

Board

Date: 7 December 2022

Item: Draft TfL 2023 Business Plan

This paper will be considered in public.

As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chair is of the opinion that this item should be considered as a late item. The reason for urgency is that Members need to consider the Budget submission and the Capital Strategy and not all information was available at the time the Board papers were published.

1 Summary

- 1.1 This paper considers TfL's 2023 Business Plan, which sets out TfL's plans for the four years from 2022/23 to 2025/26. This is the first detailed medium-term plan we have published since 2019 and underpins TfL's draft Budget submission to the GLA. This plan is built on the funding arrangements in place with the Government and the Greater London Authority. It ensures we support London's recovery from the pandemic and gives us a clear path to financial sustainability.
- 1.2 The Business Plan document is appended to this paper (Appendix 2) along with a summary presentation (Appendix 1, which is to follow).
- 1.3 The Business Plan includes an updated forecast for 2022/23 and a forward look from 2023/24 to 2025/26. Given the material difference between the funding assumptions in the original Budget for 2022/23 and the actual Government funding settlement agreed on 30 August, this forecast will replace the Budget and will serve as a new reporting baseline for the remainder of the 2022/23 financial year.
- 1.4 As a result of updating the reporting baseline for the remainder of this financial year, a small number of updates to the TfL Scorecard are also required.
- 1.5 In addition to the Business Plan, the GLA Budget submission includes a Capital Strategy, setting out an aspirational vision of TfL's future investment for 20 years, and the London Climate Budget, setting out TfL's operational carbon emissions to 2030. Both submissions are appended to this paper. The full document outlining TfL's draft submission to the GLA has been published on our website at <https://tfl.gov.uk/corporate/publications-and-reports/the-mayor-s-budget>

2 Recommendations

2.1 The Board is asked to note the paper and:

- (a) approve the TfL 2023 Business Plan**
- (b) authorise the Chief Finance Officer to make any minor presentational amendments to the TfL 2023 Business Plan, before it is published as final version on the TfL website**
- (c) approve the 2022/23 forecast included in the TfL Business Plan as the Revised Budget for 2022/23 and being our reporting baseline for the remainder of this year**
- (d) approve the changes to the TfL Scorecard as a result of changing the reporting baseline from the original Budget to this submission**
- (e) note the Capital Strategy and London Climate Budget submissions that form part of the GLA Budget submission.**

3 TfL 2023 Business Plan

- 3.1** The 2023 Business Plan is the first detailed medium-term plan we have published since 2019. The recent years of revenue and funding uncertainty due to the pandemic have meant that we were unable to set an integrated medium-term plan. Having secured a funding settlement with Government from 30 August 2022 to 31 March 2024 and having put in place financing arrangements with the Greater London Authority, we have a more secure future in the short term, a clear path to achieve financial sustainability by the end of 2023/24 and the ability to progress towards outcomes that make our city greener, safer and more successful.
- 3.2** This Business Plan gives us the means to continue to invest in improving public transport, protecting our critical assets and restoring investment to improve London's streets and air quality. Among many other significant improvements, this plan will see us push forward with replacing the fleets on the Piccadilly line and the DLR, reduce the carbon emissions from our buildings, invest in green infrastructure and implement Phase Two of TfL's Direct Vision Standard to make roads safer.
- 3.3** This Business Plan demonstrates our plans to build on and find new sources of income to improve our resilience for the future and to help us achieve our initial financial goal, which is to break-even on our operations by 2023/24. This will mean we only require Government funding support for our investment programme. The Business Plan builds on this break-even position to target a small, but growing operating surplus from 2024/25 onwards to fund investment. This will require making continuous improvement in our cost efficiency and progressing our savings plans.

- 3.4 The Business Plan includes an updated forecast for the 2022/23 financial year, as an update to the Budget approved by the Board on 23 March 2022. This update reflects the changes to our Budget required by the funding agreement with government that the Board approved on 30 August 2022. We intend to use this updated forecast as our reporting baseline for the rest of this financial year.
- 3.5 Several measures on the 2022/23 TfL Scorecard are linked to the Budget and therefore require Board approval for change control. This covers the financial metrics which are directly aligned to the Budget. The majority of other targets across the scorecard will not change. We also propose to update the passenger journeys target to align to the latest forecast (and therefore the income forecast in the Revised Budget).
- 3.6 The Business Plan forms the core of our submission into the GLA Budget process. The GLA Budget submission also includes a Capital Strategy, which looks further into the future to set out an aspirational investment programme aligned to the ambitions of the Mayor's Transport Strategy by 2041. This is summarised in the Business Plan presentation, with the full submission included in Appendix 3.
- 3.7 The London Climate Budget is a new element of the GLA Budget process this year and sets out our forecast operational carbon emissions to 2030. This is also summarised in the Business Plan presentation, with the full submission included in Appendix 4.

4 Next Steps

- 4.1 We continue to monitor the external headwinds and risks so we can mitigate them and will build any material changes into the 2023/24 Budget which is due to be published in March 2023.
- 4.2 We continue to provide periodic financial reporting to DfT and its advisers and update them on our progress on the requirements of the funding settlement.
- 4.3 In addition to delivering the requirements of the current funding settlement, we will also work with Government to secure a longer-term agreement beyond the end of the current settlement which expires in March 2024.

List of appendices to this report:

1. TfL 2023 Business Plan – presentation – to follow
2. TfL 2023 Business Plan – document
3. Capital Strategy submission
4. London Climate Budget submission

List of Background Papers:

None

Contact Officer: Rachel McLean, Chief Finance Officer
Email: rachelmclean@tfl.gov.uk