



Finance Report

Quarter 2, 2021/22

Management results from 1 April 2021 – 18 September 2021

Board

20 October 2021



Section 1 Quarter 2, 2021/22 results: divisional performance

Divisional performance 1

TfL Group performance 2



London Underground

Tube journeys were 59% of pre-pandemic levels in the latest period, up from 50% in the prior period. Passenger income is £584m, (£114m) lower than Budget, but more than double the value we saw last year.

Operating costs are (£937m) in the year to date, £7m below Budget. This was driven from lower traction costs as a result of lower service levels from increased staff illness, and lower than anticipated coronavirus related spend. Costs are only slightly up (1%) on last year, when we reduced service levels during the first wave of the coronavirus pandemic.

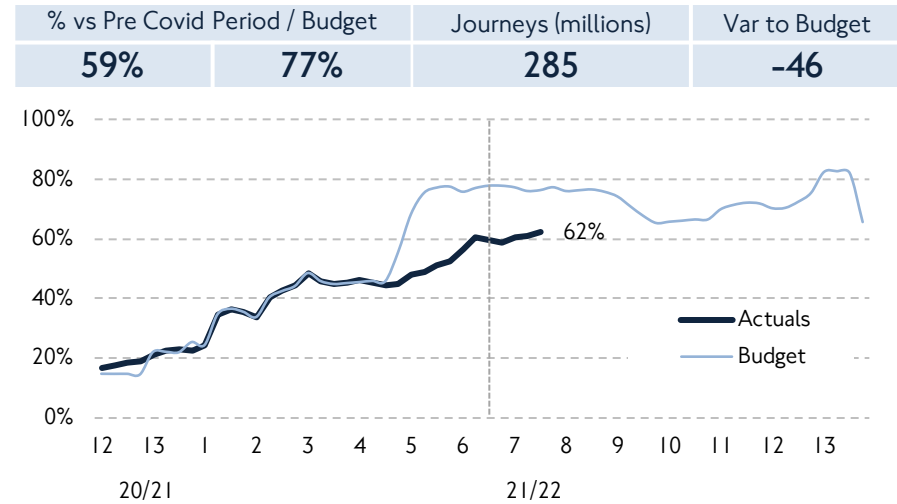
London Underground

Operating account (£m)
Passenger income
Other operating income
Total operating income
Government furlough grant
Total income
Operating costs
Net operating surplus
Indirect costs
Net financing costs
Capital renewals
Net cost of operations
New capital investment

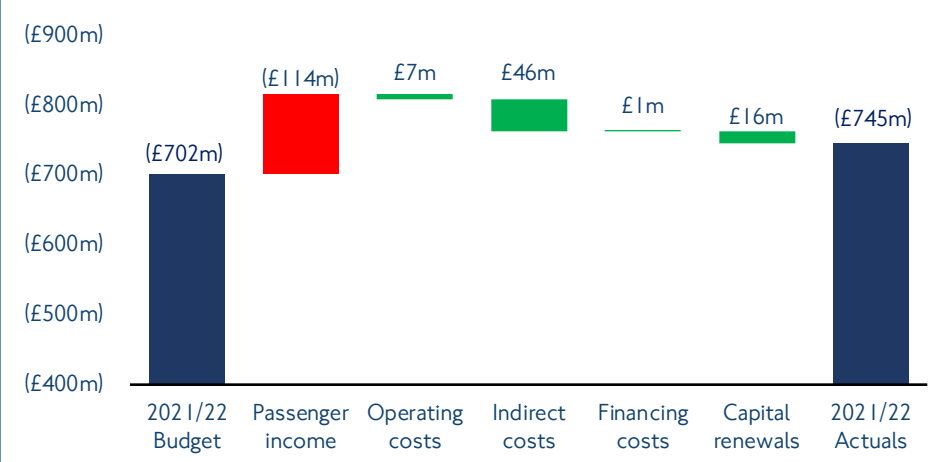
Actuals	Q2 Year to date, 2021/22		
	Revised Budget	Variance to Revised Budget	% variance to Revised Budget
584	698	(114)	-16%
11	11	0	2%
595	709	(114)	-16%
0	0	0	N/A
595	709	(114)	-16%
(937)	(944)	7	-1%
(342)	(235)	(107)	45%
(146)	(192)	46	-24%
(132)	(133)	1	-1%
(124)	(140)	16	-12%
(745)	(702)	(43)	6%
(11)	(13)	2	-19%

Q2 Year to date, 2020/21		
Last year	Variance to last year	% variance to last year
280	304	108%
7	4	64%
287	308	107%
36	(36)	-100%
323	272	84%
(929)	(8)	1%
(605)	263	-43%
(117)	(29)	24%
(130)	(2)	2%
(65)	(59)	92%
(918)	173	-19%
(12)	1	-9%

Tube journeys compared to pre-pandemic baseline



Net cost of operations compared to Budget



Elizabeth line

Elizabeth line journeys are 56% of pre-pandemic levels in the latest period, up from 53%. Passenger income is (£4m) lower than Budget, and £19m higher than last year.

Operating costs are £5m lower than Budget, partly driven by lower than expected rolling stock maintenance costs.

Elizabeth line

Operating account (£m)

Passenger income
Other operating income
Total operating income
Operating costs
Net operating surplus
Indirect costs
Net financing costs
Capital renewals
Net cost of operations

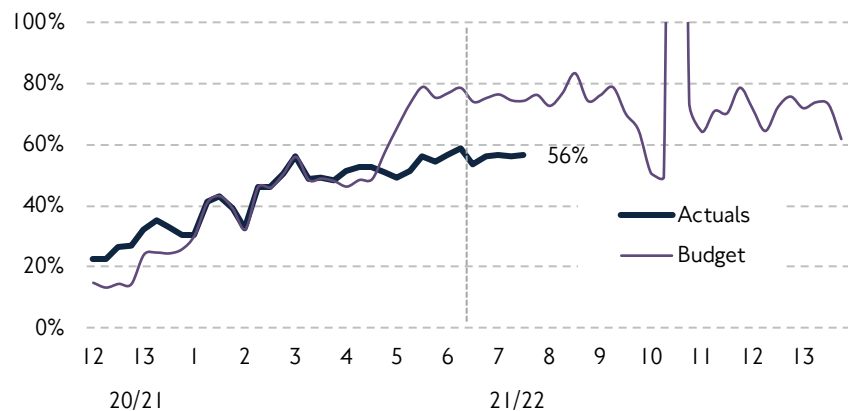
New capital investment
Crossrail construction
New capital investment

Actuals	Q2 Year to date, 2021/22		
	Revised Budget	Variance to Revised Budget	% variance to Revised Budget
35	39	(4)	-11%
11	13	(2)	-14%
46	52	(6)	-12%
(195)	(200)	5	-2%
(149)	(147)	(2)	1%
(4)	(7)	3	-39%
(44)	(44)	0	-1%
(1)	(2)	1	-51%
(198)	(200)	2	-1%
(8)	(8)	0	-4%
(307)	(341)	34	-10%
(315)	(349)	34	-10%

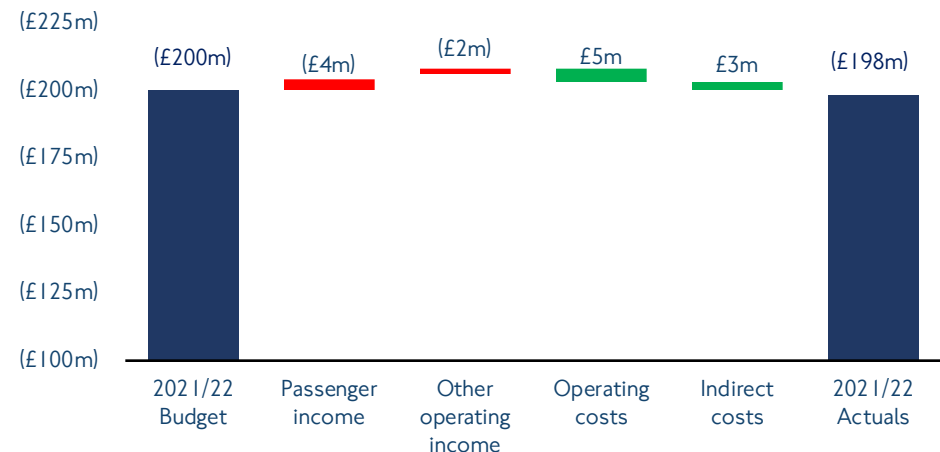
Q2 Year to date, 2020/21		
Last year	Variance to last year	% variance to last year
16	19	113%
3	8	298%
19	27	140%
(144)	(51)	36%
(124)	(25)	20%
(3)	(1)	46%
(43)	(1)	2%
0	(1)	N/A
(170)	(28)	16%
(14)	6	-42%
(342)	35	-10%
(355)	40	-11%

EL journeys compared to pre-pandemic baseline

% vs Pre Covid Period / Budget		Absolute m	Var to Bud m
56%	76%	16	-2



Net cost of operations compared to Budget



Buses, Streets & Other operations

Bus journeys were 70% of pre-pandemic levels in the latest period, up from 65% in Period 5. Bus journeys are now tracking very close to target. Passenger income was (£8m) below Budget, a result of 22 million fewer journeys to date.

Operating income is £309m, £11m higher than Budget driven by Road User Charging income. Higher income is driven by increases in contraventions on Congestion Charge, LEZ and ULEZ schemes, as returning customers re-familiarise themselves with our schemes. Operating costs are £3m lower than Budget, mainly due to lower bus performance payments and staff cost savings.

Buses, Streets & Other operations

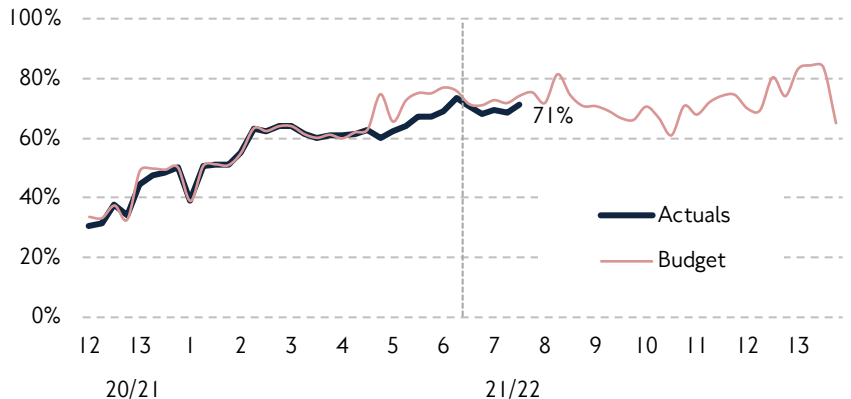
Operating account (£m)
Passenger income
Other operating income
Total operating income
Government furlough grant
Total income
Operating costs
Net operating surplus
Indirect costs
Net financing costs
Capital renewals
Net cost of operations
New capital investment

Actuals	Q2 Year to date, 2021/22		
	Revised Budget	Variance to Revised Budget	% variance to Revised Budget
469	477	(8)	-2%
309	298	11	4%
778	775	3	0%
0	0	0	N/A
778	775	3	0%
(1,299)	(1,302)	3	0%
(521)	(527)	6	-1%
(43)	(50)	7	-13%
(13)	(13)	0	-1%
(42)	(45)	3	-7%
(619)	(635)	16	-2%
(45)	(53)	8	-15%

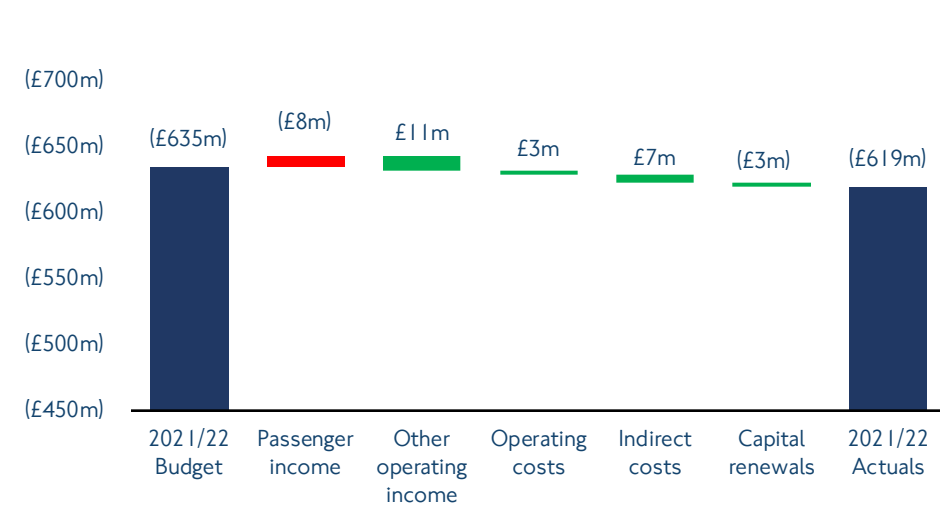
Q2 Year to date, 2020/21		
Last year	Variance to last year	% variance to last year
288	181	63%
211	98	47%
499	279	56%
9	(9)	-100%
508	270	53%
(1,268)	(31)	2%
(760)	239	-31%
(47)	4	-9%
(13)	0	2%
(31)	(11)	36%
(851)	232	-27%
(49)	4	-7%

Bus journeys compared to pre-pandemic baseline

% vs Pre Covid Period / Budget		Absolute m	Var to Bud m
70%	74%	628	-22



Net cost of operations compared to Budget



Rail

Rail journeys – including London Overground, DLR and Trams – were 64% of pre-pandemic levels in Period 6. Passenger income is (£9m) lower than Budget due to 7 million fewer journeys to date.

Operating costs slightly down on Budget, from lower maintenance costs.

Rail

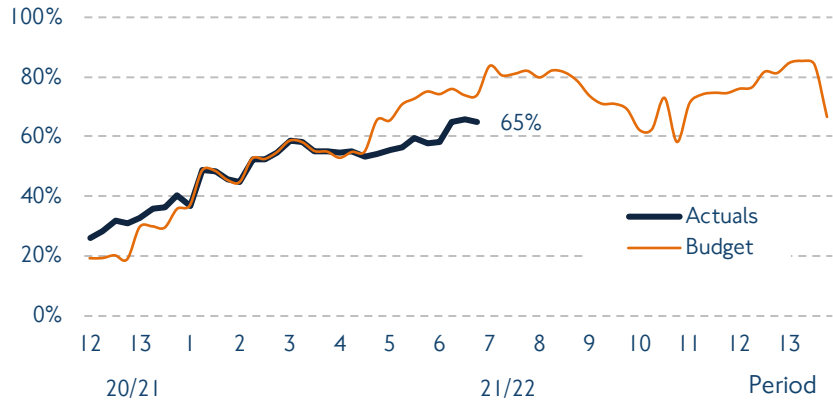
Operating account (£m)

Passenger income	115	124	(9)	-7%
Other operating income	10	9	1	17%
Total operating income	125	133	(8)	-6%
Operating costs	(216)	(220)	4	-2%
Net operating surplus	(91)	(87)	(4)	5%
Indirect costs	(8)	(10)	2	-19%
Net financing costs	(19)	(19)	0	-1%
Capital renewals	(17)	(18)	1	-7%
Net cost of operations	(134)	(133)	(1)	1%

New capital investment

Rail journeys compared to pre-pandemic baseline

% vs Pre Covid Period / Budget	Absolute m	Var to Bud m
64%	86	-7



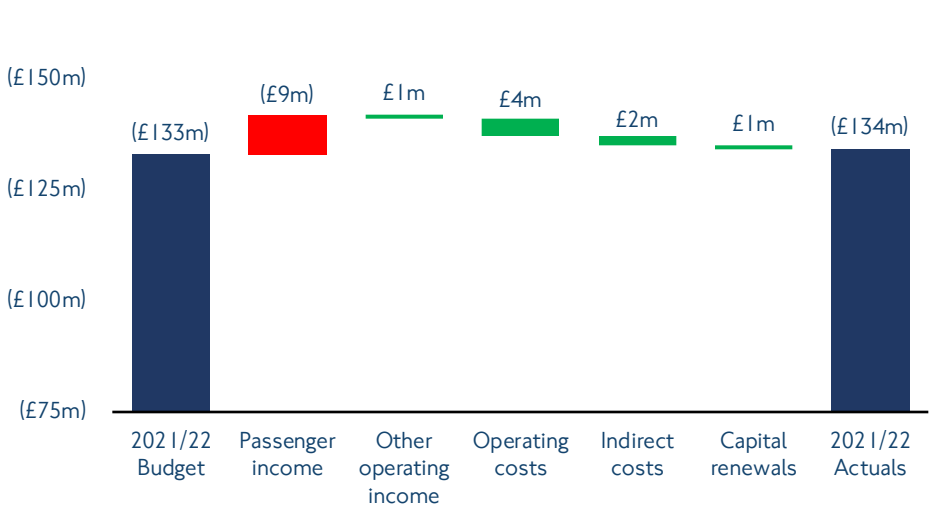
Q2 Year to date, 2021/22

Actuals	Revised Budget	Variance to Revised Budget	% variance to Revised Budget
115	124	(9)	-7%
10	9	1	17%
125	133	(8)	-6%
(216)	(220)	4	-2%
(91)	(87)	(4)	5%
(8)	(10)	2	-19%
(19)	(19)	0	-1%
(17)	(18)	1	-7%
(134)	(133)	(1)	1%
(5)	(6)	1	-10%

Q2 Year to date, 2020/21

Last year	Variance to last year	% variance to last year
51	64	127%
2	8	351%
53	72	136%
(213)	(3)	1%
(160)	69	-43%
(8)	0	-2%
(19)	0	2%
(14)	(3)	19%
(200)	66	-33%
(7)	2	-24%

Net cost of operations compared to Budget



Major Projects Directorate

Year to date capital spend is £3m lower than Budget, driven by resource shortages for Piccadilly line rolling stock infrastructure work and delays to Elephant & Castle station Development Agreement.

Major Projects Directorate

Operating account (£m)	Q2 Year to date, 2021/22				Q2 Year to date, 2020/21		
	Actuals	Revised Budget	Variance to Revised Budget	% variance to Revised Budget	Last year	Variance to last year	% variance to last year
Other operating income	4	5	(1)	-15%	4	0	5%
Total operating income	4	5	(1)	-15%	4	0	5%
Government furlough grant	0	0	0	N/A	2	(2)	-100%
Total income	4	5	(1)	-15%	6	(2)	-34%
Operating costs	(6)	(8)	2	-21%	(30)	24	-79%
Net operating surplus	(2)	(3)	1	-31%	(23)	21	-90%
Indirect costs	(12)	(16)	4	-27%	(14)	2	-12%
Net financing costs	0	0	0	N/A	0	0	N/A
Capital renewals	(4)	(4)	0	7%	0	(4)	511%
Net cost of operations	(19)	(24)	5	-21%	(38)	19	-51%
New capital investment	(251)	(254)	3	-1%	(197)	(54)	27%

Northern Line Extension



The two new stations making up the Northern Line Extension at Nine Elms and Battersea Power Station welcomed their first customers on 20 September with Tube services running from Kennington station on the Charing Cross branch.

The two step-free Zone 1 stations are set to dramatically improve the connectivity of these vibrant south London Neighbourhoods and contribute to the capital's recovery from the pandemic at a vital time.

Tube services on the extension began running from Kennington station on the Charing Cross branch with an initial peak time service of six trains per hour on the extension, increasing to 12 trains per hour by mid-2022.

Piccadilly Line Upgrade Rolling Stock



In August 2021 our train supplier Siemens achieved a key milestone to begin the manufacture of the first intermediate car as planned in line with the phased assurance of the design to achieve assurance stage 1 in December 2021. This was confirmed by Siemens with a virtual tour of the factories.

The Programme has established a carbon footprint baseline. This will be used to identify top carbon risks and opportunities as well as to monitor effectiveness of programme delivery in support of both the Mayor's and TfL's ambition for a zero-carbon railway by 2030.

DLR Rolling Stock and Systems Integration



Rolling stock manufacturing is underway with the initial series run of 20 car bodies (trains 1-4) being in production. Train cars 1 to 3 are now complete. Train 1 is due to be ready for static testing by December 2021 and dynamic testing is due to commence in 2022.

Signalling software development for the new trains continues to progress to programme with the first software releases due in March 2022.

Section 2 Quarter 2, 2021/22 results: TfL Group performance

Divisional performance 1

TfL Group performance 2



Headlines

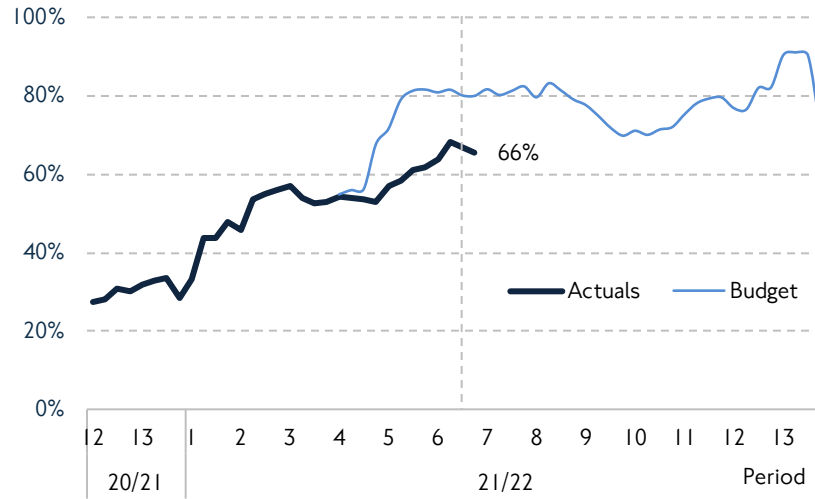
Passenger journeys and income have seen significant growth. Total TfL journeys reached 66% of pre-pandemic levels in Period 6. Passenger income is almost double that from last year, but remains around 55% of historical levels.

Cash balances are broadly in line with expectations following the 1 June funding agreement with government.

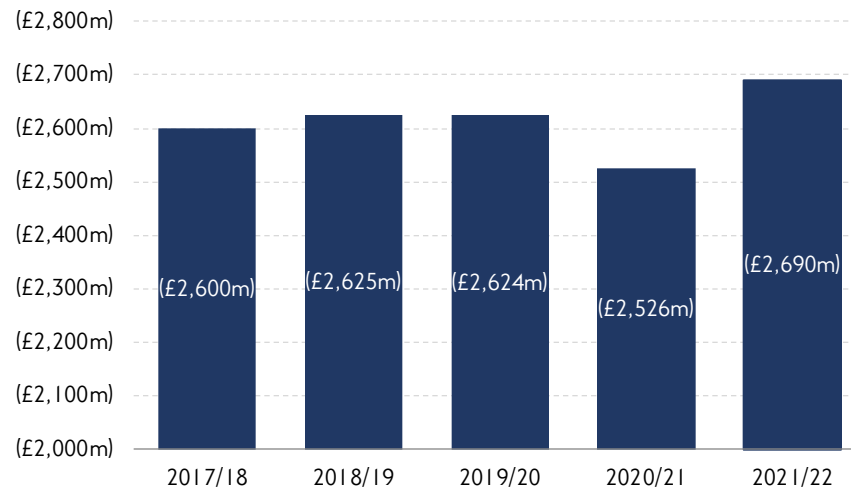
Following the expiration of the funding agreement (covering the end of May to December 2021), we expect to see cash balances decline beyond minimum cash levels, if we are not in receipt of further funding from government.

Headlines

Total passenger journeys 66% of pre-pandemic levels against a target of 80%.

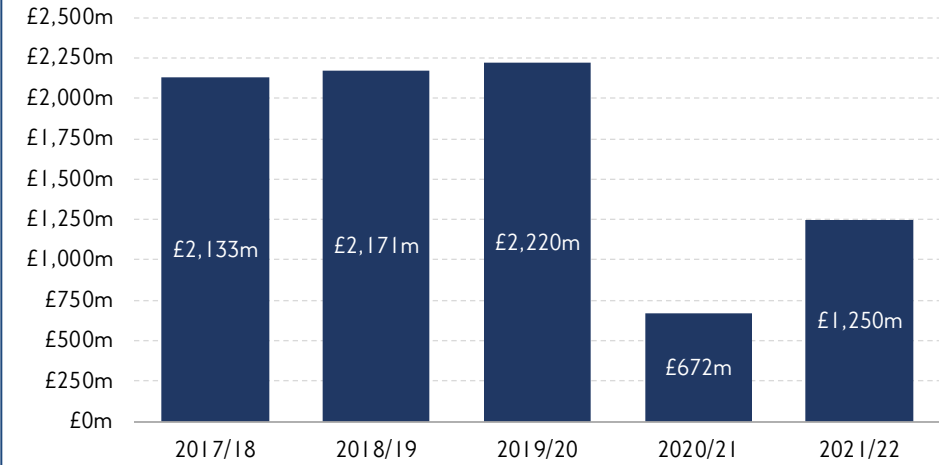


Core operating costs up on last year, when service levels were reduced during first wave of the pandemic



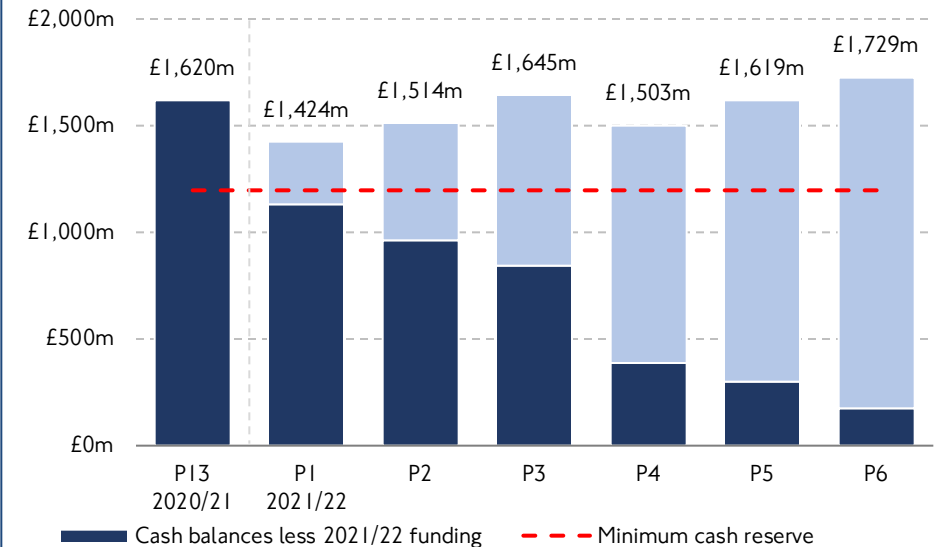
Individual years show year-to-date passenger income to end of Period 6.

Passenger income up on last year, but £120m lower than Budget. Year-to-date income over 40% lower than pre-pandemic levels



Individual years show year-to-date passenger income to end of Period 6.

Cash balances temporarily high, but expect to see reductions over coming months as government funding declines



Passenger journeys

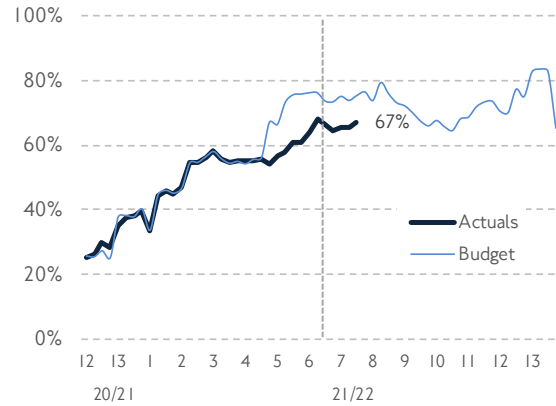
Passenger journeys were 66% of the pre-pandemic levels in Period 6, 2021/22, compared to a target of 75%. Journey growth had flattened for a period through summer, partly a result of the delay to Step 4 of the Government's roadmap, followed by the holiday season.

Journeys have increased since the end of Summer, as latest Tube journey trends are at 62% of pre-pandemic levels, up from 50% at the end of P5. However, these are still significantly lower than expected. Bus journeys are 71% of pre-pandemic levels, up from 65% at the end of Period 5.

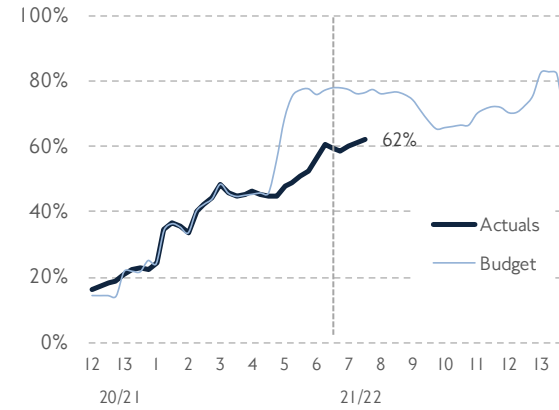
Passenger journeys

Journeys compared to pre-pandemic baseline (adjusted 2018/19 journeys)
Target is budgeted demand against this baseline; 'P' denotes latest period; 'Y' denotes year-to-date performance

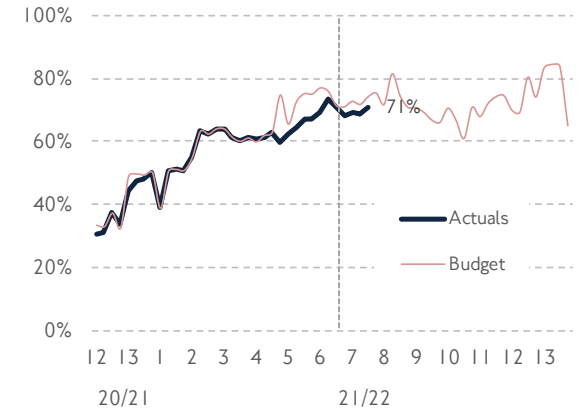
TfL	% vs Pre Covid Period / Budget		Absolute m		Var to Bud m
	66%	75%	P	190	-27
			Y	1014	-76



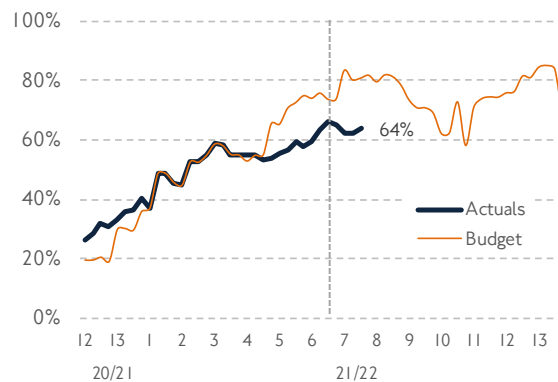
LU	% vs Pre Covid Period / Budget		Absolute m		Var to Bud m
	59%	77%	P	57	-18
			Y	285	-46



Bus	% vs Pre Covid Period / Budget		Absolute m		Var to Bud m
	70%	74%	P	114	-5
			Y	628	-22



Rail	% vs Pre Covid Period / Budget		Absolute m		Var to Bud m
	64%	74%	P	16	-3
			Y	86	-7

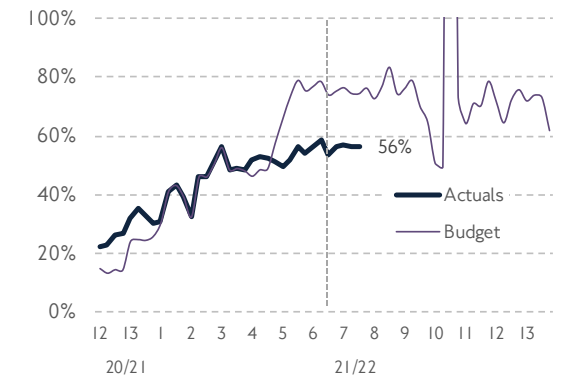


LO	% vs Pre Covid Period / Budget		Absolute m		Var to Bud m
	61%	72%	P	9	-1
			Y	45	-4

DLR	% vs Pre Covid Period / Budget		Absolute m		Var to Bud m
	69%	79%	P	6	-1
			Y	32	-3

Tram	% vs Pre Covid Period / Budget		Absolute m		Var to Bud m
	56%	73%	P	1	0
			Y	8	-1

TfLR	% vs Pre Covid Period / Budget		Absolute m		Var to Bud m
	56%	76%	P	3	-1
			Y	16	-2



Journey trends

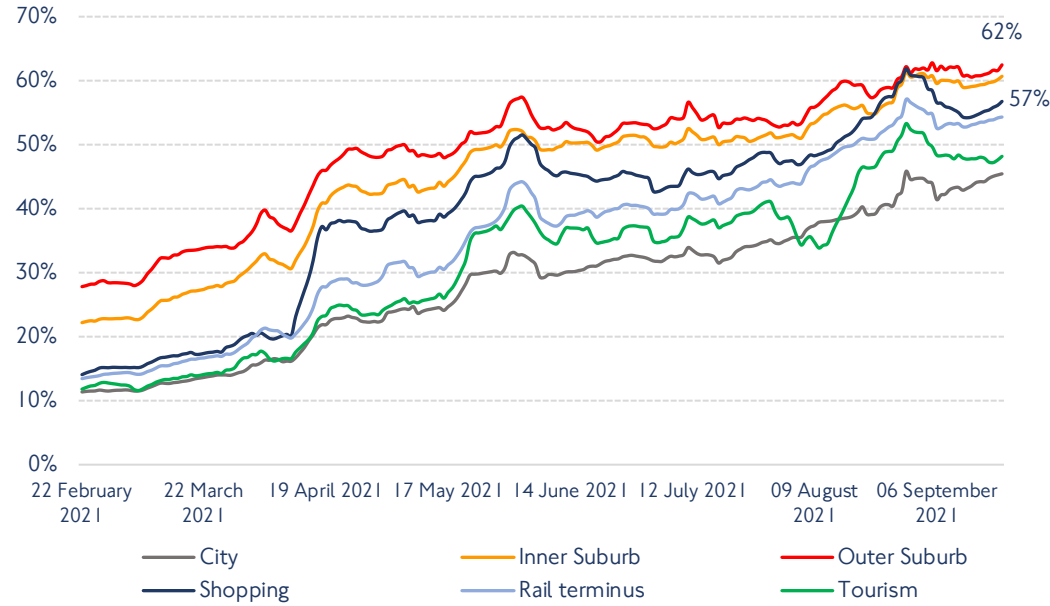
Latest Tube journey trends show journeys at 62% of pre-pandemic levels, up from 50% at the end of Period 5.

Strongest recovery is seen on inner and outer suburban stations, where demand is now above 60% of pre-pandemic levels. Rail terminus and City stations are seeing increasing demand, but currently at 54% and 45% respectively. Journey recovery rates have been strongest on station types with the greatest pre-pandemic journey levels.

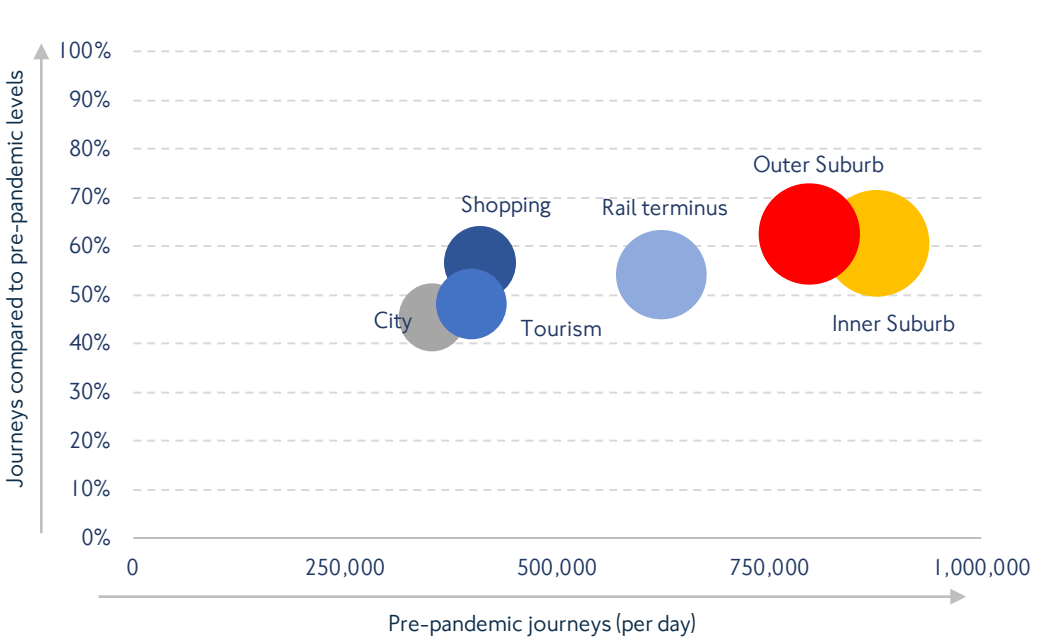
We are also seeing stronger weekend demand than on weekdays – however, weekend journeys remain lower than weekdays in absolute terms.

Journey trends

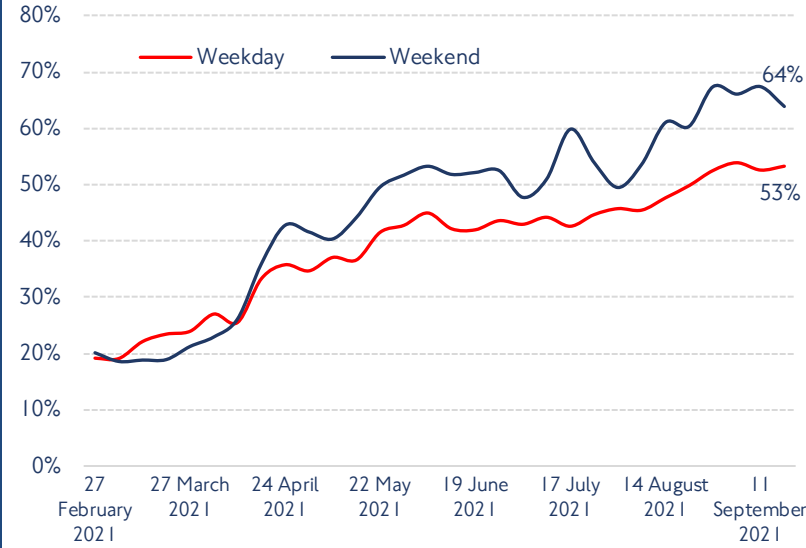
LU journeys compared to pre-pandemic levels (%) by station type



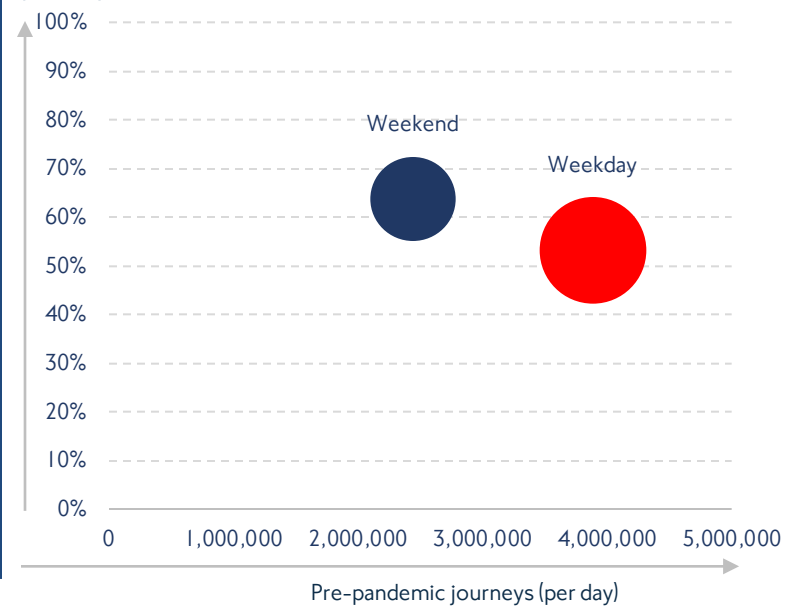
LU journeys compared to pre-pandemic levels (%) by station type and no. of journeys



LU journeys compared to pre-pandemic levels (%) by day



LU journeys compared to pre-pandemic levels (%) by day and no. of journeys



Operating account

Passenger income is £1,250m year to date, which is almost double that from last year, but (£120m) below Budget. This is driven by lower journeys across all modes, partly a result of the delay to Step 4 of the Government's roadmap, followed by the holiday season. Journeys have increased since the end of the Summer, but Tube journeys are not yet reaching expected levels. Other operating income is £19m higher than Budget, driven by higher Road User Charging, media and property income.

Operating costs £67m below Budget: lower underlying costs (£30m), timing differences (£9m) and release of central contingency held to mitigate high risk uncertainties e.g. RUC revenues (£30m).

Extraordinary revenue grant is £121m higher than Budget, a result of higher revenue top up, which offsets lower passenger income.

Operating account

Operating account (£m)

Passenger income	Other operating income	Total operating income	Business Rates Retention	Revenue grant	Government furlough grant	Total income	Operating cost	Net operating surplus	Net financing costs	Net cost of operations after financing	Capital renewals	Net cost of operations	Extraordinary revenue grant	Net cost of operations after extraordinary revenue grant

Q2 Year to date, 2021/22			
Actuals	Revised Budget	Variance to Revised Budget	% variance to Revised Budget
1,250	1,370	(120)	-9%
449	430	19	4%
1,699	1,800	(101)	-6%
449	449	0	0%
37	32	5	16%
0	0	0	N/A
2,185	2,281	(96)	-4%
(2,980)	(3,048)	67	-2%
(795)	(766)	(29)	4%
(208)	(210)	2	-1%
(1,003)	(975)	(28)	3%
(203)	(226)	23	-10%
(1,206)	(1,202)	(4)	0%
1,354	1,233	121	10%
148	31	117	367%

Q2 Year to date, 2020/21		
Last year	Variance to last year	% variance to last year
672	579	86%
311	138	45%
982	717	73%
426	22	5%
9	29	321%
56	(56)	-100%
1,473	712	48%
(2,898)	(83)	3%
(1,424)	629	-44%
(205)	(3)	2%
(1,629)	626	-38%
(117)	(86)	73%
(1,746)	540	-31%
913	442	48%
(833)	982	-118%

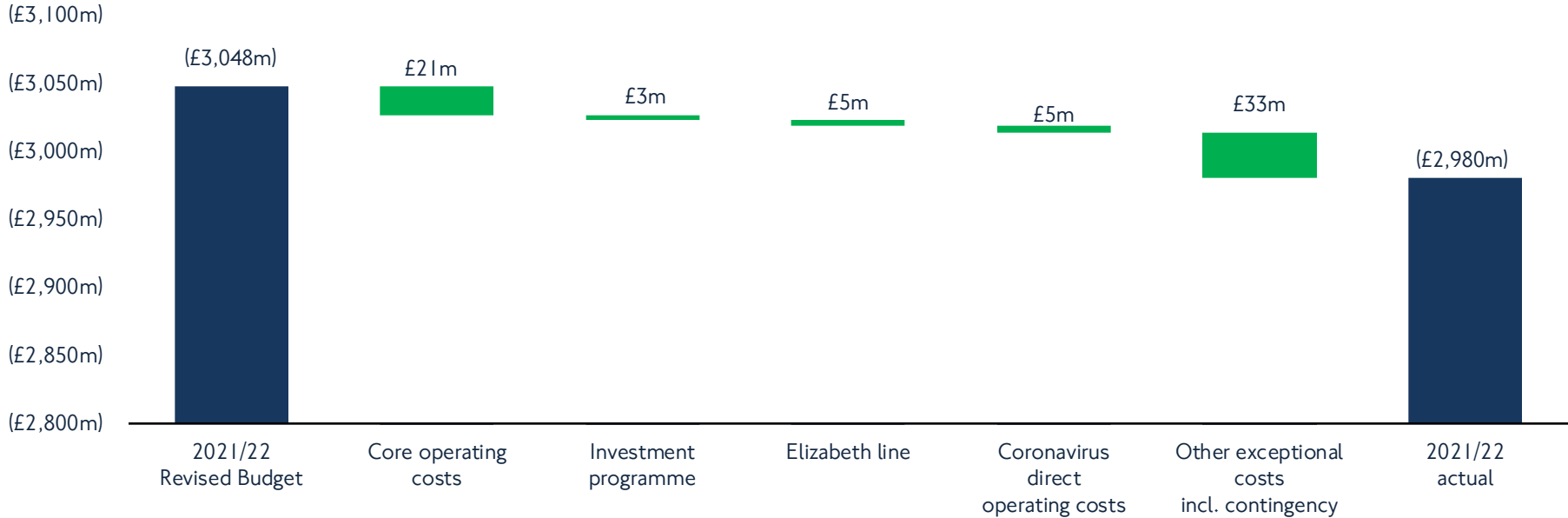


Operating costs

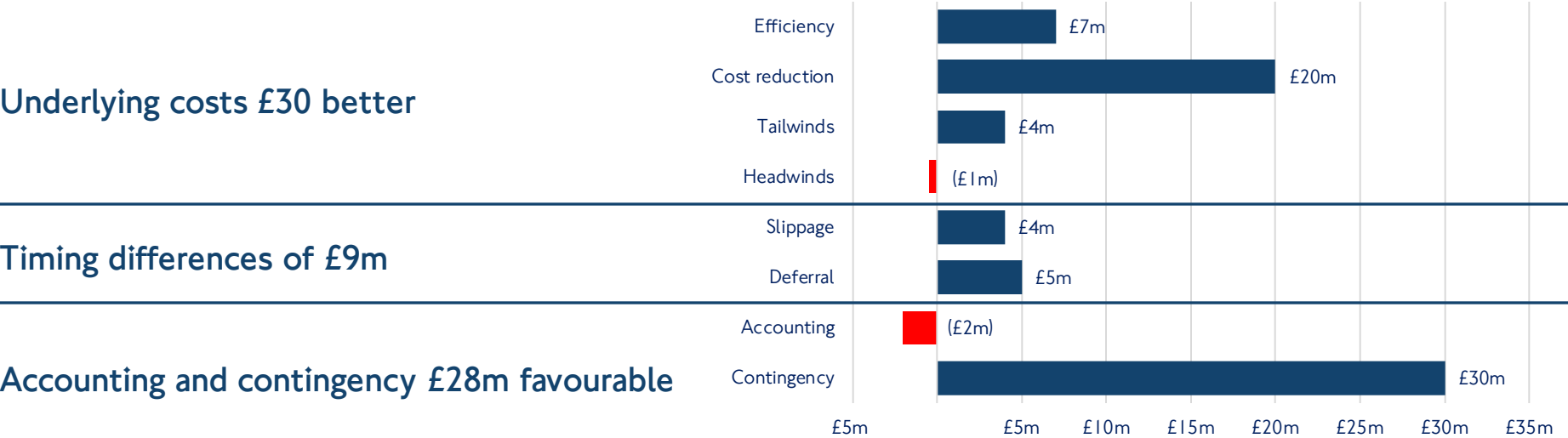
Total operating costs £67m lower than Budget. Underlying costs are £30m better than expected, driven by new efficiencies (including staff cost savings), and cost reductions from lower bus performance payments, lower LU traction costs, and lower maintenance costs in Rail.

Operating account contingency release of £30m in the year to date, in place to offset high risk operating account uncertainties e.g. RUC revenues.

Operating costs



Operating costs: drivers of year-to-date variances (£m)



Underlying costs £30 better

Timing differences of £9m

Accounting and contingency £28m favourable

The underlying costs figure and related commentary was corrected to £30m after the initial publication of the paper.

Capital account

Total capital expenditure £72m lower than target, largely a result of project slippage and deferrals, partly driven from short term and stop-start nature of the current funding agreements.

Property and asset receipts are (£32m) lower than Budget, driven by later than expected property disposals.

Capital account

Capital account (£m)	Q2 Year to date, 2021/22				Q2 Year to date, 2020/21		
	Actuals	Revised Budget	Variance to Revised Budget	% variance to Revised Budget	Last year	Variance to last year	% variance to last year
New capital investment	(356)	(404)	48	-12%	(308)	(48)	15%
Crossrail	(307)	(341)	34	-10%	(342)	35	-10%
Total capital expenditure	(663)	(745)	82	-11%	(650)	(13)	2%
Financed by:							
Investment grant	409	409	0	0%	400	9	2%
Property and asset receipts	16	48	(32)	-67%	6	10	169%
Borrowing	1	1	0	-3%	422	(421)	-100%
Crossrail borrowing	74	74	0	0%	299	(225)	-75%
Crossrail funding sources	277	274	3	1%	67	210	311%
Other capital grants	22	24	(2)	-10%	60	(38)	-63%
Total	799	831	(32)	-4%	1,254	(455)	-36%
Net capital account	136	86	50	59%	604	(468)	-77%
Capital renewals	(203)	(226)	23	-10%	(117)	(86)	73%
New capital investment	(356)	(404)	48	-12%	(308)	(48)	15%
Total TfL capital expenditure	(559)	(631)	72	-11%	(426)	(133)	31%

Capital expenditure

Total capital expenditure is £72m lower than Budget, driven by slippage and deferrals. LU, Surface and Corporate programme underspend partly driven by stop-start nature of the funding agreements, and associated project approval and contractual delays.

Capital expenditure by programme: year to date, 2021/22

Capital renewals and new capital investment (£m)	Q2 Year to date, 2021/22				Q2 Year to date, 2020/21		
	Actuals	Revised Budget	Variance to Revised Budget	% variance to Revised Budget	Last year	Variance to last year	% variance to last year
Major projects	(255)	(257)	2	-1%	(197)	(58)	29%
Northern Line Extension	(40)	(40)	0	1%	(44)	4	-10%
Four Lines Modernisation	(64)	(63)	(1)	2%	(37)	(27)	74%
Major Stations	(30)	(33)	3	-8%	(31)	1	-3%
Railway Systems Enhancements	(3)	(3)	0	-8%	(6)	3	-51%
Piccadilly line trains	(62)	(64)	2	-2%	(35)	(27)	78%
DLR Rolling Stock	(31)	(31)	0	-1%	(17)	(14)	79%
Barking Riverside	(21)	(20)	(1)	3%	(25)	4	-15%
Silvertown Tunnel	(5)	(5)	0	-6%	(3)	(2)	61%
Elizabeth line - infrastructure	(8)	(9)	1	-10%	(13)	5	-38%
LU	(135)	(154)	19	-12%	(77)	(58)	77%
Capital renewals	(124)	(140)	16	-12%	(65)	(59)	92%
New capital investment	(11)	(13)	2	-19%	(12)	1	-9%
Surface Transport	(110)	(123)	13	-11%	(102)	(8)	8%
Healthy Streets	(18)	(20)	2	-12%	(19)	1	-6%
Surface - assets	(34)	(35)	1	-3%	(25)	(9)	36%
Surface Tech	(13)	(17)	4	-23%	(6)	(7)	121%
Public Transport	(24)	(27)	3	-10%	(25)	1	-2%
Air Quality and environment	(21)	(24)	3	-13%	(27)	6	-23%
Corporate programmes	(41)	(47)	6	-13%	(24)	(17)	72%
Professional Services	(39)	(47)	8	-16%	(30)	(9)	29%
Media	(1)	0	(1)	2666%	7	(8)	-123%
Commercial Development	(10)	(40)	30	-74%	(13)	3	-22%
Estates and facilities	(1)	(1)	0	-34%	0	(1)	307%
Property development	(10)	(39)	29	-75%	(13)	3	-26%
Total TfL	(559)	(631)	72	-11%	(426)	(133)	31%



Cash balances

Total cash balances are just above £1.7bn at the end of Quarter 2. Cash balances are £57m higher than Budget, largely a result of favourable variances from other operating income and lower operating costs.

Our latest cash forecast for the year shows cash gradually declining from Quarter 2 onwards, driven by lower levels of government funding until the expiry of the current agreement on 11 December. From this point, cash will decline to between £700-800m at year end – this is almost £500m lower than our minimum cash balance - if we are not in receipt of further funding from government.

Cash balances and latest forecast

TfL closing cash balances

2020/21	2021/22 cash movement	Q2, 2021/22 closing cash	Q2, 2021/22: variance to Revised Budget
1,620	109	1,729	57

Cash balances and latest cash forecast, 2021/22

