

Finance Report

Period 2, 2022/23

Management results from 1 April 2022 – 28 May 2022

TfL Finance Committee

22 June 2022



Headlines

2022/23 overview

Our 2022/23 Budget is based on an approach of ‘managed decline’ – deteriorating asset conditions, no new enhancement schemes, and very significant service reductions, which specifically entails an 18 per cent reduction of the bus network, and a nine per cent reduction on the Underground.

On this basis, the Budget sets out our path to achieve financial sustainability by April 2023. This financial year will be the last year we require Government revenue support as the result of the pandemic. The required Government revenue support of £1.2bn for 2022/23 is on a clear declining trajectory from previous years.

In the year to date, we are on track to deliver that Budget and therefore are on track to achieve financial sustainability. This demonstrates our management grip and robust budget. Our progress includes:

- Journeys continue to recover and passenger income is in line with Budget. TfL journeys at 77% of pre-pandemic levels, versus 68% at the end of last year. Elizabeth line saw 2 million additional journeys in the latest period.
- Operating costs are in line with Budget. Cost pressure to date from inflation and increasing Road User Charging bad debt – due to payment rates on penalty charge notices during the initial discounted period – is offset by savings across other areas. Cost control remains, with like for like costs adjusted for inflation down on last year.
- Capital investment is broadly in line with Budget, with the year to date expenditure being marginally ahead of Budget but with clear controls in place to manage to the Budget figure over the full year.

Forward look

Although we are on track in the year to date, there are several external headwinds and risks to achieving the Budget for the full year. These include:

- Funding uncertainty – Current funding agreement with Government expires on 24 June 2022. A further £0.9bn of extraordinary Government funding is required for 2022/23.
- Economic uncertainty – economic growth remains poor; UK economy contracted by 0.3% in April, following a 0.1% reduction in March and no growth in February.
- Cost of living challenges – inflationary pressures reducing disposable income – may reduce discretionary spend, and reverse earlier journey growth. Inflation also expected to increase TfL’s cost base, with most external contracts linked to inflation indexes.

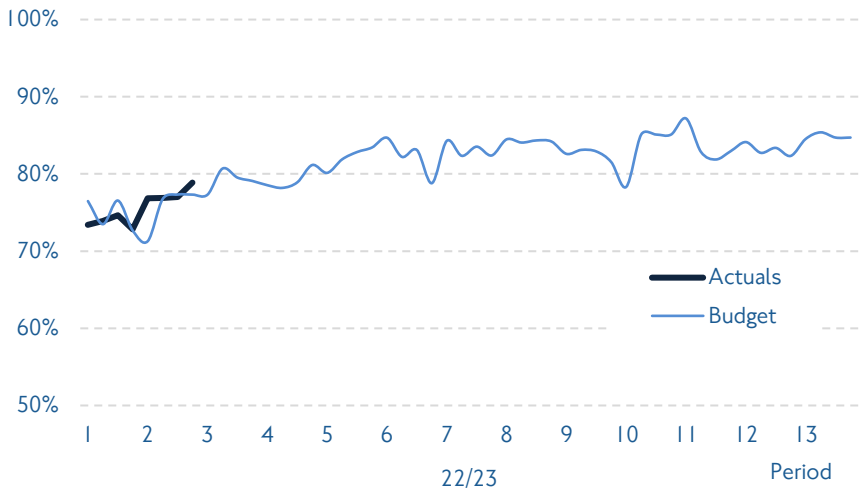
We have reduced cash reserves – in line with the Government funding condition – and are now operating our cash reserves at an average below £1.2bn, rather than this being an absolute minimum. As such we have reduced ability to manage these risks. All these factors highlight the importance of securing longer-term Government support.

We are confident we have met each and every funding condition set by Government in our funding settlements to date (see Appendix 1). We are in ongoing discussions with Government about a longer-term funding arrangement.

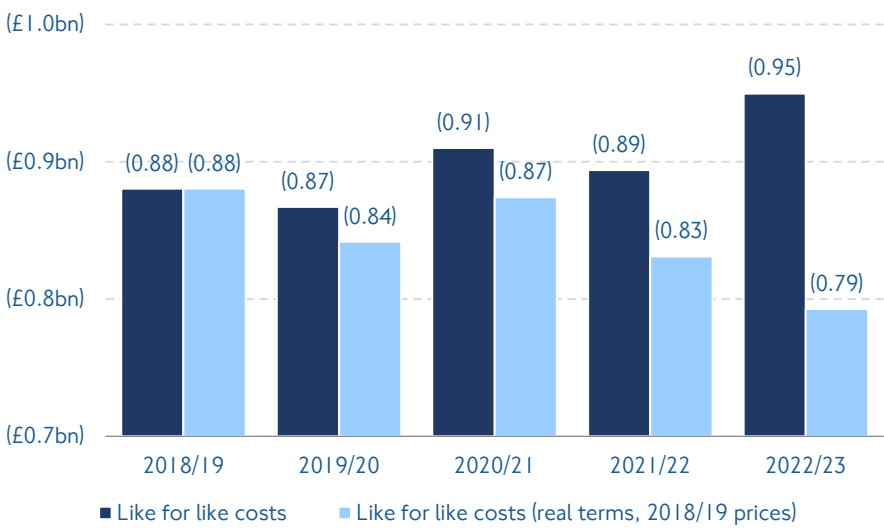


Headlines

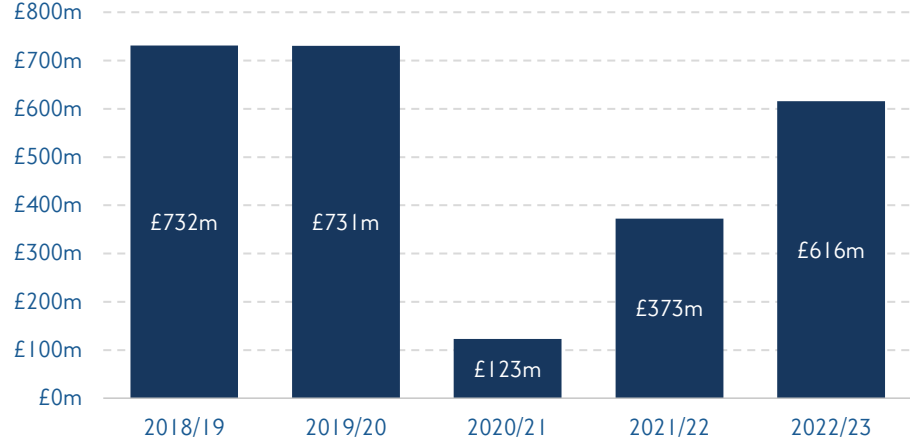
Total passenger journeys 77% of pre-pandemic levels in Period 2, up from 68% at the end of 2021/22



Year to date like-for-like operating costs (adjusted for new services and one off costs) up on prior years as a result of inflationary pressures; real terms costs almost £100m lower than in 2018/19

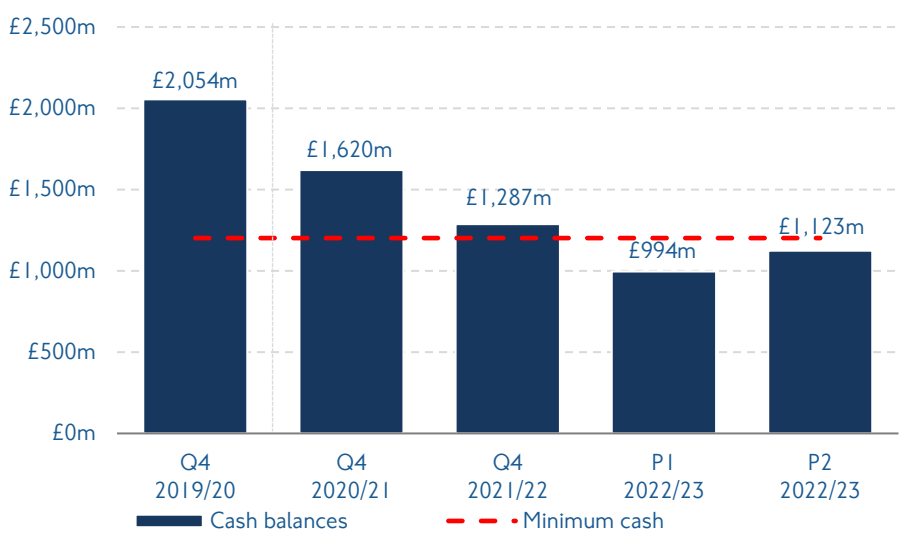


Passenger income of £616m in the year to date almost £250m better than last year; year-to-date income almost £120m lower than pre-pandemic levels, averaging £60m lower per period



Charts show year-to-date passenger income to end of Period 2 for each year

Cash balances down over £150m since end of last year; balances around £900m lower than 2019/20 levels. Cash will return to over £1.2bn at end of funding deal period.



Passenger journeys

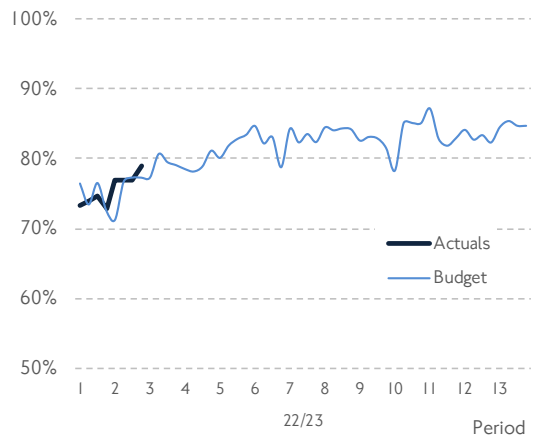
Journeys showing some small signs of growth since the end of last year. Total TfL journeys were 77% of pre-pandemic levels in Period 2, 2022/23, up from 68% at the end of last year.

Tube journeys have increased to 75% of pre-pandemic levels, up from 65% at the end of 2021/22; buses are up to 78% from 70%.

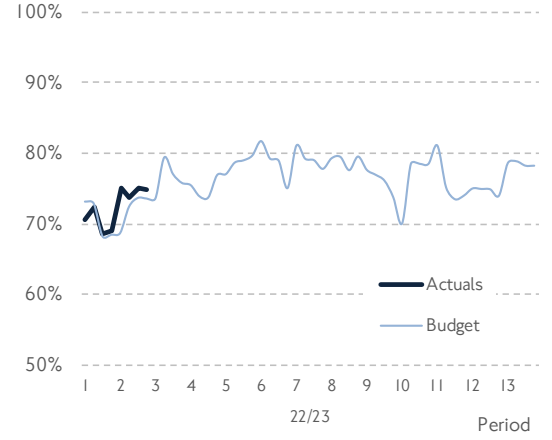
Demand on Rail (London Overground, DLR and Trams) has been particularly strong this year, with journeys now reaching 80%.

The opening of full Elizabeth line services on 24 May has seen an increase in journeys; EL journeys were up 2 million this period, a 50% increase from Period 1. The opening week had significant interest and more data is required to observe the underlying trends.

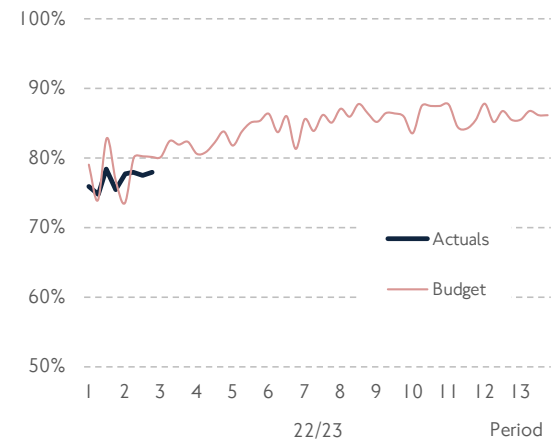
TfL	% vs Pre Covid period / budget		Absolute m		Var to Bud m
	77%	76%	P	245	5
			Y	481	2



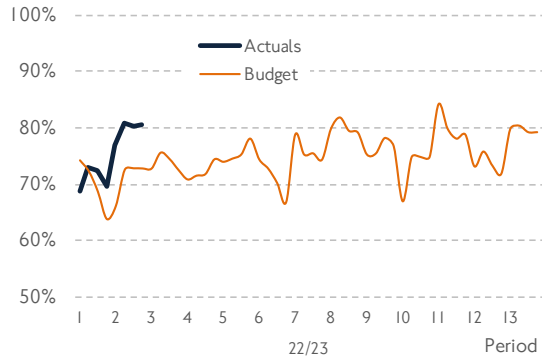
LU	% vs Pre Covid period / budget		Absolute m		Var to Bud m
	75%	72%	P	79	2.6
			Y	157	2.2



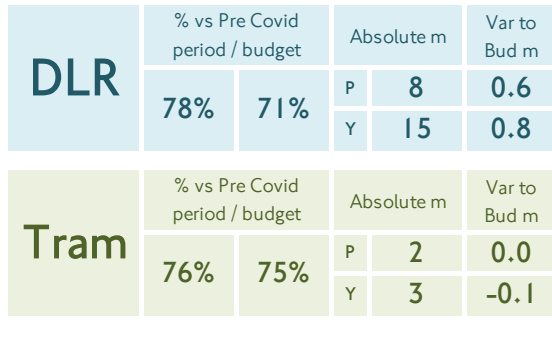
Bus	% vs Pre Covid period / budget		Absolute m		Var to Bud m
	78%	79%	P	140	-1.4
			Y	274	-4.5



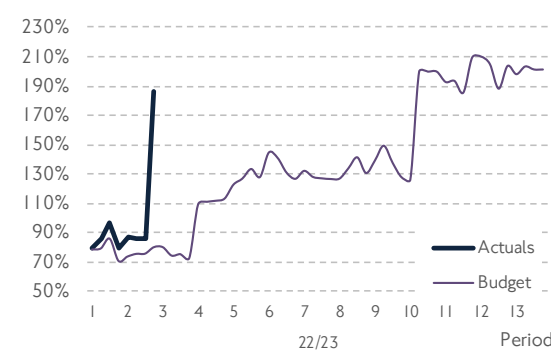
Rail	% vs Pre Covid period / budget		Absolute m		Var to Bud m
	80%	71%	P	21	2.3
			Y	41	2.7



LO	% vs Pre Covid period / budget		Absolute m		Var to Bud m
	81%	70%	P	12	1.6
			Y	23	2.0



EL	% vs Pre Covid period / budget		Absolute m		Var to Bud m
	107%	76%	P	6	1.6
			Y	10	1.9



Operating account

Passenger income is £616m in the year to date, almost £250m higher than last year and in line with Budget. While journeys are better than Budget, we have seen a slight reduction in ticket yield.

Other operating income is £14m higher than Budget, a result of higher advertising revenue – partly driven from the Elizabeth line opening - and one offs.

Operating costs are broadly in line with Budget. Headwinds on Road User Charging bad debt and contract inflation have so far been mitigated through cost reductions across the business.

Extraordinary revenue grant is (£111m) lower than Budget from delayed £80m base funding and higher cash receipts for tickets.

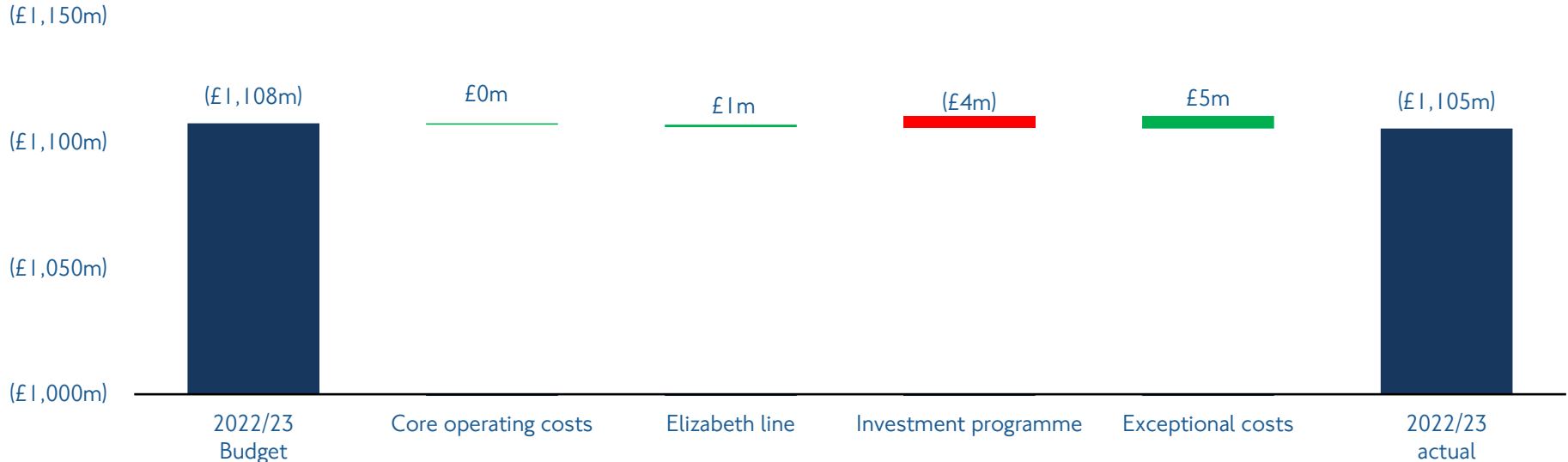
£m	Period 2 year to date, 2022/23				Period 2 year to date, 2021/22		
	Actuals	Budget	Variance to Budget	% variance to Budget	Last year	Variance to last year	% variance to last year
Passenger income	616	616	-	0%	373	243	65%
Other operating income	244	230	14	6%	143	101	71%
Total operating income	860	846	14	2%	516	344	67%
Business Rates Retention	170	170	-	0%	155	15	10%
Council tax precept	10	10	-	0%	10	-	0%
Other revenue grants	3	-	3	N/A	3	-	0%
Total income	1,043	1,026	17	2%	684	359	52%
Operating cost	(1,105)	(1,108)	3	0%	(1,013)	(92)	9%
Net operating surplus/ (deficit)	(62)	(82)	20	-24%	(329)	267	-81%
Net financing costs	(68)	(69)	1	-1%	(71)	3	-4%
Net cost of operations after financing	(130)	(151)	21	-14%	(400)	270	-68%
Capital renewals	(83)	(82)	(1)	1%	(56)	(27)	48%
Net cost of operations	(213)	(233)	20	-9%	(456)	243	-53%
Extraordinary revenue grant	133	244	(111)	-45%	473	(340)	-72%
Net cost of operations after extraordinary revenue grant	(80)	11	(91)	-827%	17	(97)	-571%

Operating costs

Total operating costs are £1,105m in the year to date, £3m lower than Budget. This year we have seen pressures on Road User Charging bad debt, with higher ULEZ contravention rates as well as lower rates of customers paying PCNs at the initial discount rates.

We are also seeing impacts of inflation on some of our external contracts. Cost pressures have been mitigated through savings across the business.

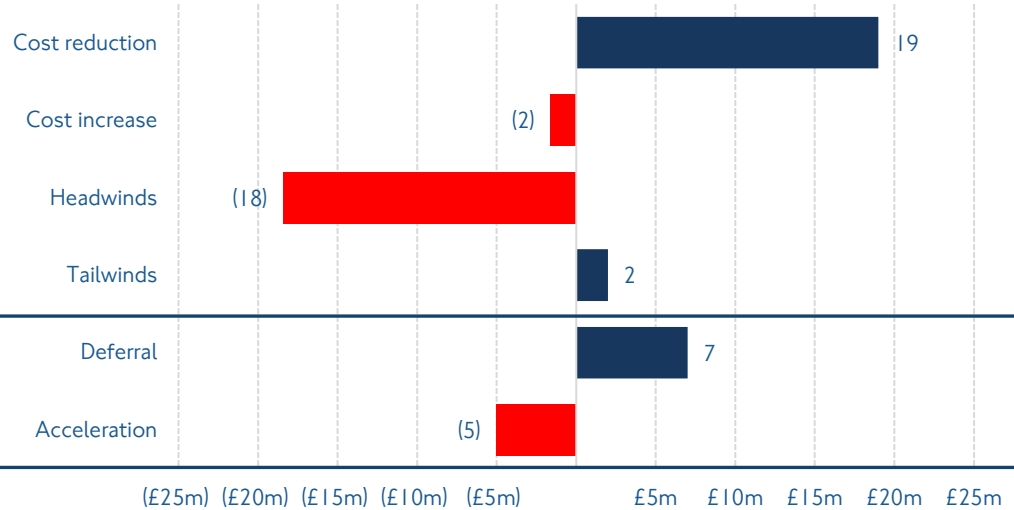
Operating costs: drivers of year to date variances (£m)



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

Underlying costs £1m better (with headwinds of (£18m) offset by £19m of cost reductions); timing differences of £2m, which we expect to unwind over the financial year

Underlying costs £1m better



Timing differences of £2m

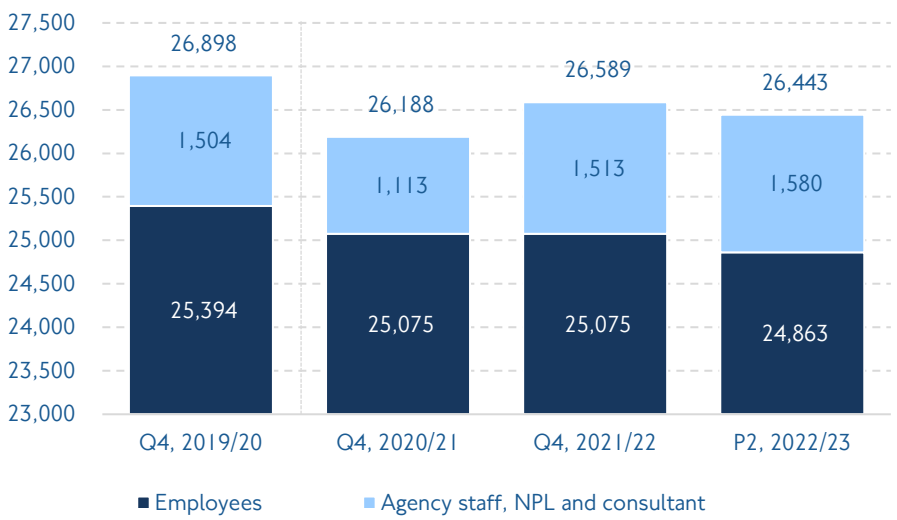
Staff

TfL staff levels are now over 400 lower than pre-pandemic levels and are down from the end of last year, mainly driven from lower permanent headcount.

Permanent employee numbers are 500 lower than before the pandemic and are almost 200 down from last year; ongoing labour market issues and funding uncertainty are hampering our ability to recruit; agency and NPL staff have increased slightly since the end of 2019/20 but remain significantly lower than 2015/16.

The organisation is facing a high number of leavers (averaging around 170 employees per period), labour market challenges, and significant reward constraints.

Headcount trends since 2019/20



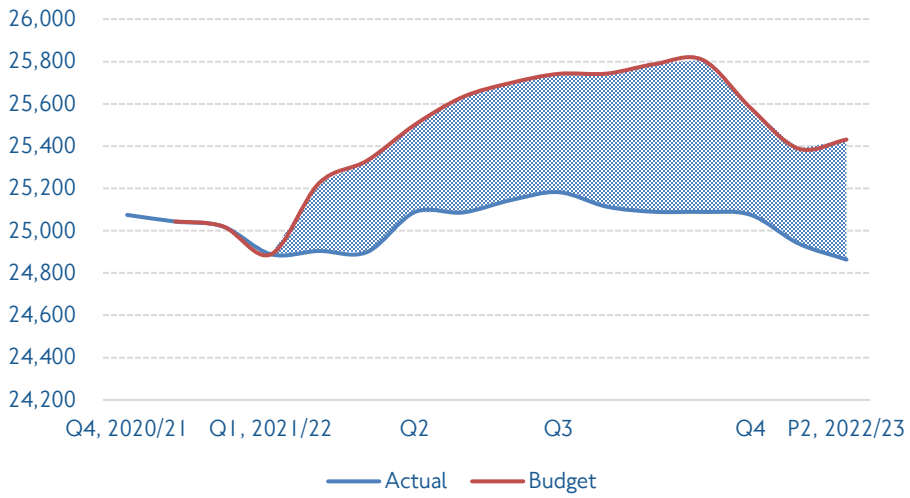
Total staff over 400 lower than pre-pandemic levels

Agency, NPL and consultants slightly up on pre-coronavirus levels as a result of labour market challenges

Permanent employees down by over 500 since 2019/20 and in line with last year

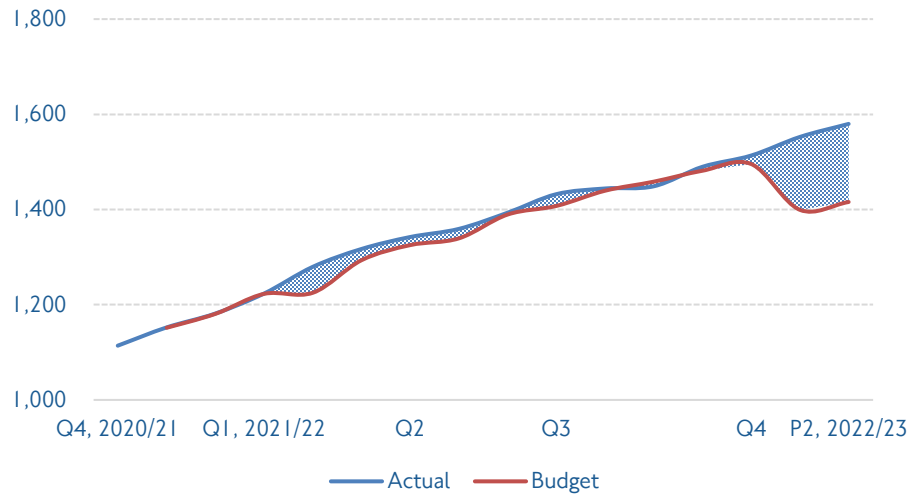
Permanent staff (FTE): actuals and Budget

Permanent employees down by almost 200 since the end of 2021/22, driven by large number of retirees and leavers. Staff levels almost 600 lower than Budget from recruitment delays, a competitive external market and leavers averaging 170 per period.



Agency and NPL staff (FTE): actuals and Budget

Agency and NPL FTE up slightly since the end of 2021/22, but higher than Budget. Driven by labour market challenges and continued funding uncertainty.



Capital account

Total TfL capital expenditure (excluding Crossrail construction) is (£199m) in the year, which is (£5m) higher than Budget. This represents a timing difference only and not a risk to the full year Budget.

£m	Period 2 year to date, 2022/23				Period 2 year to date, 2021/22		
	Actuals	Budget	Variance to Budget	% variance to Budget	Last year	Variance to last year	% variance to last year
New capital investment	(116)	(112)	(4)	4%	(120)	4	-3%
TTLP capital expenditure	(4)	(13)	9	-73%	(4)	0	-3%
Crossrail	(52)	(73)	21	-29%	(109)	56	-52%
Total capital expenditure	(172)	(198)	26	-13%	(233)	61	-26%
Financed by:							
Investment grant	171	171	0	0%	167	4	2%
Property and asset receipts	0	0	(0)	-62%	1	(1)	-96%
TTLP property receipts	3	0	2	630%	0	3	N/A
Borrowing	(8)	0	(8)	N/A	0	(8)	-3570%
TTLP borrowing	0	3	(3)	-100%	0	0	N/A
Crossrail borrowing	0	0	0	N/A	74	(74)	-100%
Crossrail funding sources	71	90	(19)	-21%	60	11	18%
Other capital grants	15	7	8	103%	11	4	40%
Total	252	272	(20)	-7%	313	(61)	-20%
Net capital account	80	74	6	9%	80	(0)	0%
Capital renewals	(83)	(82)	(1)	1%	(56)	(27)	49%
New capital investment	(116)	(112)	(4)	4%	(120)	4	-3%
Total TfL capital expenditure	(199)	(194)	(5)	3%	(176)	(23)	13%

Capital expenditure

Capital renewals and new capital investment (£m)	Period 2 year to date, 2022/23				Period 2 year to date, 2021/22		
	Actuals	Budget	Variance to Budget	% variance to Budget	Last year	Variance to last year	% variance to last year
LU	(122)	(114)	(9)	7%	(108)	(15)	14%
Northern Line Extension	1	(1)	2	-213%	(17)	18	-107%
Major stations	(17)	(17)	1	-5%	(9)	(7)	82%
Railway system enhancements	(1)	(1)	(0)	39%	(1)	(0)	10%
Four lines modernisation	(22)	(18)	(3)	19%	(20)	(2)	9%
Piccadilly line upgrade	(33)	(30)	(3)	11%	(20)	(13)	63%
Other LU enhancements	(2)	(3)	1	-37%	(4)	2	-59%
LU capital renewals	(50)	(44)	(6)	13%	(36)	(13)	37%
Elizabeth line	(1)	(1)	0	-20%	(5)	4	-77%
Buses, Streets & Other	(39)	(42)	3	-7%	(25)	(14)	57%
Silvertown	(3)	(2)	(0)	18%	(1)	(2)	166%
Surface assets	(15)	(12)	(2)	19%	(9)	(5)	60%
Air quality and environment	(6)	(8)	2	-21%	(8)	2	-25%
Public transport	(1)	(2)	1	-31%	(0)	(1)	145%
Healthy Streets	(10)	(12)	2	-17%	(3)	(8)	295%
Technology	(4)	(5)	1	-28%	(3)	(1)	19%
Rail	(23)	(28)	5	-19%	(26)	3	-13%
Barking Riverside	(2)	(3)	0	-11%	(10)	7	-74%
DLR	(12)	(16)	3	-22%	(11)	(2)	14%
Public transport	(8)	(10)	2	-16%	(6)	(2)	36%
Corporate areas	(15)	(15)	0	-3%	(13)	(2)	14%
Media	1	1	0	75%	1	(0)	-12%
Tech & Data	(15)	(15)	1	-4%	(13)	(1)	10%
Estates	(0)	(1)	1	-89%	(0)	0	-23%
Other Corporate	(1)	1	(1)	-229%	(0)	(0)	62%
Savings and overprogramming	-	6	(6)	-100%	-	-	N/A
Total TfL excl. TTLP	(199)	(194)	(5)	3%	(176)	(23)	13%
TTLP	(4)	(13)	9	-73%	(4)	0	-1%
Total TfL incl. TTLP	(203)	(207)	4	-2%	(180)	(23)	13%

Cash balances

Total cash balances are just over £1.1bn at the end of Period 2, £165m lower than at the start of the year.

Since the end of 2019/20, our cash balances have declined by over £900m. It has been a condition of our funding agreements to run down our cash reserves to target an average of £1.2bn cash balance rather than this being an absolute minimum.

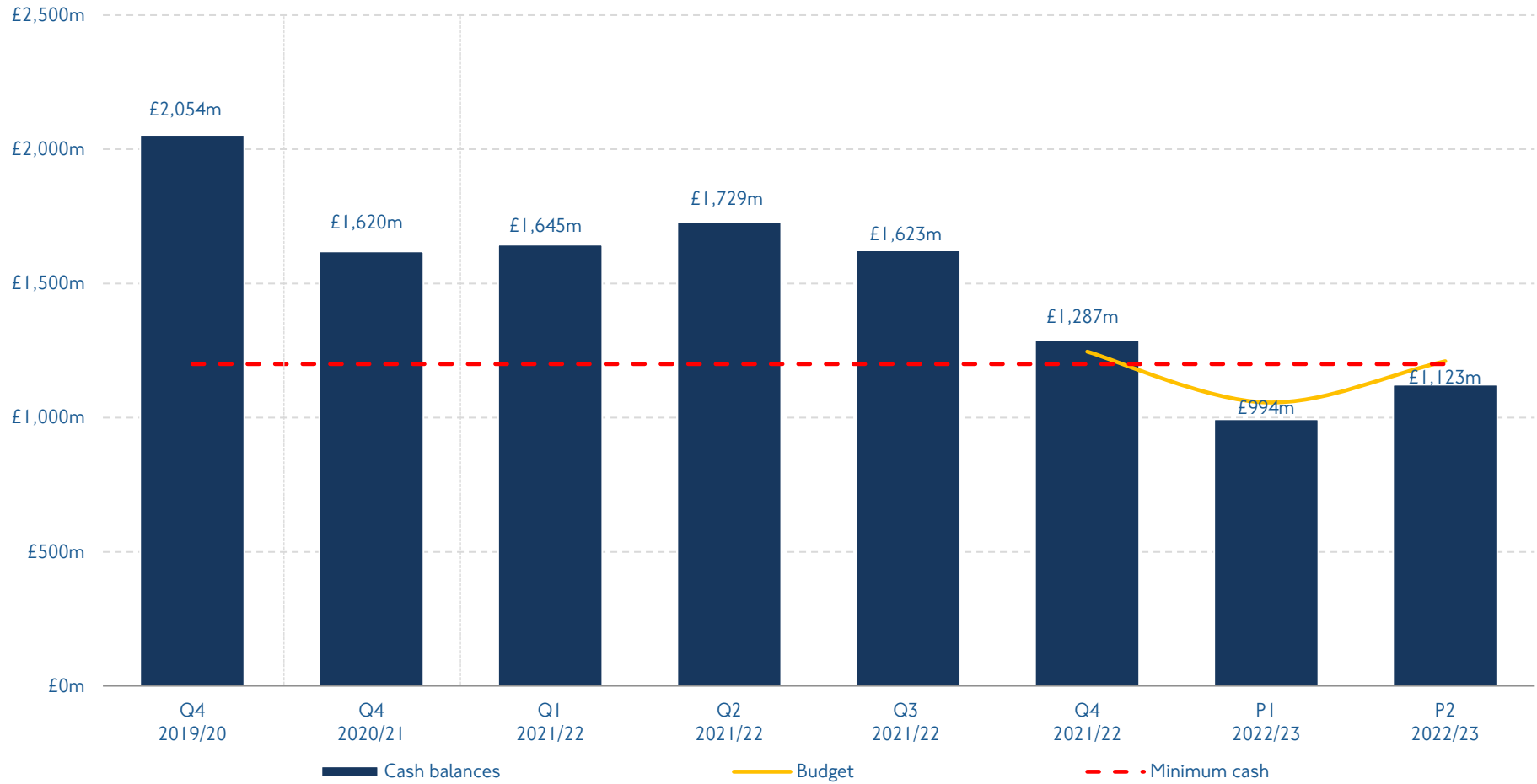
We still expect to finish the funding agreement period on 24 June with a circa £1.3bn cash balance.

We are aiming to further rebuild our cash balances over the coming years, which will depend on continuing growth in passenger demand as well as appropriate support from government.

TfL closing cash balances

2021/22 closing cash	2022/23 cash movement	P2, 2022/23 closing cash	P2, 2022/23 variance to Budget
1,287	(165)	1,123	(88)

Cash balances reduced from £2,054m at the end of 2019/20 to £1,123m at the end of Period 2, 2022/23.



Risks and opportunities

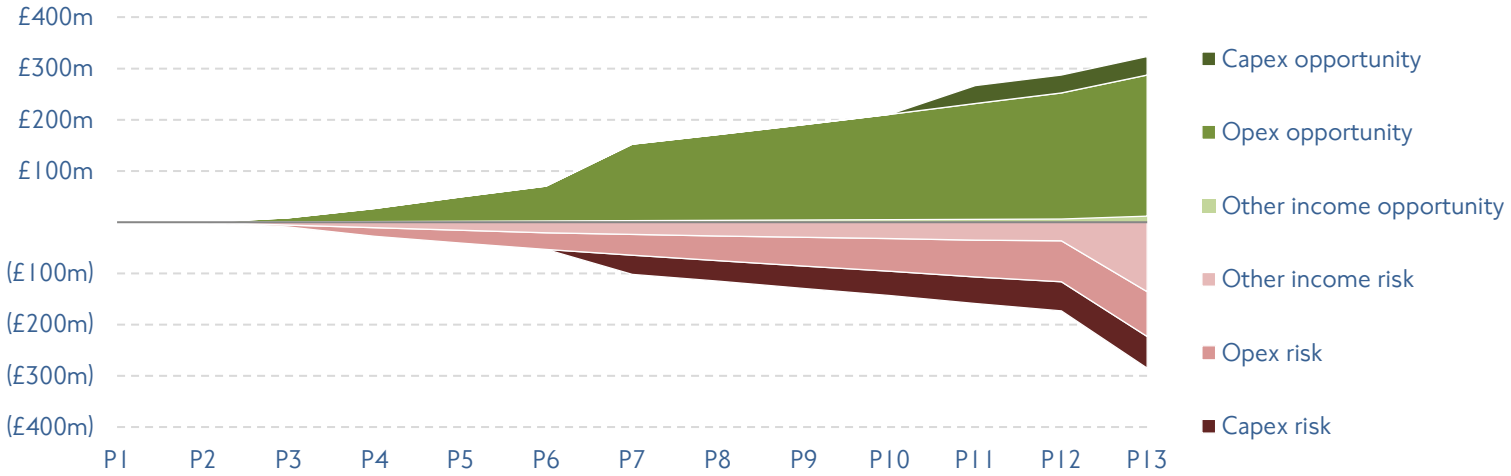
While the year to date position is broadly positive, we are starting to see risks emerging.

We are confident we can manage these through a combination of management action (including working capital management and cost control), contingencies and other tailwinds.

However, this analysis excludes the risk of not receiving the further Government revenue funding required for this year of circa £900m. This highlights the importance of agreeing Government funding.

Probability weighted risks and opportunities for 2022/23

Risks of almost (£300m) broadly offset by opportunities of £300m



Risks and opportunities presented on a cash basis

Key risks:

1. Passenger income – we assume revenue downside protection will continue for the remainder of the year so although not included as a financial risk, there is a strategic risk that continued strike disruption leads to a fall in customer confidence with stagnating demand in the short to medium term.
2. Road User Charging – we are seeing reduced volumes for both CC and ULEZ but also lower ULEZ payment rates leading to a higher level of bad debt. This is likely being driven by cost of living challenges and increasing fuel prices.
3. Inflation – a number of our contracts are based on March and April RPI which were not known when the budget was set. Inflation continues to rise and will impact on bus contracts that renew throughout the year and some of our construction contracts.

Key opportunities:

1. Contingencies – to maintain a balanced budget, we have a central contingency, weighted on a probability basis, to ensure we can manage the net risk faced such as those above.
2. Cost control – we continue to maintain tight cost control and realise further savings where possible through headcount controls, review of discretionary spend and supply chain savings.

Appendix 1: Funding conditions status



Funding conditions status

The table summarises all of the funding letter conditions (c.60) since May 2020, that have been delivered, spilt by funding workstream. In addition to these there are a number of requirements for regular meetings and working groups, including the monthly Oversight Group.

There are also several Finance BAU requirements, including periodic management accounts and cashflow forecasts, baseline reviews, consultation and agreement of demand scenarios as part of the annual budget setting process.

The activities identified in this table reflect ongoing work. Where TfL needs to make decisions in relation to these activities, they may be subject to consultation.

Workstream	Due date	Date delivered
Savings and Efficiencies		
Deliver £413 million cumulative efficiency savings by the end of 2020/21	31 March 2021	31 March 2021
Commits to deliver an additional £160m of savings or income compared to the revised Budget through a mixture of Capex, Opex and financial control measures	31 March 2021	31 March 2021
TfL will be required to identify the proportion of these savings or other income to be delivered during the 2021 Funding Period and provide confirmation of how this will be achieved and the plans that underpin these savings to the DfT Oversight Group	28 June 2021	25 June 2021
TfL to deliver £300m of savings or other income, over 2021/2022 additional to existing plans	31 March 2022	31 March 2022
TfL will provide a plan demonstrating the options that exist to achieve up to and including £400m of appropriate revenue sources and/or cost saving initiatives in 2022/23	31 March 2022	31 March 2022
This plan will be considered and, alongside a detailed review of TfL's budget for 2022/23, agreed by the Oversight Group	29 April 2022	Presented to Oversight Group on 25 April 2022
Service Levels		
HMG and TfL agree three future demand scenarios at the Oversight Group by delivery date	5 July 2021	5 July 2021
A review for London Underground, Rail and Buses to reconsider required service levels	17 September 2021	17 September 2021
Update to the September service levels review	12 November 2021	12 November 2021



Funding conditions status

Workstream	Due date	Date delivered
Service Levels continued		
TfL to review and agree with DfT if updates to demand scenarios are needed and, if so, to deliver and agree with DfT any such updated demand scenarios	14 April 2022	DfT agreed updates to demand scenarios not needed
TfL to update their demand and service level review in light of the updated demand scenarios	14 April 2022	14 April 2022
Implement service level changes committed to in TfL's Financial Sustainability Plan, and key milestones for service level changes as outlined in TfL's demand review provided on 19 November	Ongoing	Ongoing
Capital Programme		
Long-term capital plan	30 July 2021	30 July 2021
Capital efficiencies plan	30 July 2021	30 July 2021
Medium-term capital plan	13 August 2021	13 August 2021
Comprehensive project list including the costs, timeframes and commitment level of projects included in its capital programme and supporting information	28 February 2022	28 February 2022
Provide a report setting out the realisation of capital efficiencies over the funding period	1 June 2022	26 May 2022

Funding conditions status

Workstream	Due date	Date delivered
New Revenue Sources		
The Criteria for options assessment will be agreed between HMG and TfL/GLA before commencing the review	11 June 2021	11 June 2021
The Oversight Group shall also be consulted on the shortlist of options	5 July 2021	5 July 2021
Options review and feasibility study of mechanisms within existing powers to generate between £500m and £1bn of additional net revenue per annum from April 2023	27 August 2021	27 August 2021
TfL shall undertake necessary consultation on the preferred option or options to enable a decision on new revenue sources	12 November 2021, amended via letter to 19 November 2021	19 November 2021
Draft paper in respect of potential, policy-compliant road user charging changes relating to air quality and tackling the climate emergency	14 January 2022	14 January 2022
Final draft paper in respect of potential, policy-compliant road user charging changes relating to air quality and tackling the climate emergency	19 January 2022	19 January 2022
Equality Impact assessment on proposal to withdraw from Travelcard Agreement	29 April 2022	29 April 2022
Mayor will commence public consultation, which includes an Equalities Impact Assessment, on his proposals.	29 April 2022, amended to 27 May 2022	20 May 2022



Funding conditions status

Workstream	Due date	Date delivered
Long-term funding framework		
The terms of reference of the review are to be agreed by HMG and TfL	30 July 2021, extended to 6 August 2021	6 August 2021
Joint review of options for longer term reform of the funding framework for Transport for London	15 October 2021	15 October 2021
TfL will fully cooperate with and support HMG and its advisers to evidence the potential value of an updated funding framework between HMG and TfL	30 May 2022	30 May 2022
Pensions		
TfL will provide a final list of assessed options under consideration by the Review to HMG	31 October 2021	29 October 2021
Interim report of review of pension scheme and reform options with the explicit aim of moving TfL's Pension Fund into a financially sustainable position	11 December 2021	10 December 2021
Final report	31 March 2022	28 March 2022
TfL will be expected to provide regular substantive updates on the recommendations contained within the Review as well as a detailed work plan setting out next steps	Monthly	Ongoing

Funding conditions status

Workstream	Due date	Date delivered
Pay		
TfL to freeze pay in line with the public sector pay pause while TfL is in receipt of significant extraordinary funding. Any bonus pay awards will not be paid for through extraordinary Government funding	01 June 2021	01 June 2021
LU pay deal - In the context of national pay restraint, TfL will need to find savings equivalent to this incremental amount from within the LU cost base and rebalance this settlement in future pay deals. You also agree that any changes to future pay or bonus policy while TfL is in receipt of extraordinary support, will be consulted upon with HMG	Ongoing	Ongoing
Driverless Trains		
Interim OBC on Waterloo and City line	11 December 2021	10 December 2021
Interim SOBC on Piccadilly line	11 December 2021	10 December 2021
Market engagement into alternative platform edge protection technology	30 November 2021	30 November 2021
Design work on rolling stock specification, new signalling, and Platform Edge Doors	11 December 2021	10 December 2021
DfT led joint programme with TfL on the implementation of Driverless Trains on LU, recognising TfL's safety, regulatory and statutory responsibilities. The network review should provide an evidence-based recommendation on how best to progress with driverless trains	No date	Ongoing



Funding conditions status

Workstream	Due date	Date delivered
Commercial Property		
Plan for housing delivery, including potentially through a dedicated commercial development company	11 June 2021	11 June 2021
TfL will provide a commercial operating structure and business plan for the commercial property company to be established by TfL	10 May 2022	10 May 2022
Financial Sustainability Plan		
Produce a single, comprehensive management plan with options as to how a trajectory to financial sustainability could be achieved by as soon as possible with a target date of FY2023	11 January 2021	11 January 2021
A Financial Sustainability Group will meet in May 2022 to support and assess TfL's progress towards becoming financially sustainable by April 2023	TBC – DfT postponed meeting until after the capital settlement is in place	
Cash		
TfL will provide DfT with a revised cash flow forecast for 2021/22	09 July 2021	09 July 2021
TfL will provide DfT with a revised cash flow forecast for 2022/23	04 March 2022	Draft Cash forecast on 04 March 2022
TfL will provide a weekly closing cash position	Weekly	Delivered every week to date

Funding conditions status

Workstream	Due date	Date delivered
Crossrail 2		
TfL and DfT will agree and enter into a Memorandum of Understanding whereby they agree to share equally the costs of any statutory blight claims arising from the current and the updated safeguarding regulations	29 April 2022	Awaiting new date from DfT, and info from DfT to take this forward
Modernisation Acceleration Programme		
Structure and criteria for risk assessment of implementation plan to be agreed with HMG	28 June 2021	28 June 2021
Draft implementation plan, including indicative milestones, provided to HMG for review	13 September 2021	13 September 2021
Final implementation plan, including risk assessment and confirmed milestones, submitted to HMG	15 October 2021	15 October 2021
Provide detailed scope and phasing of the strategic initiatives identified by TfL in the modernisation acceleration plan	31 March 2022	31 March 2022

Funding conditions status

Workstream	Due date	Date delivered
Governance		
TfL will continue to engage with and document discussions with their lenders and ratings agencies to demonstrate a clear understanding of the impacts of loan covenants and keep DfT informed of these discussions	Ongoing	Ongoing
TfL will maintain its changes to its expenditure authorisation processes through the Financial Commitment Oversight Group. TfL will provide minutes and actions from these meetings to DfT or their advisers	Ongoing	Ongoing
Carbon Literacy		
TfL shall deliver its plan to improve staff carbon literacy, which will include metrics for measuring this	31 March 2022	31 March 2022
Communication and policy decisions		
TfL will inform DfT, through the Chair of the Oversight Group, of any policy decision outside its published 2022/23 budget it intends to publicly announce which could increase its operating costs or reduce its revenue at least five business days before such decision is publicly announced	Ongoing	Ongoing

Funding conditions status

Workstream	Due date	Date delivered
Other		
Maximising service levels on all networks to full normal service, apart from Night Tube, weekend night buses as soon as possible but within four weeks	15 June 2020	Build up from 14 May 2020
Employing traffic demand management agreed by London COVID Transport Task Force	May 2020 - restart	
To support revenue collection, as soon as practicable, placing card readers by the operating entrance doors on all buses, and immediately require passengers to use the approximately 2000 readers which are already so placed	No date	N/A – front door boarding reintroduced
The immediate reintroduction of the London Congestion Charge, LEZ and ULEZ and urgently bring forward proposals to widen the scope and levels of these charges, in accordance with the relevant legal powers and decision-making processes	May 2020	CC reinstated on 18 May 2020; temporary changes to the scheme (including expanded hours of operation and increased charge level) introduced on 22 June 2020

Funding conditions status

Workstream	Due date	Date delivered
Other		
Complete roll out of TfL Go for Android by the end of the calendar year	31 December 2020	August 2020
Commits to increase fares within the Mayor's control in January 2021 to deliver an overall equivalent of RPI+1%	January 2021	March 2021 (due to delay in National Fare changes)
TfL must, as a minimum, align their fares increase for 2022 with the fares change on national rail. Should you choose to increase fares by lower than your planning assumption of RPI+1 for 2022, any reduction in income from April 2023 that impacts TfL reaching financial sustainability will not be met by HMG funding		March 2022

Appendix 2: Divisional performance



London Underground

Tube journeys are 75% of pre-pandemic levels, up from 65% at the end of last year. Passenger income is £334m in the year to date, (£6m) lower than Budget; journeys are slightly up on Budget, but ticket yield is lower than expected where we have seen a reduction in peak journeys (from 52% before the pandemic to 46%) and higher levels of contactless daily capping.

Operating costs are (£348m) in the year to date, £7m lower than Budget. This is mainly driven by lower volume-driven costs and direct coronavirus related spend.

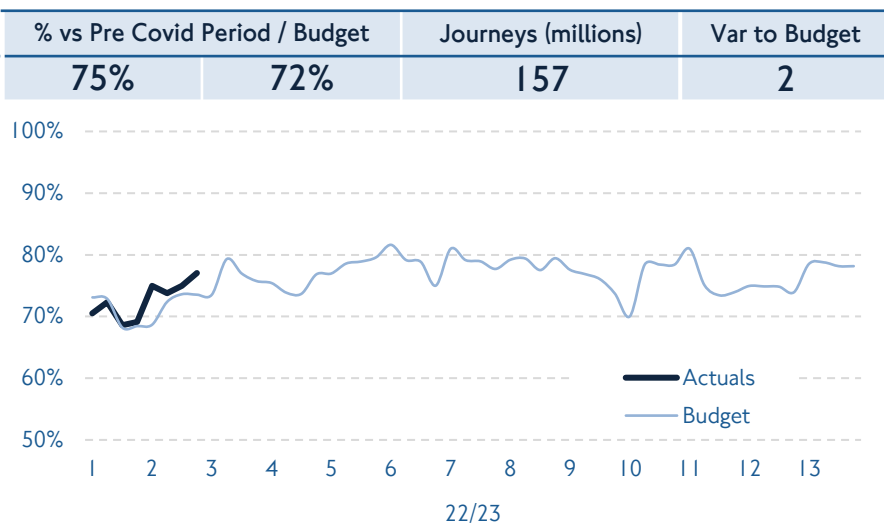
Capital expenditure is (£17m) higher than Budget, a result of the timing of renewals, Four Lines Modernisation, and Piccadilly line upgrade costs.

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

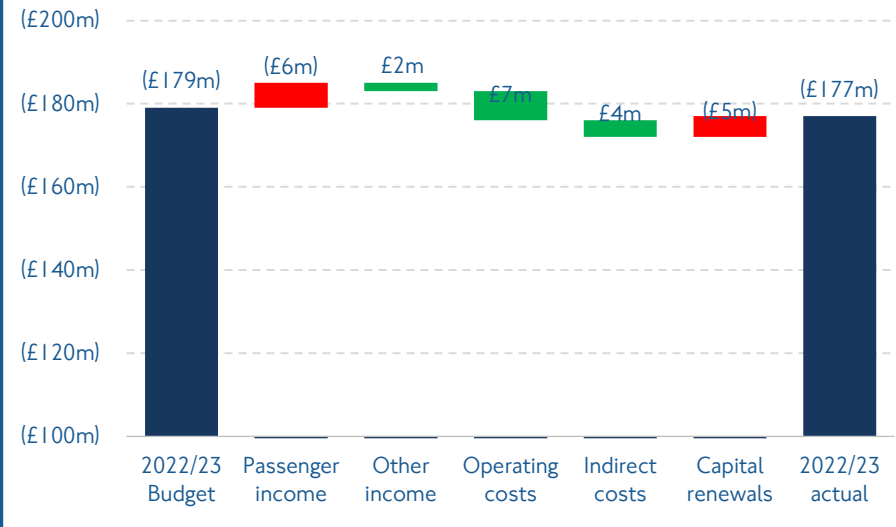
Actuals	Period 2, year to date, 2022/23		
	Budget	Variance	% variance to Budget
334	340	(6)	-2%
6	4	2	50%
340	344	(4)	-1%
(348)	(355)	7	-2%
(8)	(11)	3	-27%
(75)	(79)	4	-5%
(44)	(44)	-	0%
(50)	(45)	(5)	11%
(177)	(179)	2	-1%
(80)	(68)	(12)	18%

Last year	Period 2, year to date, 2021/22	
	Variance to last year	% variance to last year
168	166	99%
3	3	100%
171	169	99%
(319)	(29)	9%
(148)	140	-95%
(60)	(15)	25%
(45)	1	-2%
(37)	(13)	35%
(290)	113	-39%
(78)	(2)	3%

Tube journeys compared to pre-pandemic baseline



Net cost of operations compared to Budget



Elizabeth line

Full Elizabeth line services opened on 24 May 2022, helping drive increased journeys and revenue in the period. Journeys are up 2 million on the prior period, and are 2 million better than Budget. Passenger income is £23m, £4m higher than Budget.

Operating costs and capital spend are broadly in line with Budget.

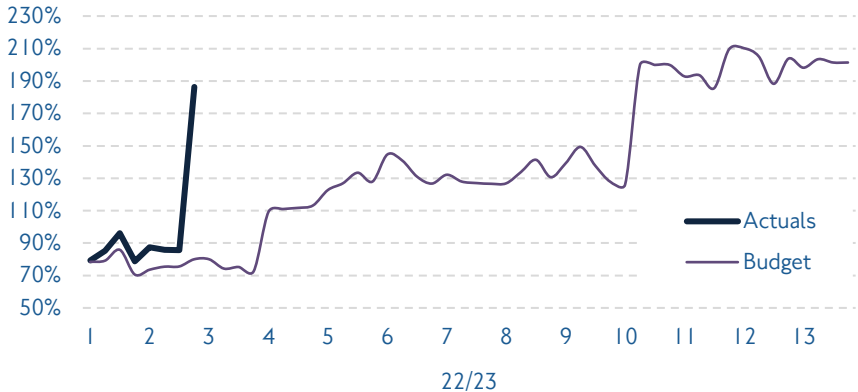
Operating account (£m)
Passenger income
Other operating income
Total operating income
Operating costs
Net operating deficit
Indirect costs
Net financing costs
Capital renewals
Net cost of operations
New capital investment
Crossrail project
New capital investment

Actuals	Period 2, year to date, 2022/23		
	Budget	Variance to Budget	% variance to Budget
23	19	4	21%
6	5	1	20%
29	24	5	21%
(72)	(73)	1	-1%
(43)	(49)	6	-12%
(3)	(3)	-	0%
(14)	(14)	-	0%
(1)	-	(1)	N/A
(61)	(66)	5	-8%
(1)	(1)	-	0%
(52)	(73)	21	-29%
(53)	(74)	21	-28%

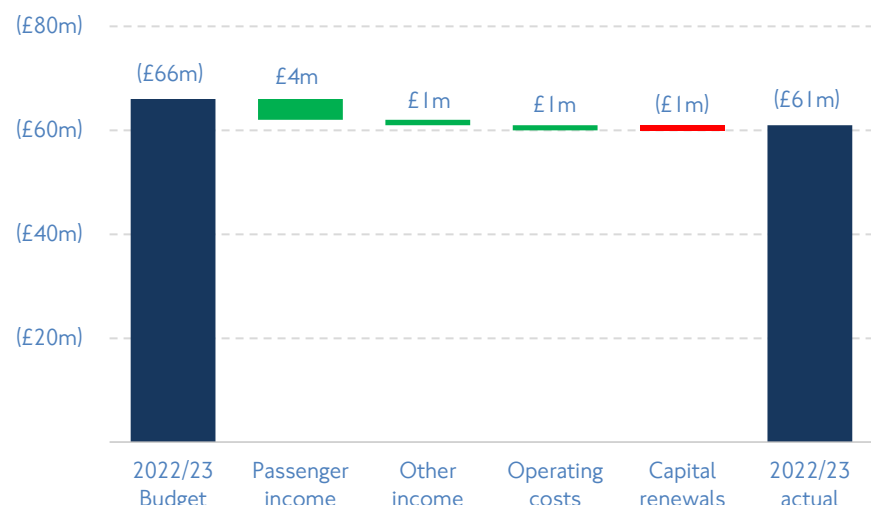
Last year	Period 2, year to date, 2021/22	
	Variance to last year	% variance to last year
9	14	156%
3	3	100%
12	17	142%
(64)	(8)	13%
(52)	9	-17%
(3)	-	0%
(15)	1	-7%
-	(1)	N/A
(70)	9	-13%
(5)	4	-80%
(109)	57	-52%
(114)	61	-54%

EL journeys compared to pre-pandemic baseline

% vs Pre Covid Period / Budget	Absolute m	Var to Bud m
107%	10	2



Net cost of operations compared to Budget



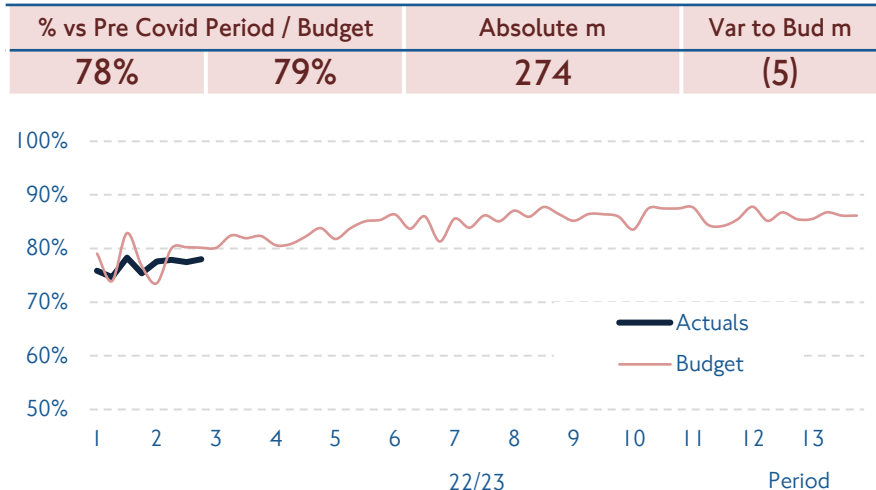
Buses, Streets & Other operations

Bus journeys are 78% of pre-pandemic levels in Period 2, up from 70% at the end of last year. Passenger income is £6m higher than Budget; journeys are 5 million lower than Budget, but an improved yield has helped increase income.

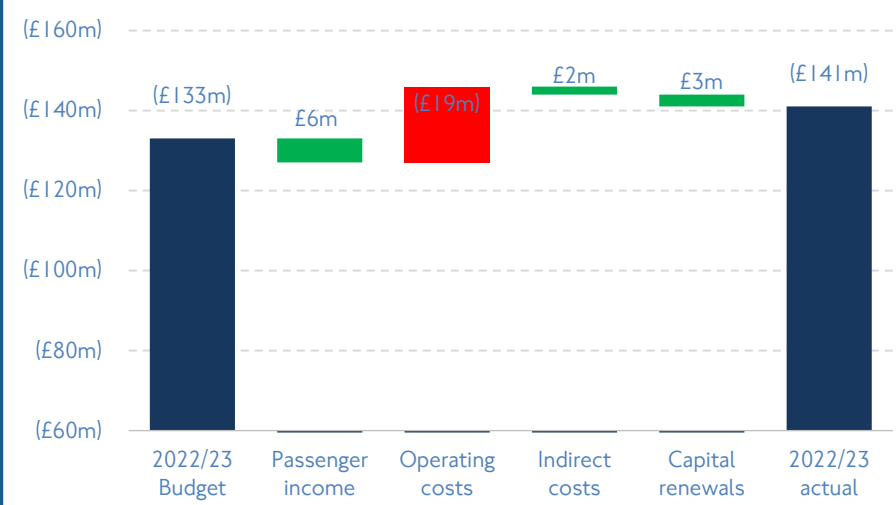
Other operating income is £175m and in line with Budget. Operating costs are (£19m) higher than Budget, driven by higher Road User Charging bad debt levels, where we have seen declining payment rates on penalty charge notices during the initial discounted period.

Operating account (£m)	Period 2, year to date, 2022/23				Period 2, year to date, 2021/22		
	Actuals	Budget	Variance to Budget	% variance to Budget	Last year	Variance to last year	% variance to last year
Passenger income	207	201	6	3%	146	61	42%
Other operating income	175	175	-	0%	101	74	73%
Total operating income	382	376	-	0%	247	74	30%
Operating costs	(478)	(459)	(19)	4%	(436)	(42)	10%
Net operating deficit	(96)	(83)	(13)	16%	(189)	93	-49%
Indirect costs	(19)	(21)	2	-10%	(15)	(4)	27%
Net financing costs	(4)	(4)	-	0%	(4)	-	0%
Capital renewals	(22)	(25)	3	-12%	(12)	(10)	83%
Net cost of operations	(141)	(133)	(8)	6%	(220)	79	-36%
New capital investment	(18)	(19)	1	-5%	(14)	(4)	29%

Bus journeys compared to pre-pandemic baseline



Net cost of operations compared to Budget



Rail

Rail journeys have seen strong growth this year, with journeys now at 80% of pre-pandemic levels compared to 70% at the end of last year. Journeys are 3 million higher than Budget in the year to date, with passenger income £6m higher.

Operating costs are (£84m) in the year to date. Costs are (£3m) higher than Budget, driven by inflationary pressures on our contract costs.

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

Actuals	Period 2, year to date, 2022/23		
	Budget	Variance	% variance to Budget
57	51	6	12%
2	1	1	100%
59	52	7	13%
(84)	(81)	(3)	4%
(25)	(29)	4	-14%
(3)	(4)	1	-25%
(6)	(6)	-	0%
(7)	(7)	-	0%
(41)	(46)	5	-11%
(15)	(20)	5	-25%

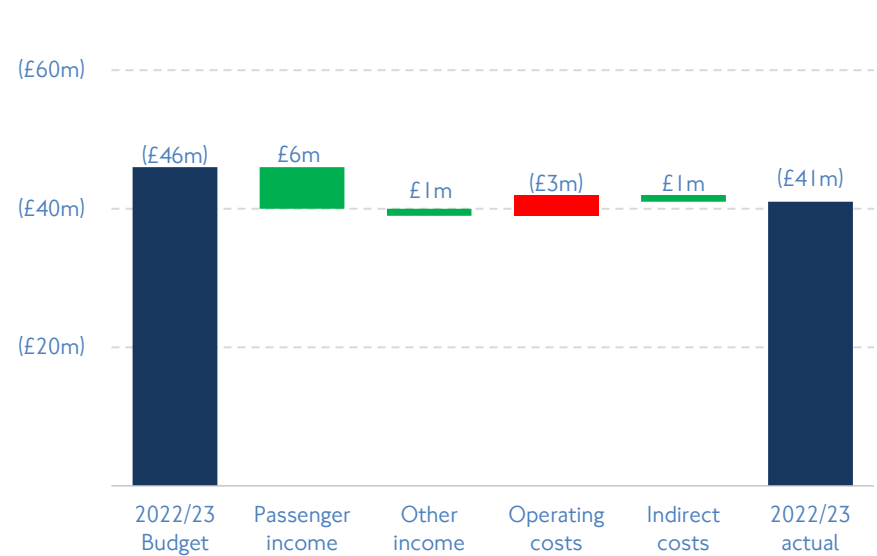
Period 2, year to date, 2021/22		
Last year	Variance to last year	% variance to last year
35	22	63%
2	-	0%
37	22	59%
(73)	(11)	15%
(36)	11	-31%
(3)	-	0%
(7)	1	-14%
(4)	(3)	75%
(50)	9	-18%
(22)	7	-32%

Rail journeys compared to pre-pandemic baseline

% vs Pre Covid Period / Budget	Absolute m	Var to Bud m
80%	41	3



Net cost of operations compared to Budget



Major Projects

Barking riverside extension



Delivery of the physical works is now substantially complete with testing and commissioning of the station entering its final stages. The final signal commissioning was completed in early April, and during the final track possession at the end of April, we commissioned the overhead line electrification. The public areas around the station are on track to be completed before service begins.

As the station and rail systems testing comes to an end, the focus is on preparing the assurance documentation which will be submitted to Network Rail and Office of Rail and Road to obtain authorisation to operate the service. Quality documentation and operation and maintenance manuals required to support the submission are being progressed with the main contractor. Our most likely date to begin passenger service operations is summer 2022.

Bank station capacity upgrade



The Bank branch of the Northern line reopened to schedule on 16 May, following a 17-week planned closure. During the closure, we constructed a new, wider southbound Northern line platform and more spacious new customer concourse. There are three new passageways, which will make moving around the station quicker and easier for customers.

The next phase of works is on the key interchange connections, including the new escalators linking the Northern line to the DLR, and the two new moving walkways and three new escalators connecting the Central and Northern lines. The works will culminate in a new station entrance at Cannon Street.

These improvements are all part of the wider Bank station capacity upgrade programme which is due to complete later this year.

Piccadilly line upgrade



Delivery fleet introduction

The Mayor and Chief Capital Officer visited Goole in March accompanied by a group of journalists. The visit provided an opportunity to showcase the new Piccadilly line upgrade trains via the cab and saloon mock-ups, as well as highlighting that investment in London supports jobs and growth throughout the UK. Manufacture of the new trains continues as planned and included testing the robotic painting machine.

Depots and stabling

We now have a revised programme for South Harrow sidings with the first four roads due to be commissioned in early July and the remaining eight roads to follow in winter 2022.

Power

All bidders for the high voltage power framework have been notified of the results. The ten-day mandatory standstill period, prior to the award, has been completed and all bidders have been notified.