

# Subject: Transport for London's Financial Challenge

Report to: Budget and Performance Committee

Report of: Executive Director of Secretariat

Date: 29 September 2016

This report will be considered in public

## 1. Summary

- 1.1 This report sets out for the Committee's agreement the report on Transport for London's financial challenge.

## 2. Recommendation

- 2.1 **That the Committee agrees the report on Transport for London's financial challenge, as attached at Appendix 1.**

## 3. Background

- 3.1 On 28 June 2016, the Budget and Performance Committee agreed to conduct an investigation into Transport for London's (TfL) financial challenge. The terms of reference were:
- To define TfL's financial challenge at day one of the Mayor's term.
  - To assess the implications of the Mayor's transport commitments on TfL and on passengers.
  - To examine and influence TfL's early plans for managing its financial position and implementing the Mayor's transport commitments.
- 3.2 On 28 June 2016, the Committee put questions to:
- Ian Nunn, Chief Finance Officer, TfL; and
  - Graeme Craig, Director of Commercial Development, TfL.
- 3.3 On 14 July 2016, the Committee put questions to:
- Nicole Badstuber, Researcher, LSE Cities;
  - Stephen Locke, Chair of London TravelWatch; and
  - Jonathan Roberts, Transport Planning Adviser.

## 4. Issues for Consideration

- 4.1 The Committee's report, *Transport for London's financial challenge*, was published on 8 September 2016, and is attached at **Appendix 1**.
- 4.2 The report recommendations, which fall within the agreed terms of reference, are as follows:

### **Recommendation 1**

Six months before the next Mayoral election, TfL should publish a set of highly transparent, basic fare income data and assumptions, on which candidates can base manifesto commitments, and inform the public's understanding of any proposed changes.

### **Recommendation 2**

TfL should publish the full costs of the fares freeze, the hopper ticket, and concessionary fares in its subsequent annual reports.

### **Recommendation 3**

In its next business plan, TfL should set out its best estimate of the impact of the UK's exit from the EU on TfL. This should include an assessment of the impact on:

- Passenger growth and fares income
- Borrowing costs
- Commercial plans
- Staff recruitment and retention
- EU grants and EU-funded transport research.

### **Recommendation 4**

The Mayor should instruct TfL to review its concessionary fares system to ensure it meets the objectives of his forthcoming Transport Strategy.

### **Recommendation 5**

The next TfL Business Plan should clearly set out the investment priorities compared to the previous business plan so observers can easily see what has changed, and how delivery milestones have been affected.

### **Recommendation 6**

The TfL Board must rigorously scrutinise any proposal for TfL to take over any suburban rail service— including the transfer of liabilities—to ensure that robust plans and financial arrangements are in place to make devolution a success.

### **Recommendation 7**

In response to this report, TfL should set out clear plans for achieving the savings and efficiencies set out in its press release of 8 June 2016.

### **Recommendation 8**

In all future Operational and Financial Performance reports, TfL should set out what savings and efficiencies it has made in each business area, what further reductions are planned, and the impact of these changes on the organisation.

## 5. Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

## 6. Financial Implications

6.1 There are no direct financial implications of this report.

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### List of appendices to this report:

Appendix 1 – *Transport for London's financial challenge.*

<b>Local Government (Access to Information) Act 1985</b>
List of Background Papers: None
Contact Officer: Dale Langford, Principal Committee Manager Telephone: 020 7983 4415 E-mail: <a href="mailto:dale.langford@london.gov.uk">dale.langford@london.gov.uk</a>