Transport for London quarterly performance report

Quarter 1 (1 April 2019 - 22 June 2019)

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 DLR, 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 open, will add 10 per cent to central 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 ending 31 March 2018 was published in July 2018. TfL's draft unaudited **Statement of Accounts** for the year ending 31 March 2019 was published in May 2019.

Introduction

We had a strong first quarter, with net operating surplus ahead of budget and last year.

Passenger income is £29m above budget with strong performance on the London Underground. London Buses revenue is above budget, with a lower than expected decline in off-peak journeys.

Other income is close to budget but significantly up on last year due to the launch of the Ultra Low Emission Zone (ULEZ) on 8 April 2019. Compliance rates are higher than originally modelled, which is encouraging, although does result in a considerable income pressure to the budget.

Operating costs for Q1 are £81m, or five per cent, below budget and are down on last year. Variances against Budget are from a combination of lower costs than expected, as well as timing differences on projects and restructuring costs.

Key highlights in the capital investment programme in Q1 include the completion of track installation for the Northern Line Extension, and the removal of both the Old Street roundabout and Highbury Corner Gyratory as the first stage in transforming both these junctions.

Following the announcement in April by the new Crossrail management team of the six-month opening window for the central operating section, work continues on the detailed delivery programme and associated final cost forecast.

The underlying business performance remains strong. Year-on-year income is up and like-for-like operating costs are down, despite a tough external environment and delays to the Crossrail project.

The Budget was written in January on the expectation that the UK would leave the EU on 29 March 2019. Our demand and cost assumptions were cautious reflecting uncertainty in the wider economy. We are now seeing significant out-performance against our Budget, despite continuing economic uncertainty. As a result, we are reviewing our budgetary assumptions and will report back to the Board.

Simon Kilonback
Chief Finance Officer

Sarah Bradley
Group Financial Controller

Business at a glance

Keeping London moving, working and growing to make life in our city better

How we report on our business

TRANSPORT FOR LONDON

- London Underground
- Elizabeth line
- London Buses
- Rail
- Streets
- Other operations
- Major projects
- Property
- Media

Facts and figures

945 Trains on the TfL network

580km TfL-operated highways

720km TfL-operated Rail and London Underground routes

9,330 Buses on the TfL network

6,365 Traffic signals operated by TfL

Budget at a glance

Grants
£2.2bn

Use of borrowing, working capital and cash reserves
£0.9bn

Other income
£1.2bn

Passenger income
£4.9bn

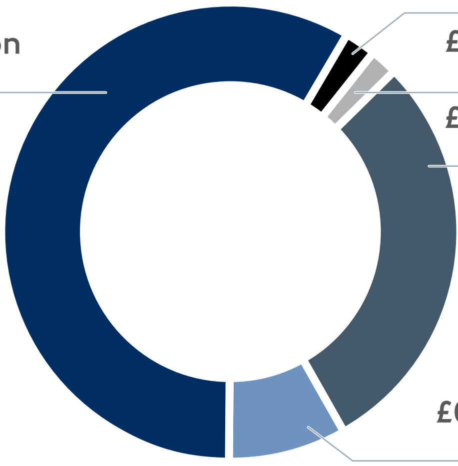
Crossrail funding
£1.2bn

Sources of funds
£10.3bn

75%
spent on running and operating the network every day

25%
spent renewing and improving the network through one of the largest capital investment programmes in Europe

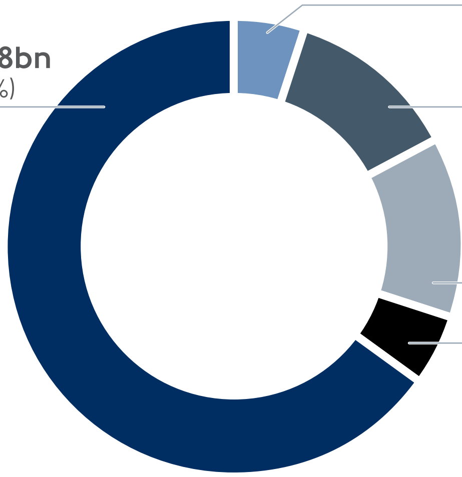
Total passenger income



Total: **£4.9bn**

- London Underground
- Rail
- Buses
- TfL Rail
- Other

Total costs



Total: **£10.3bn**

- Operating cost
- New capital investment
- Capital renewals
- Crossrail
- Net financing

Financial summary

Performance in the year to date

Operating account

TfL Group (£m)	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Passenger income	1,108	1,079	29	1,096	12
Other operating income	213	214	(1)	183	30
Total operating income	**1,321**	**1,293**	**28**	**1,279**	**42**
Business Rates Retention	258	258	–	256	2
Other revenue grants	24	23	1	10	14
Total income	**1,603**	**1,574**	**29**	**1,545**	**58**
Operating cost	(1,426)	(1,507)	81	(1,406)	(20)
Net operating surplus	**177**	**67**	**110**	**139**	**38**
Capital renewals	(88)	(110)	22	(92)	4
Net cost of operations before financing	**89**	**(43)**	**132**	**47**	**42**
Net financing cost	(102)	(106)	4	(102)	–
Net cost of operations	**(13)**	**(149)**	**136**	**(55)**	**42**

Capital account

TfL Group (£m)	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
New capital investment	(249)	(320)	71	(350)	101
Crossrail	(260)	(339)	79	(351)	91
Net capital expenditure	**(509)**	**(659)**	**150**	**(701)**	**192**
Financed by:					
Investment grant	241	241	–	264	(23)
Property and asset receipts	17	21	(4)	–	17
Borrowing	(66)	278	(344)	235	(301)
Crossrail funding sources	245	376	(131)	47	198
Other capital grants	44	62	(18)	40	4
Total	**481**	**978**	**(497)**	**586**	**(105)**
Net capital account	**(28)**	**319**	**(347)**	**(115)**	**87**

Cash flow summary

TfL Group (£m)	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Net cost of operations	(13)	(149)	136	(55)	42
Net capital account	(28)	319	(347)	(115)	87
Working capital movements	(90)	(171)	81	31	(121)
Decrease in cash balances	**(131)**	**(1)**	**(130)**	**(139)**	**8**

Passenger journey analysis

TfL Group (£m)	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Number of passenger journeys (millions)	909	892	17	922	(13)
Average yield per passenger journey (£)	1.22	1.21	0.01	1.19	0.03
Operating cost per journey (£)	(1.57)	(1.69)	0.12	(1.52)	(0.05)

We have made a strong start to 2019/20, with the year-to-date net cost of operations being £136m better than budget and £42m lower than last year.

Total income is £29m higher than budget owing to stronger than expected demand on both London Underground and London Buses. Other operating income has grown by £30m compared to the same quarter last year owing to the launch of the ULEZ in April 2019.

Operating costs are £81m lower than budget. Around 50 per cent of this saving relates to timing differences from restructuring projects and maintainance costs. The rest represents savings which we expect to carry through to the end of the year.

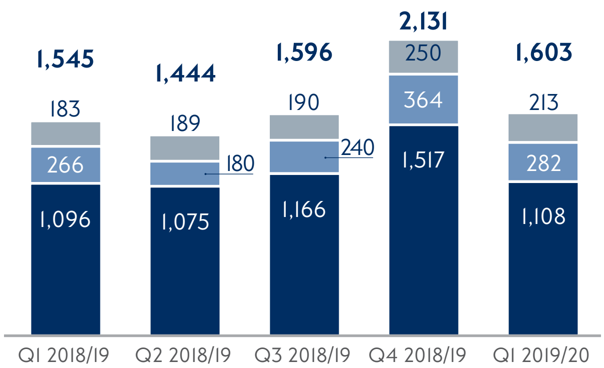
Total capital renewals and new investment are £93m lower than budget. This is from a combination of timing and re-phasing, as well as genuine savings. Some are linked to how we historically accounted for risk and we are reviewing our budgetary assumptions.

At the end of Q1, cash balances are £130m below budget. Favourable movements in the operating account are offset by the timing of new borrowings. During Q1 our level of borrowing decreased by £66m following the repayment of debt and no new borrowing has been undertaken.

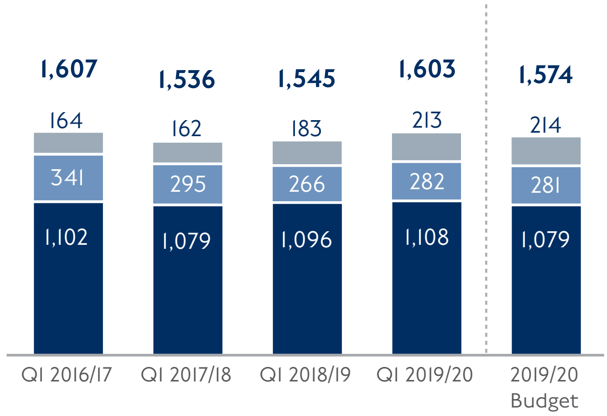
Financial trends

Total income*

Quarterly (£m)



Year on year (£m)



- Passenger income
- Grants
- Other income

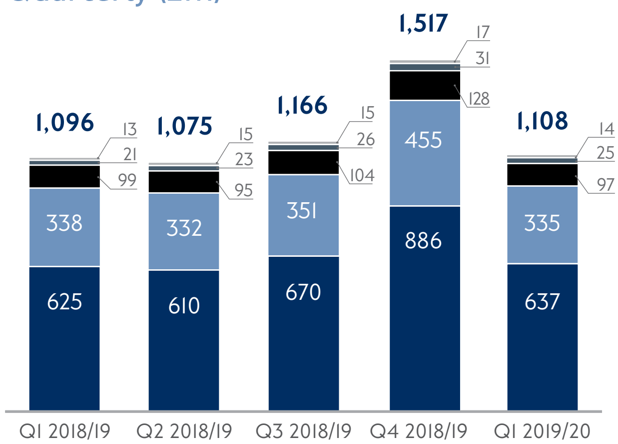
Total income
£29m above budget

4% ▲ year on year

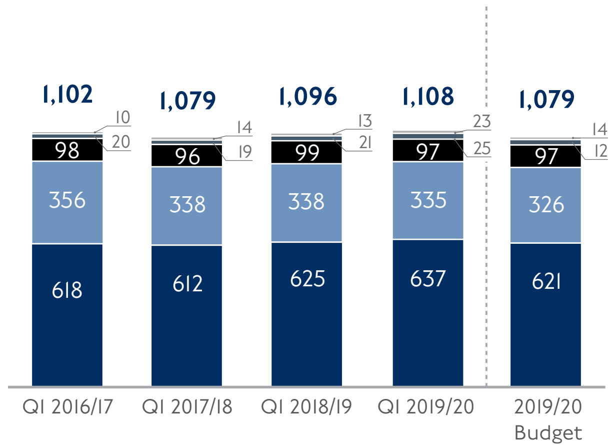
Total income is better than budget, largely owing to higher passenger income. This is a result of increased demand on London Underground and upturn in off-peak demand on London Buses.

Total passenger income*

Quarterly (£m)



Year to date (£m)



- London Underground
- Buses
- Rail
- TfL Rail
- Other operations

Passenger income
£29m above budget

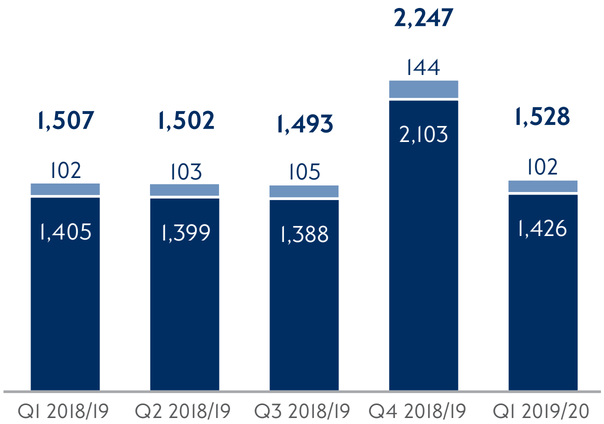
1% ▲ year on year

Passenger income continues to grow compared to 2018/19. Overall customer demand has increased for London Underground, TfL Rail and some areas of Rail.

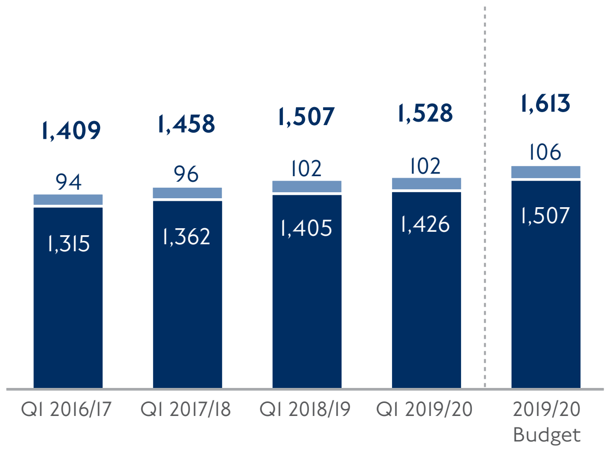
* Q4 is longer than Q1 to Q3 (16 weeks and one day vs 12 weeks)

Total cost*

Quarterly (£m)



Year on year (£m)



■ Operating cost

■ Net financing cost

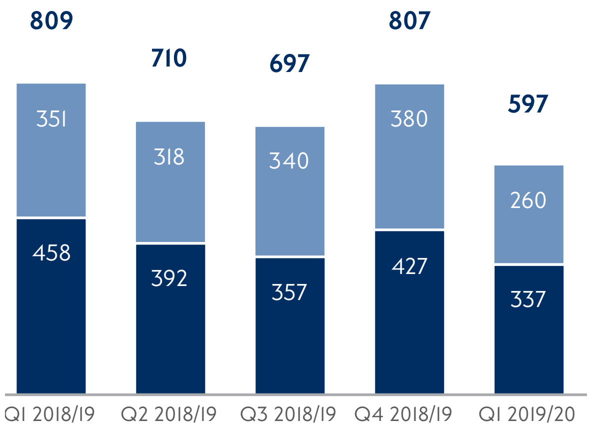
Operating costs
£81m below budget

1% ▲ year on year

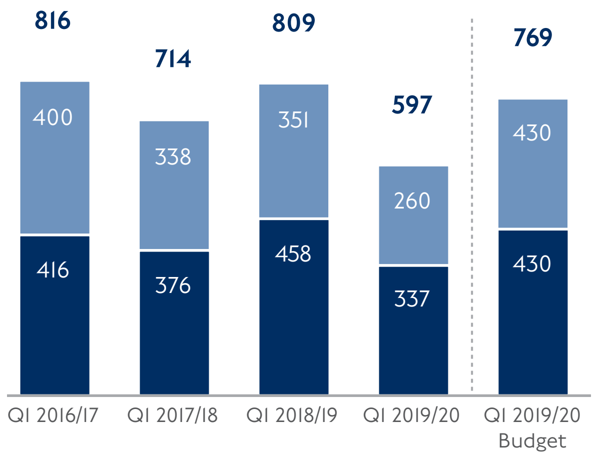
Lower than budgeted operating costs are owing to all areas performing ahead of budget.

Total capital expenditure*

Quarterly (£m)



Year to date (£m)



■ Capital investment and renewals

■ Crossrail

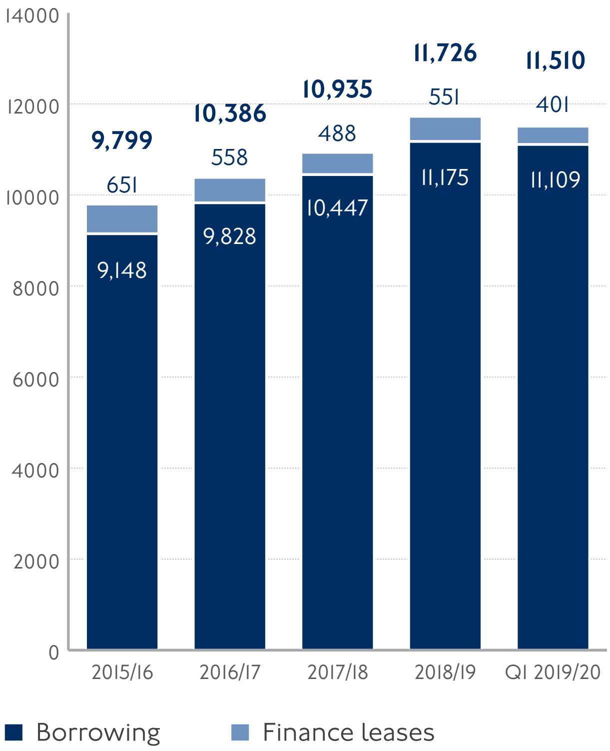
£3.1bn
full year budget

26% ▼ year on year

Capital expenditure is significantly below budget. The in-year rescheduling of projects currently has no impact on overall milestones.

Debt and cash

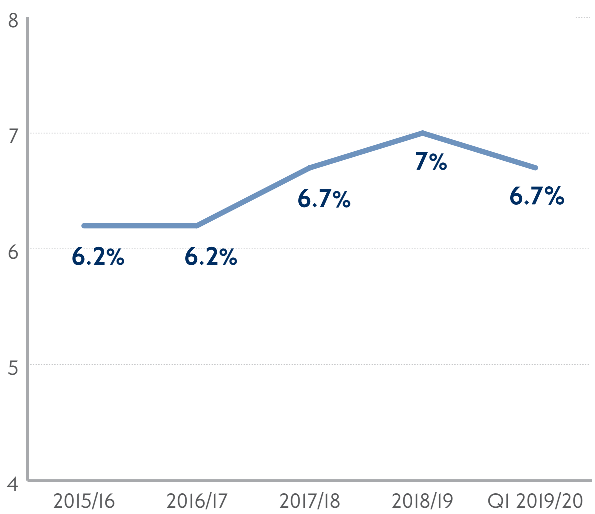
Total value of debt (£m)



The Budget assumes that our borrowing will grow by £845m by 31 March 2020, within the limits agreed with the Government. At the end of Q1, our borrowing had decreased by £66m, owing to £16m long-term debt repayments and a £50m reduction in our outstanding commercial paper balance. No new borrowing was undertaken during Q1. We are planning to raise new borrowing later in the year to meet our incremental borrowing target.

The total nominal value of borrowing outstanding at the end of the quarter was £11,109m, of which £10,421m was long term.

Financing costs (% of total income)*



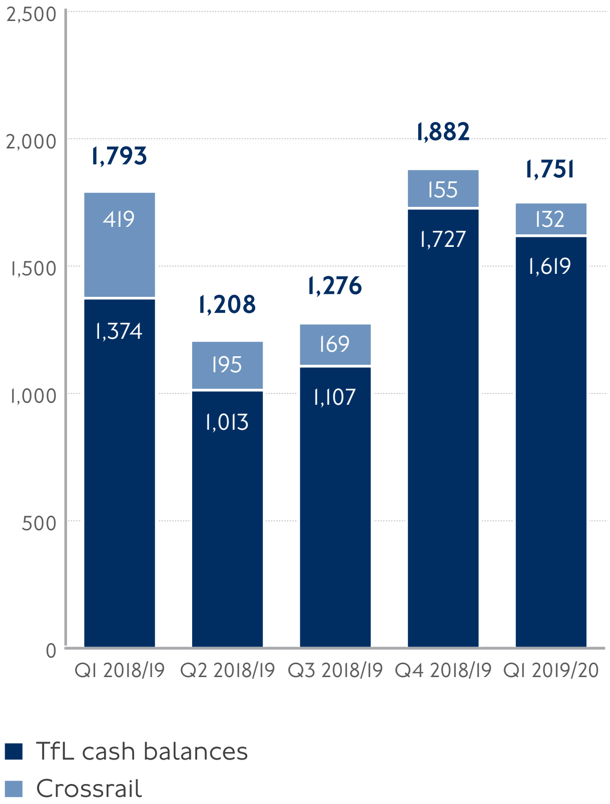
The ratio of financing costs to total income, including operating grants, helps TfL to monitor the affordability of its debt.

Financing costs and income (£m)

Year to date	Q1 2019/20	Q1 Budget	Variance
Interest income	5	4	1
Financing costs	(96)	(100)	4
PFI interest payable	(11)	(11)	-

* Financing costs include interest costs for borrowing and finance leases

Cash balances (£m)



£131m

Decrease in cash

7% ▼

Cash balances

Cash balances have decreased by £131m since the start of the year to stand at £1,751m at the end of Q1. Of the total balance, £132m is ring-fenced to deliver the Crossrail project. In addition, we aim to hold a prudent minimum level of cash for TfL (excluding Crossrail) for exceptional circumstances and to retain a high credit rating, in line with our liquidity policy approved by the TfL Board. This level of cash reserves – currently around £560m – is driven by the size of our operating costs and the level of our debt.

We expect to continue to use our balances to fund the improvements outlined in our Business Plan and in our Budget.

Credit ratings

We are rated by the three leading international rating agencies. Our rating with Fitch is currently on Rating Watch Negative, reflecting the Rating Watch Negative on the UK Government due to the ongoing uncertainty over Brexit and the likely impact on the UK economy.

Credit ratings	
Moody's	Aa3 stable outlook
Standard & Poor's	AA- negative outlook
Fitch	AA- Rating Watch Negative

Passenger journeys

Q1, year to date

909m
total journeys

892m
budget

922m
prior year

London Underground
315m

2.9%▲ budget

0.5%▲ prior year

Buses
505m

1.4%▲ budget

2.8%▼ prior year

DLR
28m

1.3%▲ budget

1.5%▼ prior year

London Overground
42m

0.2%▲ budget

3.5%▼ prior year

London Trams
6m

1.4%▼ budget

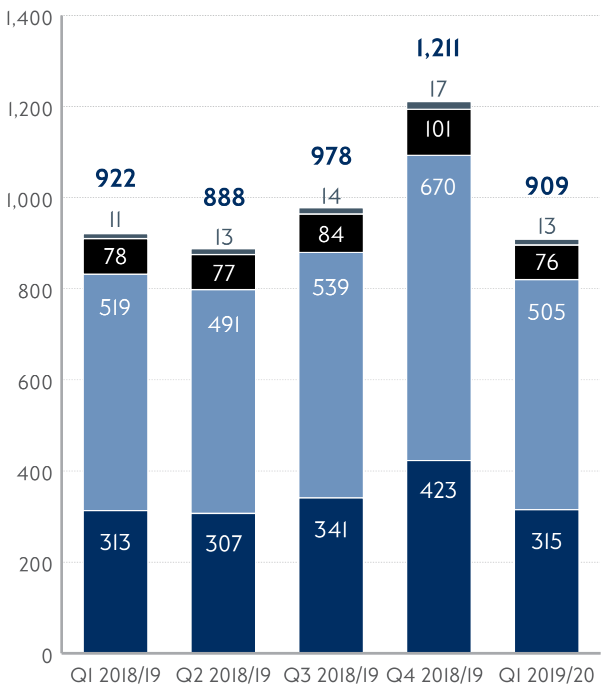
2.8%▼ prior year

TfL Rail
13m

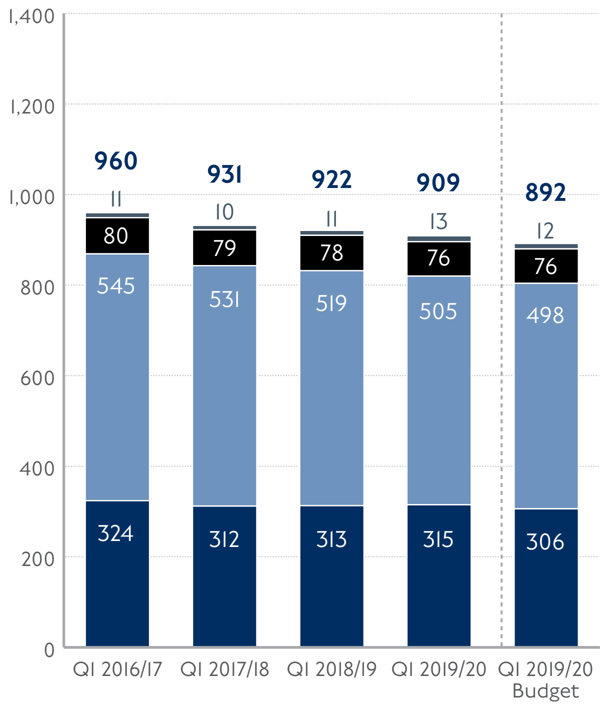
5.2%▲ budget

15%▲ prior year

Quarterly (millions)*



Year to date (millions)



■ London Underground ■ Buses ■ Rail ■ TfL Rail

London Underground passenger volumes are two million better than last year, showing positive growth despite this quarter having one less day and an extra bank holiday compared to Q1 2018/19.

Bus passenger journeys in the quarter are seven million higher than budget owing to an unexpected increase in off-peak demand.

Overall rail passenger journeys are broadly in line with budget, with increases in DLR and Overground offsetting a decrease in London Trams.

* Q4 is longer than Q1 to Q3 (16 weeks and one day vs 12 weeks)

Underground

London Underground

Financial summary

London Underground has benefited from increased passenger demand and lower costs due to the timing of non-critical maintenance spend.

London Underground (£m)	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Passenger income	637	621	16	625	12
Other operating income	11	8	3	7	4
Total operating income	**648**	**629**	**19**	**632**	**16**
Direct operating cost	(456)	(479)	23	(479)	23
Direct operating surplus	**192**	**150**	**42**	**153**	**39**
Indirect operating cost	(83)	(102)	19	(82)	(1)
Net operating surplus	**109**	**48**	**61**	**71**	**38**
Capital renewals	(63)	(73)	10	(60)	(3)
New capital investment	(14)	(13)	(1)	(7)	(7)
Net capital expenditure	**(77)**	**(86)**	**9**	**(67)**	**(10)**

Total operating income is £19m higher than budget and £16m better than last year. This reflects an improvement in customer demand of 2.9 per cent against budget and compared to last year improved underlying demand of 2.1 per cent.

Direct operating costs are £23m lower than both budget and last year. This is due to the delayed start of the Victoria line overhaul programme and the timing of non-critical maintenance costs which are planned to be completed later in the year.

Capital expenditure is £9m lower than budget but £10m higher than last year. The year-to-date underspend is owing to operational delays to the planned completion of the Track Maintenance Unit Workshop, and slippage on capital programmes on the Bakerloo and Central lines.

Passenger journeys analysis

	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Number of passenger journeys (millions)	315	306	9	313	2
Average yield per passenger journey (£)	2.02	2.03	(0.01)	1.99	0.03
Operating cost per journey (£)	(1.71)	(1.90)	0.19	(1.79)	0.08

Passenger journeys

Passenger journeys are nine million better than budget and two million higher than last year as underlying demand is showing positive growth on last year. This year we had an extra Easter bank holiday and one less day compared to Q1 last year reducing demand.

Average yield per passenger journey

Underlying passenger income per journey has increased compared with the equivalent period last year. This is partly due to the impact of average National Rail fares increasing in January 2019, which has an impact on a proportion of TfL tickets, for example, Travelcards.

Operating cost per journey

Operating cost per journey is significantly below budget and last year due to increased passenger journeys and savings delivered while maintaining a safe and reliable network.

Underlying passenger journeys year-on-year change (%)

Q1 2019/20 — 2.1% ▲

Q1 2018/19 — 0.2% ▼

Q1 2017/18 — 0.9% ▲

Compares underlying year-to-date passenger journey numbers with those in the previous year. Actual journey numbers are adjusted for one-off events (such as strike days), timing of Easter holidays and the number of days in each quarter.

Elizabeth line

Currently operating as TfL Rail

Financial summary

The focus is on successfully introducing Elizabeth line services.

Elizabeth line (£m)	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Passenger income	25	23	2	21	4
Other operating income	2	2	-	7	(5)
Total operating income	**27**	**25**	**2**	**28**	**(1)**
Direct operating cost	(78)	(83)	5	(41)	(37)
Direct operating deficit	**(51)**	**(58)**	**7**	**(13)**	**(38)**
Indirect operating cost	(2)	(3)	1	(2)	-
Net operating deficit	**(53)**	**(61)**	**8**	**(15)**	**(38)**
New capital investment	(5)	(11)	6	(125)	120
Crossrail construction cost	(260)	(339)	79	(351)	91
Net capital expenditure	**(265)**	**(350)**	**85**	**(476)**	**211**

An increase in passenger journeys has resulted in passenger income being £2m more than budget. The £4m increase compared to last year is mainly owing to the start of the Paddington to Hayes & Harlington and Heathrow services, which began in May 2019.

The £5m reduction in other operating income compared to last year relates to one-off third party income received in 2018/19.

Operating costs are lower than budget mainly owing to a reduction in train maintenance and concession costs. Operating costs are £37m higher compared to last year owing to the introduction of train lease costs following the sale and lease back of the rolling stock fleet, charges paid to Network Rail and concession costs.

New capital investment is £6m lower than budget, mainly owing to the acceleration of stations improvement costs into 2018/19. New capital expenditure in 2018/19 included stock production costs prior to the sale of the fleet.

Passenger journeys analysis

	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Number of passenger journeys (millions)	13.1	12.5	0.6	11.4	1.7
Average yield per passenger journey (£)	1.91	1.84	0.07	1.84	0.07
Operating cost per journey (£)	(6.11)	(6.91)	0.80	(3.77)	(2.34)

Passenger journeys
Passenger demand is five per cent better than budget owing to underlying demand growth. This year had a full quarter of the Paddington to Hayes & Harlington and Heathrow services as well as one extra Easter bank holiday, and one less day compared to Q1 last year.

Average yield per passenger journey
Passenger income per journey is 3.2 per cent better than budget and 3.8 per cent better than last year. This increase is mainly driven by a higher yield from the Paddington to Hayes & Harlington and Heathrow services.

Operating cost per journey
Operating cost per journey is 12 per cent lower than budget mainly owing to train maintenance and concession savings. The increase from last year is mainly owing to Class 345 train lease costs and Network Rail charges.

Underlying passenger journeys year-on-year change (%)

Q1 2019/20 18.2% ▲

Q1 2018/19 9.8% ▲

Q1 2017/18 4.8% ▲

Compares underlying year-to-date passenger journey numbers with those in the previous year. Actual journey numbers are adjusted for one-off events (such as strike days), timing of Easter holidays and the number of days in each quarter.

Buses

London Buses

Financial summary

Higher passenger income has contributed to the net operating deficit being £10m lower than budget. Total operating costs have increased compared to last year due to the annual contract price inflation in our bus contracts.

Buses (£m)	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Passenger income	335	326	9	338	(3)
Other operating income	2	2	-	3	(1)
Total operating income	**337**	**328**	**9**	**341**	**(4)**
Direct operating cost	(491)	(492)	1	(485)	(6)
Direct operating deficit	**(154)**	**(164)**	**10**	**(144)**	**(10)**
Indirect operating cost	(5)	(6)	1	(6)	1
Net operating deficit	**(159)**	**(170)**	**11**	**(150)**	**(9)**
Capital renewals	-	(1)	1	-	-
New capital investment	(2)	(7)	5	-	(2)
Net capital expenditure	**(2)**	**(8)**	**6**	**-**	**(2)**

Passenger income is £9m higher than budget, primarily as a result of a lower year-on-year reduction in demand than previously assumed. The lower reduction in demand is mainly due to an upturn in off-peak demand. Underlying year-on-year demand shows around a 1.1 per cent decline in the year to date, 1.4 per cent above budget.

Direct operating costs are slight better than budgeted and have marginally improved year on year. This is primarily owing to the annual contracted price inflation within the bus operators' contracts, which is estimated will drive a cost increase of £56m in the full year. We are partly offsetting the higher cost by continuing to deliver savings in our contracting activities.

Capital expenditure is £6m under budget as we have rescheduled some of our capital works to later in the financial year.

Passenger journeys analysis

	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Number of passenger journeys (millions)	505	498	7	519	(14)
Average yield per passenger journey (£)	0.66	0.65	0.01	0.65	0.01
Operating cost per journey (£)	(0.98)	(1.00)	0.02	(0.95)	(0.03)

Passenger journeys

Total passenger journeys are one per cent higher than budget and three per cent lower than the previous year. This was mostly due to the quarter having one less day than the previous year. On a normalised basis, passenger journeys were one per cent lower.

Average yield per passenger journey

The average yield per passenger journey is one pence higher than budget. Compared to the same period last year average yield has increased by two pence. This is primarily due to fares increase on travel cards in January 2019.

Operating cost per journey

Operating cost per journey is two pence lower than budget due to higher passenger journeys. It is three pence greater than last year primarily due to a decrease in passenger journeys.

Underlying passenger journeys year-on-year change (%)

Q1 2019/20 1.1% ▼

Q1 2018/19 1.3% ▼

Q1 2017/18 1.2% ▲

Compares underlying year-to-date passenger journey numbers with those in the previous year. Actual journey numbers are adjusted for one-off events (such as strike days), timing of Easter holidays and the number of days in each quarter.

Streets

Transport for London Road Network (TLRN)

Financial summary

Operating performance is tracking ahead of budget as a result of improved income.

Streets (£m)	QI 2019/20	Budget 2019/20	Variance	QI 2018/19	Variance
Passenger income	-	-	-	-	-
Other operating income	81	72	9	76	5
Total operating income	**81**	**72**	**9**	**76**	**5**
Direct operating cost	(100)	(99)	(1)	(107)	7
Direct operating deficit	**(19)**	**(27)**	**8**	**(31)**	**12**
Indirect operating cost	(17)	(19)	2	(17)	-
Net operating deficit	**(36)**	**(46)**	**10**	**(48)**	**12**
Capital renewals	(5)	(9)	4	(11)	6
New capital investment	(24)	(27)	3	(17)	(7)
Net capital expenditure	**(29)**	**(36)**	**7**	**(28)**	**(1)**

Other income is up £9m against budget and £5m against 2018/19. This is due to changes made to the Congestion Charge scheme to reduce the use of cars in central London, and the removal of the Private Hire Vehicle exemption. Continuation of our improved efficiency in Road Network Compliance is also increasing our income.

Our operating costs are in line with budget and £7m better than last year. This is owing to transformation costs recognised in QI last year and the continuation of staff cost savings.

Capital costs are broadly in line with budget and continue at previous years' levels. However, we have paused our programme of proactive capital renewals on highways assets. This reduction has been offset by an increase in delivery of cycling and other road schemes, where the focus is on reducing the number of people killed or seriously injured while using London's road network.

Volume analysis

	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Congestion Charge volumes (thousands)	3,415	3,165	250	3,344	71
Congestion Charge and enforcement income (£m)	57.3	52.6	4.7	53.9	3.4
Traffic volumes – all London (index)	97.0	-	-	96.8	0.2
Cycling growth in CCZ (%)*	18.8	16.5	-	14.3	-

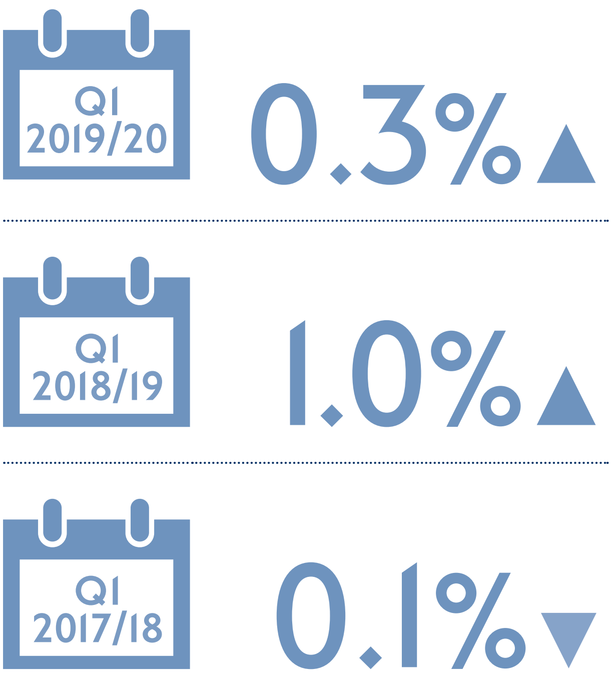
Cycling

A daily average of 477,994 kilometres were cycled in central London during Q1, which is a four per cent increase compared to last year. This is the highest level of cycling on record for Q1 since monitoring began in 2014. Weather conditions can affect levels of cycling. This year has been warmer and drier than the same quarter last year, which was affected by the 'beast from the east'.

Traffic flow

The general trend of growth continued in Q1, but softened, with outer London growing more modestly and central and inner London showing drops.

Traffic flow (volume) year-on-year change (%)



Compares traffic flow volumes for the year-to-date with the corresponding quarters in the previous year.

* Cycling data is based on calendar quarters rather than financial quarters ie, Q1 is January to March and is the latest available data. It is presented as a percentage change from the previous year

Rail

DLR, London Overground and London Trams

Financial summary

Year-to-date passenger journeys are higher than planned, and total operating income is higher than the same period last year.

Rail (£m)	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Passenger income	97	97	-	99	(2)
Other operating income	8	10	(2)	5	3
Total operating income	**105**	**107**	**(2)**	**104**	**1**
Direct operating cost	(106)	(114)	8	(98)	(8)
Direct operating surplus/(deficit)	**(1)**	**(7)**	**6**	**6**	**(7)**
Indirect operating cost	(4)	(5)	1	(5)	1
Net operating surplus/(deficit)	**(5)**	**(12)**	**7**	**1**	**(6)**
Capital renewals	(11)	(9)	(2)	(5)	(6)
New capital investment	(11)	(11)	-	(6)	(5)
Net capital expenditure	**(22)**	**(20)**	**(2)**	**(11)**	**(11)**

Passenger income is in line with budget, but slightly below last year due to one less operating day this year.

The continued compensation from Bombardier for the delayed delivery of the new trains has contributed to other operating income being higher than last year.

Operating costs are lower than budget as the roll out of new trains on the Overground is slower than expected. There have also been contract savings on DLR.

Total capital expenditure is £2m higher than budget mainly owing to expenditure moving from 2018/19 into 2019/20. This has been offset by the re-profiling of Sandilands programme, which includes alterations to the on-tram emergency lighting system and control room upgrades to support the installation of new safety software.

Passenger journeys analysis

	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
London Overground					
Number of passenger journeys (millions)	41.9	41.8	0.1	43.4	(1.5)
Average yield per passenger journey (£)	1.25	1.24	0.01	1.22	0.03
Operating cost per journey (£)	(1.72)	(1.87)	0.15	(1.46)	(0.26)
DLR					
Number of passenger journeys (millions)	27.9	27.5	0.4	28.4	(0.5)
Average yield per passenger journey (£)	1.42	1.44	(0.02)	1.42	-
Operating cost per journey (£)	(1.05)	(1.10)	0.05	(1.06)	0.01
London Trams					
Number of passenger journeys (millions)	6.4	6.5	(0.1)	6.5	(0.1)
Average yield per passenger journey (£)	0.83	0.82	0.01	0.81	0.02
Operating cost per journey (£)	(1.25)	(1.31)	0.06	(1.23)	(0.02)

Underlying passenger journeys year-on-year change (%)

Q1 2019/20 0.8% ▼

Q1 2017/18 2.4% ▲

Q1 2018/19 0.7% ▼

Compares underlying year-to-date passenger journey numbers with those in the previous year. Actual journey numbers are adjusted for one-off events (such as strike days), timing of Easter holidays and the number of days in each quarter.

Other operations

London Dial-a-Ride, London River Services, London Taxi and Private Hire, Santander Cycles, Victoria Coach Station, Emirates Air Line and others

Financial summary

As well as the operations names above, we include the costs of the Crossrail 2 project team and the Planning team, together with certain group items, in this category.

Other operations (£m)	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Passenger income	14	12	2	13	1
Other operating income	54	65	(11)	30	24
Total operating income	**68**	**77**	**(9)**	**43**	**25**
Direct operating cost	(54)	(71)	17	(50)	(4)
Direct operating surplus/(deficit)	**14**	**6**	**8**	**(7)**	**21**
Indirect operating cost	(12)	(14)	2	(12)	–
Net operating surplus/(deficit)	**2**	**(8)**	**10**	**(19)**	**21**
Capital renewals	(3)	(9)	6	(10)	6
New capital investment	(21)	(31)	10	(20)	–
Net capital expenditure	**(24)**	**(40)**	**16**	**(30)**	**6**

Other operating income is significantly higher than last year due to the introduction of the ULEZ. The ULEZ is a central part of the Mayor's far-reaching plan to improve the health of Londoners' by reducing air pollution. Most vehicles, including cars and vans, need to meet the ULEZ emission standards or their drivers must pay a daily charge to drive within the zone. Initial high compliance rates have contributed to income being £11m below budget.

New capital investment is lower than budget, owing to in-year timing differences on the Emergency Services Network project, the mobile network project and other tech and data work streams.

Volume analysis

	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Santander Cycles					
Number of hires (millions)	2.6	2.8	(0.2)	2.8	(0.2)
Average income per hire (£)	1.24	1.25	(0.01)	1.23	0.01
Operating cost per hire (£)	(2.11)	(2.21)	0.10	(2.33)	0.22
Victoria Coach Station					
Number of coach departures (thousands)	51.0	53.0	(2.0)	53.0	(2.0)
Average income per departure (£)	37.18	38.93	(1.75)	34.49	2.69
Operating cost per departure (£)	(50.63)	(51.16)	0.53	(38.47)	(12.16)
London River Services					
Number of passenger journeys (millions)	2.7	2.8	(0.1)	2.8	(0.1)
Average income per journey (£)	0.25	0.29	(0.04)	0.24	0.01
Operating cost per journey (£)	(0.99)	(0.85)	(0.14)	(2.01)	1.02
London Dial-a-Ride					
Number of passenger journeys (thousands)	223.0	230.5	(7.5)	240.4	(17.4)
Operating cost per trip (£)	(40.90)	(32.19)	(8.71)	(49.34)	8.44
Taxi and Private Hire					
Number of private hire vehicle drivers	106,472	–	–	112,002	(5,530)
Taxi drivers	23,030	–	–	23,710	(680)
Total income (£m)	7.7	7.5	0.2	7.5	0.2
Total costs (£m)*	(7.2)	(7.9)	0.7	(8.2)	1.0
Emirates Air Line					
Number of passenger journeys (thousands)	327.0	338.0	(11.0)	345.0	(18.0)
Average income per journey (£)	4.02	4.55	(0.53)	3.88	0.14
Operating cost per journey (£)**	(2.53)	(2.32)	(0.21)	(2.22)	(0.31)

* Operating costs exclude depreciation and the management fee, which are also charged to the licence fee

** Costs of Emirates Air Line are shown net of sponsorship income

Major projects

Financial summary

Major Projects is responsible for our largest and most complex projects. It comprises line upgrades, network extensions and major stations.

Major projects (£m)	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Passenger income	-	-	-	-	-
Other operating income	1	-	1	-	1
Total operating income	**1**	**-**	**1**	**-**	**1**
Direct operating cost	(3)	(2)	(1)	(5)	2
Direct operating deficit	**(2)**	**(2)**	**-**	**(5)**	**3**
Indirect operating cost	(7)	(7)	-	(7)	-
Net operating deficit	**(9)**	**(9)**	**-**	**(12)**	**3**
Capital renewals	(6)	(10)	4	(6)	-
New capital investment	(150)	(186)	36	(159)	9
Net capital expenditure	**(156)**	**(196)**	**40**	**(165)**	**9**

Four Lines Modernisation

All 59 S8 trains for the Metropolitan line have been fitted with the automatic train control system and is on schedule for go-live. A change in contractor on some of our infrastructure works has led to a year-to-date underspend of £10m, which is forecast to be caught up by year end. Following detailed management reviews of the estimated final cost (EFC) we are forecasting an increase of £33m, but still within overall spend authority.

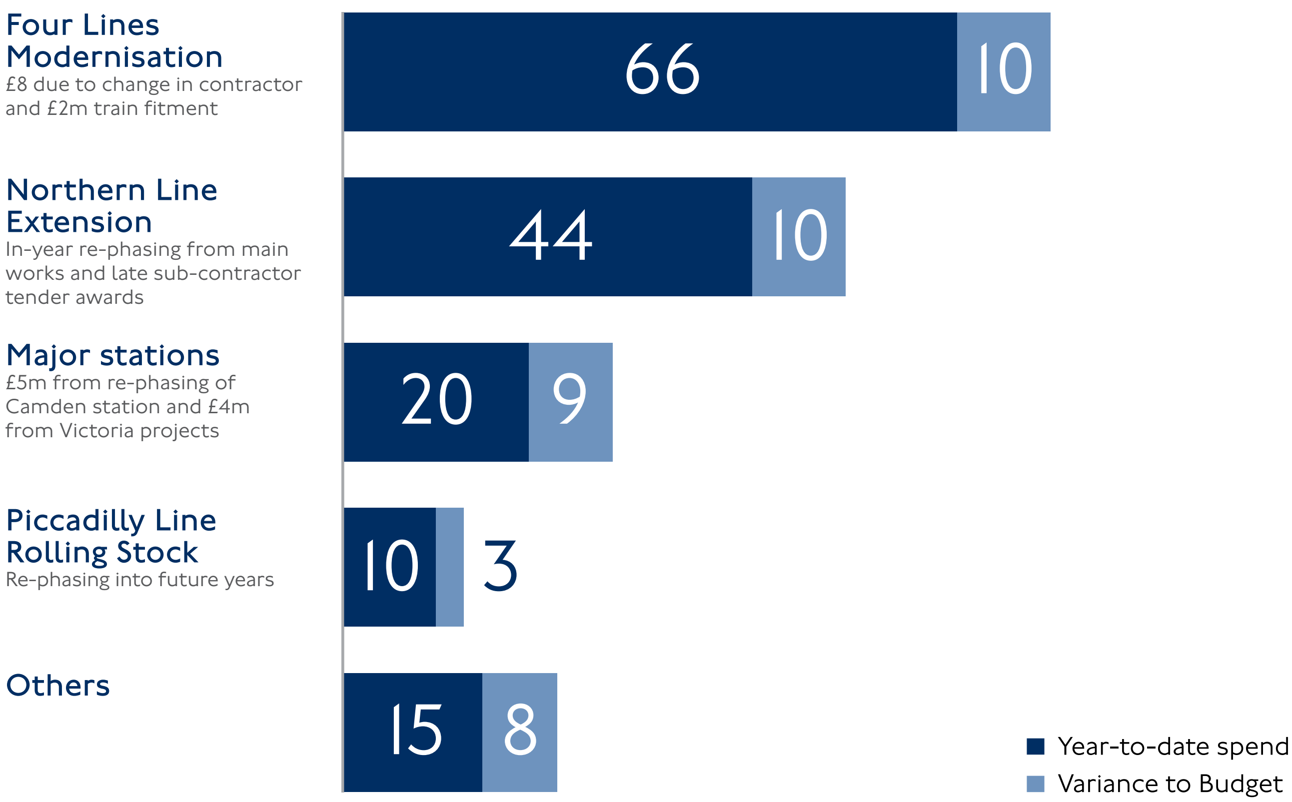
Piccadilly Line Rolling Stock

Following the award of the Piccadilly line trains contract, Siemens are developing a concept design and the supporting activities remain on target.

Northern Line Extension

Track installation across the Northern line is complete, enabling deliveries by engineering trains to be made deeper into the extension. Successful test trains concluded that signalling cables can be permanently installed directly to the track bed, which will improve safety and save both time and money. We are forecasting a reduction of £83m in the EFC, reflecting a reduced risk profile.

Year-to-date capital spend by programme (£m)



Silvertown Tunnel
The Silvertown Tunnel will tackle the significant issues of traffic congestion and unreliability at Blackwall Tunnel. We are forecasting the deferral of some works from this year into next and there remains pressure on the EFC.

Major stations
At Bank station, the breakthrough between the new entrance on Cannon Street and the newly constructed Northern line tunnel will make further construction work easier, helping to ensure the important upgrade is delivered by 2022. During Q1, the EFC increased by £8m owing to a changed risk profile. TfL continue to work collaboratively with the main contractor to identify and realise potential savings, with a view to reduce the EFC back to Business Plan levels or below.

DLR Rolling Stock and System Integration
Following an extensive review, the contract for the supply of DLR trains was awarded to Construcciones y Auxiliar de Ferrocarriles in June 2019.

Property

Financial summary

Net operating surplus is slightly higher than budget and last year due to lower operating costs.

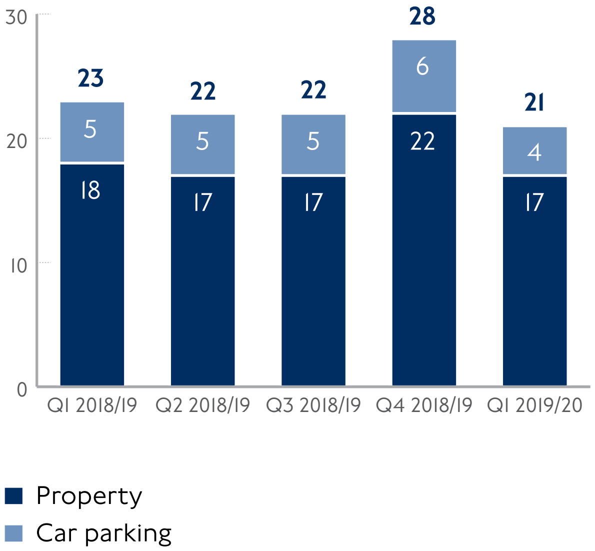
Property (£m)	QI 2019/20	Budget 2019/20	Variance	QI 2018/19	Variance
Passenger income	-	-	-	-	-
Other operating income	21	23	(2)	23	(2)
Total operating income	**21**	**23**	**(2)**	**23**	**(2)**
Direct operating cost	(5)	(8)	3	(7)	2
Direct operating surplus	**16**	**15**	**1**	**16**	**-**
Indirect operating cost	(2)	(2)	-	(3)	1
Net operating surplus	**14**	**13**	**1**	**13**	**1**
New capital investment	(16)	(31)	15	(11)	(5)
Property receipts	17	21	(4)	-	17
Crossrail over site development	-	18	(18)	16	(16)
Net capital expenditure	**1**	**8**	**(7)**	**5**	**(4)**

Other operating income is lower than budget and last year. During QI, our new outsourced property management provider experienced some billing issues during invoicing, which had an impact on the timings of some payments. Year-on-year we have reduced rental income, mainly arising from the planned disposal of Kingbourne House in Holborn at the end of March 2019.

Operating costs are lower than expected due to reduced scheme feasibility activity and lower property costs. These are currently forecast later in the year, but will be kept under review.

Property receipts and Crossrail over site development income are impacted by the short-term re-phased disposal of the Crossrail site at 65 Davies Street. A number of project costs have also been re-phased until later in the year.

Property income (£m)*
Quarterly



* Q4 is longer than Q1 to Q3 (16 weeks and one day vs 12 weeks)

Compared to Q1 last year, property income is down by £1.3m caused by the disposal of Kingsbourne House in March 2019. Other income is down by a further £0.6m with the main driver being a reduction in cash machine income due to contractual terms changes post November 2018.

Continuing to deliver homes on our land

We continue to work with communities and boroughs to identify the needs of the area and create places and neighbourhoods where people want to live. We are currently engaging with communities across Barnet, Enfield and Southwark to talk about our emerging proposals for over 1,200 homes, commercial space and improvements for the local areas.

Site preparation works for 350 homes at our 1.8 acre site in Blackhorse Road in Waltham Forest began, creating up to 300 jobs and local apprenticeships. Half of the homes on site will be affordable and the site will generate much needed revenue to invest back into the transport network.

We have also unveiled our proposals to restore and improve South Kensington Tube station and the surrounding streets, respecting the heritage of the area with our joint venture partner Native Land. We are proposing to create around 40 additional homes, a new range of shops, restaurants and workspaces, and step-free station access to the ticket hall and District and Circle line platforms via a new entrance on Thurloe Street.

Media

Financial summary

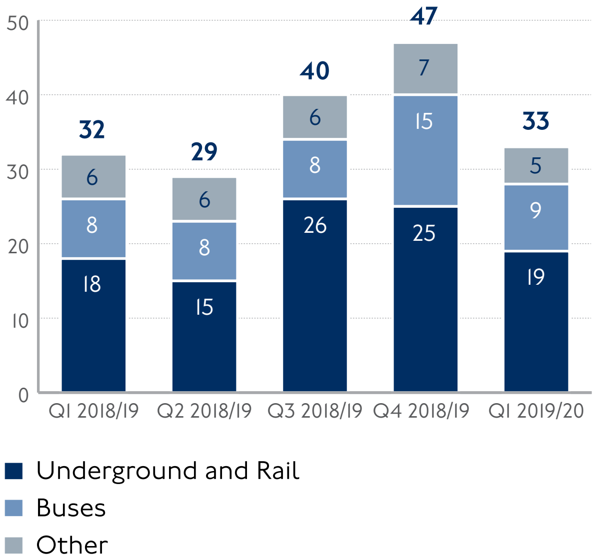
Overall performance in Q1 is broadly in line with budget and last year.

Media (£m)	Q1 2019/20	Budget 2019/20	Variance	Q1 2018/19	Variance
Passenger income	–	–	–	–	–
Other operating income	33	32	1	32	1
Total operating income	**33**	**32**	**1**	**32**	**1**
Direct operating cost	(1)	(1)	–	(1)	–
Direct operating surplus	**32**	**31**	**1**	**31**	**1**
Indirect operating cost	–	–	–	–	–
Net operating surplus	**32**	**31**	**1**	**31**	**1**
Capital renewals	–	–	–	–	–
New capital investment	(6)	(3)	(3)	(5)	(1)
Net capital expenditure	**(6)**	**(3)**	**(3)**	**(5)**	**(1)**

Operating income is broadly in line with budget, driven by advertising income on the rail estate.

New capital investment is higher than budget due mainly to the phasing of delivery, with activity and spend being pushed into 2019/20 from 2018/19. The capital programme overall is within budget.

Advertising income (£m)*
Quarterly



* Q4 is longer than Q1 to Q3 (16 weeks and one day vs 12 weeks)

Advertising income is higher in Q3 due to Christmas trading. Q4 sees a further increase due to the extra weeks and the receipt of annual volume incentives from the two main advertising contracts.

During the first quarter of 2019/20, we delivered a wide range of new assets across the rail advertising estate. New runs of digital escalator panels were delivered at Waterloo, Liverpool Street and Leicester Square and our new digital ribbons (end-to-end continuous escalator screens) were delivered at Waterloo, South Kensington and Oxford Circus.

A brand new digital landmark format was delivered at both Bank and London Bridge. The digital landmarks provide very large format digital advertising on the headwall above key escalators. All of these assets will increase the digital footprint of advertising across our estate, which will result in a drive for increased revenues for investment back into the transport system.


Holiday Inn
Express

Appendices

TfL Group balance sheet

Balance sheet (£m)	22 June 2019	Q1 Budget	Variance	31 March 2019	Variance
Intangible assets	107	102	5	113	(6)
Property, plant and equipment	41,193	41,389	(196)	40,815	378
Investment property	492	492	-	492	-
Investment in associate entities	234	235	(1)	233	1
Long-term derivatives	6	7	(1)	7	(1)
Long-term finance lease receivables	35	42	(7)	39	(4)
Long-term debtors	95	111	(16)	113	(18)
Long-term assets	**42,162**	**42,378**	**(216)**	**41,812**	**350**
Stocks	62	61	1	61	1
Short-term debtors	619	694	(75)	697	(78)
Assets held for sale	122	122	-	122	-
Short-term derivatives	9	12	(3)	12	(3)
Short-term finance lease receivables	17	13	4	13	4
Cash and short-term investments	1,751	1,881	(130)	1,882	(131)
Current assets	**2,580**	**2,783**	**(203)**	**2,787**	**(207)**
Short-term creditors	(1,961)	(1,999)	38	(2,167)	206
Short-term borrowings	(687)	(746)	59	(746)	59
Short-term finance lease liabilities	(59)	(61)	2	(70)	11
Short-term derivatives	(11)	(3)	(8)	(3)	(8)
Short-term provisions	(335)	(341)	6	(346)	11
Current liabilities	**(3,053)**	**(3,150)**	**97**	**(3,332)**	**279**
Long-term creditors	(229)	(208)	(21)	(194)	(35)
Long-term borrowings	(10,392)	(10,677)	285	(10,399)	7
Long-term finance lease liabilities	(342)	(343)	1	(348)	6
Long-term derivatives	(46)	(45)	(1)	(46)	-
Long-term provisions	(56)	(53)	(3)	(55)	(1)
Pension provision	(5,369)	(5,371)	2	(5,371)	2
Long-term liabilities	**(16,434)**	**(16,697)**	**263**	**(16,413)**	**(21)**
Net assets	**25,255**	**25,314**	**(59)**	**24,854**	**401**
Reserves					
Usable reserves	1,611	1,706	(95)	1,627	(16)
Unusable reserves	23,644	23,608	36	23,227	417
Total reserves	**25,255**	**25,314**	**(59)**	**24,854**	**401**

Headcount

Full-time equivalents (FTEs) including non-permanent labour (NPL)

	31 March 2019 Actual	YTD net (leavers)/joiners	End of Q1 Actual
London Underground	18,442	(159)	18,283
Elizabeth line	263	2	265
Buses	465	14	479
Rail	274	(4)	270
Streets	1,307	35	1,342
Other operations	1,380	(30)	1,350
Professional services*	3,825	14	3,839
Property	140	9	149
Crossrail	541	90	631
Major projects	614	(10)	604
Media	29	–	29
Total	**27,280**	**(39)**	**27,241**

TfL's organisational change programme is central to reducing cost and raising more revenue to hit the target of achieving a surplus on net cost of operations by 2022/23. The next phase of savings will come from delivering efficiencies, including reducing the cost of back and middle offices by 30 per cent.

* Professional Services comprises functions within TfL including Legal, Finance, Human Resources, Ticketing, Procurement and Customer, and Communications & Technology where services are provided on a shared basis across all TfL divisions.

NPL

We continue to make use of the flexibility offered by NPL, particularly through this time of change and temporary peaks in demand, such as in recruitment resulting from our transformation programme. It is equally important that we do not limit our ability to hire talent in areas where skills are scarce.

			Reduction since December 2015	
Date	Number of NPL	Weekly cost (£)	Number of NPL	Weekly saving (£)
15 December 2015	3,092	5,249,002		
31 March 2017	1,742	2,544,009	1,350	2,704,993
31 March 2018	1,422	1,874,029	1,670	3,374,973
31 March 2019	1,192	1,688,494	1,900	3,560,509
22 June 2019	1,217	1,717,174	1,875	3,534,829

The above table shows the cost reduction made from actions taken to reduce NPL costs. The weekly cost assumes seven hours a day and five days a week worked.

NPL by length of service

Length of service	31 March 2019 Actual	YTD net (leavers)/joiners	End of Q1 Actual
0-6 months	342	57	399
6-12 months	183	3	186
1-2 years	282	(41)	241
2-3 years	220	5	225
3-5 years	100	1	101
5+ years	65	-	65
Total	**1,192**	**25**	**1,217**

There remain a large number of non-permanent contractors who have been working at TfL for more than two years. Many of theses are working on large construction projects, but we continue to seek to reduce reliance on theses resources to the extend that is possible.

July 2019

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