

Date: 13 December 2023

Item: Draft TfL 2024 Business Plan Update

This paper will be considered in public.

1 Summary

- 1.1 This paper considers TfL's 2024 Business Plan, which sets out TfL's plans for the three years from 2024/25 to 2026/27. Last year, TfL published its 2023 Business Plan – TfL's first detailed medium-term plan since the pandemic – and this year's plan builds on that work to ensure that we continue to protect our critical assets to run a safe and reliable transport system and to deliver our committed investment.
- 1.2 TfL has successfully delivered on its 2023 Business Plan and is on track to achieve operational financial sustainability in 2023/24 by delivering an operating surplus. Every penny of TfL's operating surplus is reinvested into improving our network and supporting the national economy.
- 1.3 However, it is not possible for TfL to finance its entire capital programme from its own sources of operating income. Consistent with other transport authorities, TfL will require capital funding from Government to support its capital programme.
- 1.4 TfL remains in ongoing discussions with Government on capital funding for 2024/25, but these have not yet concluded. Therefore, the 2024 Business Plan is provided in draft for the Board to note. It is proposed that the Finance Committee be given delegated authority to approve the 2024 Business Plan (with any necessary amendments) once we have certainty on Government 2024/25 capital funding.
- 1.5 In addition to the Business Plan, the GLA Budget submission includes a Capital Strategy, setting out a 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 Greater London Authority (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 the draft Business Plan in Appendices 1 and 2 and the Capital Strategy and London Climate Budget submissions in Appendices 3 and 4 (that form part of the Greater London**

Authority Budget submission) and, recognising that a decision on approval of the draft Business Plan cannot currently be made:

- (a) delegate approval of the draft Business Plan for 2024 (with any necessary amendments) to the Finance Committee;**
- (b) delegate approval to the Finance Committee to change the TfL Scorecard target for capital expenditure, required as a result of the Department for Transport inflation funding outcome for 2023/24, to align to the 2024 TfL Business Plan; and**
- (c) approve the change to the 2023/24 TfL Scorecard following confirmation of 2022/23 year-end safety results.**

3 TfL 2024 Business Plan

Overview

- 3.1 The 2024 Business Plan builds on the plan agreed last year, when TfL made its first detailed medium-term plan since the funding uncertainty following the pandemic. In 2023/24, we are on track to achieve operational financial sustainability, to generate a surplus of £79m (including Places for London) and to no longer rely on Government funding to support our day-to-day operations.
- 3.2 Achieving financial sustainability means growing passenger demand and diversifying our income, maintaining our critical assets and continuously improving our cost-efficiency. This means our revenue will cover operating, renewals and net interest costs, and create a growing operating surplus from 2024/25 onwards to help fund new capital investment.
- 3.3 Our focus is now firmly on maintaining and building on this sustainability as the financial foundation for this Business Plan. We will grow our operating surplus and reinvest it into making our city and our organisation better.
- 3.4 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. While it intentionally does not significantly change our course from last year's plan, following our extensive stakeholder engagement in developing this year's plan, we have made the following changes:
 - (a) more money for the Sustainable Housing and Accessibility fund and for our Healthy Streets programme;
 - (b) fund the Elephant and Castle Stage 2 works, which will fit out the station box constructed in Stage 1;
 - (c) provide a contribution to the next stage of feasibility for DLR Thamesmead, supporting the delivery of thousands of new homes, and
 - (d) fund the new Superloop service to increase bus provision in Outer

London.

- 3.5 A summary presentation of the Business Plan is contained in Appendix 1 and the full document in Appendix 2.

2024/25 Capital funding

- 3.6 The draft 2024 Business Plan sets out how TfL's operating surplus will grow to around £500m by 2026/27. Every penny of TfL's operating surplus is reinvested into improving our network and supporting the national economy.
- 3.7 However, consistent with other transport authorities, it is not possible for TfL to entirely finance its capital programme from its own sources of operating income. DfT has recognised this position in our funding settlements since October 2020, making multiple commitments on long-term capital funding for TfL.
- 3.8 Based on these assurances, in the 2023 TfL Business Plan we made an assumption that Government would provide significant funding support for our programmes to replace life expired rolling stock and signalling. We have maintained this assumption in the draft 2024 TfL Business Plan.
- 3.9 TfL remains in ongoing discussions with Government on capital funding for 2024/25, but these have not yet concluded. Further work and negotiation are required with Government before the 2024 Business Plan can be finalised and approved, including refining the plan to meet any shortfall in funding.
- 3.10 Therefore, the 2024 Business Plan is provided as draft for noting. It is proposed that the Finance Committee be given delegated authority to approve the 2024 Business Plan (with any necessary amendments) once we have certainty on Government 2024/25 capital funding.

4 TfL 2023/24 Scorecard

Capital Expenditure

- 4.1 TfL's August 2022 funding settlement with Government recognised the risk of rising inflation and included a mechanism for further funding if the level of inflation forecast by the Office for Budget Responsibility (OBR) increased. Our Budget for 2023/24 assumed a Government inflation funding requirement of £181m. As our Budget showed us achieving operating financial sustainability in 2023/24, this funding was assumed to support capital expenditure.
- 4.2 On 26 July 2023, the Department for Transport (DfT) confirmed that TfL will not receive this additional funding in 2023/24. The pressure of £181m has been partly offset by an improvement in the final revenue scenario set by DfT of £44m (£23m in 22/23 and £21m for 23/24), as compared to our 2023/24 Budget, which will lead to an increased level of revenue true-up funding.

- 4.3 However, the remaining £137m of the gap will need to be closed through deferring capital expenditure, which means a lower level of capital expenditure is affordable compared to the assumption in the 2023/24 TfL Scorecard.
- 4.4 The impact of this needs to be considered alongside the level of Government capital funding support for 2024/25. Therefore, the Board is asked to delegate authority to the Finance Committee to approve change to the capital expenditure TfL scorecard target for 2023/24 to align to the final 2024 TfL Business Plan.

Colleague Killed or Seriously Injured

- 4.5 The 2023/24 TfL Scorecard Safety targets were set as percentage reductions on 2022/23 outturn results, which require a period of validation and investigation after the end of the year.
- 4.6 In the case of Colleague KSIs, the 2022/23 end of year figure increased on review, so we are proposing to seek approval from the Board to amend the absolute target and floor targets to be consistent with the percentage reductions agreed by Board in March 2023. This is set out in the table below.

Colleague KSIs	Original	Revised target
Target	18	22
Floor target	19	23

5 GLA Budget Submission

- 5.1 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.
- 5.2 The London Climate Budget was a new element of the GLA Budget process last 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.

List of appendices to this report:

- Appendix 1: TfL 2024 Business Plan – presentation
- Appendix 2: TfL 2024 Business Plan – document
- Appendix 3: Capital Strategy submission
- Appendix 4: London Climate Budget submission

List of Background Papers:

None

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