



Transport for London quarterly performance report

Quarter 3 2019/20
(1 April - 7 December 2019)

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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 2019 was published in July 2019.

Introduction

In November 2019, the Board reviewed and approved a revised set of financial targets for 2019/20, that reflect our improved financial performance. These replace those set in our original Budget published in March 2019 and from Q3 we started reporting against these revised targets as reflected in this report.

Demand growth on London Underground slowed significantly in Q3 compared to the previous two quarters. Underlying growth by the end of this quarter was 1.6 per cent compared to 2.2 per cent reported at the end of Q2. Underlying demand on buses at the end of Q3 was 1.6 per cent lower than the same period of last year, an acceleration in decline compared to the previous two quarters when we reported a reduction of 1.2 per cent.

We continued our focus on cost control, with operating costs £16m or 0.4 per cent ahead of the revised target, offsetting the adverse variance from passenger income.

Our net cost of operations, which is our net deficit after taking into account financing and capital renewals cost, was £16m better than our revised targets.

Capital expenditure at the end of the quarter was £942m, £65m behind the revised target. All areas continue to underspend, however, we forecast this will not materially impact our budget delivery milestones. The current forecast is that we will deliver 90 per cent of project milestones on time, however, we remain behind on station accessibility.

Key highlights for the capital programme in Q3 include completion of works at the Upminster Depot in readiness for a more frequent District line service and start of signal fit out works at Nine Elms and Battersea station and along the railway tunnels on the Northern Line Extension.

Despite the slowing of demand this quarter, we are confident we will achieve our revised net operating surplus target of £625m for 2019/20 and will work with the delivery teams to review our capital plans to ensure we continue improving forecast accuracy in the capital delivery areas.

Simon Kilonback
Chief Finance Officer

Tony King
Interim Group Finance Director



Business at a glance

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

How we report on our business

Underground

London Underground

Elizabeth line

Currently operating as TfL Rail

Buses

London Buses

Streets

TfL Road Network

Rail

DLR, London Overground and London Trams

Other operations

London Dial-a-Ride, London River Services, London Taxi and Private Hire, Santander Cycles, Victoria Coach Station and Emirates Air Line, Crossrail 2, Planning and other Group Items

Major projects

Responsible for our largest and most complex projects

Property

Our commercial and residential estate and building portfolio

Media

Advertising estate and digital marketing infrastructure

Facts and figures

945 Trains on the TfL network



580km

TfL-operated highways



720km

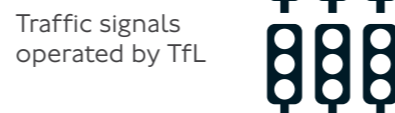
TfL-operated Rail and London Underground routes



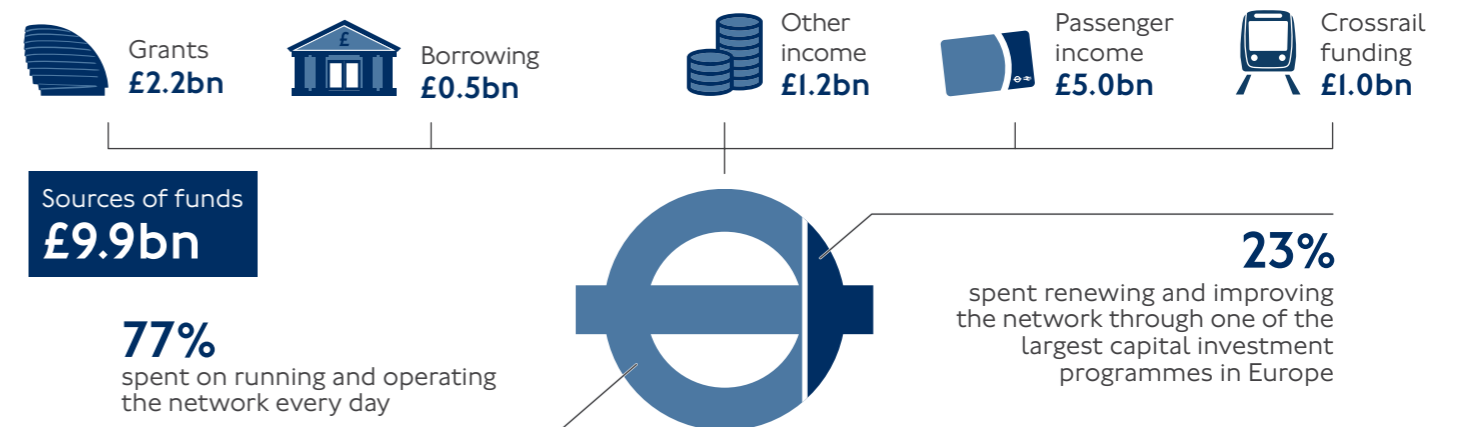
9,330 Buses on the TfL network



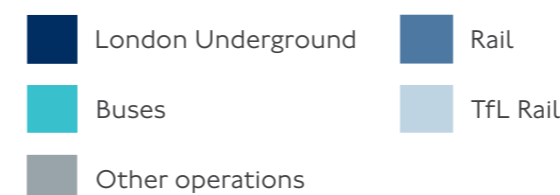
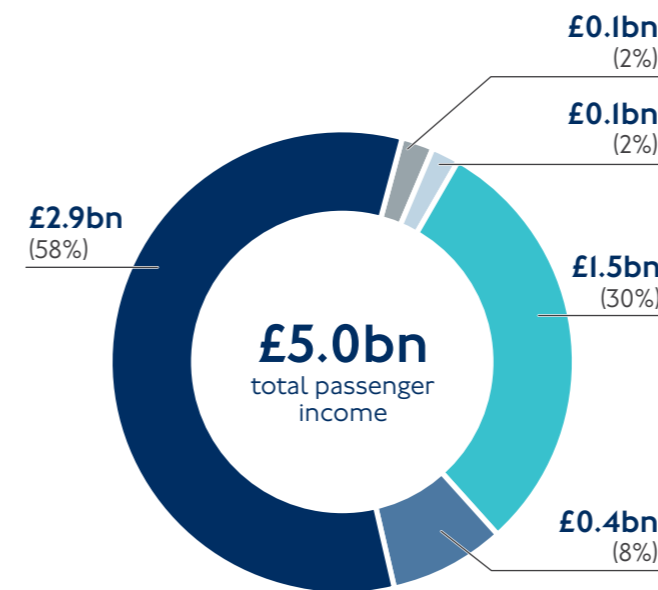
6,365 Traffic signals operated by TfL



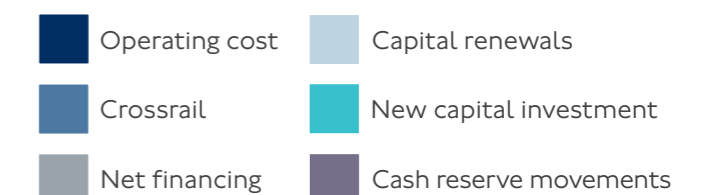
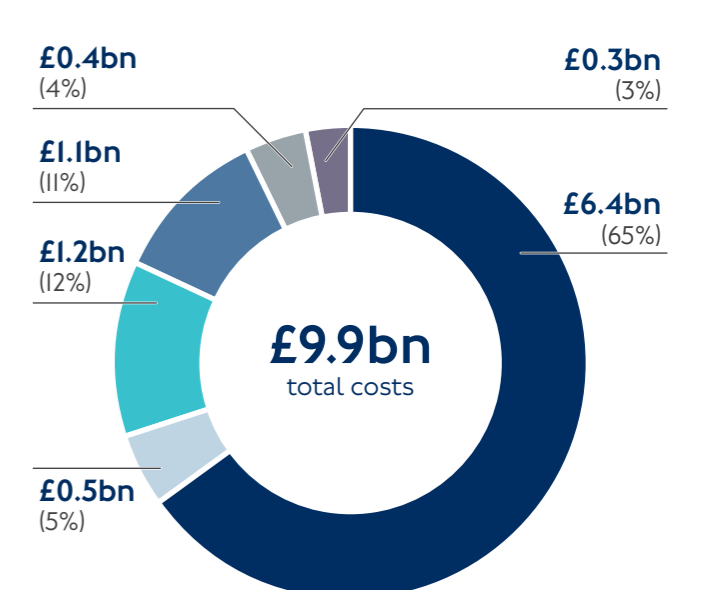
Revised target at a glance



Total passenger income



Total costs



Financial summary

Performance in the year to date

Operating account

TfL Group (£m)	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Passenger income	3,416	3,427	(11)	3,337	79
Other operating income	709	708	1	562	147
Total operating income	4,125	4,135	(10)	3,899	226
Business Rates Retention	649	649	-	644	5
Other revenue grants	58	58	-	40	18
Total income	4,832	4,842	(10)	4,583	249
Operating cost	(4,318)	(4,334)	16	(4,192)	(126)
Net operating surplus	514	508	6	391	123
Capital renewals	(292)	(302)	10	(255)	(37)
Net cost of operations before financing	222	206	16	136	86
Net financing costs	(309)	(309)	-	(310)	1
Net cost of operations	(87)	(103)	16	(174)	87

Capital account

TfL Group (£m)	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
New capital investment	(650)	(705)	55	(952)	302
Crossrail	(733)	(738)	5	(1,009)	276
Total capital expenditure	(1,383)	(1,443)	60	(1,961)	578
Financed by:					
Investment grant	607	607	-	664	(57)
Property and asset receipts	149	158	(9)	5	144
Borrowing	269	300	(31)	669	(400)
Crossrail funding sources	609	633	(24)	345	264
Other capital grants	127	128	(1)	129	(2)
Total	1,761	1,826	(65)	1,812	(51)
Net capital account	378	383	(5)	(149)	527

Cash flow summary

TfL Group (£m)	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Net cost of operations	(87)	(103)	16	(174)	87
Net capital account	378	383	(5)	(149)	527
Working capital movements	(103)	(231)	128	(333)	230
Increase/(decrease) in cash balances	188	49	139	(656)	844

Passenger journey analysis

TfL Group (£m)	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Number of passenger journeys (millions)	2,767	2,792	(25)	2,788	(21)
Average yield per passenger journey (£)	1.23	1.23	-	1.20	0.03
Operating cost per journey (£)	(1.56)	(1.55)	(0.01)	(1.50)	(0.06)

The Q3 net operating surplus is £514m, £123m better than last year, and £6m, or one per cent, better than our revised target.

Total income to the end of Q3 is £4,832m, £249m higher than last year. Passenger income is £79m higher, mainly owing to London Underground journeys. Other operating income is £147m up on last year, with new Ultra Low Emission Zone (ULEZ) income of £105m following the introduction of the scheme in April 2019.

Passenger income is £11m lower than the revised target. London Underground underlying journeys remain up on last year, but are no longer growing at the rates seen in the first half of the year. Underlying bus journeys declined in the first half of the year. However, in Q3 this trend worsened,

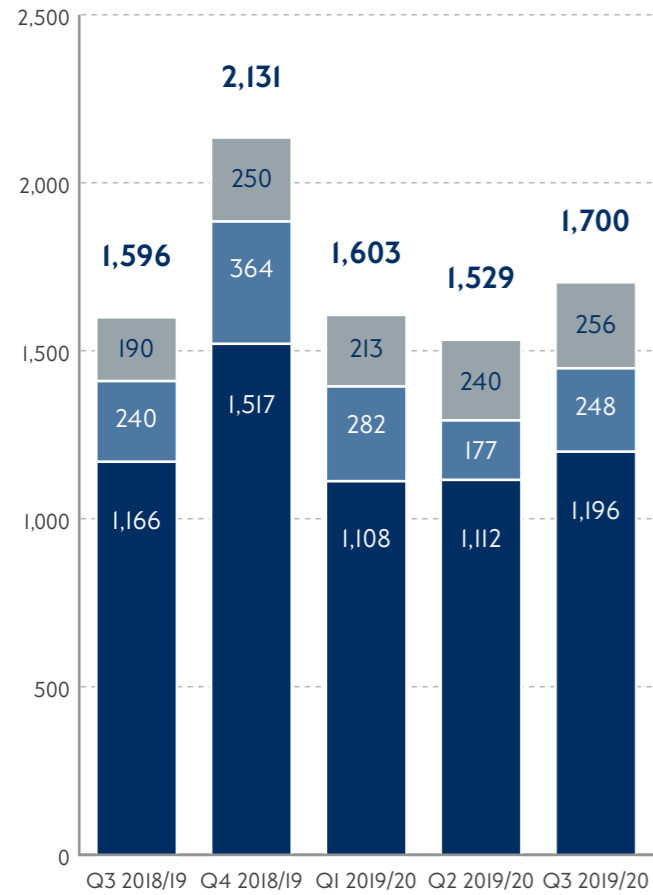
underlying demand decline compared to last year now stands at -1.6 per cent, after being -1.2 per cent at the end of Q2.

Operating costs are £4,318m, £126m higher than last year, driven by growth in Elizabeth line costs (£102m), increased London Overground costs (following the introduction of new trains), and bus operators' contract costs, which are linked to inflation. Costs are broadly in line with the revised target (£16m lower).

Total capital expenditure (excluding Crossrail) is £942m, £65m behind the revised target. Costs are lower on a number of programmes and it is now unlikely we will meet our revised spend target for the year. For project milestones, we expect to deliver 90 per cent on time this year.

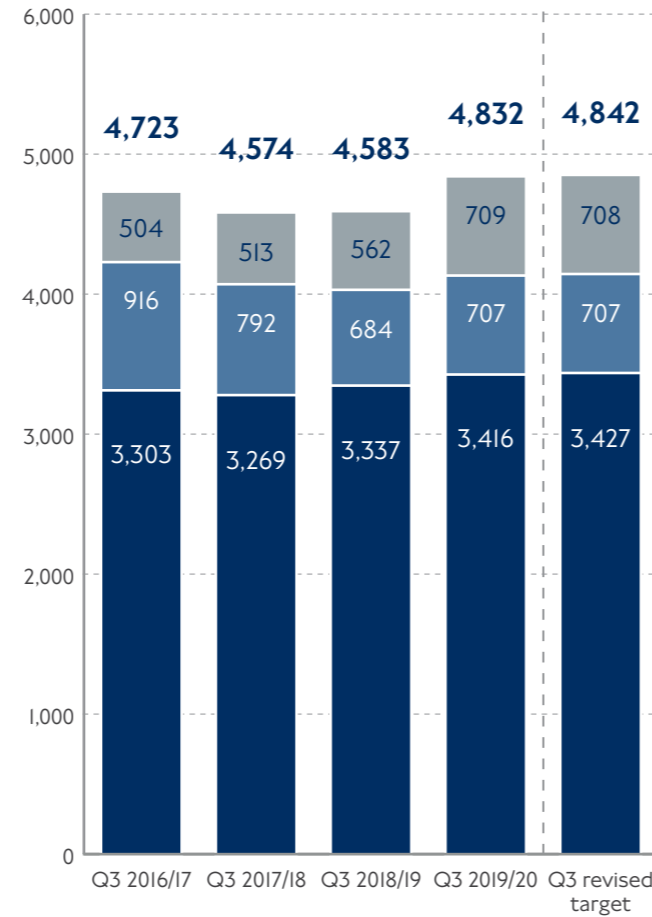
Financial trends

Total income
Quarterly (£m)*



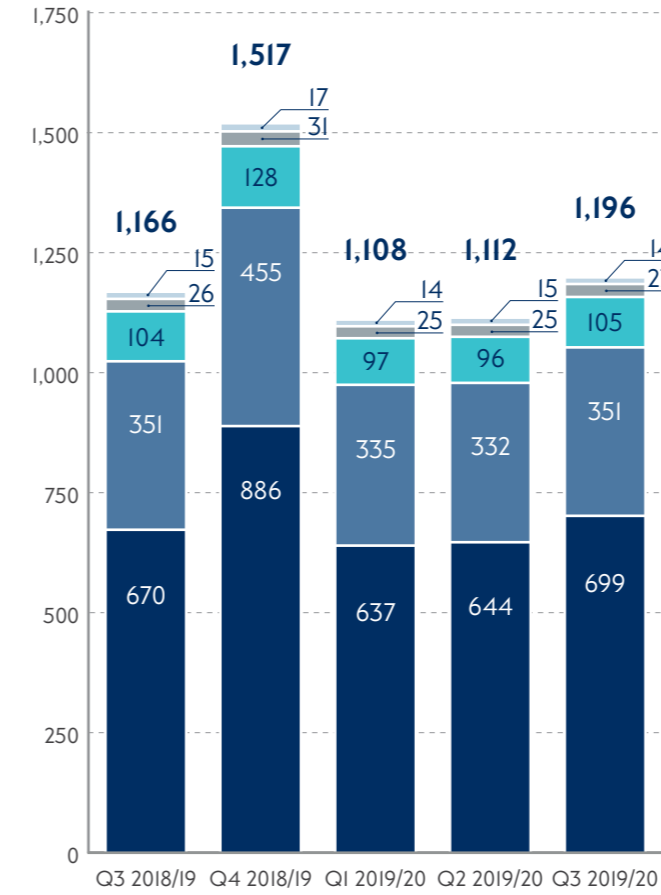
Passenger income Grants Other income

Year to date (£m)



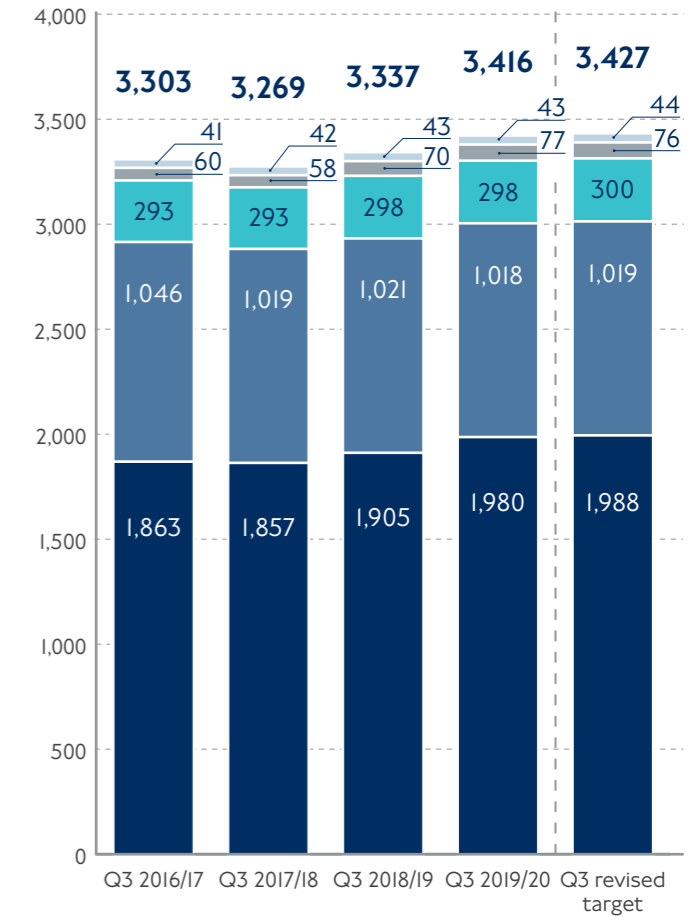
Passenger income Grants Other income

Total passenger income
Quarterly (£m)*



London Underground Buses Rail TfL Rail Other operations

Year to date (£m)



London Underground Buses Rail TfL Rail Other operations

£10m below revised targets

5% ▲ year on year

Total income is tracking slightly below the revised target as passenger income growth has stalled. The launch of the ULEZ in April 2019 has contributed to the year-on-year increase.

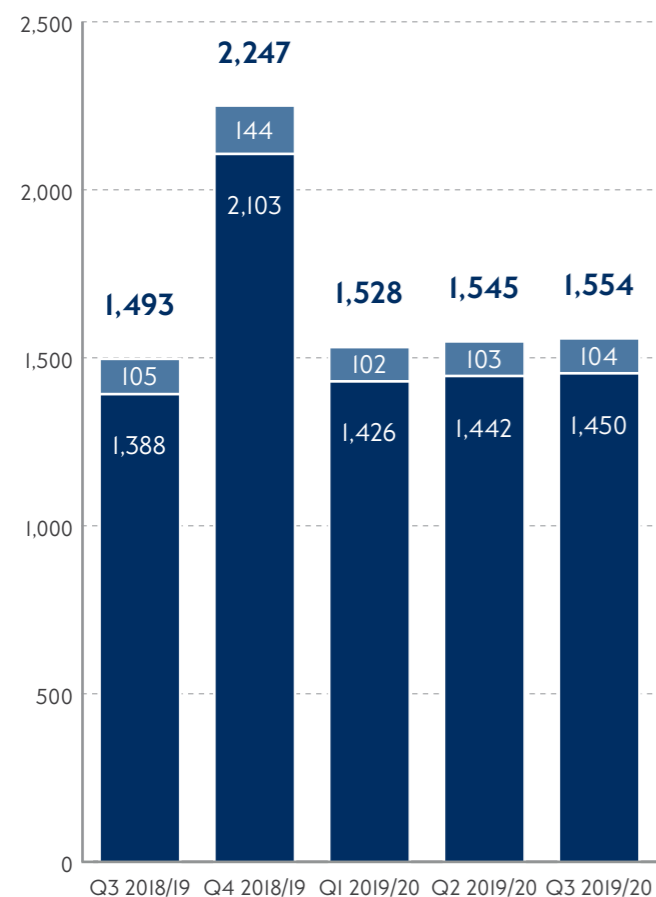
* Quarter 4 is longer than quarters 1 to 3 (16 weeks and one day vs 12 weeks)

£11m below revised targets

2% ▲ year on year

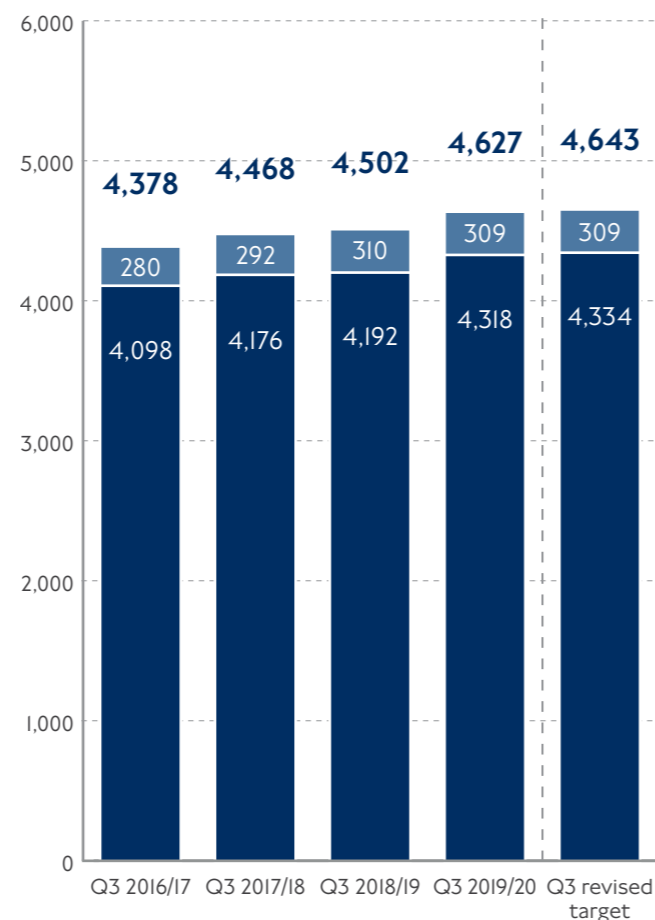
Despite a slow down in Tube and buses demand, Friday 29 November 2019 saw the busiest day ever on the Underground with more than five million passenger journeys in a single day.

Total cost
Quarterly (£m)*



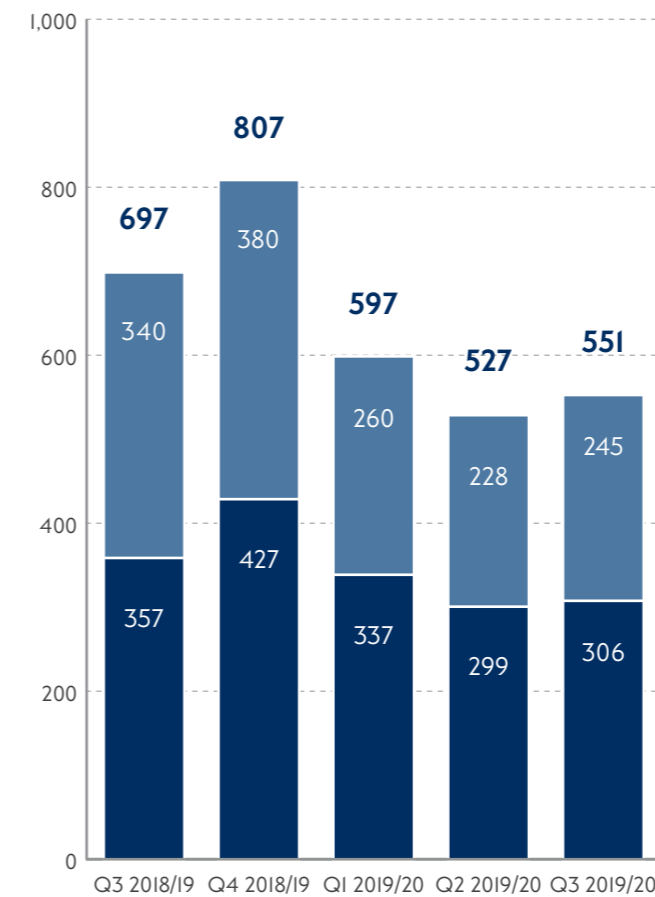
Operating costs Net financing costs

Year to date (£m)



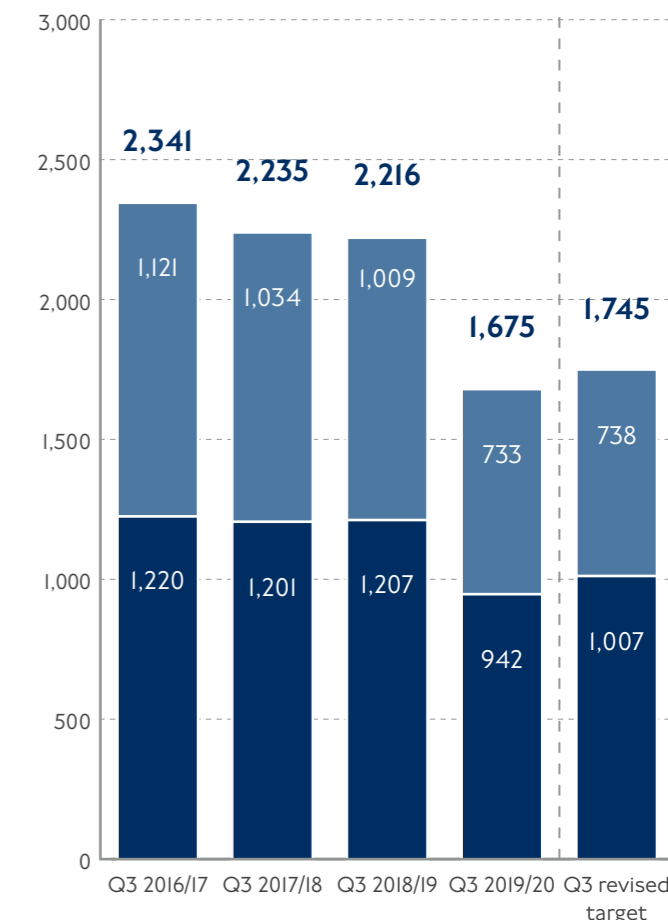
Operating costs Net financing costs

Total capital expenditure (including Crossrail)
Quarterly (£m)*



Capital investment and renewals Crossrail

Year to date (£m)



Capital investment and renewals Crossrail

£16m below revised targets

3%▲ year on year

Costs are broadly in line with our revised target. The year-on-year increase is driven by growth in Elizabeth line costs, increased London Overground costs following the introduction of new trains and bus operators' contract costs, which are linked to inflation.

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

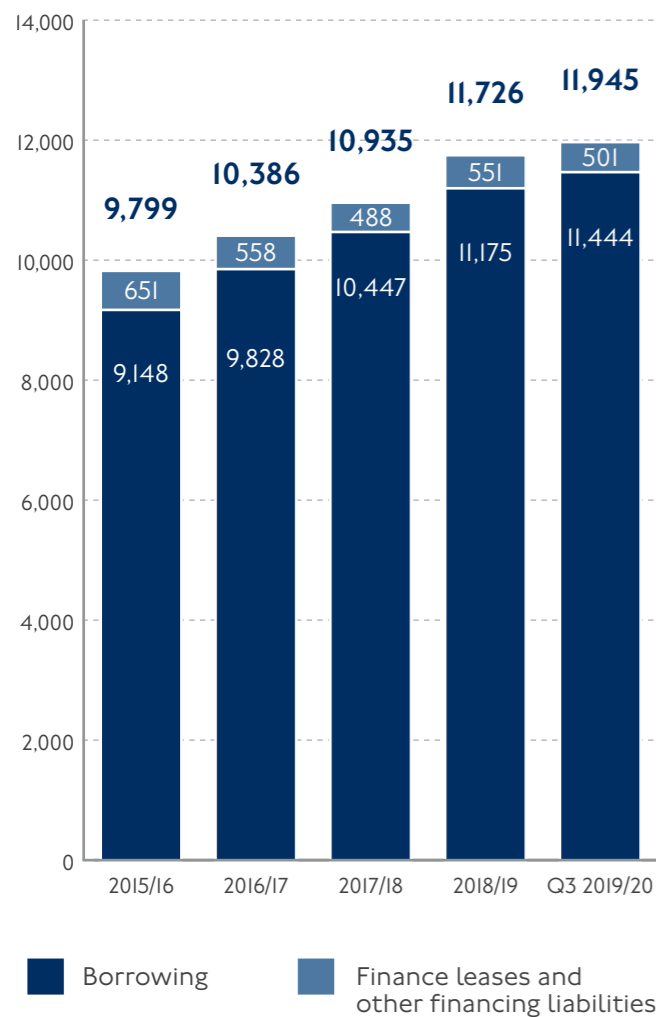
£2.7bn full year target

24%▼ year on year

Capital spend continues to track below the revised target. We expect to achieve 90 per cent of project milestones on time this year, but remain behind on station accessibility.

Debt and cash

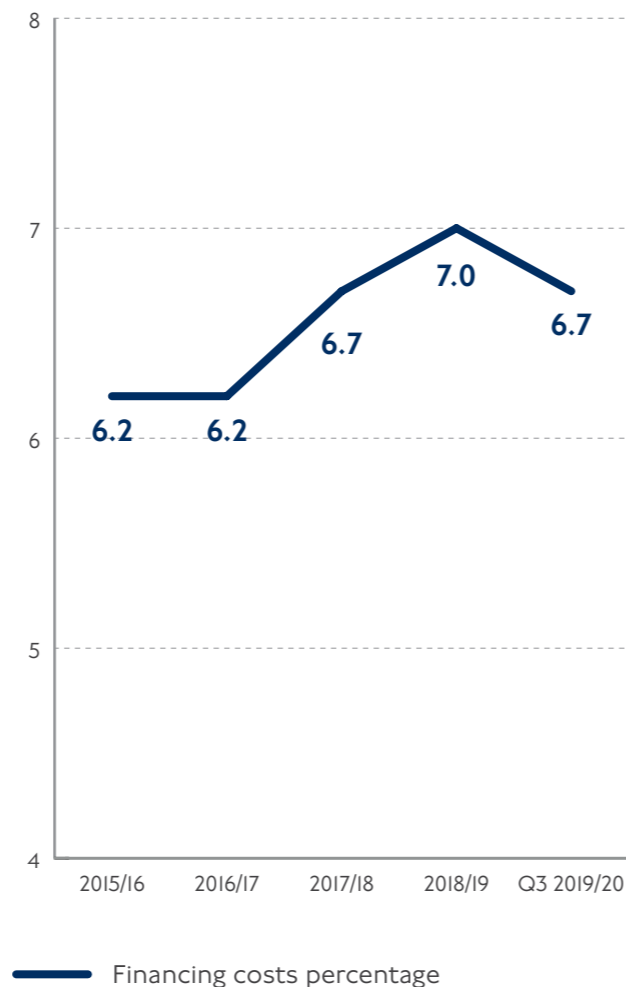
Total nominal value of debt (£m)



Our recently published Business Plan 2019 assumes that our borrowing will grow by £545m by 31 March 2020, within the limits agreed with the Government. At the end of Q3, our borrowing had increased by £269m, reflecting an increase of £320m in long-term and short-term borrowing, partially offset by long-term borrowing repayments.

The total nominal value of borrowing outstanding at the end of the quarter was £11,444m, of which £10,539m was long term.

Financing costs (% of total income)*



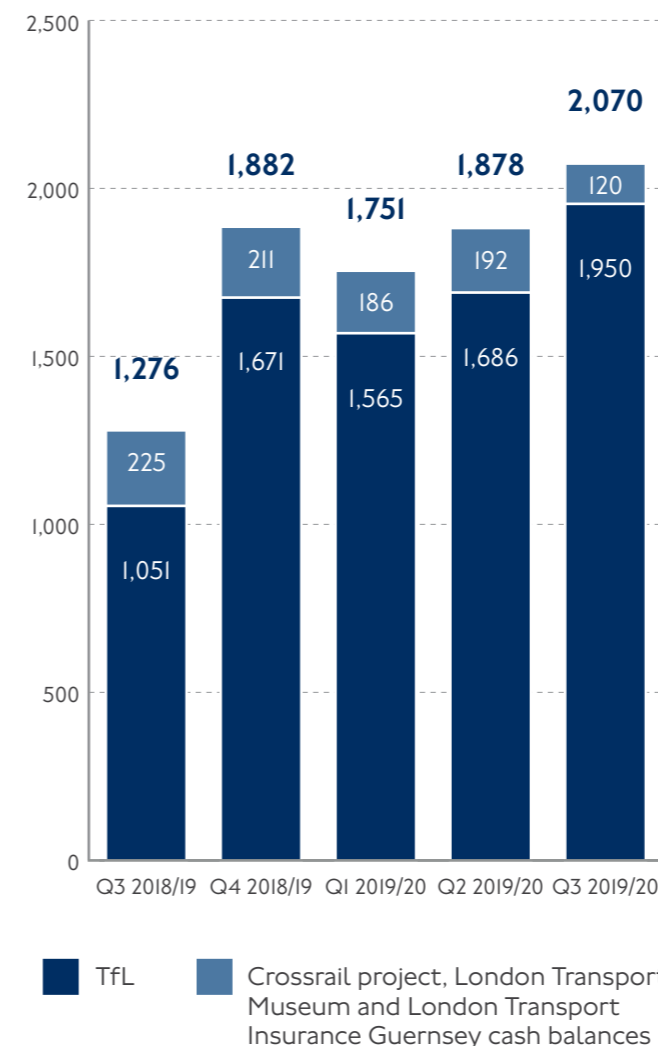
The ratio of financing costs to total income, including operating grants, helps us monitor the affordability of our debt.

Financing costs and income (£m)

Year to date	Q3 2019/20	Q3 revised target	Variance (%)
Interest income	14	14	-
Financing costs	(323)	(323)	-

* Financing costs include interest costs for borrowing, finance leases and other financing liabilities

Cash balances (£m)



Credit ratings

At the end of Q3 our rating with Fitch was on Rating Watch Negative, reflecting the rating on the UK Government at that time. On 23 December 2019, Fitch affirmed our AA- credit rating and removed it from Rating Watch Negative, following similar action on the rating of the UK Sovereign. Fitch have assigned a Stable outlook to our credit rating.

Cash balances at the end of Q3 were £2,070m, an increase of £188m since the end of 2018/19. This increase is primarily driven by slippage on capital spend planned for 2019/20. Of the total cash balance, £120m is held for the Crossrail project, the London Transport Museum and London Transport Insurance Guernsey.

On 18 December 2019, our liquidity policy was updated to increase the minimum level of cash reserves required to 60 day's worth of forecast annual operating expenditure. This more prudent approach was in light of the challenging economic and operating environment and other external developments. Above this we aim to hold a further £600m for unexpected risks, giving us sufficient financial flexibility to adjust and respond as appropriate.

£188m **10%▲**
increase in cash over the year to date

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

Passenger journeys

Q3 year to date

2,767m
total journeys

2,792m
revised target

2,788m
prior year



London Underground
972m 1.3%▼ revised target 1.2%▲ prior year



London Buses
1,519m 0.7%▼ revised target 2.0%▼ prior year



DLR
85m 1.0%▼ revised target 0.7%▼ prior year



London Overground
131m 0.1%▲ revised target 1.4%▼ prior year

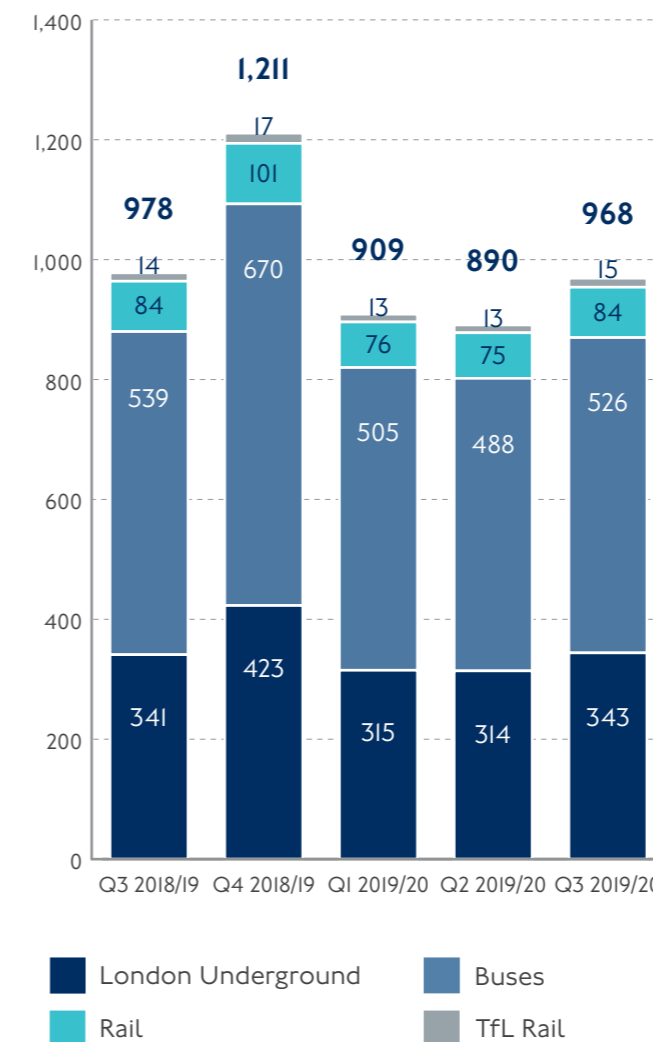


London Trams
19m 2.0%▼ revised target 5.5%▼ prior year

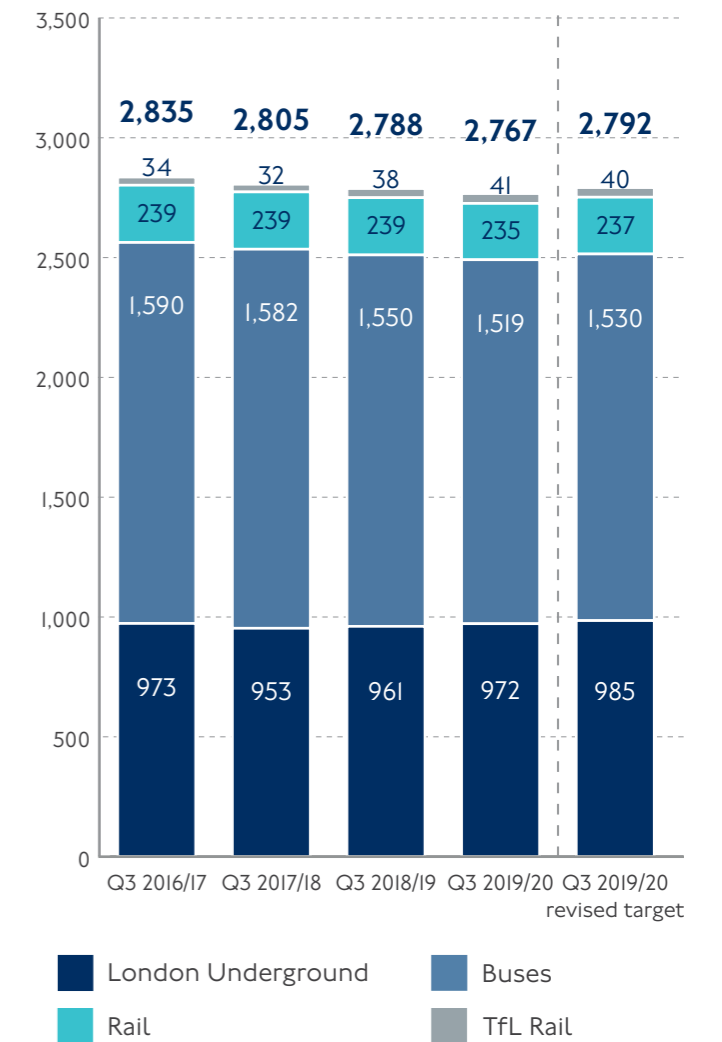


TfL Rail
41m 1.0%▲ revised target 6.5%▲ prior year

Quarterly (millions)*



Year to date with revised target (millions)



Underlying demand on London Underground remains up on last year. The first week of December was the busiest week of the year, with almost 30 million journeys.

The decline in year-on-year bus demand is returning to previous trends after being affected by the Extinction Rebellion protests and half term.

Rail passenger journeys are lower than anticipated, affected by fewer journeys on DLR and unplanned service disruptions on London Trams.

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

Underground

Financial summary

London Underground has benefited from increased passenger demand and lower costs compared to last year, although passenger demand has decreased and costs have increased compared to the revised target.

London Underground (£m)	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Passenger income	1,980	1,988	(8)	1,905	75
Other operating income	23	25	(2)	20	3
Total operating income	2,003	2,013	(10)	1,925	78
Direct operating cost	(1,351)	(1,343)	(8)	(1,382)	31
Direct operating surplus	652	670	(18)	543	109
Indirect operating cost	(235)	(258)	23	(237)	2
Net operating surplus	417	412	5	306	111
Capital renewals	(207)	(217)	10	(166)	(41)
New capital investment	(33)	(39)	6	(28)	(5)
Total capital expenditure	(240)	(256)	16	(194)	(46)

Total operating income is £10m below the revised target and £78m better than last year. Customer demand in the quarter was 0.5 per cent lower than the revised target. Year-to-date underlying journeys remain up on last year at 1.6 per cent, however, demand is not growing at the rates seen in the first half of the year. In Q3 we have been measured against tougher comparatives as demand growth started to pick up in Q3 last year.

Direct operating costs are £8m higher than the revised target and £31m lower than last year. The adverse variance against target relates to the delivery of the London Underground modernisation programme.

The favourable variance against last year relates to the fact that a higher proportion of project costs have been capitalised.

Capital expenditure is £16m under the revised target but £46m more than last year. The underspend is mainly because we have continued to experience unexpected operational delays to the planned completion of the Track Maintenance Unit Workshop, which has a knock-on impact on Central line and Bakerloo line works. The increase in spend against last year relates to an increase in the proportion of project costs capitalised.

Passenger journeys analysis

	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Number of passenger journeys (millions)	972	985	(13)	961	11
Average yield per passenger journey (£)	2.04	2.02	0.02	1.98	0.06
Operating cost per journey (£)	(1.63)	(1.63)	-	(1.69)	0.06

Passenger journeys

Passenger journeys are 13 million lower than the revised target and 11 million higher than last year.

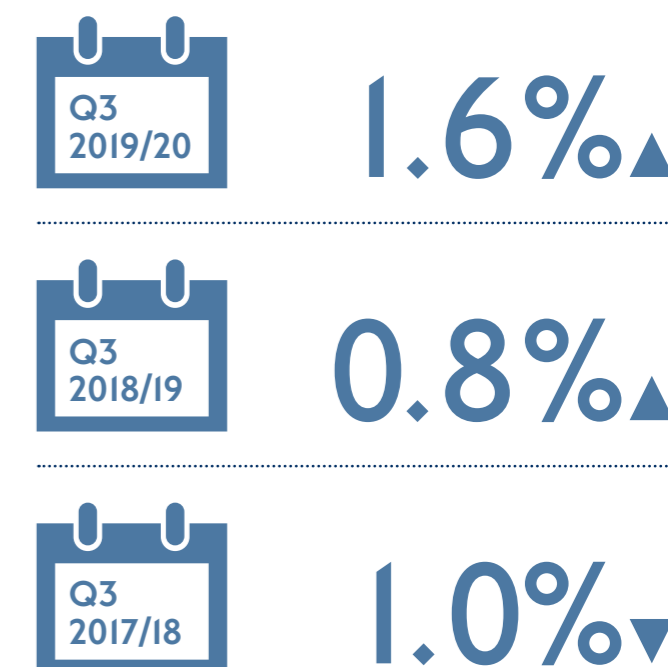
Average yield per passenger journey

Underlying fare income per journey has increased compared to last year. This is partly because of the increase in National Rail average fares 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 below 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

Financial summary

The focus is on successfully introducing Elizabeth line services.

Elizabeth line (£m)	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Passenger income	77	76	1	70	7
Other operating income	7	7	-	15	(8)
Total operating income	84	83	1	85	(1)
Direct operating cost	(237)	(239)	2	(135)	(102)
Direct operating deficit	(153)	(156)	3	(50)	(103)
Indirect operating cost	(7)	(8)	1	(7)	-
Net operating deficit	(160)	(164)	4	(57)	(103)
New capital investment	(13)	(13)	-	(242)	229
Crossrail construction cost	(733)	(738)	5	(1,009)	276
Total capital expenditure	(746)	(751)	5	(1,251)	505

An increase in passenger journeys has resulted in passenger income being £1m higher than the revised target and £7m higher than last year. The increase compared to last year is impacted by the full-year effect of the Paddington to Hayes & Harlington and Heathrow services.

The £8m reduction in other operating income compared to last year relates to one-off third party income that was received in 2018/19.

Operating costs are £2m lower than the revised target, mainly owing to a reduction in train maintenance and concession costs. Operating costs are £102m higher compared to last year, owing to the introduction of train leasing costs following the sale and leaseback of the rolling stock fleet, charges paid to Network Rail and concession costs.

New capital investment is in line with the revised target. In 2018/19, rolling stock production costs were included prior to the sale of the fleet.

Passenger journeys analysis

	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Number of passenger journeys (millions)	40.6	40.2	0.4	38.1	2.5
Average yield per passenger journey (£)	1.90	1.89	0.01	1.83	0.07
Operating cost per journey (£)	(6.01)	(6.14)	0.13	(3.72)	(2.29)

Passenger journeys

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

Average yield per passenger journey

Passenger income per journey is broadly in line with the revised target and four 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 two per cent lower than the revised target, 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 (%)



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

Financial summary

The net operating deficit is in line with the revised target. Total operating costs are increasing compared to last year, owing to the annual contract price inflation in our bus contracts

Buses (£m)	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Passenger income	1,018	1,019	(1)	1,021	(3)
Other operating income	7	7	-	9	(2)
Total operating income	1,025	1,026	(1)	1,030	(5)
Direct operating cost	(1,483)	(1,484)	1	(1,455)	(28)
Direct operating deficit	(458)	(458)	-	(425)	(33)
Indirect operating cost	(16)	(17)	1	(17)	1
Net operating deficit	(474)	(475)	1	(442)	(32)
Capital renewals	(3)	(3)	-	(1)	(2)
New capital investment	(9)	(11)	2	(14)	5
Total capital expenditure	(12)	(14)	2	(15)	3

Passenger income is slightly lower than the revised target, primarily as a result of a higher year-on-year reduction in demand than the trend we saw in the first half of the year. Underlying year-on-year demand shows around a 2.6 per cent decline in fare paying journeys in the quarter, 0.9 per cent below the revised target.

Direct operating cost is slightly better than the revised target, but is £28m adverse year on year. This is primarily owing to the

annual contracted price inflation within the bus operators' contracts, which we estimate will drive a cost increase of £57m in the full year. We are working hard to offset this by continuing to deliver savings in our contracting activities.

Capital expenditure is £2m under the revised target as we have rescheduled some of our capital works to next financial year.

Passenger journeys analysis

	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Number of passenger journeys (millions)	1,519	1,530	(11)	1,550	(31)
Average yield per passenger journey (£)	0.67	0.67	-	0.66	0.01
Operating cost per journey (£)	(0.99)	(0.98)	(0.01)	(0.95)	(0.04)

Passenger journeys

Total passenger journeys are one per cent lower than the revised target and two per cent lower than the previous year. This was partly because Q1 was one day shorter than the previous year. On a normalised basis, passenger journeys were 1.6 per cent lower.

Average yield per passenger journey

The average yield per passenger journey is as per the revised target. Compared to the same period last year, average yield has increased by one penny. This is primarily because of a fares increase on Travelcards in January 2019.

Operating cost per journey

Operating cost per journey is one penny higher than the revised target owing to lower passenger journeys. It is four pence greater than last year because of a decrease in passenger journeys and an increase in operating costs, primarily owing to annual contract price inflation within the bus operators' contracts.

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.

Streets

Financial summary

Operating performance is broadly in line with the revised target.

Streets (£m)	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Passenger income	-	-	-	-	-
Other operating income	255	258	(3)	229	26
Total operating income	255	258	(3)	229	26
Direct operating cost	(316)	(314)	(2)	(320)	4
Direct operating deficit	(61)	(56)	(5)	(91)	30
Indirect operating cost	(51)	(54)	3	(53)	2
Net operating deficit	(112)	(110)	2	(144)	32
Capital renewals	(21)	(25)	4	(24)	3
New capital investment	(71)	(88)	17	(57)	(14)
Total capital expenditure	(92)	(113)	21	(81)	(11)

Our operating income and costs are broadly in line with our revised target, however operating income is £26m higher than 2018/19. This is because of changes made to the Congestion Charge scheme, to encourage a reduction in 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.

Capital costs have increased compared to last year, owing to the delivery of cycling and other road schemes. The focus is on reducing the number of people killed or seriously injured while using London's roads and promoting healthy travel choices, such as walking and cycling.

Volume analysis

	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Congestion Charge volumes (thousands)	11,402	11,456	(54)	9,015	2,387
Congestion Charge and enforcement income (£m)	180.3	183.8	(3.5)	164.5	15.8
Traffic volumes – all London (index)	96.6	-	-	97.1	(0.5)
Cycling growth in Congestion Charge zone (%)*	2.0	2.5	-	5.4	-

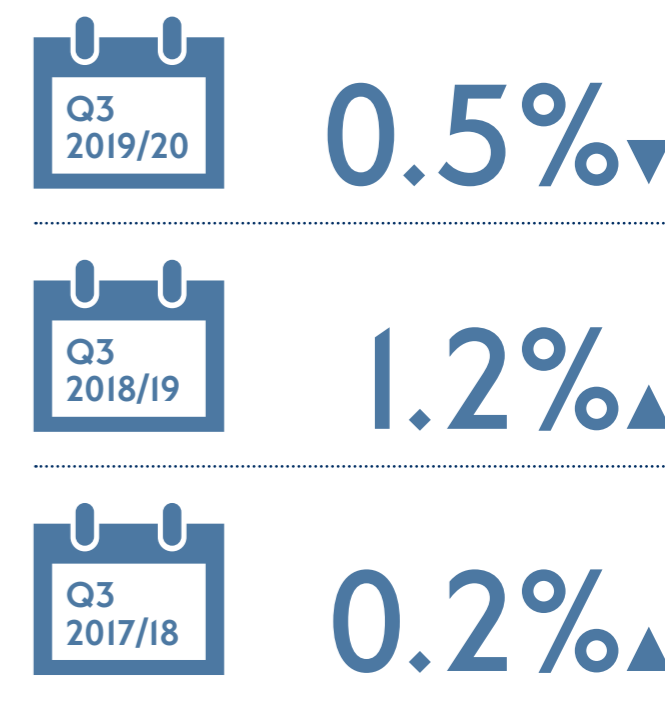
Cycling

Between July and September 2019, the average daily kilometres cycled in the Congestion Charging zone (596,276) was 3.9 per cent higher than in 2018. However, the year-to-date figure (546,064) falls short of the target because of poor performance in the previous quarter. The year-to-date growth appears much lower than last year's because the latter was affected by particularly poor performance in 2017.

Traffic flow

London-wide flows are slightly below those of last year. Flows in central London continue to remain subdued, owing to the introduction of the ULEZ, which has particularly dampened demand outside of Congestion Charging zone hours. Traffic flows in outer London, which had shown 18 months of growth, dropped over the last quarter, meaning in the year to date, they are now similar to last year.

Traffic flow (volume) year-on-year change



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

* Cycling data is reported one quarter in arrears. The Q3 year-to-date figures above represent three quarters from January. It is presented as a percentage change from the previous year

Rail

Financial summary

Total operating income is in line with the revised target, but lower than last year.

Rail (£m)	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Passenger income	298	300	(2)	298	-
Other operating income	19	17	2	22	(3)
Total operating income	317	317	-	320	(3)
Direct operating cost	(321)	(322)	1	(298)	(23)
Direct operating (deficit)/surplus	(4)	(5)	1	22	(26)
Indirect operating cost	(14)	(14)	-	(14)	-
Net operating (deficit)/surplus	(18)	(19)	1	8	(26)
Capital renewals	(28)	(23)	(5)	(15)	(13)
New capital investment	(25)	(36)	11	(23)	(2)
Total capital expenditure	(53)	(59)	6	(38)	(15)

Passenger income is £2m below the revised target, partly owing to fewer passenger journeys on the DLR and unplanned service disruptions on trams.

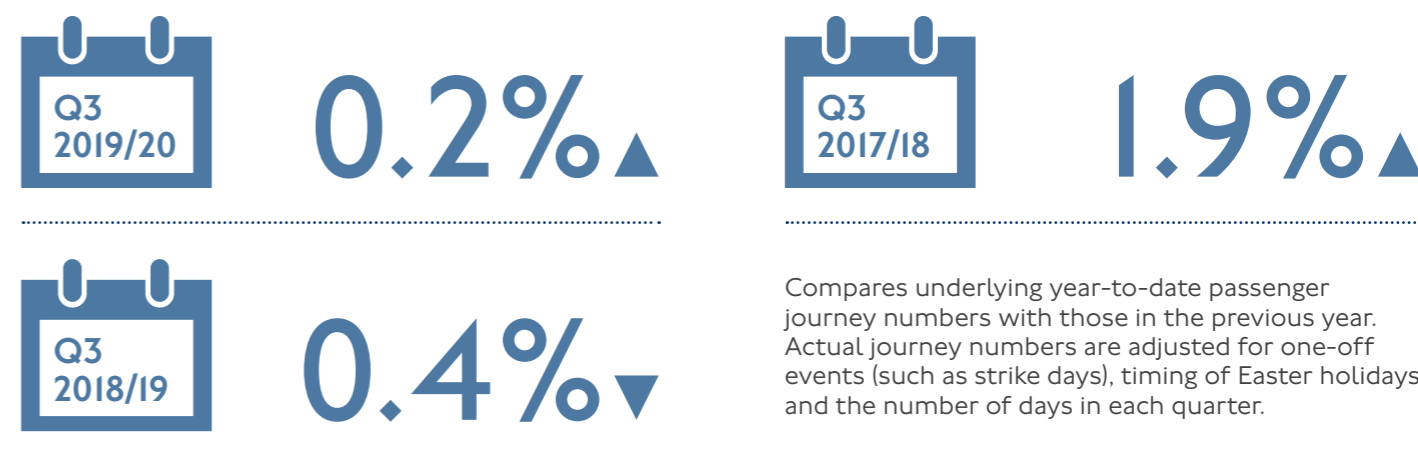
Direct operating cost is £1m under the target, mainly owing to planned tram maintenance being re-scheduled to later in the year because of contractor availability.

During the quarter, the introduction of new electric trains on the Watford Junction to Euston London Overground route has increased services to approximately every 15 minutes throughout the day. With each train carrying 700 passengers, this gives the service a much-needed increase in capacity, supporting our efforts to boost public transport journeys and improve London's air quality.

Passenger journeys analysis

	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
London Overground					
Number of passenger journeys (millions)	131.6	131.4	0.2	133.4	(1.8)
Average yield per passenger journey (£)	1.21	1.21	-	1.21	-
Operating cost per journey (£)	(1.63)	(1.62)	(0.01)	(1.46)	(0.17)
DLR					
Number of passenger journeys (millions)	84.7	85.6	(0.9)	85.3	(0.6)
Average yield per passenger journey (£)	1.44	1.45	(0.01)	1.40	0.04
Operating cost per journey (£)	(1.10)	(1.10)	-	(1.04)	(0.06)
London Trams					
Number of passenger journeys (millions)	19.1	19.5	(0.4)	20.2	(1.1)
Average yield per passenger journey (£)	0.84	0.84	-	0.82	0.02
Operating cost per journey (£)	(1.32)	(1.33)	0.01	(1.23)	(0.09)

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



Other operations

Financial summary

As well as the operations listed opposite, 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)	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Passenger income	43	44	(1)	43	-
Other operating income	207	203	4	99	108
Total operating income	250	247	3	142	108
Direct operating cost	(190)	(183)	(7)	(171)	(19)
Direct operating (deficit)/surplus	60	64	(4)	(29)	89
Indirect operating cost	(36)	(36)	-	(36)	-
Net operating (deficit)/surplus	24	28	(4)	(65)	89
Capital renewals	(18)	(18)	-	(32)	14
New capital investment	(71)	(66)	(5)	(58)	(14)
Total capital expenditure	(89)	(84)	(5)	(90)	-

Other operating income is significantly higher than last year, owing to the introduction of the ULEZ.

The increase in direct operating costs, compared to the revised target, is driven by an increase in bad debts. As people adjust to the 24/7 ULEZ scheme and the removal of the private hire vehicle discount, we have seen an increase in the level of bad debts.

Within capital investment, work continues on the Emergency Services Network project, the mobile network project and other technology work streams.

* 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

Volume analysis

	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Santander Cycles					
Number of hires (millions)	7.8	8.3	(0.5)	8.3	(0.5)
Average income per hire (£)	1.26	1.15	0.11	1.17	0.09
Operating cost per hire (£)	(2.40)	(2.26)	(0.14)	(2.15)	(0.25)
Victoria Coach Station					
Number of coach departures (thousands)	155.5	157.1	(1.6)	157.1	(1.6)
Average income per departure (£)	37.90	37.42	0.48	35.72	2.18
Operating cost per departure (£)	(37.30)	(37.96)	0.66	(37.94)	0.64
London River Services					
Number of passenger journeys (millions)	7.9	8.1	(0.2)	7.8	0.1
Average yield per journey (£)	0.26	0.27	(0.01)	0.26	-
Operating cost per journey (£)	(1.02)	(1.02)	-	(1.58)	0.56
London Dial-a-Ride					
Number of passenger journeys (thousands)	662.0	707.0	(45.0)	710.4	(48.4)
Operating cost per trip (£)	(47.46)	(45.59)	(1.87)	(48.51)	1.05
Taxi and Private Hire					
Number of private hire vehicle drivers	108,513	n/a	n/a	108,072	441
Taxi drivers	22,764	n/a	n/a	23,422	(658)
Total income (£m)	24.5	24.0	0.5	23.1	1.4
Total costs (£m)*	(21.0)	(21.1)	0.1	(23.2)	2.2
Emirates Air Line					
Number of passenger journeys (thousands)	979.2	1,053.4	(74.2)	1,028.9	(49.7)
Average income per journey (£)	4.54	4.46	0.08	4.40	0.14
Operating cost per journey (£)**	(2.51)	(2.42)	(0.09)	(2.42)	(0.09)

Major projects

Financial summary

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

Major projects (£m)	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Passenger income	-	-	-	-	-
Other operating income	15	14	1	-	15
Total operating income	15	14	1	-	15
Direct operating cost	(7)	(7)	-	(12)	5
Direct operating surplus/(deficit)	8	7	1	(12)	20
Indirect operating cost	(26)	(27)	1	(26)	-
Net operating deficit	(18)	(20)	2	(38)	20
Capital renewals	(15)	(16)	1	(17)	2
New capital investment	(388)	(401)	13	(477)	89
Total capital expenditure	(403)	(417)	14	(494)	91

Four Lines Modernisation

The new automatic train control signalling system will enable more frequent and reliable services on the Circle, Hammersmith & City, District and Metropolitan lines.

In Q3, works at Upminster and Ealing Common depots were completed to prepare for a more frequent service on the District line.

The year-to-date underspend of £7m, relates to the contractor's latest view and has been rephased into later years.

Northern Line Extension

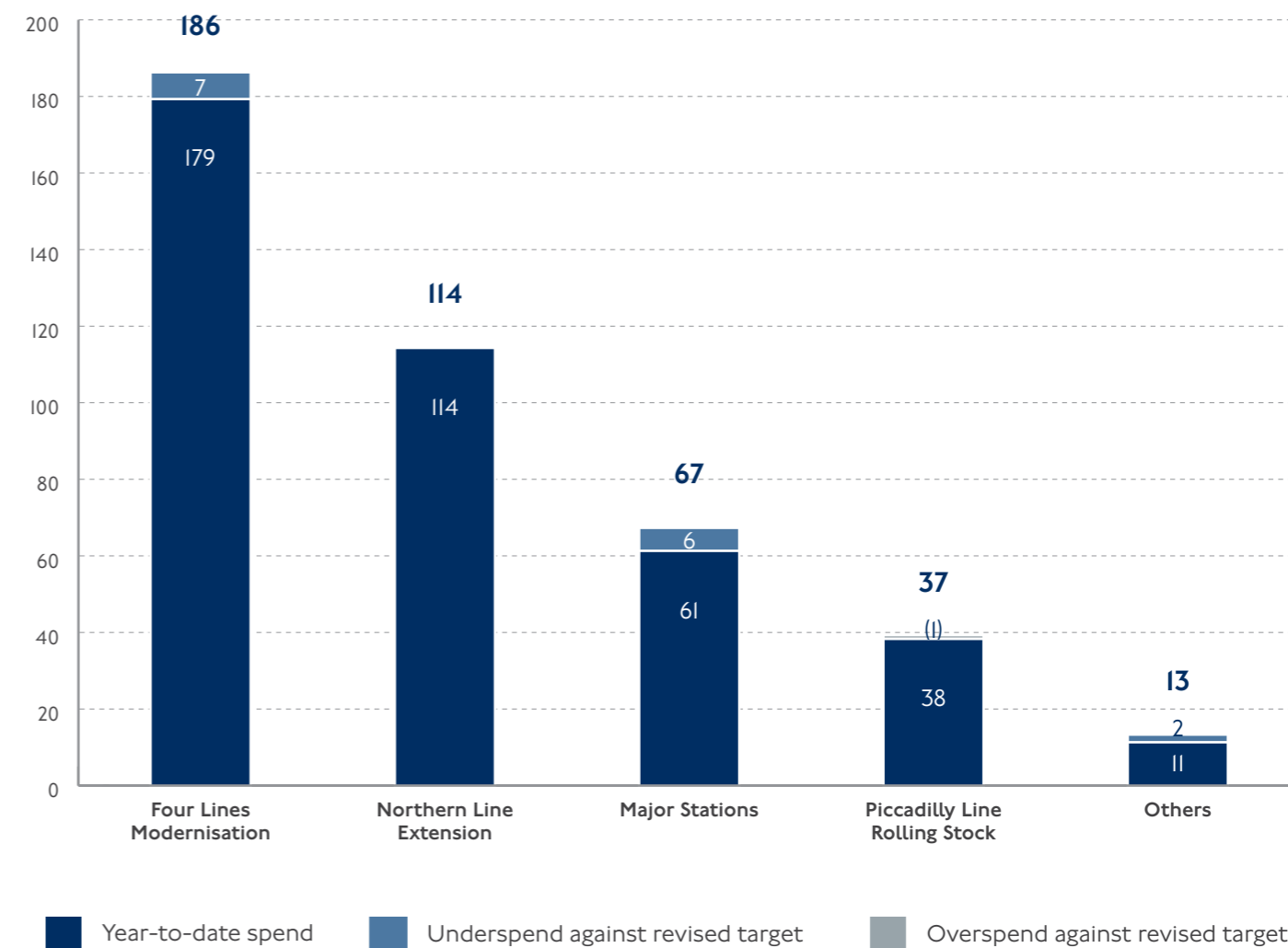
Signal fit out work has commenced at Nine Elms and Battersea stations' signal equipment rooms, and along the railway tunnels on the Northern Line Extension.

Major stations

A new electrical switch room was completed at Bank station in Q3. This important upgrade is on track to be delivered by 2022.

Elsewhere within the Station portfolio, there is a £6m underspend following a deferred property purchase for the potential Camden Station upgrade and a later close out on Victoria Station.

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



Piccadilly line rolling stock

Following the award of the Piccadilly line trains contract, Siemens has completed the concept design and presented a first-look walkthrough of the 94 air-cooled trains.

Silvertown Tunnel

The Silvertown Tunnel will tackle the significant issues of traffic congestion and unreliability at Blackwall Tunnel. On 21 November 2019, the contract to design, build, finance and maintain the tunnel was awarded to the Riverlinx consortium.

Property

Financial summary

Net operating surplus is broadly in line with the revised target, higher than last year.

Property (£m)	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Passenger income	-	-	-	-	-
Other operating income	69	70	(1)	67	2
Total operating income	69	70	(1)	67	2
Direct operating cost	(20)	(19)	(1)	(21)	1
Direct operating surplus	49	51	(2)	46	3
Indirect operating cost	(5)	(6)	1	(5)	-
Net operating surplus	44	45	(1)	41	3
<hr/>					
New capital investment	(35)	(44)	9	(27)	(8)
Property receipts	149	158	(9)	5	144
Crossrail over site development	2	1	1	120	(118)
Net capital expenditure	116	115	1	98	18

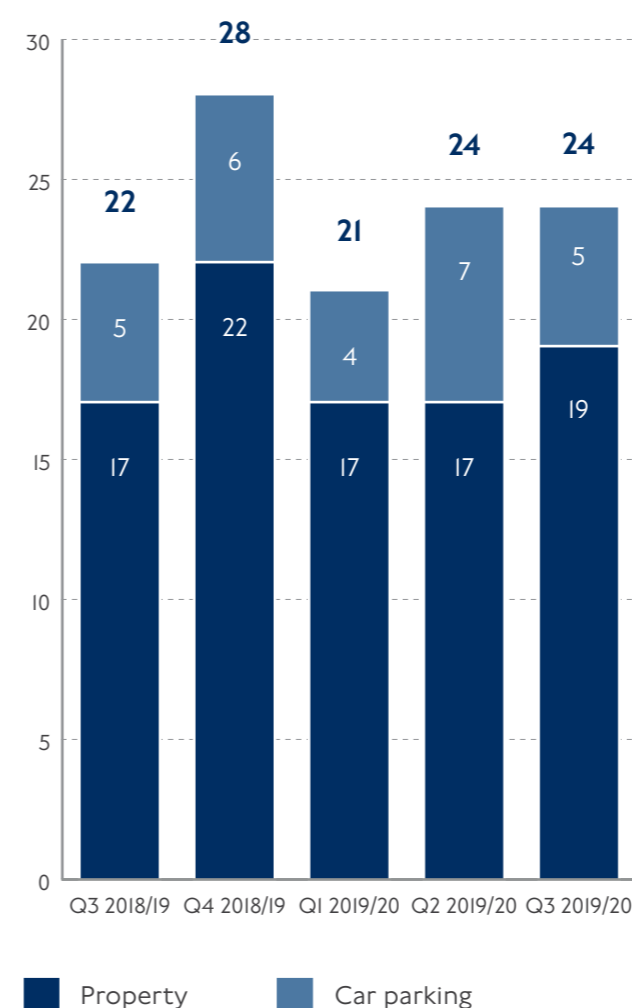
Other operating income is lower than expected this year, primarily due to growth being lower than target assumptions and a slow start to a training scheme initiative. Growth is still evident year on year.

Operating costs are up against the revised target, however overall costs are within expectations. Some cost recoveries have not yet occurred, which is partly offset by reduced scheme feasibility activity. Compared to last year, the decrease in operating expenses is owing to reduced property maintenance as we change our strategy from reactive works to planned capital projects to improve the quality of our property portfolio.

Capital receipts are lower than the revised target because of the delayed disposals of Charterhouse Square, East Finchley and Colliers Wood.

Capital investment is lower than the revised target. This is owing to Build to Rent, in-station retail projects and other project delays.

Property income (£m) Quarterly*



Car parking income is in line with Q3 last year as 2018 tariff increases are now in both periods. Property income shows an increase against Q3 last year, with income losses owing to the disposal of Kingsbourne House being offset by rent increases, new lettings and improved turnover rents.

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

Building homes on our land

In Q3, we started building new homes on our small site at Beechwood Avenue in Barnet with our partner Kuropatwa Ltd. This site was released through the Mayor's Small Sites, Small Builders programme and will be transformed into 97 new homes, half of which will be affordable.

We also received planning permission for our site in Kidbrooke, where we are partnered with Notting Hill Genesis and are hoping to start construction in early 2020. The development will provide 619 well-designed new homes, built to the highest environmental standards and half of the homes will be affordable. Overall, the development will provide new landscaped areas, green spaces and play areas, which will be available to residents and the public, and improved bus facilities.

Alongside our partner Catalyst, we held a large-scale consultation and engagement programme on our plans for more than 500 affordable homes across three sites in Harrow. Nearly 700 people attended consultation events to learn more and have their say on our proposals.

Through our partnership with Grainger plc and Connected Living London, we continued to engage with local communities at Arnos Grove for 150 new homes and around 450 new homes at Southall. We expect to submit planning applications for both these sites in Q4.

Media

Financial summary

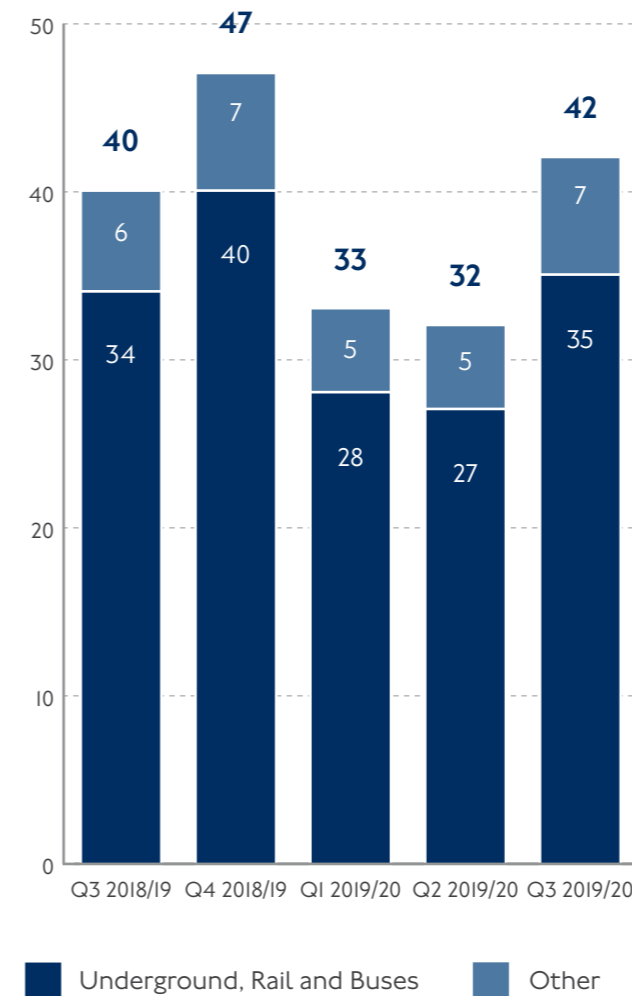
Overall performance is in line with target and £6m ahead of last year.

Media (£m)	Q3 2019/20	Q3 revised target	Variance	Q3 2018/19	Variance
Passenger income	-	-	-	-	-
Other operating income	107	107	-	101	6
Total operating income	107	107	-	101	6
Direct operating cost	(2)	(2)	-	(2)	-
Direct operating surplus	105	105	-	99	6
Indirect operating cost	(1)	(1)	-	(1)	-
Net operating surplus	104	104	-	98	6
Capital renewals	-	-	-	-	-
New capital investment	(4)	(7)	3	(26)	22
Total capital expenditure	(4)	(7)	3	(26)	22

Operating income is on target with a continued strong performance on the rail estate following the deployment of higher-quality, higher-impact digital advertising and growing income from bus advertising and other media activities.

Capital investment in new assets for the rail estate continues, with the programme scheduled for conclusion in mid-2020. The programme remains on target, but is currently being carried out at a slightly slower rate than planned, owing to design and access issues at some of our most complex sites on the DLR, London Overground and Crossrail.

Advertising income (£m) Quarterly*



Advertising income is following the expected seasonal trend, being higher in Q3 owing to Christmas trading and in Q4 because of the extra weeks in the period.

Performance during Q3 of 2019/20 was steady across the estate as the roll out of high-quality digital assets on the rail network continued. There were marginal improvements in income from our rail and bus shelter advertising. Strong performance in the Film Office and experiential marketing generated an extra £2m of income in the quarter, compared to 2018/19.

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

Appendices

TfL Group balance sheet

Balance Sheet (£m)	7 December 2019	31 March 2019	Variance
Intangible assets	102	113	(11)
Property, plant and equipment	41,891	40,815	1,076
Investment property	492	492	-
Investment in associate entities	217	233	(16)
Long-term derivatives	2	7	(5)
Long-term finance lease receivables	38	39	(1)
Long-term debtors	91	113	(22)
Long-term assets	42,833	41,812	1,021
Stocks	59	61	(2)
Short-term debtors	670	697	(27)
Assets held for sale	119	122	(3)
Short-term derivatives	21	12	9
Short-term finance lease receivables	15	13	2
Cash and short-term investments	2,070	1,882	188
Current assets	2,954	2,787	167
Short-term creditors	(2,144)	(2,167)	23
Short-term borrowings	(903)	(746)	(157)
Short-term finance lease liabilities	(39)	(70)	31
Short-term derivatives	(6)	(3)	(3)
Short-term provisions	(229)	(346)	117
Current liabilities	(3,321)	(3,332)	11
Long-term creditors	(109)	(61)	(48)
Long-term borrowings	(10,510)	(10,399)	(111)
Long-term finance lease liabilities	(327)	(348)	21
Long-term financing liabilities	(135)	(133)	(2)
Long-term derivatives	(64)	(46)	(18)
Long-term provisions	(55)	(55)	-
Pension provision	(5,367)	(5,371)	4
Long-term liabilities	(16,567)	(16,413)	(154)
Net assets	25,899	24,854	1,045
Reserves			
Usable reserves	1,776	1,627	149
Unusable reserves	24,123	23,227	896
Total reserves	25,899	24,854	1,045



Headcount

Full-time equivalents, including non-permanent labour

	31 March 2019 actual	Year-to-date net (leavers)/joiners	End of Q3 actual
Underground	18,442	106	18,548
Elizabeth line	263	5	268
Buses	465	17	482
Rail	274	(5)	269
Streets	1,307	97	1,404
Other operations	1,380	(98)	1,282
Professional services*	3,825	(26)	3,799
Property	140	13	153
Crossrail	541	152	693
Major projects	614	35	649
Media	29	-	29
Total	27,280	296	27,576

Our organisational change programme is central to reducing costs 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 office activities 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

Non-permanent labour

It is important that we continue to make use of the flexibility offered by non-permanent labour (NPL), particularly in this time of change and temporary peaks in

demand, such as 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.

NPL cost reductions

Date	Number of NPL	Weekly cost (£)	Reduction since December 2015	
			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
7 December 2019	1,312	1,815,873	1,780	3,433,130

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	Year-to-date net (leavers)/joiners	End of Q3 Actual
0-6 months	342	60	402
6-12 months	183	95	278
1-2 years	282	(68)	214
2-3 years	220	(61)	159
3-5 years	100	42	142
5+ years	65	52	117
Total	1,192	120	1,312

There remain 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 where possible.

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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