

Date: 23 January 2013

Item 5: The Autumn Statement 2012

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**This paper will be considered in public**

**1 Summary**

1.1 This paper provides a short briefing on the effect of the Chancellor's Autumn Statement 2012 on TfL.

**2 Recommendation**

2.1 **The Committee is asked to note this paper.**

**3 Background**

3.1 The Chancellor published his Autumn Statement on 5 December 2012.

3.2 The economic outlook remains uncertain and the Government no longer expects to hit its original debt-reduction targets. Analysis by the Institute of Fiscal Studies (IFS) shows that around £40bn more will be borrowed over 2013/14-2014/15 than previously assumed in March 2012. The Office for Budgetary Responsibility now forecasts that GDP growth will be 3.6 per cent weaker over the period 2010-2017 than its March 2012 forecast.

**4 Effect on TfL**

**Northern line extension (NLE)**

4.1 HM Treasury (HMT) has confirmed its support for the NLE to Battersea by allowing the GLA to borrow up to £1bn from the Public Works Loan Board (PWLb) for the construction of the NLE, with a time-limited guarantee of up to £750m of the debt. The details of the guarantee are yet to be negotiated with HMT.

4.2 It is currently understood that 100 per cent of incremental business rates within a designated Enterprise Zone (EZ) within Wandsworth (and, dependent on discussions, Lambeth) will be used, with developer Section 106 and Community Infrastructure Levy payments, to repay the debt. The EZ will have a term of 25 years, though there are provisions to extend this if the revenue streams prove insufficient to repay the debt during the initial 25 year period.

4.3 This support package is conditional on the signature in 2013 of a Funding and Development Agreement for the development of the Battersea Power Station site by its developers, on terms that are acceptable to HMT.

## **Direct TfL funding**

- 4.4 TfL had positive engagement with the Department for Transport (DfT) ahead of the Autumn Statement on several schemes to support transport and sustain jobs and growth, but none of these were ultimately successful. However, TfL is eligible to bid for up to £10m of “pinch point” funding to remove bottlenecks on TfL and borough roads.
- 4.5 The Autumn Statement sets out £5.5bn of additional capital expenditure and support for private investment. This is part funded by a £4bn reduction in departmental resource budgets between 2013/14-2014/15. This is expected to reduce non-protected departmental expenditure by one per cent in 2013/14 and two per cent in 2014/15. The Department for Communities and Local Government (DCLG) has indicated that there will be a 1.6 per cent reduction to TfL’s element of funding that comes through Business Rate Retention (BRR) in 2013/14 and 2014/15, equating to a £12m reduction in each year.
- 4.6 In addition, the Bus Service Operator Grant (BSOG), paid by government to refund some of the fuel duty paid by bus operators, will now be paid through TfL (rather than directly to operators). This will in part be paid through the BRR mechanism, and in part through the Transport Grant.
- 4.7 While no final figure has been agreed for the level of BSOG that TfL will receive, a current working assumption from the DCLG is for the £45m paid through the BRR mechanism to be reduced by 1.5 per cent in each year, i.e. a reduction of £675k.
- 4.8 There is also a risk that TfL’s Transport Grant will be reduced, both because of the announced reduction in resource budgets up to 2014/15 and because the Autumn Statement sets out a forecast showing reduced departmental expenditure beyond 2014/15. The Autumn Statement also confirmed that the next Spending Review would cover financial year 2015/16 only and be concluded during the course of this year.
- 4.9 TfL has, however, had constructive discussions with government on the possibility of a longer-term capital settlement for TfL which is believed to be vital for the effective and efficient delivery of the investment programme.

## **5 Next steps**

- 5.1 Where the impacts for 2013/14 from items raised above are concluded over the following weeks, they will be reflected in the TfL Budget that the Board will be asked to approve on 27 March 2013.

### **List of Appendices to this paper:**

None

### **List of Background Papers:**

None

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