Transport for London quarterly performance report

Quarter 4 2018/19

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.

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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 will be published in May 2019.

Introduction

This is the fourth quarterly performance report of the year and covers the period to 31 March 2019.

The focus on reducing operating costs was maintained through to the end of the year and the net cost of operations is £479m better than budget, and £168m better than last year.

Passenger income is £48m above budget, with an increase in revenue on the Underground, offset by the loss of revenue from the delayed opening of the Elizabeth line and continuing weaker performance on buses and rail.

Other income is below budget, largely due to Elizabeth line delays impacting regulatory access charges (£102m), but there is an equal and opposite benefit in operating costs. Excluding this item, other income is up on budget and the previous year, owing to a number of one-off items.

After adjusting for the regulatory access charges, operating costs are £243m lower than budget, with significant additional cost savings over and above those already reflected in the budget. The increase against last year reflects the preparations for the opening of the Elizabeth line and additional services on TfL Rail. Inflationary pressures across the business have been more than offset by year-on-year savings.

Key deliverables in the capital investment programme include commissioning the first area to run in passenger service using the new signalling system as part of the Four Lines Modernisation. All passenger-facing facilities at Victoria have been opened and we have submitted the final proposals for the Silvertown Tunnel.

The new Crossrail management team continued to work on a robust and deliverable schedule, and a window for the opening date of the central operating section was announced in April.

Tight financial management has enabled TfL to reach a position close to break even on the net cost of operations before financing. The delays to the opening of the Elizabeth line and wider economic pressures, however mean we have to remain focused on modernising the business, driving down costs and seeking new opportunities to grow income.

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
- Buses
- Rail
- Streets
- Other operations
- Commercial Development
- Major projects

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

Finances at a glance*

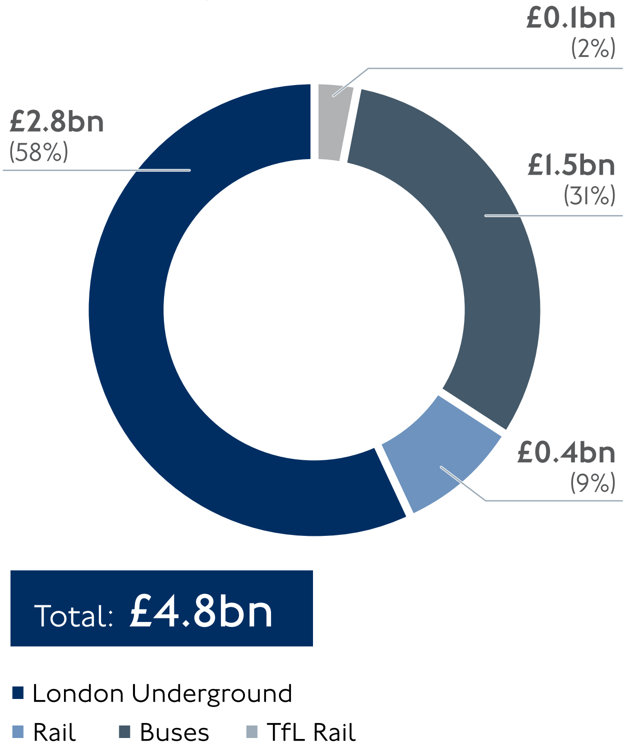
Grants
£2.9bn

Use of borrowing, and cash reserves
£0.5bn

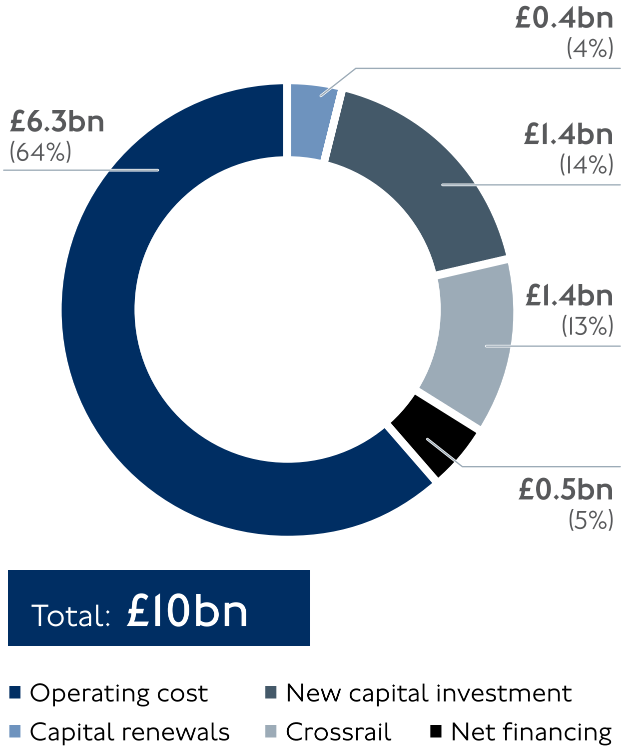
Other income
£1.8bn

Passenger income
£4.8bn

Total passenger income



Total costs



* Based on full year 2018/19

Financial summary

Performance in the full year

Operating account

TfL Group (£m)	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Passenger income	4,822	4,774	48	4,643	179
Other operating income	812	893	(81)	759	53
Total operating income	**5,634**	**5,667**	**(33)**	**5,402**	**232**
General grant	–	–	–	228	(228)
Business rates retention	947	947	–	854	93
Other revenue grants	103	69	34	84	19
Total income	**6,684**	**6,683**	**1**	**6,568**	**116**
Operating cost	(6,326)	(6,671)	345	(6,249)	(77)
Net operating surplus	**358**	**12**	**346**	**319**	**39**
Capital renewals	(398)	(499)	101	(553)	155
Net cost of operations before financing	**(40)**	**(487)**	**447**	**(234)**	**194**
Net financing cost	(454)	(486)	32	(428)	(26)
Net cost of operations	**(494)**	**(973)**	**479**	**(662)**	**168**

Capital account

TfL Group (£m)	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
New capital investment	(1,379)	(1,733)	354	(1,465)	86
Crossrail	(1,389)	(435)	(954)	(1,530)	141
Total capital expenditure	**(2,768)**	**(2,168)**	**(600)**	**(2,995)**	**227**
Financed by:					
Investment grant	976	976	–	960	16
Third-party contributions	144	94	50	62	82
Property and asset receipts	650	706	(56)	59	591
Borrowing	728	802	(74)	620	108
Crossrail funding sources	795	324	471	108	687
Other capital grants	218	311	(93)	183	35
Total	**3,511**	**3,213**	**298**	**1,992**	**1,519**
Net capital account	**743**	**1,045**	**(302)**	**(1,003)**	**1,746**

Cash flow summary

TfL Group (£m)	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Net cost of operations	(494)	(973)	479	(662)	168
Net capital account	743	1,045	(302)	(1,003)	1,746
Working capital movements	(299)	(379)	80	1,142	(1,441)
Increase/(decrease) in cash balances	**(50)**	**(307)**	**257**	**(523)**	**473**

Passenger journey analysis

TfL Group (£m)	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Number of passenger journeys (millions)	3,999	4,005	(6)	3,986	13
Average yield per passenger journey (£)	1.21	1.19	0.02	1.16	0.05
Operating cost per journey (£)	(1.58)	(1.67)	0.09	(1.57)	(0.01)

The net cost of operations is £479m better than budget and £168m lower than last year, as we have exceeded our full-year targets despite a challenging financial climate, including withdrawal of our Government operating grant, the delay of the opening of Crossrail and a subdued economic environment.

Total income is in line with budget as increased passenger journeys on London Underground and additional grant income (to encourage the scrappage of diesel vehicles) have offset the non-receipt of Elizabeth line regulatory income.

Operating costs are £345m lower than budget. Of this, £166m is a result of savings from core costs across all areas of the business. A further £102m relates to delayed Elizabeth line regulatory access charges, which is offset by a reduction in other operating income.

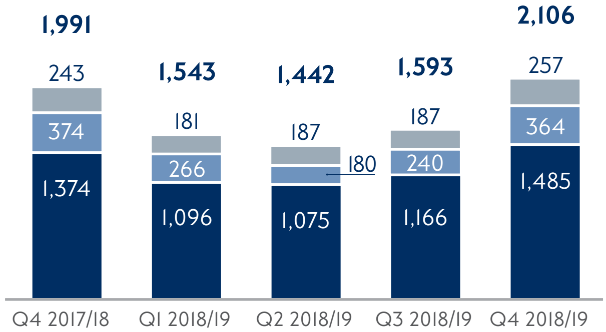
Total capital renewals and new investment are £455m lower than budget. Much of this has been re-profiled into future years on projects such as the Emergency Services Network (funded by the Home Office), Northern Line Extension, Four Lines Modernisation and major stations upgrades.

Despite increased expenditure on Crossrail, cash balances ended the year £257m higher than budget. This was achieved through surpluses on both the operating account (£479m) and capital account (£182m – excluding Crossrail) plus favourable working capital movements of £80m.

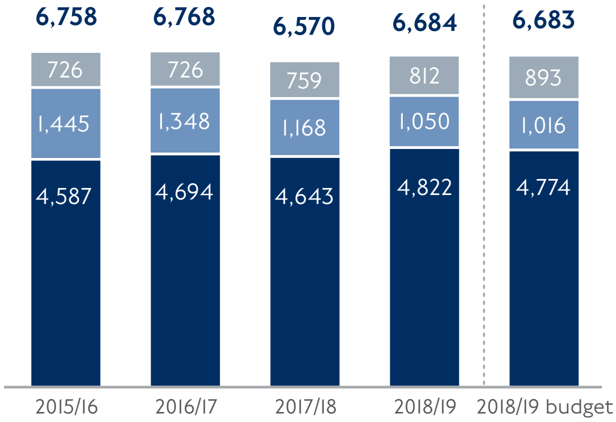
Financial trends

Total income*

Quarterly (£m)



Full-year trend with budget (£m)



- Passenger income
- Grants
- Other income

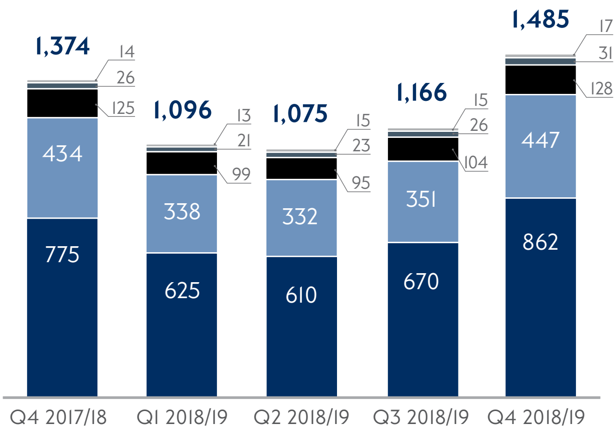
Total income £1m above budget

2% ▲ year on year

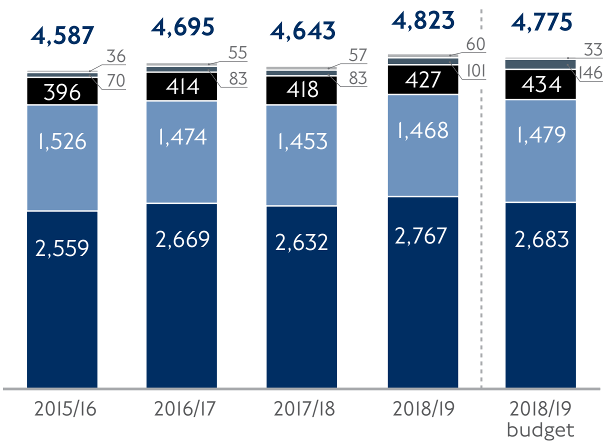
Total income is in line with expectations. Delayed Elizabeth line income streams have been offset by higher London Underground passenger income and additional grant income to encourage the scrappage of diesel vehicles.

Total passenger income*

Quarterly (£m)



Full-year trend with budget (£m)



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

Passenger income £48m above budget

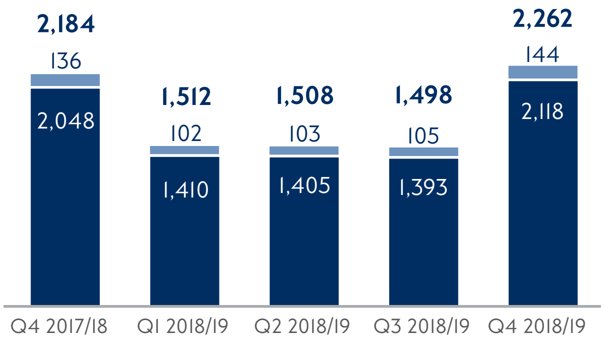
4% ▲ year on year

2018/19 saw the busiest day ever on the Tube with more than five million journeys and the launch of Night Overground services. Bus passenger journeys saw a fall in demand mainly owing to reduced off-peak travel.

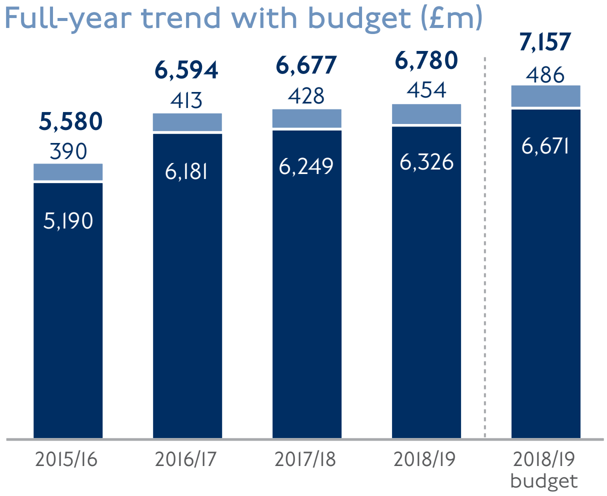
* Quarter 4 is longer than Quarters 1 to 3 (16 weeks and one day vs 12 weeks)

Total cost*

Quarterly (£m)



Full-year trend with budget (£m)



- Operating cost
- Net financing cost

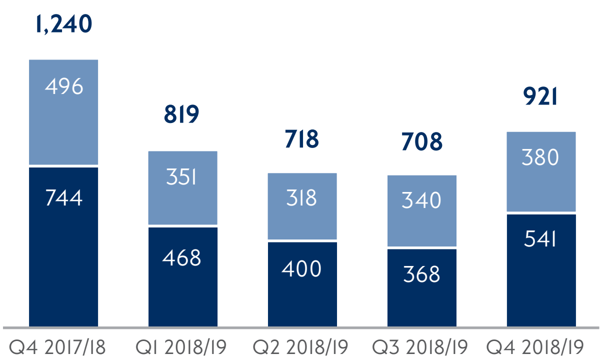
Operating costs £345m below budget

2% ▲ year on year

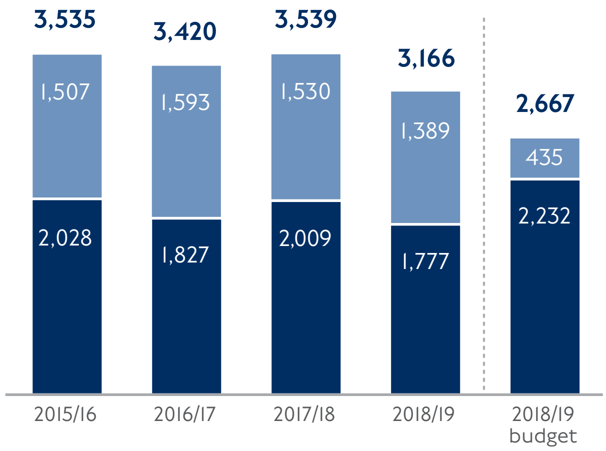
Lower than budgeted operating costs have been achieved by continued efforts to reduce our annual costs through our modernisation programme and office accommodation rationalisation.

Total capital expenditure*

Quarterly (£m)



Full-year trend with budget (£m)



- Capital investment and renewals
- Crossrail

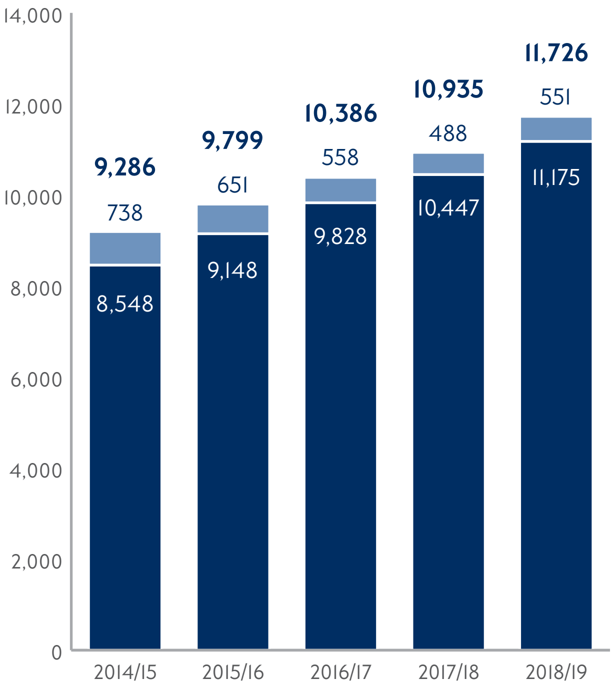
Total capital expenditure £3.2bn

11% ▼ year on year

Capital expenditure is lower than budget, as some project deliverables have been rescheduled to future years, including £329m of new capital investment.

Debt and cash

Total value of debt (£m)

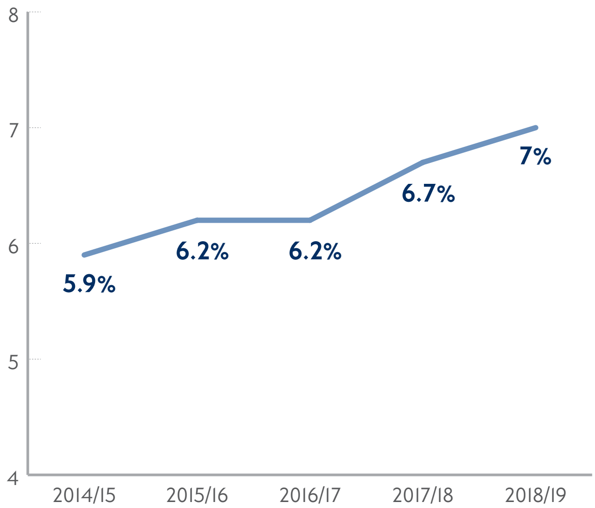


■ Borrowing ■ Finance leases

At the end of Quarter 4, £350m of long-term debt had been drawn down under existing facilities with Export Development Canada and the European Investment Bank, and £575m had been borrowed from the Public Works Loan Board. These were partially offset by debt repayments of £72m and a reduction of £125m in our outstanding commercial paper balance.

The total nominal value of borrowing outstanding at the end of the quarter was £11,175m, of which £10,443m is long term.

Financing costs (% of total income)*



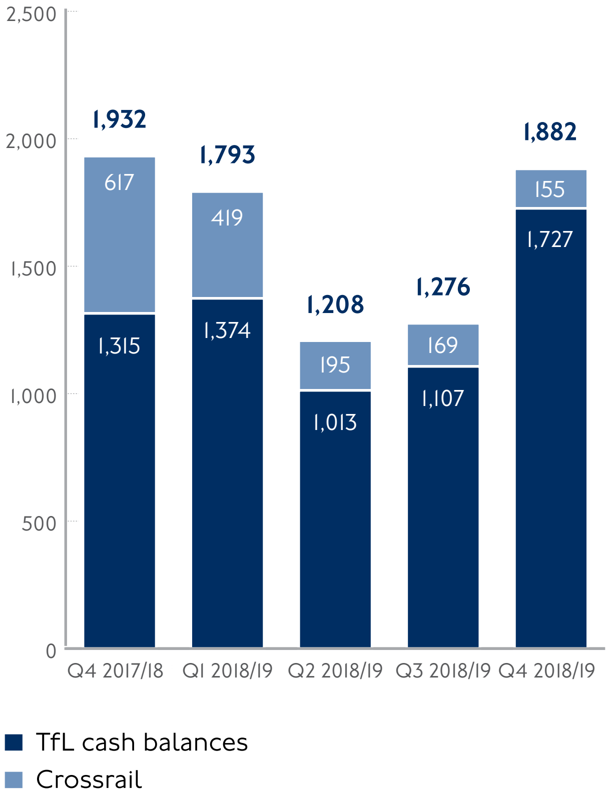
* Financing costs include interest costs for borrowing and finance leases

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)

Full year	2018/19	Budget 2018/19	Variance
Interest income	12	12	-
Financing costs	(417)	(445)	28
PFI interest payable	(49)	(53)	4

Cash balances (£m)*



£50m **3% ▼**

Decrease in cash over the full year

Cash balances

Cash balances have decreased by £50m over the year to stand at £1,882m at the end of Quarter 4. Of the total balance, £155m 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 £550m – 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. On 20 February, Fitch placed the UK Government on Rating Watch Negative because of the ongoing uncertainty over Brexit and the likely impact on the UK economy. As a result, Fitch placed TfL on Rating Watch Negative on 25 February.

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

* Quarter 4 is longer than Quarters 1 to 3 (16 weeks and one day vs 12 weeks)

Passenger journeys

Full year 2018/19

3,999m total journeys

4,005m budget

3,986m prior year

London Underground
1,384m
2.4%▲ budget
2%▲ prior year

Buses
2,220m
0.7%▼ budget
1.2%▼ prior year

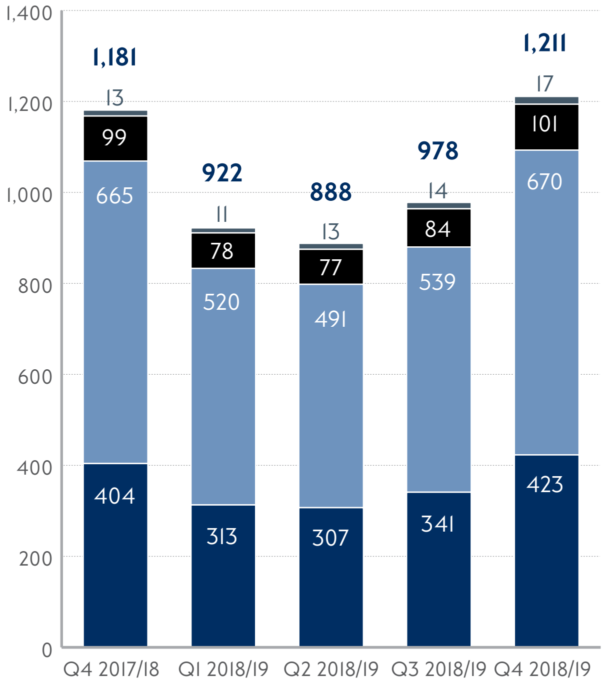
DLR
122m
1.3%▲ budget
1.9%▲ prior year

London Overground
189m
0.2%▼ budget
0.5%▲ prior year

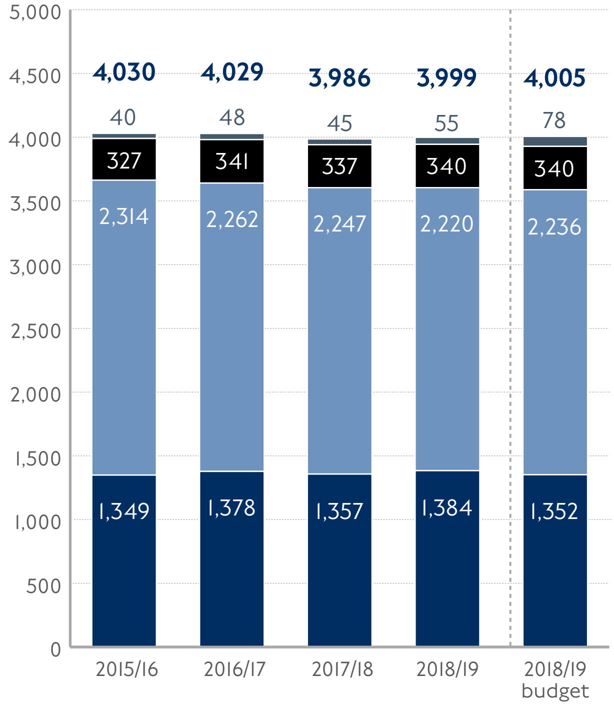
London Trams
29m
3.9%▼ budget
1.3%▼ prior year

TfL Rail
55m
29.1%▼ budget
22%▲ prior year

Quarterly (millions)*



Full-year trend with budget (millions)



■ London Underground ■ Buses ■ Rail ■ TfL Rail

London Underground passenger volumes are 32 million higher than budget and 27 million higher than those in 2017/18, with customer journeys continuing to increase following suppressed demand in the previous year.

Bus passenger volumes totalled 2,220m in 2018/19, one per cent lower than the previous year and 16 million journeys below budget. Reshaping of the bus network continued, with a redistribution of services from inner to outer London, while overall bus network mileage decreased by two per cent on 2017/18. Initial analysis shows the reduction in journeys was mainly in off-peak travel.

Rail passenger journeys in 2018/19 are in line with budget and up three million on the previous year. Underlying rail demand is broadly flat when adjusted for the 48-hour DLR strike in Quarter 4 2017/18.

* Quarter 4 is longer than Quarters 1 to 3 (16 weeks and one day vs 12 weeks)

Underground

London Underground

Financial summary

London Underground has benefited from increasing passenger income, coupled with a focus on continued savings.

London Underground (£m)	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Passenger income	2,767	2,683	84	2,632	135
Other operating income	32	25	7	45	(13)
Total operating income	**2,799**	**2,708**	**91**	**2,677**	**122**
Direct operating cost	(2,058)	(2,116)	58	(2,134)	76
Direct operating surplus	**741**	**592**	**149**	**543**	**198**
Indirect operating cost	(305)	(313)	8	(311)	6
Net operating surplus	**436**	**279**	**157**	**232**	**204**
Capital renewals	(260)	(297)	37	(318)	58
New capital investment	(46)	(72)	26	(38)	(8)
Total capital expenditure	**(306)**	**(369)**	**63**	**(356)**	**50**

Passenger income is £84m higher than budget and £135m better than last year. This reflects a small improvement in customer demand.

Direct operating costs are £58m lower than budget and £76m better than last year. This is owing to our continual focus on making cost savings while maintaining a safe and reliable network with limited impact on frontline services.

Capital expenditure is £63m under budget and £50m lower than last year. We have rescheduled £40m of capital renewals – including Victoria line fleet works – to next year. In terms of new capital investment, we have re-profiled £17m of costs to next year as we review the design and procurement strategy to maximise value for money.

Passenger journeys analysis

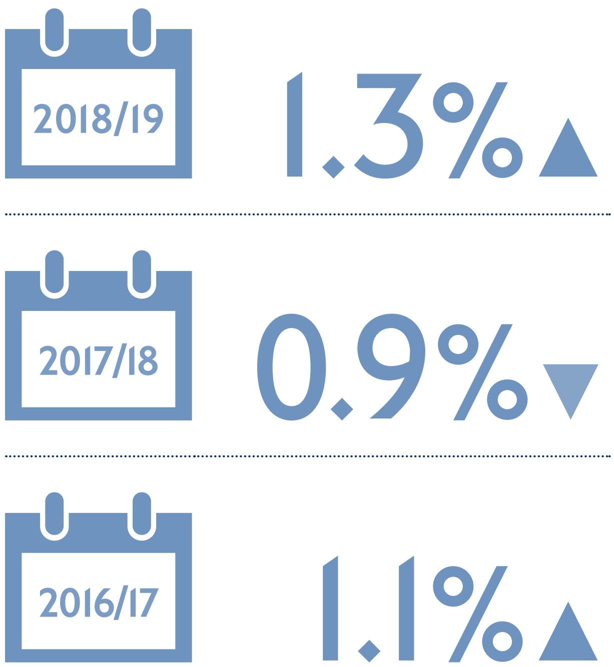
	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Number of passenger journeys (millions)	1,384	1,352	32	1,357	27
Average yield per passenger journey (£)	2.00	1.99	0.01	1.94	0.06
Operating cost per journey (£)	(1.67)	(1.80)	0.13	(1.80)	0.13

Passenger journeys
Passenger journeys are 32 million higher than budget and 27 million higher than last year as underlying demand recovers from the downturn seen last year.

Average yield per passenger journey
Underlying passenger income per journey has improved compared to last year. This is partly owing to the increase in average fares for National Rail 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 because of increased passenger journeys and savings delivered while maintaining a safe and reliable network.

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



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)	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Passenger income	101	146	(45)	83	18
Other operating income	17	125	(108)	4	13
Total operating income	**118**	**271**	**(153)**	**87**	**31**
Direct operating cost	(237)	(379)	142	(118)	(119)
Direct operating deficit	**(119)**	**(108)**	**(11)**	**(31)**	**(88)**
Indirect operating cost	(8)	(9)	1	(9)	1
Net operating deficit	**(127)**	**(117)**	**(10)**	**(40)**	**(87)**
New capital investment	(281)	(322)	41	(383)	102
Crossrail construction cost	(1,389)	(435)	(954)	(1,530)	141
Total capital expenditure	**(1,670)**	**(757)**	**(913)**	**(1,913)**	**243**

An increase in passenger journeys, including on the new Paddington to Heathrow service, resulted in an £18m increase in passenger income compared to last year. However, the delayed start of Elizabeth line services contributed to passenger income being lower than budget. Customers have instead continued to use other modes of TfL transport resulting in a £20m net impact to overall passenger income.

The £108m reduction in other operating income is mainly owing to delayed central operating section (COS) regulatory access income (offset in operating costs) as well as third party income now expected in 2019/20.

Operating costs are £142m lower than budget owing to delayed COS regulatory access charges (offset in income), in addition to reduced COS operating and maintenance costs. Direct costs are higher than last year as preparations are made for the opening of the Elizabeth line as well as additional costs for operating new services to Heathrow.

New capital investment is £41m lower than budget, mainly owing to the timing of rolling stock delivery works.

Passenger journeys analysis

	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Number of passenger journeys (millions)	55.3	78.0	(22.7)	45.3	10.0
Average yield per passenger journey (£)	1.83	1.87	(0.04)	1.83	-
Operating cost per journey (£)	(4.43)	(4.97)	0.54	(2.80)	(1.63)

Passenger journeys
Passenger demand is 29 per cent lower than budget owing to the delayed start to the Elizabeth line. Compared to last year, demand has increased by 22 per cent mainly as a result of new services from Paddington to Hayes & Harlington and Heathrow which started in May 2018, as well as a reduction in the number of closures this year and the timing of Easter.

Average yield per passenger journey
Passenger income per journey is 2.1 per cent lower than budget, driven by the delayed start of Paddington to Abbey Wood services.

Operating cost per journey
Operating cost per journey is 11 per cent lower than budget, mainly owing to cost savings associated with the delayed handover of the COS, and is partially offset by the impact of lower passenger journeys. The increase from last year is owing to additional costs as we prepare for the opening of the Elizabeth line.

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

2018/19 21.5% ▲

2017/18 4.4% ▲

2016/17 2.5% ▼

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

Reduced passenger income has contributed to the net operating deficit being £12m higher than budget. Total operating costs are broadly flat year on year.

Buses (£m)	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Passenger income	1,468	1,479	(11)	1,453	15
Other operating income	12	9	3	13	(1)
Total operating income	**1,480**	**1,488**	**(8)**	**1,466**	**14**
Direct operating cost	(2,109)	(2,105)	(4)	(2,104)	(5)
Direct operating deficit	**(629)**	**(617)**	**(12)**	**(638)**	**9**
Indirect operating cost	(28)	(34)	6	(35)	7
Net operating deficit	**(657)**	**(651)**	**(6)**	**(673)**	**16**
Capital renewals	(2)	(9)	7	(10)	8
New capital investment	(19)	(46)	27	(12)	(7)
Total capital expenditure	**(21)**	**(55)**	**34**	**(22)**	**1**

Underlying year-on-year demand shows a decline of approximately 1.5 per cent with the reduction primarily occurring in off-peak travel.

Direct operating cost is slightly worse than budget and is marginally up year on year. We continue to almost offset the higher cost, owing to the annual contracted price inflation (2.9 per cent average) in the bus operators' contracts.

Capital expenditure is lower as a result of a change in the way accounting for the installation of enhanced catalytic converters (which reduce the emissions of buses so they meet the Euro VI standard) is reported.

Passenger journeys analysis

	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Number of passenger journeys (millions)	2,220	2,236	(16)	2,247	(27)
Average yield per passenger journey (£)	0.66	0.66	–	0.65	0.01
Operating cost per journey (£)	(0.96)	(0.96)	–	(0.95)	(0.01)

Passenger journeys
Total passenger journeys are one per cent lower than budget and the previous year with the reduction primarily occurring in off-peak travel. On a normalised basis, passenger journeys are 1.5 per cent lower.

Average yield per passenger journey
The average yield per passenger journey has increased by 1p compared to the same period last year. It remains as per the budget.

Operating cost per journey
Operating cost per journey is in line with budget. It is one per cent higher than last year, largely because of a decrease in passenger journeys.

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

2018/19 1.5% ▼

2017/18 0.7% ▲

2016/17 2.7% ▼

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.

Streets

Transport for London Road Network (TLRN)

Financial summary

Operating performance is ahead of budget as a result of improved income and reduced investment programme spend.

Streets (£m)	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Passenger income	-	-	-	-	-
Other operating income	322	323	(1)	314	8
Total operating income	**322**	**323**	**(1)**	**314**	**8**
Direct operating cost	(475)	(511)	36	(501)	26
Direct operating deficit	**(153)**	**(188)**	**35**	**(187)**	**34**
Indirect operating cost	(64)	(73)	9	(70)	6
Net operating deficit	**(217)**	**(261)**	**44**	**(257)**	**40**
Capital renewals	(41)	(31)	(10)	(114)	73
New capital investment	(92)	(146)	54	(82)	(10)
Total capital expenditure	**(133)**	**(177)**	**44**	**(196)**	**63**

Income is higher than 2017/18 owing to increased enforcement, compliance and cost recoveries, which are partially offset by reduced Congestion Charge income resulting from lower volumes of charge-paying vehicles entering the zone.

Operating costs are £36m better than budget, largely as a result of Westminster City Council's cancellation of the pedestrianisation of Oxford Street. There is a £26m improvement compared to last year primarily as a result of lower staff costs and contract negotiations.

As previously announced, we have suspended our programme of proactive capital renewals on highways assets, resulting in the drop compared to 2017/18.

During 2018/19 we have invested a total of £88m in our cycling programme. This is £14m lower than budget and at levels consistent with last year. The underspend against budget is in part owing to the cycling elements of our Oxford Street scheme and the legal challenge from Westminster City Council against our Cycleway 11. However we have been successful in accelerating some of our other schemes (such as our cycle future routes 2 and 5) to ensure we continue to deliver cycling benefits to London.

Volume analysis

	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Congestion Charge volumes (thousands)	14,125	15,679	1,554	15,241	(1,116)
Congestion Charge and enforcement income (£m)	229.9	231.8	(1.9)	229.8	0.1
Traffic volumes – all London (index)	96.0	-	-	94.8	1.2
Cycling growth in CCZ*	13.5%	14.0%	-	6.7%	-

Cycling

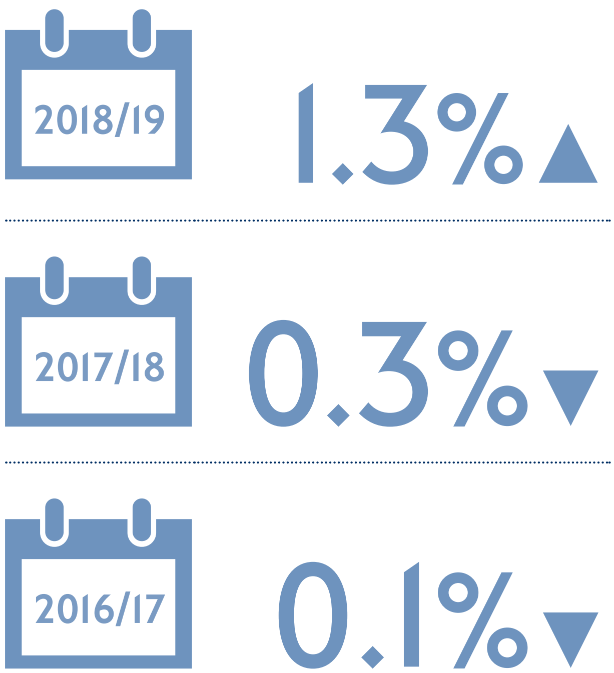
A daily average of 529,475km, or around 173,000 journeys, was cycled in the Congestion Charging Zone during 2018.

Cycling increased by 13.5 per cent compared to the 2014 baseline to reach the highest level on record. Levels of cycling during 2017/18 were adversely affected by extreme weather conditions.

Traffic flow

The general trend of growth continued throughout the year in outer London, with inner and central areas relatively flat. For inner London this is a long-term trend, while for central areas this reflects a recent slowing in the long-term reduction.

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 Quarter 4 is October to December 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

Passenger income is lower than planned, while total operating income is higher than the same period last year.

Rail (£m)	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Passenger income	427	434	(7)	418	9
Other operating income	40	14	26	13	27
Total operating income	**467**	**448**	**19**	**431**	**36**
Direct operating cost	(454)	(480)	26	(413)	(41)
Direct operating surplus deficit	**13**	**(32)**	**45**	**18**	**(5)**
Indirect operating cost	(17)	(20)	3	(20)	3
Net operating deficit	**(4)**	**(52)**	**48**	**(2)**	**(2)**
Capital renewals	(31)	(43)	12	(29)	(2)
New capital investment	(47)	(42)	(5)	(46)	(1)
Total capital expenditure	**(78)**	**(85)**	**7**	**(75)**	**(3)**

Passenger income is £7m below budget, mainly owing to weaker demand for journeys on London Trams and London Overground than planned. Passenger journeys in 2018/19 were 0.6 per cent higher than 2017/18 with DLR two per cent higher because of the previous year's industrial action.

Other income is £26m above budget owing to contractual payments from Bombardier for the delayed new London Overground trains.

Operating costs for DLR and London Trams were held at 2017/18 levels contributing to a £13m direct operating surplus, £45m higher than budget. Costs increased because of the delay of the new London Overground trains, though these costs were fully compensated for by Bombardier contractual payments.

New capital investment continues at previous years' levels with several station enhancements due for completion in 2019/20.

Passenger journeys analysis

	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
London Overground					
Number of passenger journeys (millions)	189.5	189.9	(0.4)	189.5	-
Average yield per passenger journey (£)	1.22	1.26	(0.04)	1.19	0.03
Operating cost per journey (£)	(1.57)	(1.68)	0.11	(1.38)	(0.19)
DLR					
Number of passenger journeys (millions)	121.9	120.3	1.6	119.6	2.3
Average yield per passenger journey (£)	1.41	1.42	(0.01)	1.41	-
Operating cost per journey (£)	(1.08)	(1.16)	0.08	(1.11)	0.03
London Trams					
Number of passenger journeys (millions)	28.7	29.8	(1.1)	29.1	(0.4)
Average yield per passenger journey (£)	0.82	0.83	(0.01)	0.83	(0.01)
Operating cost per journey (£)	(1.22)	(1.17)	(0.05)	(1.17)	(0.05)

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

2018/19 0.3% ▼

2016/17 3.1% ▲

2017/18 1.6% ▼

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 named 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)	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Passenger income	59	32	27	57	2
Other operating income	127	132	(5)	118	9
Total operating income	**186**	**164**	**22**	**175**	**11**
Direct operating cost	(335)	(350)	15	(273)	(62)
Direct operating deficit	**(149)**	**(186)**	**37**	**(98)**	**(51)**
Indirect operating cost	(40)	(45)	5	(43)	3
Net operating deficit	**(189)**	**(231)**	**42**	**(141)**	**(48)**
Capital renewals	(39)	(83)	44	(59)	20
New capital investment	(91)	(182)	91	(59)	(32)
Total capital expenditure	**(130)**	**(265)**	**135**	**(118)**	**(12)**

Passenger income variance is largely a result of the accounting treatment for Oyster deposits.

The capital renewals underspend is driven by the re-profiling of the cycle hire payment system. The payment terminals for Santander Cycles have been upgraded, accepting contactless payment for the first time, which will make hiring quicker for customers.

New capital investment is lower than budget, following the re-profiling of the Emergency Services Network project while discussions continue with the Home Office to agree scope and timings. There have also been changes to the spend profile for the Ultra Low Emission Zone.

Volume analysis

	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Santander Cycles					
Number of hires (millions)	10.9	10.7	0.2	10.2	0.7
Average income per hire (£)	1.16	1.15	0.01	1.18	(0.02)
Operating cost per hire (£)	(2.26)	(2.49)	0.23	(2.52)	0.26
Victoria Coach Station					
Number of coach departures (thousands)	225.0	236.4	(11.4)	236.4	(11.4)
Average income per departure (£)	35.07	38.66	(3.59)	35.80	(0.73)
Operating cost per departure (£)	(35.22)	(33.99)	(1.23)	(32.71)	(2.51)
London River Services					
Number of passenger journeys (millions)	9.8	9.8	–	10.0	(0.2)
Average income per journey (£)	0.24	0.29	(0.05)	0.28	(0.04)
Operating cost per journey (£)	(1.56)	(1.40)	(0.16)	(1.36)	(0.20)
London Dial-a-Ride					
Number of passenger journeys (thousands)	1,000.5	1,000.0	0.5	1,023.9	(23.4)
Operating cost per trip (£)	(46.43)	(47.30)	0.87	(48.51)	2.08
Taxi and Private Hire					
Number of private hire vehicle drivers	106,777	–	–	113,645	(6,868)
Taxi drivers	23,159	–	–	23,826	(667)
Total income (£m)	32.9	39.8	(6.9)	27.1	5.8
Total costs (£m)*	(42.5)	(46.4)	3.9	(40.4)	(2.1)
Emirates Air Line					
Number of passenger journeys (thousands)	1,346.1	1,621.8	(275.7)	1,375.8	(29.7)
Average income per journey (£)	4.47	4.76	0.29	4.26	0.21
Operating cost per journey (£)**	(2.40)	(2.33)	(0.07)	(2.55)	0.15

* 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

Commercial Development

Property development, commercial property, media, telecoms and facilities

Financial summary

The net operating surplus is higher than budget and the previous year, owing to a combination of reduced office maintenance costs and accommodation projects.

Commercial Development (£m)	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Passenger income	-	-	-	-	-
Other operating income	261	265	(4)	252	9
Total operating income	**261**	**265**	**(4)**	**252**	**9**
Direct operating cost	(136)	(169)	33	(156)	20
Direct operating surplus	**125**	**96**	**29**	**96**	**29**
Indirect operating cost	(13)	(15)	2	(15)	2
Net operating surplus	**112**	**81**	**31**	**81**	**31**
New capital investment	(94)	(146)	52	(99)	5
Property receipts	88	56	32	59	29
Crossrail over site development	160	176	(16)	-	160
Net capital account	**154**	**86**	**68**	**(40)**	**194**

Operating income is lower than budget mainly because of the missed Crossrail advertising opportunities. However, year-on-year advertising income is higher along with property income, which is a result of higher back-dated rents and the sub-let of head office buildings.

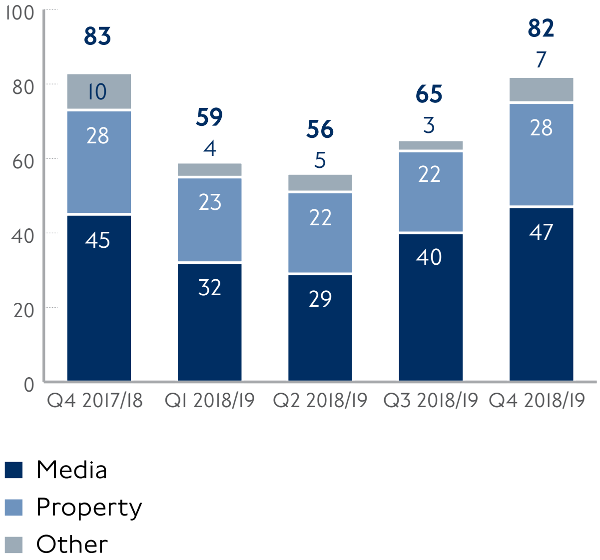
Operating expenditure is lower than budget as office maintenance costs have been controlled, some projects delayed and unbudgeted rates refunds received.

New capital investment is significantly lower than budget owing to the delayed roll-out of digital media assets, along with a slower start on property investments, variations in the delivery of Crossrail over-site development and re-phasing of head office works.

Capital receipts are higher mainly because of unbudgeted and re-phased disposals of Crossrail sites.

Media, property and other income (£m)*

Quarterly



Income has decreased by £1m over Quarter 4 last year.

There has been an increase in media on both rail and bus shelters.

Property income has remained flat compared to Quarter 4 last year.

Other income has decreased because of a one-off property receipt in 2017/18 related to Crossrail activities.

* Quarter 4 is longer than Quarters 1 to 3 (16 weeks and one day vs 12 weeks)

Delivering homes on our land

We announced that we intend to appoint Grainger plc as our partner to deliver 3,000 new homes for our Build to Rent portfolio, with a minimum of 40 per cent affordable on all new planning consents. The first phase of sites has been identified in locations such as Canning Town and Southall.

With the development partners in place for 10,000 homes, we will now work with local communities and boroughs to identify the needs of the area and create places and neighbourhoods where people want to live – the sustainable locations of the future.

Planning homes for the future

We have submitted planning applications for 1,300 homes on our land. Planning consent has already been granted for two of these sites; one for 350 homes at Blackhorse Road in Waltham Forest, and another for 97 new homes at Beechwood Avenue in Barnet. Both sites will have 50 per cent affordable homes.

Major projects

Financial summary

Major projects is responsible for our largest and most complex projects. It comprises line upgrades, Deep Tube Upgrade, network extensions and Major stations.

Major projects (£m)	Full year 2018/19	Budget 2018/19	Variance	Full year 2017/18	Variance
Passenger income	-	-	-	-	-
Other operating income	1	-	1	-	1
Total operating income	**1**	**-**	**1**	**-**	**1**
Direct operating cost	(12)	(14)	2	(11)	(1)
Direct operating deficit	**(11)**	**(14)**	**3**	**(11)**	**-**
Indirect operating cost	(35)	(38)	3	(36)	1
Net operating deficit	**(46)**	**(52)**	**6**	**(47)**	**1**
Capital renewals	(25)	(36)	11	(23)	(2)
New capital investment	(709)	(777)	68	(746)	37
Total capital expenditure	**(734)**	**(813)**	**79**	**(769)**	**35**

Four Lines Modernisation

The new automatic train control signalling system will allow more frequent and reliable services on the Circle, District, Hammersmith and Metropolitan lines. Commissioning of the first Migration Area between Hammersmith and Latimer Road was successfully completed on 17 March 2019. This section of the railway is now running in revenue service under Communications Based Train Control and is performing within reliability targets.

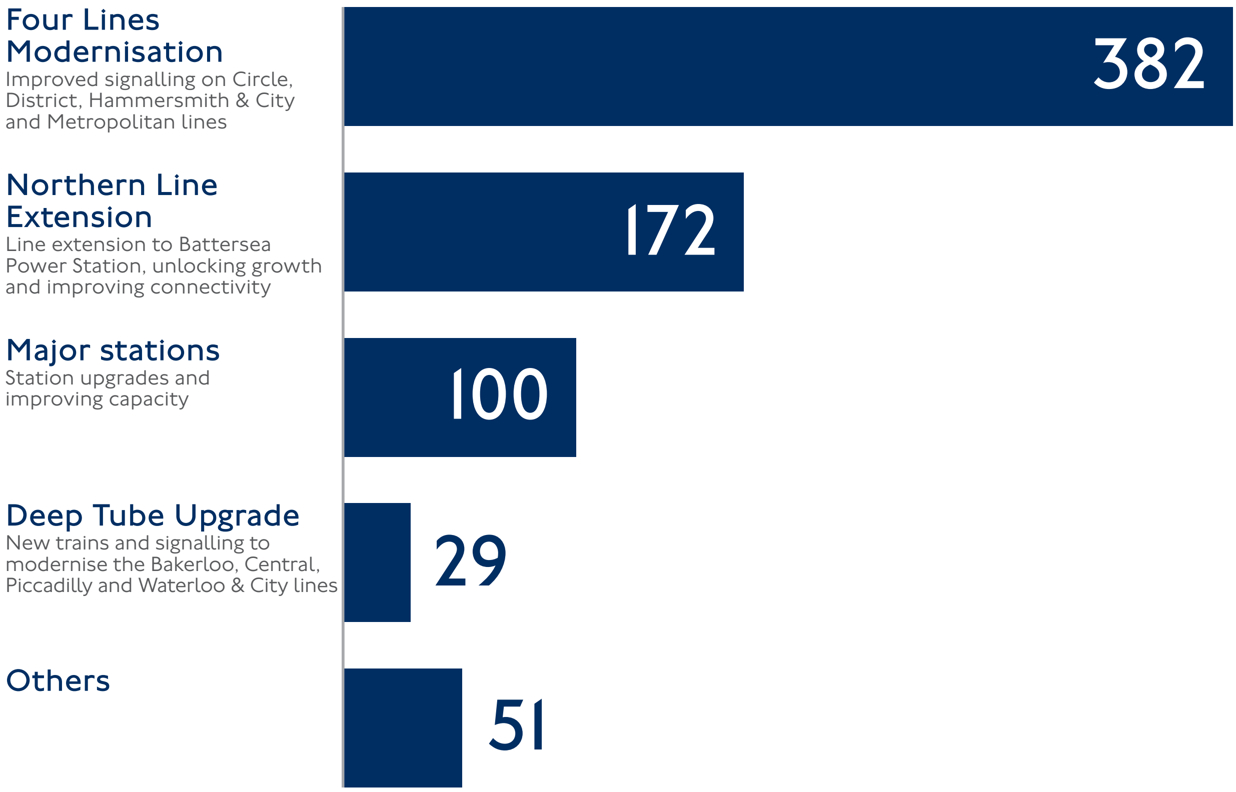
Northern Line Extension

Track installation across the Northern Line Extension is complete, enabling deliveries by engineering trains to be made deeper into the extension, and the installation of the conductor rail is under way. Successful test trains found that signalling cables can be permanently installed directly in the track bed, which will improve safety and save both time and money.

Deep Tube Upgrade

This project will deliver new trains and signalling to modernise the Bakerloo, Central, Piccadilly and Waterloo & City lines. Work has begun on a draft rolling stock concept design for the Piccadilly line rolling stock under TfL's contract with Siemens.

Full year capital spend by programme (£m)



Major stations

At Victoria station, all passenger-facing facilities have been opened. The overall completion of the station, surrounding buildings and urban realm is planned for mid-2019.

In March, the first breakthrough was made between the new entrance on Cannon Street and the newly constructed Northern line tunnel, as part of the Bank station upgrade works. Tunnelling work for the new lift shaft continues, which will deliver step-free access to the Northern line and improved step-free access to the DLR in 2022.

Silvertown Tunnel

The bidders submitted their final technical, commercial and financial proposals in February 2019, and the contract will be awarded later in the year.

Barking Riverside Extension

The contract for the Barking Riverside Extension was awarded at the end of December 2018. The focus has been to mobilise the joint venture team completing environmental surveys, securing planning approvals for the new station and establishing structural monitoring on the High Speed 1 tunnels – which the new link will cross.

Headcount

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

	31 March 2018 Actual	YTD net (leavers)/joiners	31 March 2019 Actual
London Underground	18,851	(409)	18,442
Elizabeth line	238	25	263
Buses	578	(113)	465
Rail	285	(11)	274
Streets	1,518	(211)	1,307
Other operations	1,444	(64)	1,380
Professional services*	3,807	(130)	3,677
Commercial Development	298	19	317
Crossrail	651	(110)	541
Major projects	786	(172)	614
Total	**28,456**	**(1,176)**	**27,280**

We have embarked on another major programme of change, becoming leaner through merging functions, reducing management layers, broadening roles and increasing areas of control. As a result, headcount levels are down by 1,176 in the year.

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

NPL

Our overall use of NPL has fallen by 230 during the year.

It is important that 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)	(3.560.709)

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 2018 Actual	YTD net (leavers)/joiners	31 March 2019 Actual
0-6 months	280	62	342
6-12 months	355	(172)	183
1-2 years	259	23	282
2-3 years	237	(17)	220
3-5 years	174	(74)	100
5+ years	117	(52)	65
Total	**1,422**	**(230)**	**1,192**

There are still a large number of non-permanent contractors who have been working at TfL for more than two years. Many of these are working on large construction projects, but we continue to seek to reduce reliance on these resources as much as possible.

May 2019

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PUB19_017_QPR_Q4