Board

Date: **23 May 2018**

Item: **Finance Report – Preliminary results for the year ended 31 March 2018**

This paper will be considered in public

1 Summary

1.1 The Finance Report sets out TfL's preliminary financial results for 2017/18 against Budget and the prior year.

2 Recommendation

2.1 **The Board is asked to note the Finance Report.**

3 Financial Reporting to the Board and Committees

Finance Report – Preliminary results for the year ended 31 March 2018

3.1 Where possible, feedback received from Board Members and others has been taken into account in this latest report. Further suggested improvements will be introduced throughout the 2018/19 financial year.

3.2 The Finance Report describes the financial performance compared to the 2017/18 Budget approved by the Board in March 2017 and against the prior year.

Quarterly Performance Report – Quarter 4, 2017/18

3.3 The Quarterly Performance Report for Quarter 4 will be published online in due course. Previous reports can be viewed at:

https://tfl.gov.uk/corporate/publications-and-reports/quarterly-progress-reports

3.4 The Quarterly Performance Report compares year-to-date results with those of the last five quarters and last five years.

List of appendices to this report:

Appendix 1: Finance Report – Preliminary results for the year ended 31 March 2018

List of Background Papers:

None

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Transport for London finance report

Preliminary results
for the year ended 31 March 2018

MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

About Transport for London (TfL)

Part of the Greater London Authority family led by Mayor of London Sadiq Khan, we are the integrated transport authority responsible for delivering the Mayor's aims for transport.

We have a key role in shaping what life is like in London, helping to realise the Mayor's vision for a 'City for All Londoners'. We are committed to creating a fairer, greener, healthier and more prosperous city. The Mayor's Transport Strategy sets a target for 80 per cent of all journeys to be made on foot, by cycle or using public transport by 2041. To make this a reality, we prioritise health and the quality of people's experience in everything we do.

We manage the city's red route strategic roads and, through collaboration with the London boroughs, can help shape the character of all London's streets. These are the places where Londoners travel, work, shop and socialise. Making them places for people to walk, cycle and spend time will reduce car dependency and improve air quality, revitalise town centres, boost businesses and connect communities.

We run most of London's public transport services, including the London Underground, London Buses, the Docklands Light Railway, London Overground, TfL Rail, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the Emirates Air Line. The quality and accessibility of these services is fundamental to Londoners' quality of life. By improving and expanding public transport, we can make people's lives easier and increase the appeal of sustainable travel over private car use.

We are moving ahead with many of London's most significant infrastructure projects, using transport to unlock growth. We are working with partners on major projects like Crossrail 2 and the Bakerloo line extension that will deliver the new homes and jobs London and the UK need. We are in the final phases of completing the Elizabeth line which, when it opens, will add 10 per cent to London's rail capacity.

Supporting the delivery of high-density, mixed-use developments that are planned around active and sustainable travel will ensure that London's growth is good growth. We also use our own land to provide thousands of new affordable homes and our own supply chain creates tens of thousands of jobs and apprenticeships across the country.

We are committed to being an employer that is fully representative of the community we serve, where everyone can realise their potential. Our aim is to be a fully inclusive employer, valuing and celebrating the diversity of our workforce to improve services for all Londoners.

We are constantly working to improve the city for everyone. This means freezing TfL fares so everyone can afford to use public transport, using data and technology to make services intuitive and easy to use, and doing all we can to make streets and transport services accessible to all. We reinvest every penny of our income to continually improve transport networks for the people who use them every day.

None of this would be possible without the support of boroughs, communities and other partners who we work with to improve our services. We all need to pull together to deliver the Mayor's Transport Strategy; by doing so we can create a better city as London grows.

Contents

The financial information included in the report is unaudited and does not constitute TfL's statutory accounts. TfL's last audited **Statement of Accounts** for the year ended 31 March 2017 was published in September 2017.

All figures within the financial tables have been rounded to the nearest million.

Overview of 2017/18

We continue to make good progress against our long-term objective of turning an operating deficit into a surplus.

We achieved greater operating cost savings than we had budgeted and, once operating costs are adjusted for exceptional items, like-for-like costs have reduced for the second consecutive year.

Total income was £6,559m, £189m (minus three per cent) below budget, principally as a result of lower than budgeted passenger volumes. On a full year like-for-like basis, total income is £204m lower, reflecting the cut in the general grant from Government.

Passenger income has been affected by a one per cent drop in passenger numbers. The impact could have been considerably worse without the Mayor's affordable TfL fares policy. We have also taken steps to successfully slow the decline in bus ridership by implementing a series of improvements in bus journey times.

Operating costs were £6,240m, which is £215m (minus three per cent) below budget. On a like-for-like basis, operating costs have continued to reduce. Comparable costs are £26m lower than last year and £244m lower than 2015/16.

We have achieved this by making further savings and capitalising on commercial opportunities. Over the past year, we have consolidated our head office accommodation, and implemented new business structures and ways of working to function more efficiently and at lower cost. This has included reducing management layers to make our structure less complex.

The capital investment programme delivered key achievements this year, including the upgrade of Bond Street station, the completion of tunnelling on the Northern Line Extension and significant progress with in upgrading the Circle, District, Hammersmith & City and Metropolitan lines signalling.

Management results

Operating account

The year ending 31 March 2018

	2017/18 full year				Full year like-for-like costs			
(£m)	Actuals	Budget	Variance to budget	% variance to budget	2017/18	2016/17	Variance	% variance
Passenger income	4,643	4,778	(135)	-3%	4,643	4,694	(51)	-1%
Other operating income	750	812	(62)	-8%	750	717	33	5%
Total operating income	**5,393**	**5,590**	**(197)**	**-4%**	**5,393**	**5,411**	**(18)**	**0%**
General grant	228	228	-	0%	228	447	(219)	-49%
Business rates retention	854	854	-	0%	854	854	-	0%
Other revenue grants	84	76	8	11%	84	51	33	65%
Total income	**6,559**	**6,748**	**(189)**	**-3%**	**6,559**	**6,763**	**(204)**	**-3%**
Operating cost	(6,240)	(6,455)	215	-3%	(6,088)	(6,114)	26	0%
Net operating surplus	319	293	26	9%	471	649	(178)	-27%
Depreciation and amortisation	(1,114)	(1,076)	(38)	4%	(1,114)	(1,087)	(27)	2%
Net cost of operations before financing	**(795)**	**(783)**	**(12)**	**2%**	**(643)**	**(438)**	**(205)**	**46%**
Net financing costs	(428)	(445)	17	-4%	(428)	(413)	(15)	4%
Net cost of transport operations	**(1,223)**	**(1,228)**	**5**	**0%**	**(1,071)**	**(851)**	**(220)**	**26%**

*Like-for-like operating costs have been adjusted to exclude one-off items such as Transformation costs, pension deficit recovery payments and Elizabeth line increases

Net operating surplus

We were £26m (nine per cent) ahead of budgeted net operating surplus, reflecting our strong performance in reducing operating costs.

Operating costs were £215m (minus three per cent) less than budget as we continue to deliver savings through consolidating head office accommodation, modernising our structure and ways of working.

This was partially offset by total income being £189m (minus three per cent) below budget mainly as a result of fewer passenger journeys, reflecting an overall reduction in rail demand in the South East. Figures published by the Office of Rail and Road, show that passenger numbers on TfL services have held up better than comparable services around the country, supported by the Mayor's TfL fares freeze and the extension of the Hopper fare.

Income

Economic factors have affected passenger journeys and advertising income, contributing to passenger income being £135m (minus three per cent) and other operating income being £62m (minus eight per cent) lower than budget. On a like-for-like basis, passenger income was one per cent lower than 2016/17, while other operating income was five per cent higher.

- LU passenger income was £121m (minus four per cent) lower than budget, largely driven by fewer journeys. This trend has been improving in more recent months. Full year underlying passenger journey demand is just under one per cent lower than 2016/17

- Bus passenger income was £17m (one per cent) favourable to budget. Passenger journeys are 47 million (two per cent) higher than budget, largely due to average bus speeds increasing and also improved ticket machine reliability following software improvements

- Rail passenger journey income was £34m (minus six per cent) lower than budget, due to fewer passenger journeys and also exceptional events, such as a 48-hour DLR strike (£1m), and Network Rail's closure of the London Overground Gospel Oak to Barking line (£4m) for major improvements

- Congestion charge and enforcement income was £55m (-15 per cent) below budget partially driven by the delay to the Penalty Charge Notice (PCN) increase (£14m). Traffic volumes were down six per cent year-on-year (£13m), and PCN volumes were lower due to a reduction of vehicles in the zone (£12m)

- Commercial Development income was £13m (minus five per cent) lower than budget mainly a result of challenging market conditions affecting advertising income

Costs

Full year operating costs were £215m (minus three per cent) under budget:

- LU direct operating costs were £51m (minus two per cent) lower than budget reflecting further cost-saving measures. These include reducing the number of non-operational staff, delivering maintenance more efficiently and re-profiling certain projects and maintenance costs into future years (£45m)

- Rail direct operating costs were £46m (minus eight per cent) lower than budget. Savings include higher than anticipated profit share from the final year with the previous London Overground operator (LOROL), compensation payments for LO closures and lower than expected operator performance (£17m). Within TfL Rail, savings included train maintenance (£8m) and recruitment costs (£4m)

- Streets direct operating costs were £30m (minus six per cent) lower than budget. This is a result of lower Congestion Charge costs (£17m) and reprofiling Local Implementation Plan Corridor spend into 2018/19 (£8m)

- Commercial Development direct operating costs were £11m (-19 per cent) lower than budget due to staff and consultancy cost savings (£14m) and lower legal and building maintenance costs (£4m), offset by costs budgeted as capital but reclassified as operating costs (£7m)

- Bus operating costs were £14m (one per cent) higher than budget, principally as a result of higher incentivisation bonuses due to improved bus reliability (£12m) and service changes not being realised in full until contract re-tender (£11m). These were partially offset by a reprofiling of expenditure in line with the delivery of the Low Emission Bus Zones (£4m) and savings on hybrid and electric bus premiums for routes in the Ultra Low Emission Zone (£3m)

- Other operations' direct costs were £62m (-19 per cent) lower than budget. This is driven by lower staff costs and rephasing of feasibility projects (£40m)

- Indirect operating costs were £29m (minus four per cent) lower than budget. Cost reductions included lower staff costs (£9m), and supplier contract savings relating to merchant fees and rent negotiation

Capital account

(£m)	Actuals	Budget	Variance to budget	% variance to budget	2017/18	2016/17	Variance	% variance
	2017/18 full year				Full year			
Capital renewals	(559)	(660)	101	-15%	(559)	(793)	234	-30%
New capital investment	(1,459)	(1,587)	128	-8%	(1,459)	(1,093)	(366)	33%
Crossrail	(1,530)	(1,104)	(426)	39%	(1,530)	(1,593)	63	-4%
Total capital expenditure	**(3,548)**	**(3,351)**	**(197)**	**6%**	**(3,548)**	**(3,479)**	**(69)**	**2%**
Financed by:								
Investment grant	960	960	-	0%	960	944	16	2%
Third-party contributions	62	50	12	24%	62	33	29	88%
Property income	59	275	(216)	-79%	59	15	44	293%
Crossrail funding sources	108	216	(108)	-50%	108	170	(62)	-36%
Other capital grants	183	232	(49)	-21%	183	154	29	19%
Total	**1,372**	**1,733**	**(361)**	**-21%**	**1,372**	**1,316**	**56**	**4%**
Net capital account	**(2,176)**	**(1,618)**	**(558)**	**35%**	**(2,176)**	**(2,163)**	**(13)**	**1%**

Total capital expenditure excluding Crossrail, is £229m (-10 per cent) lower than budget over the full year. This is principally a result of cost reductions and some project reprofiling into future years.

- LU capital costs are £56m (minus five per cent) lower than budget. The pause in the Jubilee and Northern line upgrades has saved around £56m, and a further £110m has been reprofiled into later years. This has been offset by accelerated works on the Four Lines Modernisation (Circle, District, Hammersmith & City and Metropolitan lines) signalling system (£30m) and increased Major Stations' provisions (£25m)

- Rail capital costs are cumulatively £110m (-19 per cent) lower than budget. Across the portfolio, £26m of costs have been reprofiled into future years on various projects, including White Hart Lane station, Night Overground noise barriers, Blackhorse Lane Bridge and Dingwall loop. Within TfL Rail £53m has been reprofiled following delayed acceptance of new rolling stock and depot construction

- Streets capital expenditure is £13m (minus six per cent) lower than budget, primarily a result of reduced activity. Savings include delivering bus priority targets at a lower cost, and asset renewal reduction in advance of the 2018/19 pause in the proactive renewals programme

- Cumulative Bus capital expenditure is £29m (-57 per cent) lower than budget. This is a result of the advanced delivery of 18 new buses into 2016/17 (£6m) and deferral of renewals of New Routemaster batteries, and bus stops and shelters (£6m)

- Commercial Development capital investment is £28m (-28 per cent) less than budgeted. This is a mainly the result of deferring costs into 2018/19 on the advertising partnerships' capital delivery programme (£17m) and the Earls Court development (£9m)

The Elizabeth line remains on course to open in December 2018. Construction and fit-out of the new Elizabeth line stations and tunnels is well advanced and the infrastructure testing phase has commenced with a new class 345 train is running under signalling in the tunnels. From this summer, Crossrail Limited will begin handing the completed infrastructure over to us for operational testing.

There are cost and schedule pressures that Crossrail Limited continues to manage. The annual budget contains forecast assumptions about the timing and scope of work which are set up to 18 months in advance and therefore variances are to be expected, particularly on a project of this size and complexity.

Sources of finance in the capital account are £361m below (-21 per cent) budget:

- Property income is £216m below budget (-79 per cent), due to the change in strategy from disposal to retaining assets for ongoing operating income

- Crossrail funding sources are £108m below budget (-50 per cent) due to lower Mayor Community Infrastructure Levy (CIL) and S106 receipts (£52m), and the re-profiling of over site development works (£56m). This reflects lower than expected development activity in 2017/18

- Other capital grants are £49m lower than budget (-21 per cent), mostly due to lower than budgeted expenditure on Northern line Extension (NLE)

Cash

Cash flow summary

	Full year			
(£m)	Actuals	Budget	Variance to budget	% variance to budget
Net cost of transport operations	(1,223)	(1,228)	5	0%
Non-cash depreciation	1,114	1,076	38	4%
Net capital expenditure	(2,176)	(1,618)	(558)	34%
Borrowing	620	620	-	0%
Working capital movements	1,634	1,163	471	40%
Increase (decrease) in cash balances	**(31)**	**13**	**(44)**	

Cash balances

(£m)	2016/17 opening cash	Prior periods' movements	Period 13 movements	Period 13 closing cash	Variance to budget
TfL cash balances	1,451	(230)	92	1,313	79
Crossrail	510	144	(37)	617	(123)
Cash balances	**1,961**	**(86)**	**55**	**1,930**	**(45)**

Cash balances are £1,930m, £45m lower than budget at the end of the year, driven by a deficit on the capital account due to higher capital expenditure, lower property sales and lower capital funding. This has been offset by favourable working capital movements of £471m, partly due to higher external creditors in Crossrail where the increased expenditure has led to higher accruals.

Excluding Crossrail, cash balances are £138m lower than at the end of 2016/17.

Headcount

Full-time equivalent (FTE) employees	End of 2016/17 actuals	Prior periods' net (leavers)/ joiners	Period 13 net (leavers)/ joiners	Period 13 actual	Period 13 budget	Variance to budget	% variance to budget
Underground	20,121	(417)	(86)	19,618	20,233	(615)	-3%
Rail	465	97	(1)	557	650	(93)	-14%
Buses*	786	(203)	(5)	578	789	(211)	-27%
Streets*	1,860	(339)	(18)	1,503	1,673	(170)	-10%
Other operations	1,370	39	(14)	1,400	1,621	(221)	-14%
Professional services	3,606	351	(11)	3,946	4,546	(600)	-13%
Commercial development	179	21	3	203	229	(26)	-11%
Crossrail	803	(112)	(40)	651	581	70	12%
Total FTEs	**29,190**	**(563)**	**(172)**	**28,456**	**30,322**	**(1,866)**	**-6%**

*End of 2016/17 actuals are restated to reflect the recategorisation of 238 enforcement staff from Streets to Buses

	Period 13				Full year			
Employee costs (£m)	Actual	Budget	Variance to budget	% variance to budget	Actual	Budget	Variance to budget	% variance to budget
Permanent	(252)	(211)	(41)	19%	(1,991)	(2,057)	66	-3%
Non-permanent Labour (NPL)	(8)	(12)	4	-33%	(109)	(159)	50	-31%
Total employee costs	**(260)**	**(223)**	**(37)**	**17%**	**(2,100)**	**(2,216)**	**116**	**-5%**

Headcount is down 734 in the year, a result of continued recruitment controls, reduced use of non-permanent labour and the Transformation programme.

- LU headcount reduced by 503 since the end of last year following the transfer of 549 commercial and finance staff to central professional services and further headcount reductions, offset by the recruitment of 325 additional station staff following last year's station review
- The increase of 340 in Professional Services since the start of year is a result of 868 staff transferring in from other areas. This is offset by 297 leavers across the Finance, Commercial and Technology and Data Transformation workstreams, vacancies and fewer graduates.

Employee levels are 1,867 (minus six per cent) lower than budget at the end of the year. This reflects ongoing recruitment controls, staff reductions from the Transformation programme and reductions in temporary staff.

Balance sheet

TfL Group balance sheet

£m	31 March 2018	31 March 2017	Movement	31 March 2018	Period 13 Budget	Movement
Intangible assets	116	140	(24)	116	89	27
Property, plant and equipment	39,304	36,839	2,465	39,304	39,179	125
Investment properties	592	558	34	592	557	35
Investment in associate entities	319	368	(49)	319	399	(80)
Long-term derivatives	12	18	(6)	12	18	(6)
Long-term finance lease receivables	17	4	13	17	31	(14)
Long-term debtors	27	26	1	27	20	7
Long-term assets	**40,387**	**37,953**	**2,434**	**40,387**	**40,293**	**94**
Stocks	64	72	(8)	64	72	(8)
Short-term debtors	542	1,821	(1,279)	542	551	(9)
Short-term derivatives	6	12	(6)	6	12	(6)
Assets held for sale	21	15	6	21	15	6
Short-term finance lease receivables	8	1	7	8	9	(1)
Cash and short-term investments	1,930	1,961	(31)	1,930	1,975	(45)
Current assets	**2,571**	**3,882**	**(1,311)**	**2.571**	**2,634**	**(63)**
Short-term creditors	(2,338)	(2,146)	(191)	(2,338)	(2,186)	(152)
Short-term derivatives	(1)	(4)	3	(1)	-	(1)
Short-term borrowings	(846)	(1,106)	260	(846)	(1,106)	260
Short-term lease liabilities	(70)	(77)	7	(70)	(50)	(20)
Short-term provisions	(319)	(194)	(125)	(319)	(146)	(173)
Current liabilities	**(3,574)**	**(3,527)**	**46**	**(3,574)**	**(3,488)**	**(86)**
Long-term creditors	(65)	(56)	(10)	(65)	(57)	(8)
Long-term borrowings	(9,569)	(8,690)	(879)	(9,569)	(9,310)	(259)
Long-term lease liabilities	(418)	(488)	70	(418)	(440)	22
Long-term derivatives	(52)	(79)	27	(52)	(78)	26
Other provisions	(105)	(44)	(61)	(105)	(22)	(83)
Pension provision	(5,367)	(5,364)	(3)	(5,367)	(5,364)	(3)
Long-term liabilities	**(15.576)**	**(14,721)**	**(855)**	**(15,576)**	**(15,271)**	**(305)**
Total net assets	**23,808**	**23,587**	**221**	**23,808**	**24,168**	**(360)**
Capital and reserves						
Usable reserves	1,661	1,861	(200)	1,661	1,894	(233)
Unusable reserves	22,147	21,726	421	22,147	22,274	(127)
Total capital employed	**23,808**	**23,587**	**221**	**23,808**	**24,168**	**(360)**

Balance sheet movement vs budget

- Fixed assets: £187m (0.5 per cent) higher, mainly due to £178m higher additions of assets offset by £49m lower disposals and £38m higher than budgeted depreciation
- Investment in associate entities: £80m (20 per cent) lower, representing our share (£62m) of post-tax losses to 31 December 2017 in the Earls Court Partnership company (ECP), £10m lower loan notes issued to ECP. There was also a £20m loan budgeted for the Garden Bridge and £12m share of net assets of Kidbrooke Partnership Limited
- Long term finance lease receivables: £14m (-45 per cent) lower, as a result of slower than budgeted delivery of the advertising capital upgrade programme
- Cash and short-term investments: £45m (minus two per cent) lower than budget:
  - £35m lower operating account (excluding depreciation)
  - £187m higher capital expenditure
  - £460m other working capital variances, £193m of this is Crossrail related
  - £41m lower grant income
  - £216m lower property income following change in strategy from disposal to retaining assets
  - £12m higher third-party capital contributions
  - £108m lower Crossrail CIL and S106 income
- Short-term creditors: £152m (seven per cent higher), mostly due to increased Crossrail capital accruals
- Short and long-term provisions £256m (152 per cent) higher than budget

Balance sheet movement vs prior year end

- Fixed assets: £2,475m (seven per cent) higher. £3,614m acquisitions, £54m revaluation increase, offset by £78m disposal of assets and £1,115m depreciation
- Investment in associate entities: £49m (-13 per cent) lower, representing our share of post tax losses to 31 December 2017 in the ECP
- Short-term debtors: £1,279m (-70 per cent) lower, mainly as a result of the receipt of £1,266m of Network Rail loan repayments, which has now cleared this loan
- Short and long-term borrowings: £619m (six per cent) higher, reflecting the amount of new net borrowings

Appendices

Appendix A: divisional tables

London Underground

	Full year			
(£m)	Actuals	Budget	Variance to budget	% variance to budget
Passenger income	2,632	2,753	(121)	-4%
Other operating income	36	32	4	13%
Total operating income	**2,668**	**2,785**	**(117)**	**-4%**
Direct operating cost	(2,136)	(2,187)	51	-2%
Indirect operating cost	(445)	(462)	17	-4%
Net operating surplus	**87**	**136**	**(49)**	**-36%**
Depreciation	(696)	(671)	(25)	4%
Net cost of operations before financing	**(609)**	**(535)**	**(74)**	**14%**
Capital renewals	(354)	(411)	57	-14%
New capital investment	(746)	(745)	(1)	0%
Net capital expenditure	**(1,100)**	**(1,156)**	**56**	**-5%**

Rail

	Full year			
(£m)	Actuals	Budget	Variance to budget	% variance to budget
Passenger income	507	541	(34)	-6%
Other operating income	21	18	3	17%
Total operating income	**528**	**559**	**(31)**	**-6%**
Direct operating cost	(539)	(585)	46	-8%
Indirect operating cost	(34)	(36)	2	-6%
Net operating deficit	**(45)**	**(62)**	**17**	**-27%**
Depreciation	(139)	(139)	-	0%
Net cost of operations before financing	**(184)**	**(201)**	**17**	**-8%**
Capital renewals	(27)	(45)	18	-40%
New capital investment	(443)	(535)	92	-17%
Crossrail	(1,530)	(1,104)	(426)	39%
Net capital expenditure	**(2,000)**	**(1,684)**	**(316)**	**19%**

Streets

(£m)	Full year Actuals	Budget	Variance to budget	% variance to budget
Passenger income	-	-	-	0%
Other operating income	314	369	(55)	-15%
Total operating income	**314**	**369**	**(55)**	**-15%**
Direct operating cost	(499)	(529)	30	-6%
Indirect operating cost	(84)	(89)	5	-6%
Net operating deficit	**(269)**	**(249)**	**(20)**	**8%**
Depreciation	(142)	(139)	(3)	2%
Net cost of operations before financing	**(411)**	**(388)**	**(23)**	**6%**
Capital renewals	(108)	(117)	9	-8%
New capital investment	(99)	(103)	4	-4%
Net capital expenditure	**(207)**	**(220)**	**13**	**-6%**

Buses

(£m)	Full year Actuals	Budget	Variance to budget	% variance to budget
Passenger income	1,453	1,436	17	1%
Other operating income	13	10	3	30%
Total operating income	**1,466**	**1,446**	**20**	**1%**
Direct operating cost	(2,104)	(2,090)	(14)	1%
Indirect operating cost	(67)	(71)	4	-6%
Net operating deficit	**(705)**	**(715)**	**10**	**-1%**
Depreciation	(47)	(45)	(2)	4%
Net cost of operations before financing	**(752)**	**(760)**	**8**	**-1%**
Capital renewals	(10)	(17)	7	-39%
New capital investment	(12)	(34)	22	-65%
Net capital expenditure	**(22)**	**(51)**	**29**	**-57%**

Commercial Development

	Full year			
(£m)	Actuals	Budget	Variance to budget	% variance to budget
Passenger income	-	-	-	0%
Other operating income	251	264	(13)	-5%
Total operating income	**251**	**264**	**(13)**	**-5%**
Direct operating cost	(47)	(58)	11	-19%
Indirect operating cost	-	-	-	0%
Net operating surplus	**204**	**206**	**(2)**	**-1%**
Depreciation	-	-	-	0%
Net cost of operations before financing	**204**	**206**	**(2)**	**-1%**
New capital investment	(70)	(97)	27	-28%
Capital receipts	59	275	(216)	-79%
Crossrail property receipts	-	56	(56)	-100%
Net capital expenditure	**(11)**	**234**	**(245)**	**-105%**

Other operations

	Full year			
(£m)	Actuals	Budget	Variance to budget	% variance to budget
Passenger income	51	48	3	6%
Other operating income	115	119	(4)	-3%
Total income	**166**	**167**	**(1)**	**-1%**
Direct operating cost	(265)	(327)	62	-19%
Indirect operating cost	(20)	(21)	1	0%
Net operating deficit	**(119)**	**(181)**	**62**	**-34%**
Depreciation	(90)	(83)	(7)	8%
Net cost of operations before financing	**(209)**	**(264)**	**55**	**-21%**
Capital renewals	(59)	(71)	12	-17%
New capital investment	(90)	(73)	(17)	23%
Net capital expenditure	**(149)**	**(144)**	**(5)**	**3%**

Appendix B: Passenger income, passenger journeys and yield

Passenger income

	Full year			
(£m)	Actuals	Budget	Variance to budget	% variance to budget
London Underground	2,632	2,753	(121)	-4%
TfL Rail	83	91	(8)	-9%
DLR	168	171	(3)	-2%
London Overground	225	248	(23)	-9%
London Trams	24	24	-	0%
Emirates Air Line	6	7	(1)	-14%
Buses	1,453	1,436	17	1%
Oyster write off and deposits	51	48	3	6%
Total passenger income	**4,642**	**4,778**	**(136)**	**-3%**

Passenger journeys

	Full year			
Million	Actuals	Budget	Variance to budget	% variance to budget
London Underground	1,357	1,412	(55)	-4%
TfL Rail	45	47	(2)	-4%
DLR	120	124	(4)	-3%
London Overground	190	203	(13)	-6%
London Trams	29	29	-	0%
Emirates Air Line	1.4	1.6	(0.2)	-12%
Buses	2,247	2,200	47	2%
Total passengers	**3,990**	**4,017**	**(27)**	**-1%**

Passenger income yield*

	Full year			
(£ per journey)	Actuals	Budget	Variance to budget	% variance to budget
London Underground	1.94	1.95	-0.01	-0.5%
TfL Rail	1.84	1.95	-0.11	-5.6%
DLR	1.40	1.38	0.03	1.9%
London Overground	1.19	1.22	-0.03	-2.5%
Trams	0.83	0.83	-	0.1%
EAL	4.26	4.45	-0.19	-4.3%
Buses	0.65	0.65	-	-0.9%
Average yield	**1.16**	**1.19**	**-0.03**	**-2.5%**

* Passenger income yield includes the effects of retrospective Travelcard adjustments

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