

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to update the Board on adjustments to the TfL Budget 2016/17 and Business Plan which was approved by the Board in March 2016. Members will also have an opportunity to discuss the potential impact of the European Union Referendum result.
- 1.2 On 8 July 2016, the Finance and Policy Committee endorsed the recommendations in this paper.

2 Recommendation

- 2.1 **The Board is asked to note the paper and approve the adjustments to the TfL Budget 2016/17.**

3 Background

- 3.1 The TfL Budget 2016/17 was approved by the Board on 17 March 2016.
- 3.2 Since then, adjustments have been made as described in section 4 below which result in the updated operating and capital accounts set out in appendix 1.
- 3.3 The Chancellor's March 2016 Budget announced the changes relating to Crossrail 2.

4 Budget adjustments

- 4.1 In his budget statement on 16 March 2016, after the issue of the draft budget for approval by the Board, the Chancellor of the Exchequer approved funding for Crossrail 2 of £80m and gave his support for the scheme. This followed a recommendation from the National Infrastructure Commission which recognised the national significance of Crossrail 2 and recommended that it should be taken forward as a priority with funding to develop the scheme.
- 4.2 At the time of the publication of the original budget there was no provision for Crossrail 2 as it was uncertain as to whether the project would be approved and the amount of any potential funding was unknown. Now that the central funding of £80m has been allocated for the preparation of an Outline Business Case and draft Hybrid Bill, we are in a position to reflect that funding and the feasibility and planning costs of the project in the updated financial tables presented in Appendix 1.

- 4.3 The updated tables also include some fine tuning of the phasing of income and expenditure.
- 4.4 Overall, the changes have a nil impact on the published net operation and capital accounts (see Appendix 1 for the published and revised financial tables).

5 Views of the Finance and Policy Committee

- 5.1 On 8 July 2016, the Finance and Policy Committee considered a similar paper and endorsed the recommendations in this paper.
- 5.2 Members received an update on the potential short and medium term impacts of the outcome of the European Union Referendum and the challenges that longer term economic conditions might have on TfL's financial position. While it was too soon to accurately predict the economic impact, a fuller assessment would be undertaken as part of the preparation for a five year Business Plan, including looking at the impact of TfL's role in the supply chain.
- 5.3 The Committee discussed the following issues:
- (a) Demand on TfL's services was not expected to see a significant impact in the short and medium term;
 - (b) A reduction in commercial and residential property value would have a negative impact on TfL's Commercial Development Programme;
 - (c) While sovereign debt had been downgraded by credit rating agencies, TfL was thought to be well protected against current borrowing requirements with sources of diversified funding;
 - (d) Existing funding through the European Investment Bank were considered secure but future borrowing would be impacted;
 - (e) The Committee welcomed the reassurance provided by the Mayor and Commissioner to the 10-13 per cent of non-UK national TfL staff. TfL was rightly proud of its diverse and multinational workforce;
 - (f) Changes to EU grants would have a relatively modest impact on TfL. Income changes from Community Infrastructure Levy (CIL) and Section 106 Planning Agreement contributions could potentially be more significant depending on developments in the property markets; and
 - (g) There may be an impact on the financial services and manufacturing industries. As a large procurer of services, TfL would review its suppliers with a view to awareness of its suppliers' UK content. This would be included in the work taking place on TfL's first 30 year financial model.
- 5.4 A paper on the treasury position, including any revised assumptions, would be considered by the Committee on 27 July 2016.

List of appendices to this report:

Appendix 1: Updated operating and capital accounts

List of Background Papers:

Board paper – TfL Budget - 17 March 2016

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Appendix 1

Table 1a: Published 5-year operating accounts

TfL Group (£m)	2016/17 Budget	2017/18 Published	2018/19 Published	2019/20 Published	2020/21 Published	5-year Total
Operating Account						
Fares income	4,811	5,117	5,584	6,165	6,621	28,298
Other operating income	696	768	859	867	884	4,073
General Grant	447	228	0	0	0	675
Business Rates Retention	854	874	894	914	934	4,470
Other	33	33	33	33	6	138
Total Operating Income	6,841	7,019	7,370	7,978	8,445	37,654
Direct Operating Cost	(6,401)	(6,491)	(6,680)	(7,129)	(7,390)	(34,091)
Net cost of operations before capital renewals	440	528	690	850	1,055	3,563
Capital Renewals	(1,086)	(1,021)	(1,059)	(930)	(996)	(5,092)
Net cost of operations before financing	(645)	(493)	(369)	(80)	59	(1,529)
Financing and Group items	(349)	(540)	(522)	(589)	(631)	(2,631)
Net cost of transport operations	(994)	(1,033)	(891)	(669)	(572)	(4,160)

Table 1b: Updated 5-year operating accounts

TfL Group (£m)	2016/17 Budget	2017/18 Updated	2018/19 Updated	2019/20 Updated	2020/21 Updated	5-year Total
Operating Account						
Fares income	4,811	5,117	5,584	6,165	6,621	28,298
Other operating income	696	769	860	868	886	4,080
General Grant	447	228	0	0	0	675
Business Rates Retention	854	874	894	914	934	4,470
Other	33	33	33	33	6	138
Other revenue grants	10	26	19	0	0	55
Total Operating Income	6,852	7,047	7,390	7,981	8,447	37,717
Direct Operating Cost	(6,412)	(6,519)	(6,701)	(7,132)	(7,391)	(34,154)
Net cost of operations before capital renewals	440	528	690	850	1,055	3,563
Capital Renewals	(1,086)	(1,021)	(1,059)	(930)	(996)	(5,092)
Net cost of operations before financing	(645)	(493)	(369)	(80)	59	(1,529)
Financing and Group items	(349)	(540)	(522)	(589)	(631)	(2,631)
Net cost of transport operations	(994)	(1,033)	(891)	(669)	(572)	(4,160)

Table 2a: Published 5-year Capital accounts

TfL Group (£m)	2016/17 Budget	2017/18 Published	2018/19 Published	2019/20 Published	2020/21 Published	5-year Total
Capital Account						
New Capital Investment	(1,020)	(1,299)	(1,262)	(1,077)	(1,396)	(6,054)
Crossrail	(1,398)	(689)	(168)	(176)	(12)	(2,444)
Total Capital investment	(2,419)	(1,989)	(1,430)	(1,253)	(1,408)	(8,498)
Financed by:						
Investment Grant	944	960	976	993	1,010	4,883
Property Income	127	279	135	232	199	972
Borrowing	732	901	500	500	601	3,234
Crossrail funding sources	138	109	143	25	25	440
Other capital grants	168	246	265	166	28	873
Total	2,109	2,495	2,019	1,917	1,863	10,403
Net Capital account	(310)	506	589	664	455	1,904

TfL Group (£m)	2016/17 Budget	2017/18 Published	2018/19 Published	2019/20 Published	2020/21 Published	5-year Total
Net cost of transport operations	(994)	(1,033)	(891)	(669)	(572)	(4,160)
Net Capital Account	(310)	506	589	664	455	1,904
Total	(1,304)	(527)	(302)	(5)	(117)	(2,255)

Table 2b: Updated 5-year Capital accounts

TfL Group (£m)	2016/17 Budget	2017/18 Updated	2018/19 Updated	2019/20 Updated	2020/21 Updated	5-year Total
Capital Account						
New Capital Investment	(1,020)	(1,299)	(1,262)	(1,077)	(1,396)	(6,054)
Crossrail	(1,398)	(784)	(411)	(64)	142	(2,516)
Total Capital investment	(2,419)	(2,083)	(1,673)	(1,141)	(1,253)	(8,569)
Financed by:						
Investment Grant	944	960	976	993	1,010	4,883
Property Income	127	279	135	232	199	972
Borrowing	732	901	500	500	601	3,234
Crossrail funding sources	138	130	130	22	5	425
Other capital grants	168	246	265	166	28	873
Total	2,109	2,516	2,006	1,914	1,843	10,387
Net Capital account	(310)	433	333	773	590	1,818

TfL Group (£m)	2016/17 Budget	2017/18 Updated	2018/19 Updated	2019/20 Updated	2020/21 Updated	5-year Total
Net cost of transport operations	(994)	(1,033)	(891)	(669)	(572)	(4,160)
Net Capital Account	(310)	433	333	773	590	1,818
Total	(1,304)	(600)	(558)	104	18	(2,342)