Finance Report
Period 11, 2021/22

Management results from 1 April 2021 – 5 February 2022

Finance Committee
9 March 2022

Section 1

Period 11, 2021/22 results: divisional performance

Divisional performance 1

TfL Group performance 2

London Underground

Tube journeys were 58% of pre-pandemic levels in the latest period, up from 48% in the prior period. Journeys remain lower than levels throughout Q3. Passenger income is £1,257m, (£278m) lower than Budget, driven by 108 million fewer passenger journeys. However, this is still more than double the value we saw last year.

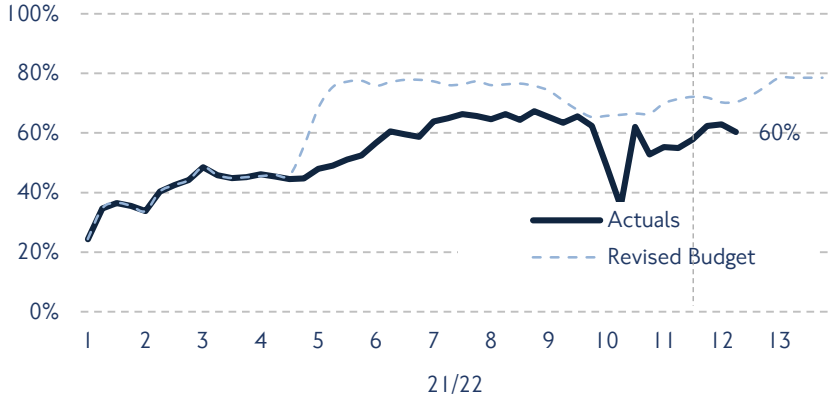
Operating costs are (£1,707m) in the year to date, broadly in line with last year and £54m below Budget. This is mainly driven by lower staff costs, lower coronavirus-related spend, and lower demand and service-related costs, the latter including lower traction current use.

London Underground

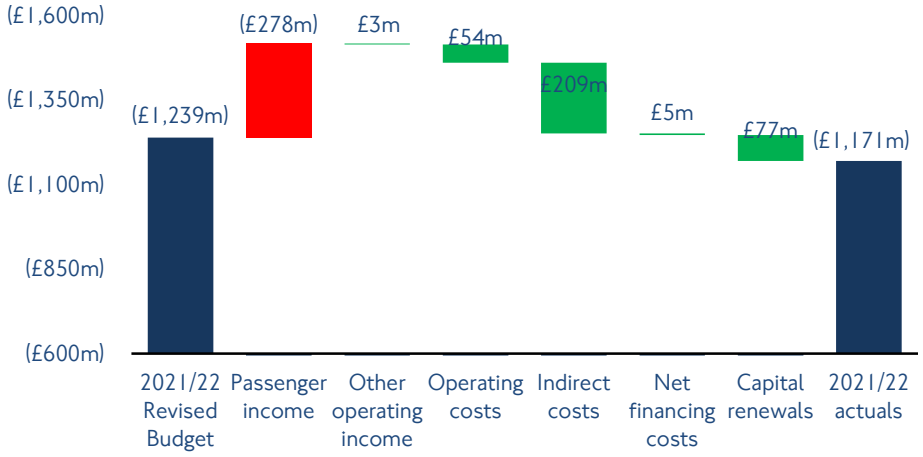
Operating account (£m)	Year to date, 2021/22				Year to date, 2020/21		
	Actuals	Revised Budget	Variance to Revised Budget	% variance to Revised Budget	Last year	Variance to last year	% variance to last year
Passenger income	1,257	1,536	(278)	-18%	560	697	124%
Other operating income	21	17	3	20%	16	4	27%
Total operating income	**1,278**	**1,553**	**(275)**	**-18%**	**576**	**701**	**122%**
Government furlough grant	0	0	0	N/A	37	(37)	-100%
Total income	**1,278**	**1,553**	**(275)**	**-18%**	**614**	**664**	**108%**
Operating costs	(1,707)	(1,761)	54	-3%	(1,704)	(3)	0%
Net operating surplus	**(429)**	**(208)**	**(221)**	**106%**	**(1,090)**	**661**	**-61%**
Indirect costs	(257)	(466)	209	-45%	(242)	(15)	6%
Net financing costs	(238)	(243)	5	-2%	(238)	(0)	0%
Capital renewals	(246)	(323)	77	-24%	(146)	(100)	68%
Net cost of operations	**(1,171)**	**(1,239)**	**69**	**-6%**	**(1,717)**	**546**	**-32%**
New capital investment	**(18)**	**(21)**	**3**	**-16%**	**(26)**	**8**	**-32%**

Tube journeys compared to pre-pandemic baseline

% vs Pre Covid Period	% vs Budget	Journeys (millions)	Var to Budget
58%	63%	612	-108



Net cost of operations compared to Budget



Elizabeth line

Elizabeth line journeys are 60% of pre-pandemic levels in Period 11, up from 58% last period. Passenger income is (£10m) lower than Budget, from lower than expected journeys.

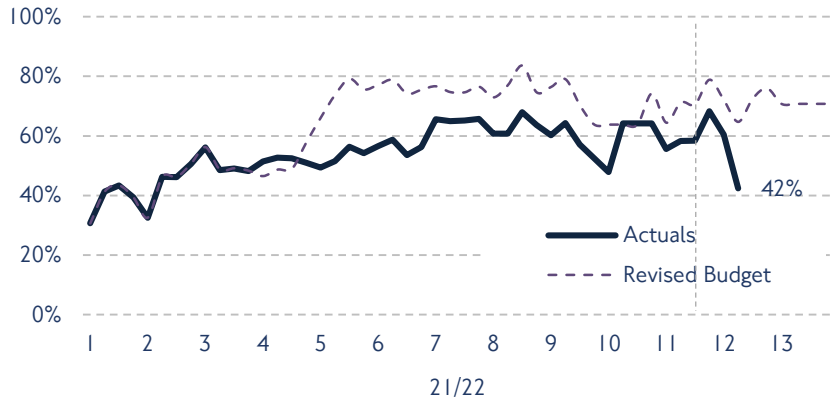
Operating costs are £18m lower than Budget, mainly driven by lower rolling stock maintenance costs, lower regulatory charges (the latter offset in other operating income), and slower than expected recruitment.

Elizabeth line

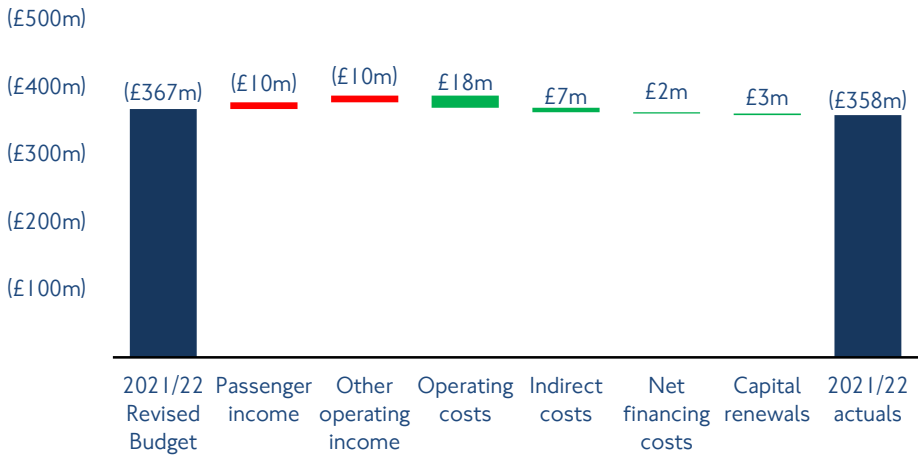
Operating account (£m)	Year to date, 2021/22				Year to date, 2020/21		
	Actuals	Revised Budget	Variance to Revised Budget	% variance to Revised Budget	Last year	Variance to last year	% variance to last year
Passenger income	75	86	(10)	-12%	34	41	121%
Other operating income	21	31	(10)	-32%	6	15	240%
Total operating income	**97**	**117**	**(20)**	**-17%**	**40**	**56**	**140%**
Operating costs	(368)	(386)	18	-5%	(277)	(91)	33%
Net operating surplus	**(271)**	**(269)**	**(2)**	**1%**	**(236)**	**(35)**	**15%**
Indirect costs	(7)	(14)	7	-48%	(6)	(2)	27%
Net financing costs	(80)	(81)	2	-2%	(79)	(0)	0%
Capital renewals	(0)	(3)	3	-100%	0	(0)	N/A
Net cost of operations	**(358)**	**(367)**	**9**	**-2%**	**(321)**	**(37)**	**11%**
New capital investment	(10)	(11)	2	-14%	(30)	20	-67%
Crossrail construction	(507)	(606)	99	-16%	(620)	113	-18%
New capital investment	**(516)**	**(617)**	**101**	**-16%**	**(649)**	**133**	**-21%**

EL journeys compared to pre-pandemic baseline

% vs Pre Covid Period	Budget	Absolute m	Var to Bud m
60%	63%	33	-6



Net cost of operations compared to Budget



Buses, Streets & Other operations

Bus journeys are 72% of pre-pandemic levels in the latest period, up from 66% in Period 10. Journeys were tracking close to target before P10, and have returned to this position following lifting of coronavirus restrictions. Passenger income is £6m higher than Budget despite 28 million fewer journeys, a result of better than expected yield.

Other operating income is £661m, (£20m) lower than Budget driven by higher Congestion Charge income offset by lower ULEZ expansion income, the latter a result of higher than expected compliance levels.

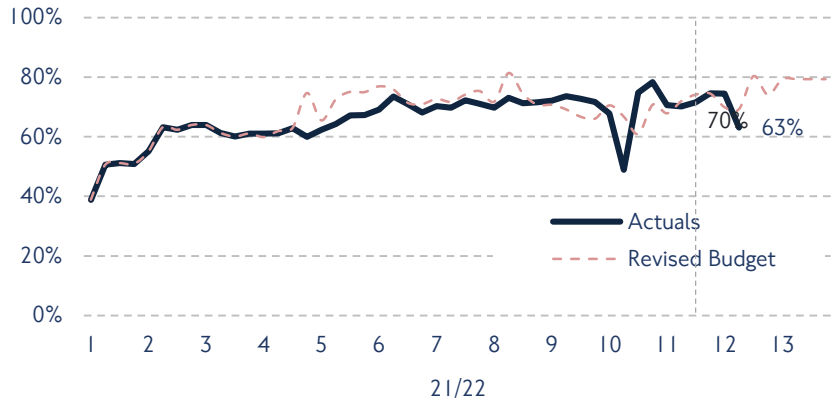
Operating costs are £12m lower than Budget due to staff cost savings, lower bus operator payments, partly offset by higher bad debt costs.

Buses, Streets & Other operations

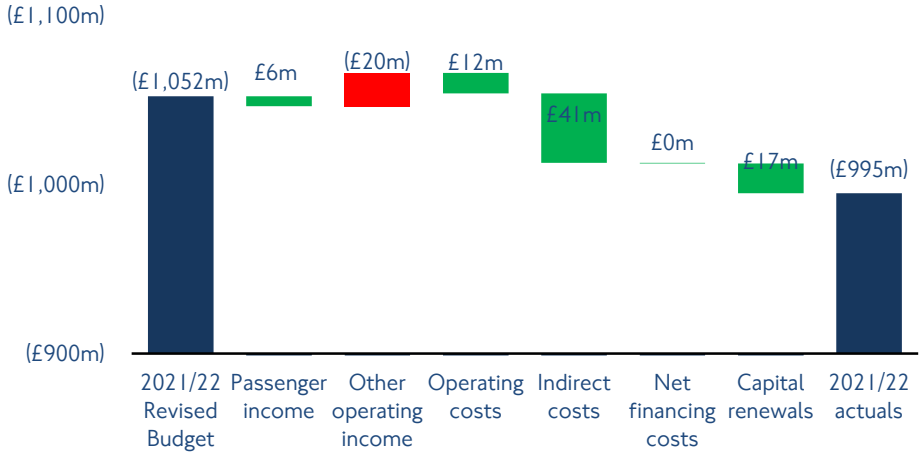
Operating account (£m)	Year to date, 2021/22				Year to date, 2020/21		
	Actuals	Revised Budget	Variance to Revised Budget	% variance to Revised Budget	Last year	Variance to last year	% variance to last year
Passenger income	920	914	6	1%	595	325	55%
Other operating income	661	680	(20)	-3%	435	226	52%
Total operating income	**1,581**	**1,595**	**(14)**	**-1%**	**1,031**	**550**	**53%**
Government furlough grant	0	0	0	N/A	9	(9)	-100%
Total income	**1,581**	**1,595**	**(14)**	**-1%**	**1,040**	**541**	**52%**
Operating costs	(2,387)	(2,399)	12	0%	(2,369)	(18)	1%
Net operating surplus	**(806)**	**(804)**	**(2)**	**0%**	**(1,329)**	**524**	**-39%**
Indirect costs	(76)	(117)	41	-35%	(96)	20	-21%
Net financing costs	(23)	(23)	0	-2%	(23)	0	0%
Capital renewals	(90)	(108)	17	-16%	(79)	(11)	14%
Net cost of operations	**(995)**	**(1,052)**	**57**	**-5%**	**(1,528)**	**533**	**-35%**
New capital investment	**(88)**	**(128)**	**40**	**-32%**	**(109)**	**21**	**-20%**

Bus journeys compared to pre-pandemic baseline

% vs Pre Covid Period / Budget		Absolute m	Var to Bud m
72%	70%	1,232	-28



Net cost of operations compared to Budget



Rail

Rail journeys – including London Overground, DLR and Trams – are 63% of pre-pandemic levels in Period 11, slightly down on prior period. Passenger income is (£18m) lower than Budget, with journeys 19 million lower than target this year.

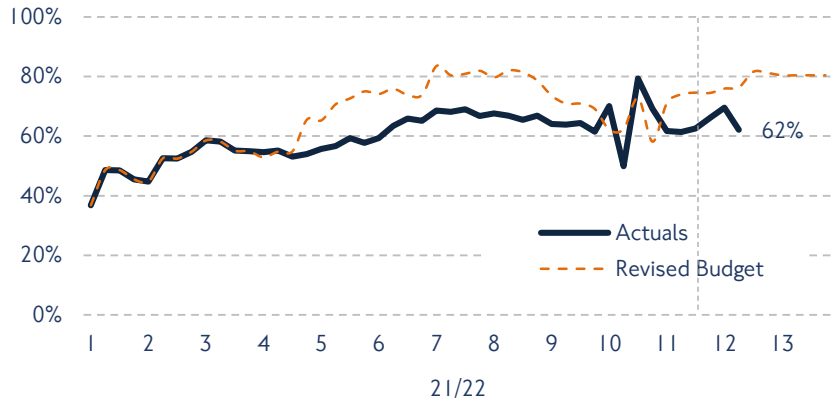
Operating costs are £10m better than Budget, largely a result of one off cost reductions and staff cost savings.

Rail

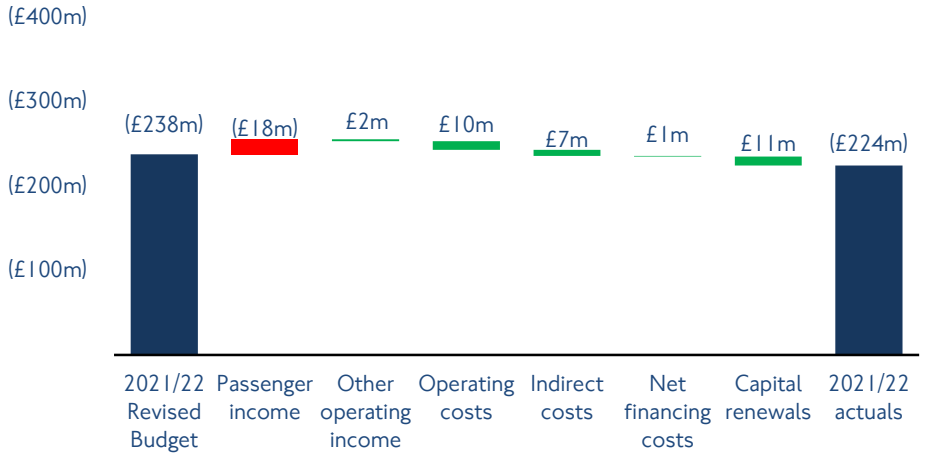
Operating account (£m)	Year to date, 2021/22 Actuals	Revised Budget	Variance to Revised Budget	% variance to Revised Budget	Year to date, 2020/21 Last year	Variance to last year	% variance to last year
Passenger income	240	257	(18)	-7%	118	121	102%
Other operating income	13	11	2	19%	5	8	170%
Total operating income	**253**	**268**	**(15)**	**-6%**	**123**	**129**	**105%**
Operating costs	(399)	(409)	10	-2%	(390)	(9)	2%
Net operating surplus	**(146)**	**(141)**	**(5)**	**4%**	**(267)**	**120**	**-45%**
Indirect costs	(13)	(20)	7	-35%	(16)	2	-16%
Net financing costs	(34)	(35)	1	-2%	(34)	0	0%
Capital renewals	(31)	(41)	11	-26%	(24)	(6)	26%
Net cost of operations	**(224)**	**(238)**	**13**	**-6%**	**(341)**	**117**	**-34%**
New capital investment	**(9)**	**(11)**	**1**	**-13%**	**(19)**	**10**	**-53%**

Rail journeys compared to pre-pandemic baseline

% vs Pre Covid Period	Budget	Absolute m	Var to Bud m
63%	69%	172	-19



Net cost of operations compared to Budget



Major Projects Directorate

Year to date capital spend is £48m lower than Budget, driven by £21m in-year slippage for land purchase required for the DLR HIF project (which was delayed as part of the latest funding discussion). This funding has since been agreed and provided during P12. The remaining underspend is due to resource shortages for Piccadilly line rolling stock infrastructure work, as well as delays to Elephant & Castle following prolonged negotiation of the Development Agreement which delayed the planned start of the physical works.

Major Projects Directorate

Operating account (£m)	Year to date, 2021/22				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	7	9	(2)	-20%	6	1	18%
Total operating income	**7**	**9**	**(2)**	**-20%**	**6**	**1**	**18%**
Government furlough grant	0	0	0	N/A	2	(2)	-100%
Total income	**7**	**9**	**(2)**	**-20%**	**8**	**(1)**	**-15%**
Operating costs	(12)	(16)	4	-24%	(36)	23	-66%
Net operating surplus	**(5)**	**(7)**	**2**	**-29%**	**(27)**	**22**	**-81%**
Indirect costs	(22)	(29)	8	-26%	(28)	6	-22%
Net financing costs	0	0	0	N/A	0	0	N/A
Capital renewals	(5)	(7)	1	-19%	(3)	(3)	114%
Net cost of operations	**(32)**	**(43)**	**11**	**-25%**	**(58)**	**25**	**-44%**
New capital investment	**(440)**	**(487)**	**47**	**-10%**	**(402)**	**(38)**	**9%**

Four Line Modernisation

The next section of signalling, between Sloane Square, Paddington, Fulham Broadway and Barons Court, remains on target to go live in spring 2022. This phase, called signalling migration area 5, will involve upgrading the highly complex junction at Earl's Court and will mean the entire Circle line will have been upgraded to the new signalling system. Factory acceptance testing of software for this area was completed in December 2021 and a final weekend of testing, involving engineering and passenger trains, was completed on 10 January 2022.

Piccadilly Line Upgrade

The stage one assurance for the new trains was completed on 14 December 2021, ahead of target.

On 15 December, the new Piccadilly line train cab mock-up arrived at the Tunnelling and Construction Academy in East London from Siemens in Germany. It will be in London until the end of March 2022, before moving to the innovation hub at Siemens manufacturing facility in Goole.

The procurement of the high voltage power framework is progressing and we are now in negotiation with the tenderers. We expect the final contract award recommendation to be approved in March 2022.

Bank Station Upgrade

The works and preparation for the Northern line Bank branch closure have concluded. We ran an extensive communication, marketing and operational campaign to manage travel demand and minimise the impact on customers.

This line closure between Kennington and Moorgate started as planned on 15 January and will last for 17 weeks. At the end of this closure, a new platform and central concourse will be brought into use, which will help relieve congestion on the Northern line platform.

Section 2

Period 11, 2021/22 results: TfL Group performance

Divisional performance 1

TfL Group performance 2

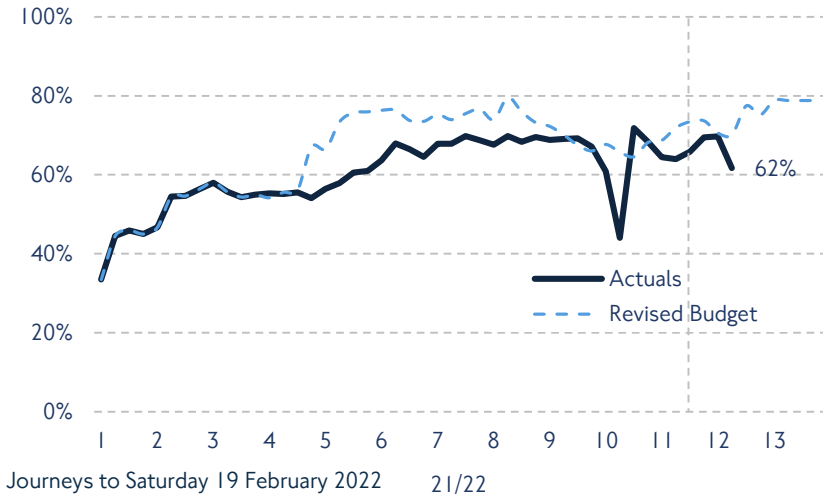
Headlines

Total TfL journeys were 66% of pre-pandemic levels in Period 11. Journeys declined over Period 10, as a result of the Omicron variant. Since the New Year, and with the removal of working from home guidance, journeys have begun to increase again. Passenger income was down around £50m on prior periods; year-to-date income is lower than Budget and around £1.5bn lower than pre-pandemic levels.

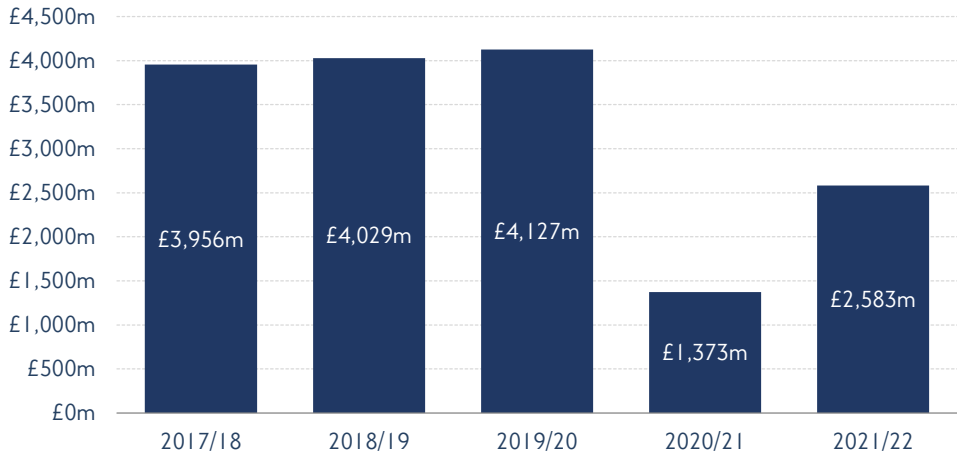
Cash balances have seen a significant deterioration since Q3. A new funding agreement of 25 February 2022, replaces the earlier agreement of 1 June 2021. The new agreement provides top up funding for passenger income (up to an agreed limit) as well as £200m base funding spread over April to June 2022. Under the terms of the agreement, we expect average cash balances to be maintained at £1.2bn.

Headlines

Total passenger journeys 66% of pre-pandemic levels in latest period and below target after the festive period

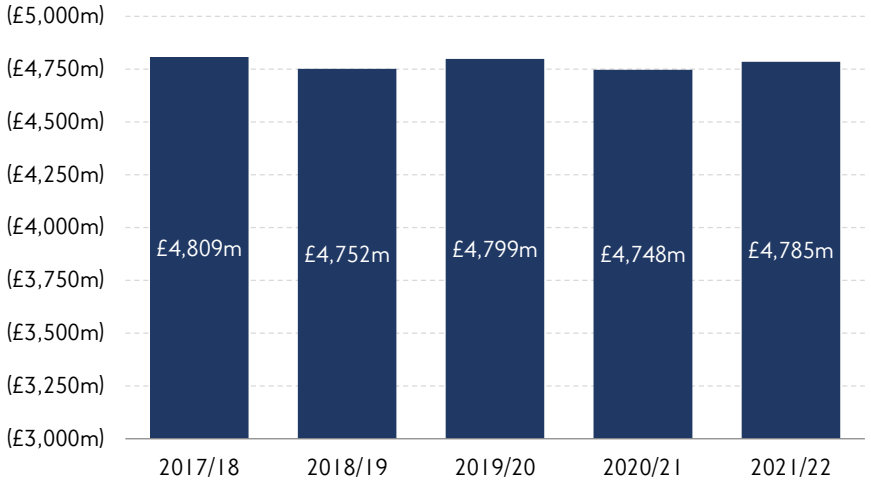


Passenger income is £1.2bn higher than last year, but £257m lower than Budget; year-to-date income approx. £1.5bn lower than pre-pandemic levels



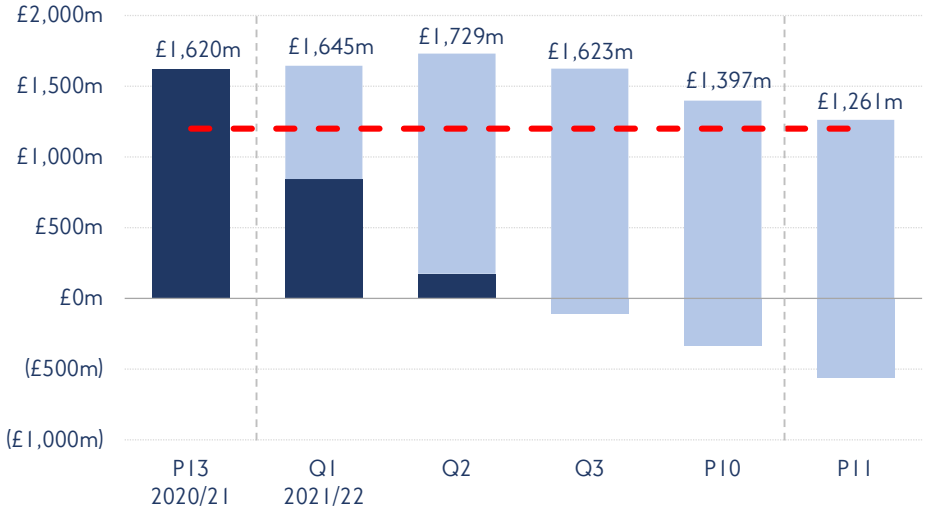
Individual years show year-to-date passenger income to end of Period 11.

Like-for-like operating costs broadly in line with last year; costs kept broadly flat over past five years with savings mitigating inflationary pressures



Individual years show year-to-date passenger income to end of Period 11.

Cash balances have reduced as government funding declines and are now close to our minimum cash balance of £1.2bn



Passenger journeys

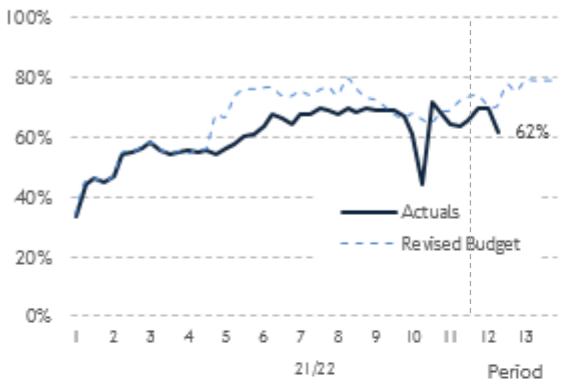
Total passenger journeys are 66% of pre-pandemic levels in Period 11, slightly below target. Q3 saw demand broadly flat. However, following the Government announcement of Plan B restrictions, journeys declined throughout the festive period. Overall journeys have rebounded in P11, but have not reached pre-December 2021 levels.

Bus and Tube journeys are at 74% and 62% of pre-pandemic levels respectively at the end of Period. Tube levels broadly in line with September 2021.

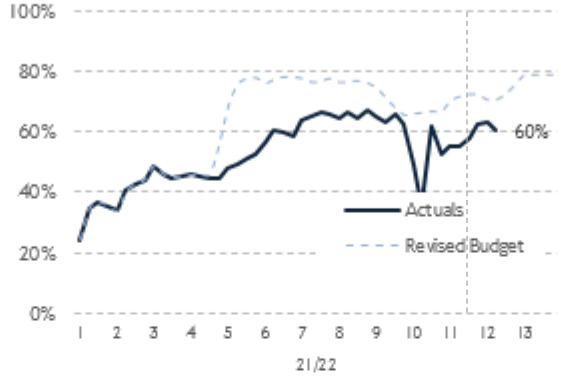
Passenger journeys

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

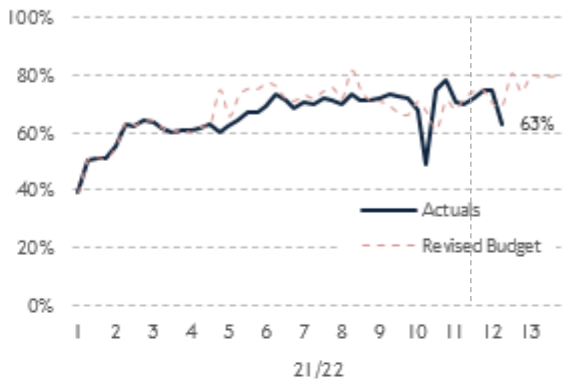
TfL	% vs Pre Covid week / budget			Absolute m	Var to Bud m
	66%	68%	P	204	-20
			Y	2,049	-161



LU	% vs Pre Covid week / budget			Absolute m	Var to Bud m
	58%	63%	P	62	-15
			Y	612	-108



Bus	% vs Pre Covid week / budget			Absolute m	Var to Bud m
	72%	70%	P	123	-1
			Y	1,232	-28



Rail	% vs Pre Covid week / budget			Absolute m	Var to Bud m
	63%	69%	P	16	-3
			Y	172	-19

LO	% vs Pre Covid week / budget			Absolute m	Var to Bud m
	63%	71%	P	9	-2
			Y	92	-13

DLR	% vs Pre Covid week / budget			Absolute m	Var to Bud m
	62%	65%	P	6	-1
			Y	64	-5

Tram	% vs Pre Covid week / budget			Absolute m	Var to Bud m
	67%	70%	P	2	0
			Y	16	-1

TfLR	% vs Pre Covid week / budget			Absolute m	Var to Bud m
	60%	63%	P	3	-1
			Y	33	-6

ULEZ

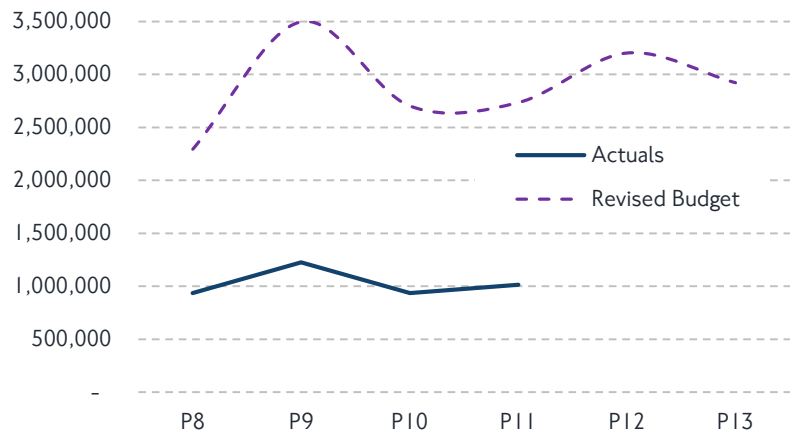
Since the expansion of the ULEZ scheme in late October 2021 average daily volumes up to the end of P11 are 40k which represents a circa 63% reduction against the Budget (107k). The reduction in volumes is positive for London as seeing higher compliance.

The reduction can be broadly attributed to the following 3 factors;

- Base volume assumptions pertaining to vehicles entering the zone were around 33% what has been observed
- Compliance has been significantly higher than forecast, on average around 5% higher than Budget. This has contributed to another 25% reduction against budgeted charge volumes
- Contraventions are at around 20%, whereas the Budget assumed 10%; this has further contributed to the reduction in charges.

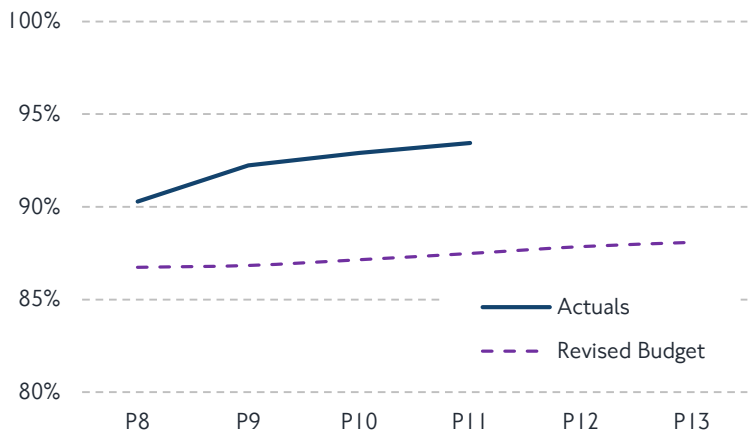
ULEZ charge and compliance levels

ULEZ Charge Volumes



- ULEZ charge volumes in P11 are circa 1 million, which represents a 63% reduction against Budget.
- Against the latest forecast current charge volumes are around 14% behind as post-Christmas recovery of non-compliant vehicles lags behind expectations.

ULEZ Compliance Volumes



- Compliance in P11 was 93.4%, which is just under 6% higher than the Budget.
- Compliance in the ULEZ zone continues to grow at an accelerated rate, P11 represents 2.4% increase from P8.

Operating account

Passenger income is £2,583m year to date, which is £1.2bn higher than last year, but (£257m) below Budget. This is driven by lower journeys across all modes. Other operating income is £1m higher than Budget, with earlier Congestion Charge favourability largely eroded by lower ULEZ expansion income.

Operating costs are £337m below Budget from a combination of: lower underlying costs (£118m), timing differences (£139m), and from the release of contingency (£80m) held to mitigate high risk uncertainties.

Extraordinary revenue grant is £268m higher than Budget, a result of higher revenue top up, which offsets lower passenger income.

Operating account

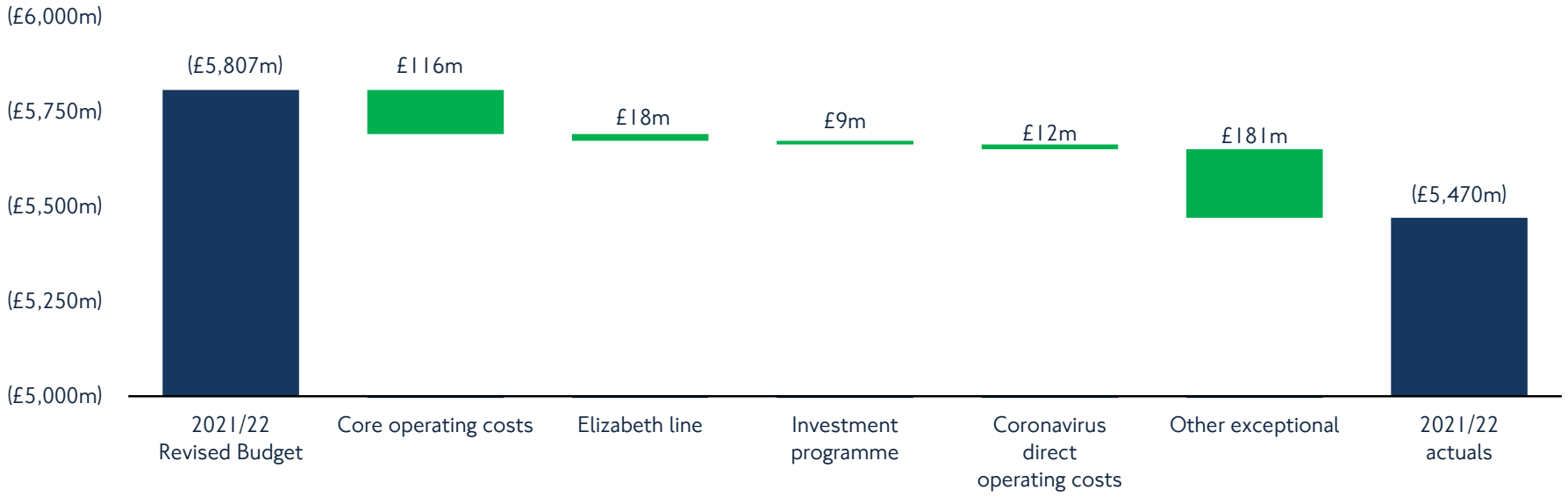
Operating account (£m)	Year to date, 2021/22				Year to date, 2020/21		
	Actuals	Revised Budget	Variance to Revised Budget	% variance to Revised Budget	Last year	Variance to last year	% variance to last year
Passenger income	2,583	2,840	(257)	-9%	1,373	1,210	88%
Other operating income	954	954	1	0%	641	313	49%
Total operating income	**3,537**	**3,793**	**(257)**	**-7%**	**2,014**	**1,523**	**76%**
Business Rates Retention	851	835	16	2%	814	37	5%
Revenue grant	56	52	4	8%	50	7	14%
Government furlough grant	0	0	0	N/A	58	(58)	-100%
Total income	**4,444**	**4,680**	**(236)**	**-5%**	**2,935**	**1,509**	**51%**
Operating cost	(5,470)	(5,807)	337	-6%	(5,376)	(93)	2%
Net operating surplus	**(1,025)**	**(1,126)**	**101**	**-9%**	**(2,441)**	**1,416**	**-58%**
Net financing costs	(375)	(382)	7	-2%	(375)	0	0%
Net cost of operations after financing	**(1,400)**	**(1,508)**	**108**	**-7%**	**(2,816)**	**1,416**	**-50%**
Capital renewals	(407)	(594)	187	-32%	(268)	(138)	52%
Net cost of operations	**(1,807)**	**(2,102)**	**295**	**-14%**	**(3,085)**	**1,278**	**-41%**
Extraordinary revenue grant	1,721	1,453	268	18%	2,031	(310)	-15%
Net cost of operations after extraordinary revenue grant	**(86)**	**(648)**	**563**	**-87%**	**(1,053)**	**968**	**-92%**

Operating costs

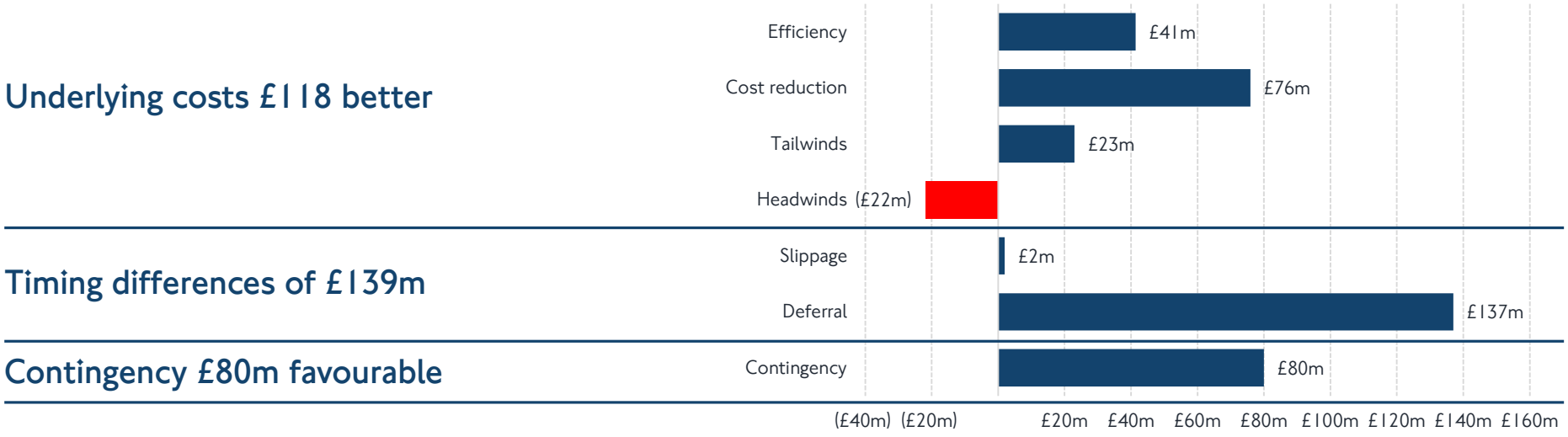
Total operating costs are £337m lower than Budget. Underlying costs are £118m better than expected, driven by lower recruitment and staff cost savings and lower demand-related costs. This is partly offset by pressures on Road User Charging bad debt, which is just over £20m higher than Budget (although offset by additional income).

Operating account contingency of £80m has been released in the year to date, which was in place to offset high-risk operating account uncertainties such as the net revenue to be generated from the expanded ULEZ zone.

Operating costs



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



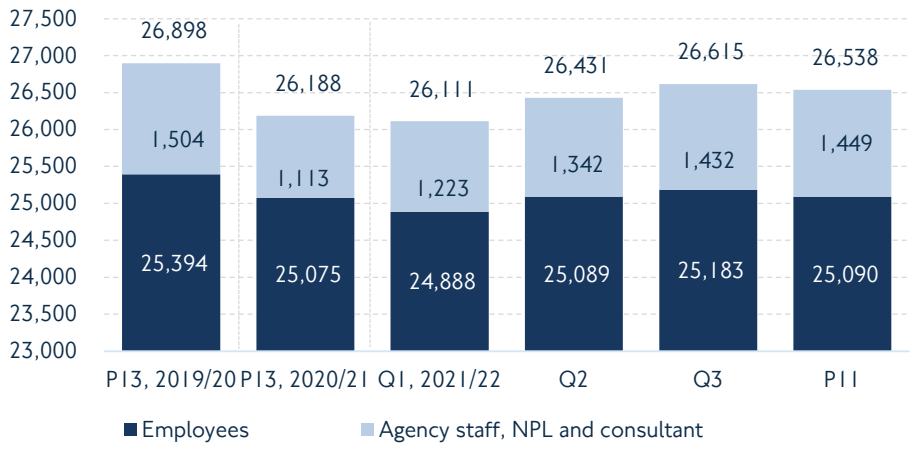
Staff

TfL staff levels are 360 lower than pre-pandemic levels. We have increased staff levels this year by around 350 FTE, following the introduction of Northern Line Extension operations, as well as ramping up preparations for Elizabeth line services.

Permanent employee numbers are broadly in line with last year, as we face recruitment and retention challenges as a result of funding uncertainty. Agency and NPL staff have increased by over 300, partly a result of labour market pressures, but also giving the organisation greater flexibility in the face of continued funding uncertainty.

Staff excl. Crossrail construction

Headcount trends since 2019/20



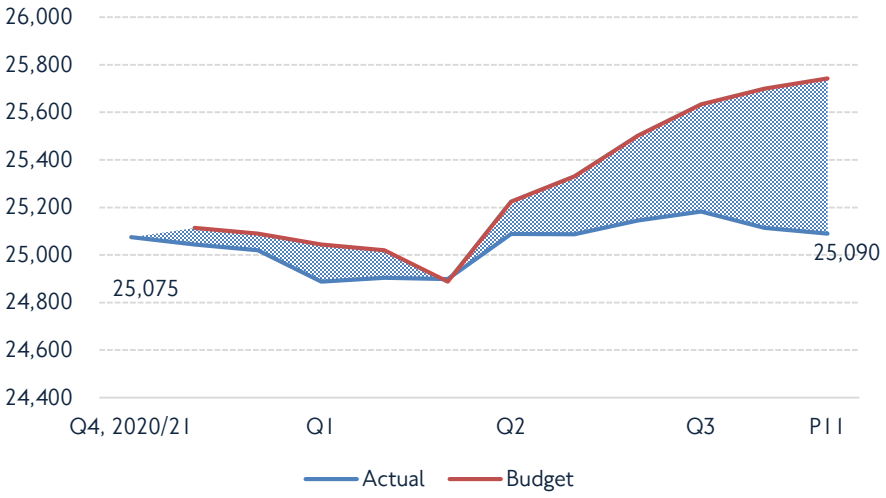
Total staff 360 lower than pre-pandemic levels

Agency, NPL and other temporary workers down by 55 FTE; increases this year to provide greater organisational flexibility

Permanent employees down by over 305 since 2019/20 and broadly in line with end of last year

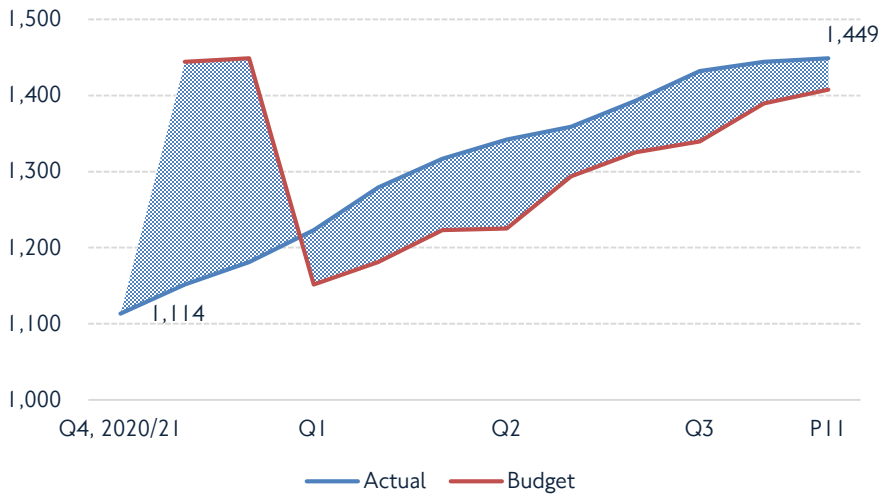
Permanent staff (FTE): actuals and Revised Budget

Permanent employees broadly in line with the end of 2020/21, but approx. 650 lower than Budget from recruitment delays, a competitive external market and leavers averaging 170 per period.



Agency, NPL staff and other temporary workers (FTE): actuals and Revised Budget

Agency and NPL FTE up by over 330 since the end of 2020/21, and slightly up on Budget. In the context of economic and funding uncertainty, greater use of agency employees provides organisational flexibility.



Capital account

Total TfL capital expenditure (excluding Crossrail construction) is £368m lower than target, largely a result of project slippage and deferrals driven by short term and stop-start nature of funding agreements, and increased spend controls.

Property and asset receipts are (£94m) lower than Budget, driven by later than expected property disposals including 1 Oxford Street and Lillie Bridge depot.

Capital account

Capital account (£m)	Year to date, 2021/22				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	(641)	(822)	181	-22%	(653)	12	-2%
Crossrail	(507)	(606)	99	-16%	(620)	113	-18%
Total capital expenditure	**(1,148)**	**(1,428)**	**280**	**-20%**	**(1,273)**	**125**	**-10%**
Financed by:							
Investment grant	781	834	(53)	-6%	764	17	2%
Property and asset receipts	58	152	(94)	-62%	8	50	637%
Borrowing	1	1	(0)	-23%	602	(601)	-100%
Crossrail borrowing	74	74	0	0%	564	(490)	-87%
Crossrail funding sources	493	555	(62)	-11%	71	422	592%
Other capital grants	32	82	(50)	-61%	117	(85)	-73%
Total	**1,440**	**1,699**	**(259)**	**-15%**	**2,127**	**(687)**	**-32%**
Net capital account	**292**	**271**	**21**	**8%**	**854**	**(562)**	**-66%**
Capital renewals	(407)	(594)	187	-32%	(268)	(138)	52%
New capital investment	(641)	(822)	181	-22%	(653)	12	-2%
Total TfL capital expenditure	**(1,048)**	**(1,416)**	**368**	**-26%**	**(922)**	**(127)**	**14%**

Capital expenditure

Total capital expenditure is £368m lower than Budget, driven by slippage and deferrals as well as the release of capital contingency (£60m) held to mitigate high risk uncertainties.

The stop-start nature of the funding agreements alongside associated project approval and contractual delays are partly responsible for the underspend.

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

Capital renewals and new capital investment (£m)	Year to date, 2021/22				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	**(445)**	**(493)**	**48**	**-10%**	**(404)**	**(41)**	**10%**
Northern Line Extension	(51)	(54)	3	-5%	(91)	40	-44%
Four Lines Modernisation	(112)	(116)	4	-3%	(81)	(31)	38%
Major Stations	(57)	(68)	11	-16%	(58)	0	-1%
Railway Systems Enhancements	(4)	(6)	1	-26%	(9)	5	-54%
Piccadilly line trains	(122)	(124)	2	-2%	(79)	(43)	54%
DLR Rolling Stock	(59)	(85)	26	-30%	(37)	(22)	59%
Barking Riverside	(29)	(29)	(0)	1%	(41)	12	-29%
Silvertown Tunnel	(10)	(12)	2	-18%	(7)	(3)	40%
Elizabeth line - infrastructure	**(10)**	**(14)**	**4**	**-30%**	**(30)**	**20**	**-67%**
LU	**(264)**	**(344)**	**80**	**-23%**	**(173)**	**(91)**	**53%**
Capital renewals	(246)	(323)	77	-24%	(146)	(100)	68%
New capital investment	(18)	(21)	3	-16%	(26)	8	-32%
Surface Transport	**(219)**	**(288)**	**69**	**-24%**	**(232)**	**13**	**-5%**
Healthy Streets	(37)	(55)	18	-33%	(38)	1	-3%
Surface - assets	(75)	(87)	12	-14%	(65)	(10)	16%
Surface Tech	(24)	(39)	15	-38%	(13)	(11)	85%
Public Transport	(45)	(60)	15	-24%	(50)	4	-9%
Air Quality and environment	(38)	(47)	10	-20%	(66)	28	-43%
Corporate programmes	**(85)**	**(123)**	**38**	**-31%**	**(53)**	**(32)**	**62%**
Professional Services	(88)	(125)	37	-30%	(63)	(25)	40%
Media	2	1	1	100%	10	(7)	-76%
Commercial Development	**(26)**	**(93)**	**67**	**-72%**	**(29)**	**4**	**-12%**
Estates and facilities	(1)	(3)	1	-57%	(0)	(1)	571%
Property development	(25)	(90)	65	-73%	(29)	5	-16%
Total TfL	**(1,048)**	**(1,356)**	**308**	**-23%**	**(922)**	**(127)**	**14%**
Capital contingency	(0)	(60)	60	-100%	0	(0)	N/A
TfL incl. capital contingency	**(1,048)**	**(1,416)**	**368**	**-26%**	**(922)**	**(127)**	**14%**

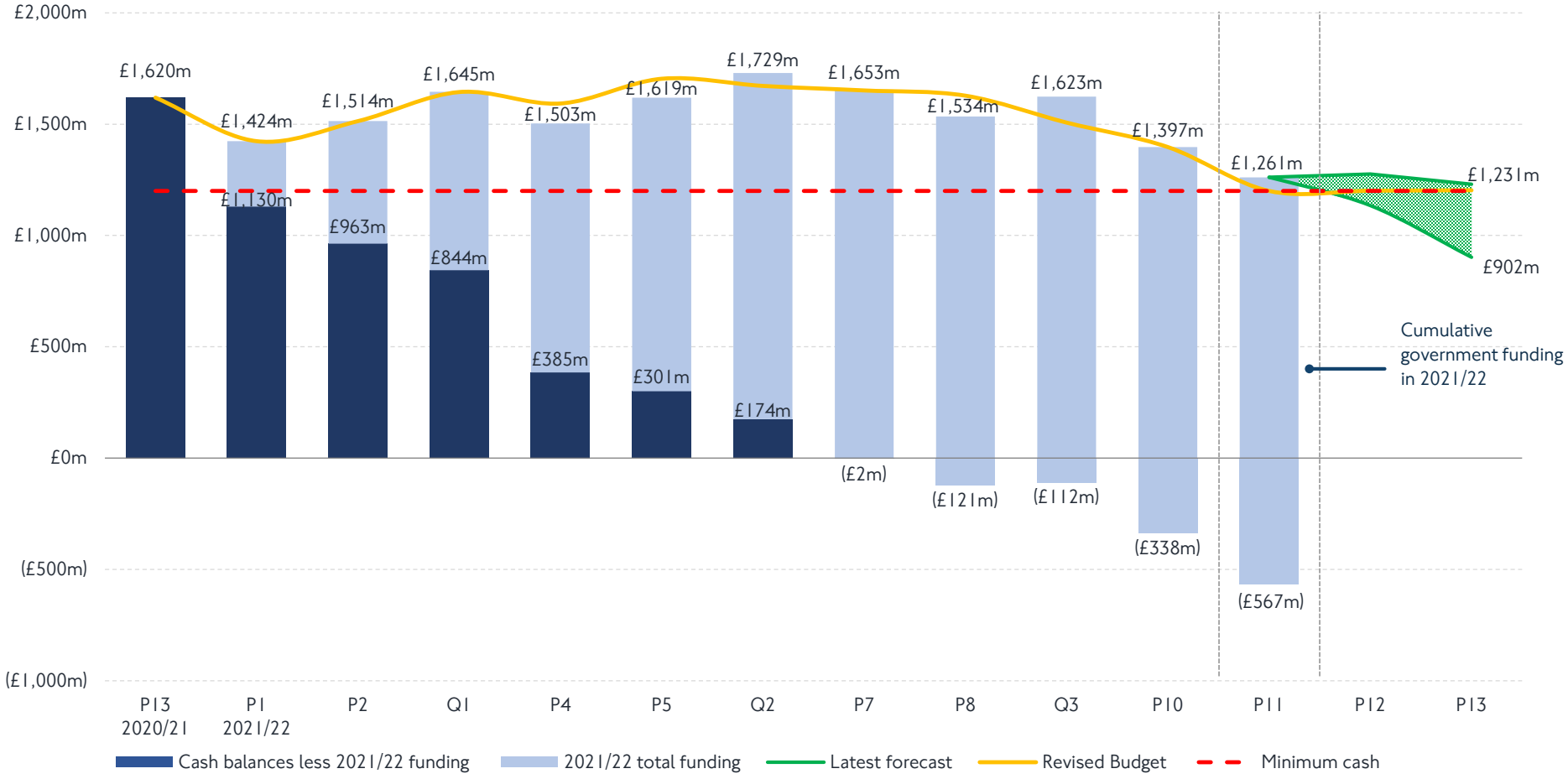
Cash balances

Total cash balances are just above £1.25bn at the end of Period 11, £61m higher than Budget, a result of timing of extraordinary revenue grant and lower operating and capital costs.

Our latest cash forecast for the year gradually declines as we receive lower levels of government funding.

A new funding agreement of 25 February 2022, replaces the earlier agreement of 1 June 2021. The new agreement provides top up funding for passenger income (up to an agreed limit) as well as £200m base funding spread over April to June 2022. Under the terms of the agreement, we expect average cash balances to be maintained at £1.2bn.

Cash balances and latest forecast

	2020/21	2021/22 cash movement	P11, 2021/22 closing cash	P11, 2021/22: variance to Revised Budget
TfL closing cash balances	1,620	(359)	1,261	61

Cash balances and latest cash forecast, 2021/22