

MAYOR OF LONDON

Neil Garratt AM

Chairman of the Budget and Performance
Committee
C/o Gino.Brand@london.gov.uk

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Dear Neil,

Thank you for your letter following the Budget and Performance Committee's meeting on the Draft 2026-27 Transport for London (TfL) budget. I am grateful for the Committee's engagement and recommendations, my response to which is attached.

Yours sincerely,



Sir Sadiq Khan

Mayor of London

Cc: David Bellamy – Chief of Staff
Fay Hammond – Chief Finance Officer
Elliott Ball – Director, Group Finance and Performance
Gino Brand – Senior Policy Adviser, Scrutiny and Investigation (London Assembly)
Paul Goodchild – Principal Committee Manager, Secretariat (London Assembly)

MAYOR OF LONDON

Annex

Mayor of London's response to the recommendations of the London Assembly Budget and Performance Committee on the draft 2026-27 Transport for London (TfL) budget

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.

The Mayor has provided funding of £23 million to TfL from GLA (Greater London Authority) Group reserves to keep fares in London as affordable as possible, by freezing bus and tram fares until July 2026. This approach supports those on the lowest incomes.

The £17.2 million cost for 2026-27 was reported in the [Mayor's Draft Budget \(Part 1\)](#) published on 15 January, with the £5.8 million cost for 2025-26 included in the 2025-26 Outturn figures for TfL reported in the [Mayor's Draft Budget \(Part 2\)](#).

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.

TfL is managing a range of risks and monitors their net-weighted risk exposure against an appropriately-sized contingency build into its budget. TfL also has a number of downside scenario levers available:

- actively managing the commitment of expenditure, to slow or stop this as necessary
- maintaining the ability to introduce more stringent controls on operating costs
- holding on average 60 days of costs as cash on their balance sheet (approximately £1.4 billion)
- maintaining the £350 million GLA financing facility to provide time to respond to shocks.

Further details on the contingencies available to TfL are included in its [2026 Business Plan](#) – published on 28 January and approved by the TfL Board on 4 February – rather than the Mayor's Consolidated Final Draft Budget.

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.

Improving the bus experience is a key commitment for the Mayor and TfL. The TfL Business Plan includes ambitious plans to increase passenger numbers, making services faster, more reliable, and more attractive, and unlocking significant mode shift potential where people currently choose to drive, especially in outer London. This includes the continuation of building the Superloop network, adding capacity where demand is highest, and improving links to key

MAYOR OF LONDON

growth areas – for example the new express service between Abbey Wood and North Greenwich. TfL will also enhance customer experience and boost ridership by improving accessibility of services and reducing journey times.

TfL is also reviewing the bus operating model to ensure it is efficient, and make bus travel a more competitive, compelling choice for Londoners.

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.

Investment in capital renewals (including of major assets) will average £860 million per year across the duration of the business plan. This compares to £367 million in 2020-21, when the funding restrictions caused by the removal by the Government of TfL's operating grant, delays to the opening of the Elizabeth line and limits to the Government support provided during the COVID-19 pandemic suppressed renewals.

Taking into account this unavoidable historic underinvestment, TfL's required level of renewals averages £1.1 billion to £1.2 billion per annum. Investing below this level introduces some risk to reliability and service levels – but importantly not safety. To minimise these impacts and maximise the benefits of the available budget, TfL is:

- implementing a range of asset management efficiency initiatives that will enable TfL to do more for the same level of investment, for example, optimising fleet maintenance cycles through improved data and analytics, automated and drone inspections, new life extension and refurbishment strategies, and improved decision support systems
- improving asset data and analytics across all areas to better understand the rate, risks and impacts of asset degradation – enabling TfL to gain a better understanding of the actual required level of renewals, robustly prioritise renewals investment in the most effective way and ensure TfL maintains a safe and reliable network.

TfL recognises the potential adverse implications upon reliability, operability and availability from investing below the required level of renewals. However, the £2.2 billion long-term capital funding deal agreed with the Government will enable investment in several major assets, removing the need for them to be renewed and thereby minimising adverse impacts for Londoners. Further, TfL is also awaiting details of the process for applying to the Department for Transport's (DfT) £1 billion Structures Fund, which is a potential source of funding for additional capital renewals investment.

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.

The Mayor welcomes the Government's decision in its Budget 2025 to support the extension of the DLR to Thamesmead, which builds on the Government's decision to shortlist Thamesmead as a new town.

MAYOR OF LONDON

TfL and the GLA are in discussions with the Government on the details of their funding support for the extension. This support was based on the business case developed for the scheme, which showed around half the funding required to repay construction costs coming from income streams associated with its delivery (most notably the net operating surplus arising from the operation of the extension), with the balance coming from HM Treasury directly or via fiscal devolution. These discussions are considering the timing of available funding as well as the quantum, given that (as with a residential mortgage) earlier repayment of debt reduces the total repayments required.

TfL is also carrying out work internally on several workstreams, including an intention to make submissions for the Transport and Works Act Order (TWAo) in late 2026, further developing the capital costs programme and the delivery model for the project. This work is included in TfL's draft budget and business plan.

Timings on the TWAo process are key to understanding the delivery schedule for the project and thus when construction costs and associated borrowing will be incurred. It is not anticipated that sufficient clarity will be obtained in time to include costings for the project in the final draft GLA Group budget.

Recommendation 6

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

The London Borough of Hammersmith and Fulham (LBHF) remains responsible for Hammersmith Bridge. TfL has provided more than £20 million of funding over many years in support of LBHF's responsibilities for the maintenance of Hammersmith Bridge; this included funding for stabilisation works, early investigations and designing options for refurbishment.

TfL continues to support LBHF in relevant technical discussions, analysis and engagement with the DfT. TfL is not, however, able to provide any further funding support to LBHF, given the significant affordability constraints and reduced investment in TfL's own asset base, which have been discussed extensively with the Committee and rightly highlighted as a priority.

Recognising the unique and significant challenges with the further repair of Hammersmith Bridge, the Mayor continues to push the Government to provide appropriate funding support to LBHF in repairing Hammersmith Bridge, separate from the DfT's funding arrangements with TfL. The Government recently announced a new Structures Fund that could be used for this purpose, and the DfT will publish further details on this fund in due course. LBHF and the DfT continue to meet regularly on this matter, alongside TfL and GLA officers.