Mayor’s Final Draft Consolidated Budget should confirm how the DLR extension will be funded and what impact this is expected to have on GLA budgets going forward.

Hammersmith Bridge

The TfL Commissioner confirmed the 2026-27 Budget does not include any provision for the repair of Hammersmith Bridge to carry motor traffic again, after having closed to motor traffic in 2019 because of concerns about cracking in the infrastructure. The Committee notes that it is a Mayoral manifesto commitment to *“continue pushing the Government to provide the necessary funding to fully re-open Hammersmith Bridge.”¹⁶*

Recommendation:

6. Alongside the final 2026-27 Budget in March 2026, TfL should confirm its planned support for the further repair of Hammersmith Bridge.

We appreciate the Deputy Mayor and TfL officers’ attendance and engagement with the Budget and Performance Committee. I look forward to your response to this letter by 7 February 2025.

Yours sincerely,



Neil Garratt AM

Chairman of the Budget and Performance Committee

¹⁴ HMT, [Budget 2025](#), 26 November 2025

¹⁵ Budget and Performance Committee, 16 December 2025

¹⁶ [2024 manifesto](#), April 2024