Finance Report

Period 10, 2022/23

Management results from 1 April 2022 – 7 January 2023

TfL Finance Committee

8 March 2023

We are on track to deliver the Revised Budget set in the 2023 Business Plan.

We remain on track to achieve financial sustainability in 23/24, but there remain significant risks.

Year to date

In the year to date, we remain on track to deliver our new Revised Budget that sets us on the path to financial sustainability as set out in the 2023 Business Plan:

- **Revenue is within 1% of our Revised Budget** – journeys continue to recover but are slightly under budget. P9 journeys were 84% of pre-pandemic levels before dropping down to 79% in P10, largely a result of prolonged industrial action across national rail services
- **Operating costs remain close to Revised Budget** – operating costs are £21m lower than Revised Budget (<1%), mainly from cost reductions partly offset by higher ULEZ bad debt
- **Capital renewals are 3% lower than Revised Budget** – our Revised Budget included the ambition to deliver the higher level of renewals of £635m set by the funding settlement part way through the year. We are challenging ourselves to deliver this target, but we now expect renewals to be closer to the level in our Original Budget of £600m.
- **Capital enhancement is within 2% of Revised Budget** – A combination of savings and slippage means we expect to outturn around £30-40m lower than Budget.

Forward look

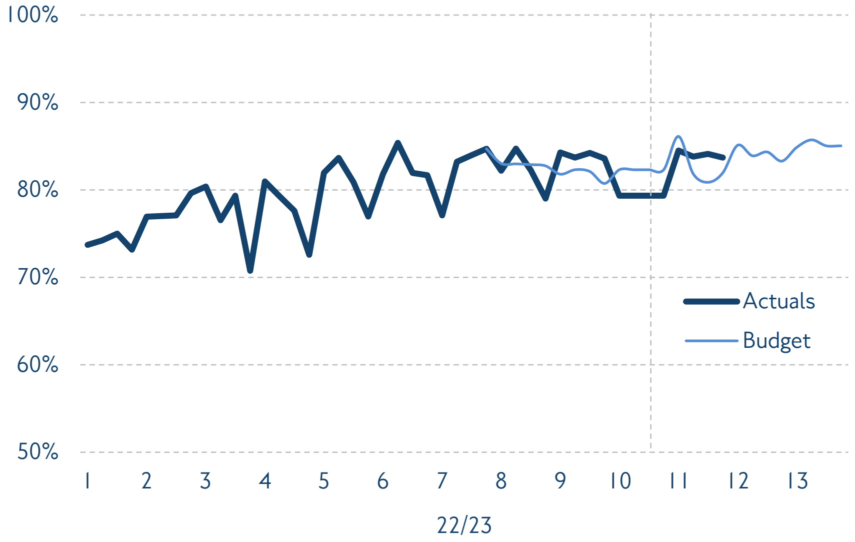
Our latest outturn indicates our operating surplus for 2022/23 will be around £100m better than Budget. On 26 January 2023, Fitch upgraded our long-term credit rating from A+ to AA-. This reflects our improving financial profile and Fitch's assessment of the link between TfL and the Government.

We are, however, facing several external headwinds and risks to achieving financial sustainability into next year, but we are working to mitigate them as part of our 2023/24 Budget, which we will publish in March 2023:

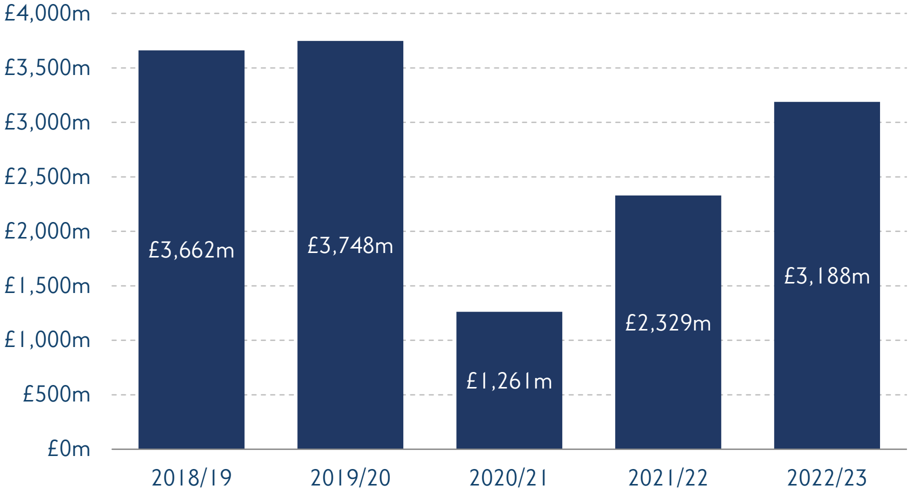
- **Economic uncertainty** – economic growth remains poor, but latest indicators give some ground for optimism: the UK avoided recession in Q4, 2022 and retail sales saw growth of 5% in January 2023. The risk on passenger income is protected by the funding settlement to March 2024.
- **Inflationary pressures on TfL cost base –** our current forecast is that higher inflation will drive around £300m of extra cost into our operating expenditure for 2023/24. This is slightly lower than our previous estimates as energy price inflation has eased. There is some protection on inflation risk in our current funding settlement, with discussions with HMG on the exact scale of support continuing
- **Savings targets** are stretching, with a target of £204m incremental recurring savings in our Business Plan by the end of 2023/24 following the new funding agreement with Government. We maintain the GLA financing facility if this risk crystalises.

Headlines

Total passenger journeys 79% of pre-pandemic levels in Period 10, up from 68% at the end of 2021/22

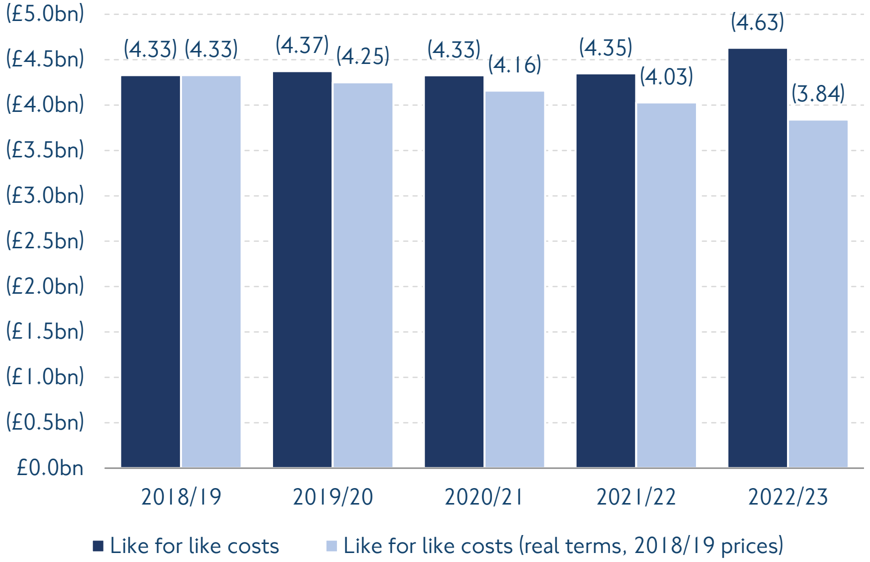


Passenger income almost £900m better than last year and £1.9bn up on 2020/21; £500m lower than pre-pandemic levels, averaging £50m lower per period

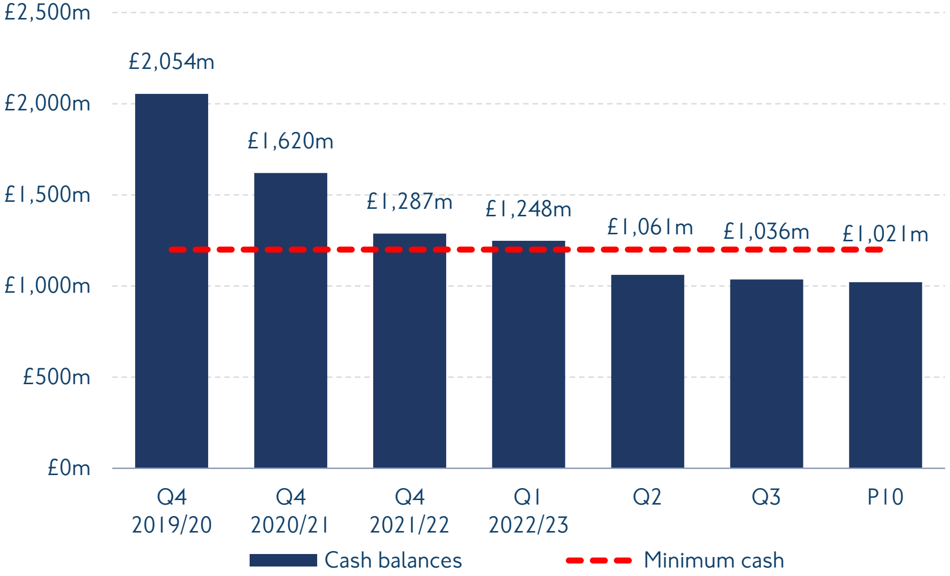


Charts show year-to-date passenger income to end of Period 10 for each year

Year to date like-for-like operating costs up on prior years as a result of inflationary pressures; real terms costs around £500m lower than 2018/19



We continue to maintain cash balances below £1.2bn on average in line with the funding settlement condition

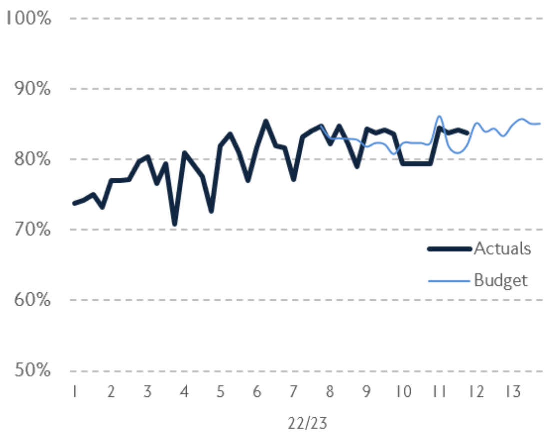


Passenger journeys

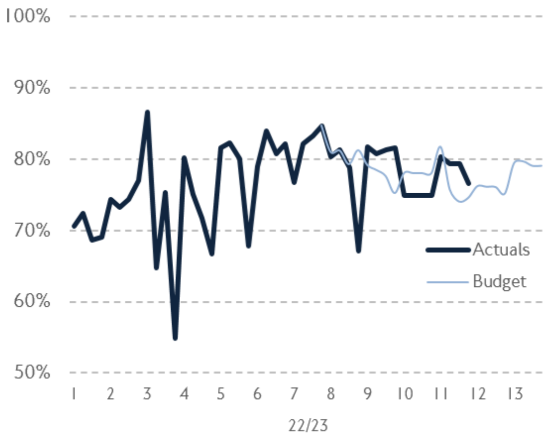
Total TfL journeys were 79% of pre-pandemic levels at the end of the Period 10, up from 68% at the start of the financial year, but down on the prior period (84%). P10 included significant periods of industrial action across the national rail network, with impacts across most of our services.

Tube journeys were 75% of pre-pandemic levels in P10, with 4 million lower journeys as a result of rail industrial action. Bus journeys were in line with the prior period, and saw some upside from rail industrial action, with some passengers switching service. However, the bus journey trend is broadly flat since the end of Quarter 1 and there is a risk journeys (and corresponding income) may not reach the levels forecast.

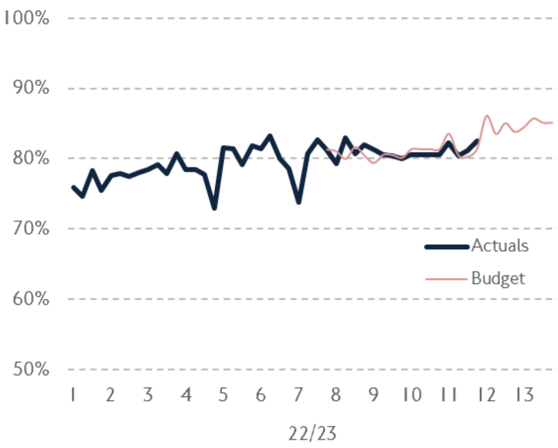
TfL	% vs Pre Covid period / budget			Absolute m	Var to Bud m
	79%	82%	P	209	-8
			Y	2460	-3



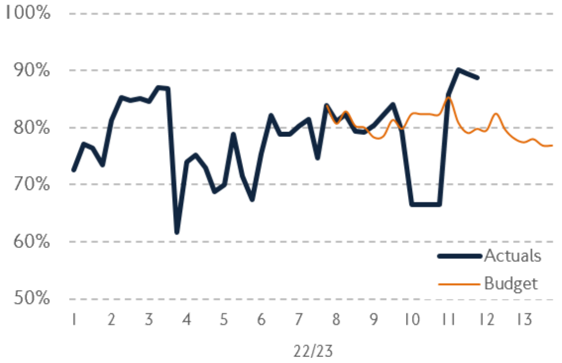
LU	% vs Pre Covid period / budget			Absolute m	Var to Bud m
	75%	78%	P	69	-2.9
			Y	806	-3.4



Bus	% vs Pre Covid period / budget			Absolute m	Var to Bud m
	81%	81%	P	117	-1.0
			Y	1353	0.5



Rail	% vs Pre Covid period / budget			Absolute m	Var to Bud m
	67%	82%	P	14	-3.4
			Y	204	-2.3

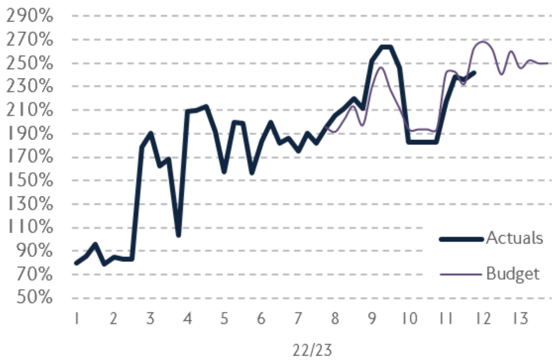


LO	% vs Pre Covid period / budget			Absolute m	Var to Bud m
	60%	86%	P	7	-3.3
			Y	118	-2.0

DLR	% vs Pre Covid period / budget			Absolute m	Var to Bud m
	77%	75%	P	6	-0.2
			Y	69	0.4

Tram	% vs Pre Covid period / budget			Absolute m	Var to Bud m
	66%	85%	P	1	-0.4
			Y	16	-0.7

EL	% vs Pre Covid period / budget			Absolute m	Var to Bud m
	183%	193%	P	9	-0.5
			Y	96	2.1



Income statement

Passenger income is 2% lower than Revised Budget, but now almost £900m higher than last year.

Other operating income is £35m better than Revised Budget, largely a result of higher enforcement income from ULEZ and higher third-party income. Other revenue grants includes Extraordinary revenue grant, which is £55m higher, a result of lower than expected ticket receipts.

Operating costs are £21m lower than Revised Budget and analysed in more detail overleaf.

Capital renewals are covered on slide 7.

	Period 10 year to date, 2022/23			Period 10 year to date, 2021/22			Full-year forecast, 2022/23		
£m	Actuals	Variance to Revised Budget		Last year	Variance to last year		Q3 forecast	Variance to Revised Budget	
Passenger income	3,188	(50)	-2%	2,329	859	37%	4,235	(71)	-2%
Other operating income	1,199	35	3%	840	359	43%	1,492	18	1%
Business Rates Retention	1,442	0	0%	1,489	(47)	-3%	1,819	0	0%
Other revenue grants	898	55	6%	1,713	(815)	-48%	1,068	44	4%
Revenue	**6,727**	**39**	**1%**	**6,372**	**355**	**6%**	**8,614**	**(9)**	**0%**
Operating cost	**(5,371)**	**21**	**0%**	**(4,952)**	**(419)**	**-8%**	**(7,003)**	**106**	**1%**
Operating surplus before interest and renewals	**1,356**	**60**	**5%**	**1,420**	**(64)**	**-5%**	**1,611**	**97**	**6%**
Capital renewals	(418)	12	3%	(353)	(66)	-19%	(615)	20	3%
Operating surplus before interest	**938**	**72**	**8%**	**1,067**	**(130)**	**-12%**	**996**	**117**	**13%**
Net interest costs	(326)	(1)	0%	(342)	16	5%	(425)	(8)	-2%
Operating surplus / (deficit)	**612**	**71**	**13%**	**725**	**(113)**	**-16%**	**571**	**110**	**24%**
Operating surplus/ (deficit) excl. extraordinary revenue grant	**(226)**	**19**	**8%**	**(932)**	**706**	**76%**	**(339)**	**64**	**16%**

* Other operating income and operating costs shown excl. Elizabeth line regulatory income from P7, 2022/23

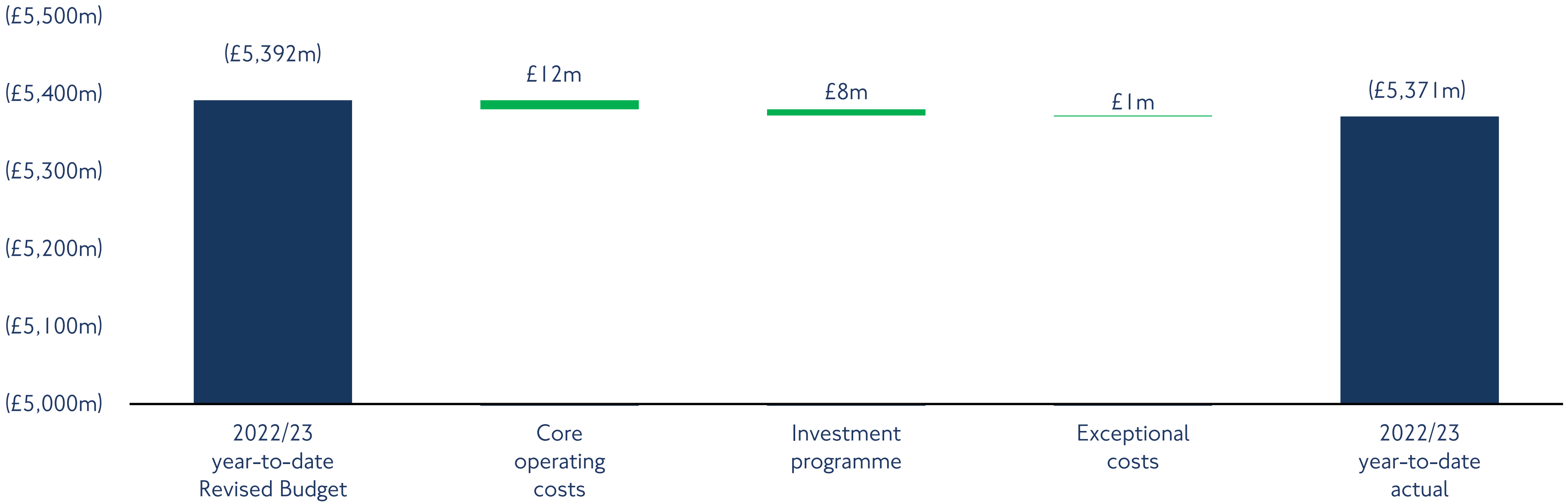
Operating costs

Total operating costs are £21m lower than Budget.

We have continued to see pressures on RUC bad debt (£23m), a result of higher ULEZ contravention rates, lower rates of customers paying PCNs at the initial discount rates, and PCNs issued to non-UK based owners for historical contraventions.

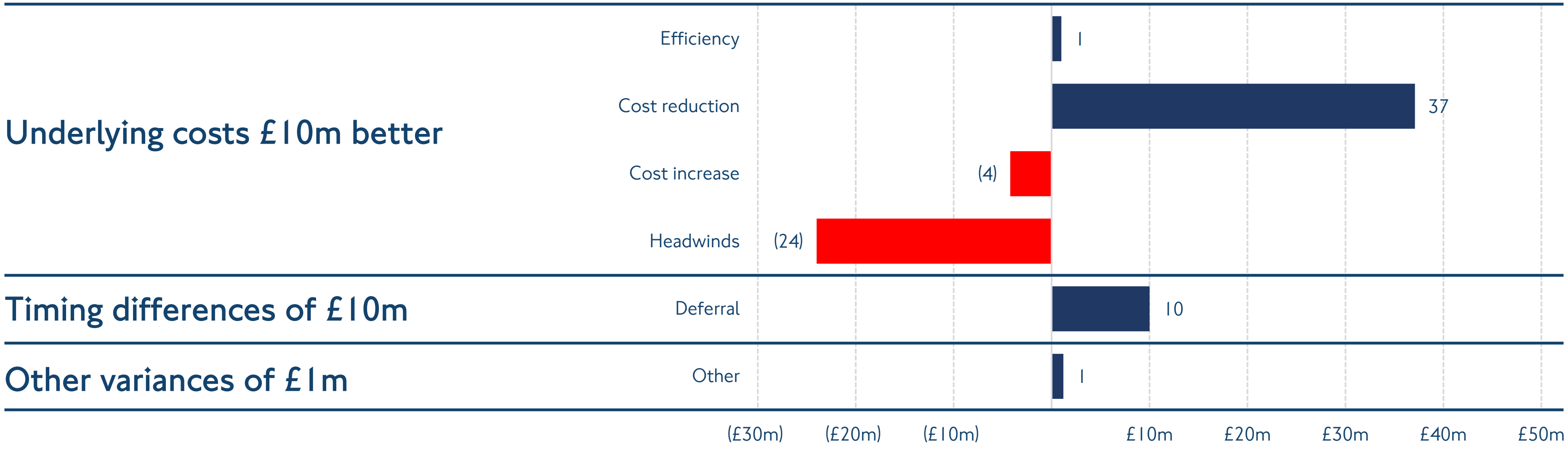
These pressures have been mitigated through cost reductions of £37m, including lower LU maintenance costs; lower utilities costs; lower performance payments on buses and London Overground; and a central exercise to clear previously accrued costs for goods not received.

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



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

Underlying costs £10m better - with headwinds of (£24m) offset by £37m of cost reductions - and £10m from deferral of spend which we expect to reverse by year end



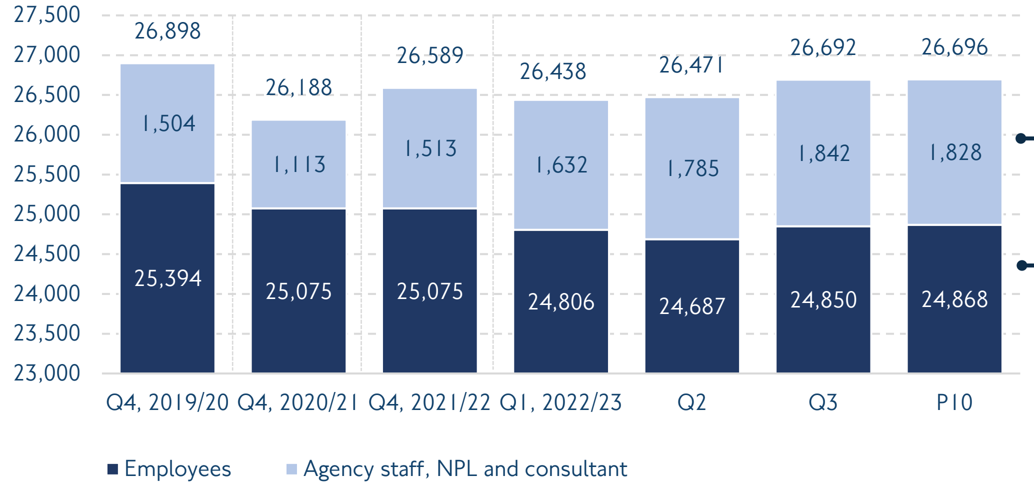
Staff

Total staff levels are just over 200 lower than pre-pandemic levels and are now slightly up from the end of last year.

Permanent employee numbers are around 500 lower than before the pandemic and are over 200 down from last year; ongoing labour market issues, and funding uncertainty earlier in the year hampered our ability to recruit; we have also seen an increase in staff leaving the organisation, a result of reward constraints as well as a buoyant external market.

Agency and NPL staff have increased by over 300 since the end of 2019/20, but remain significantly lower than 2015/16 levels.

Headcount trends since 2019/20



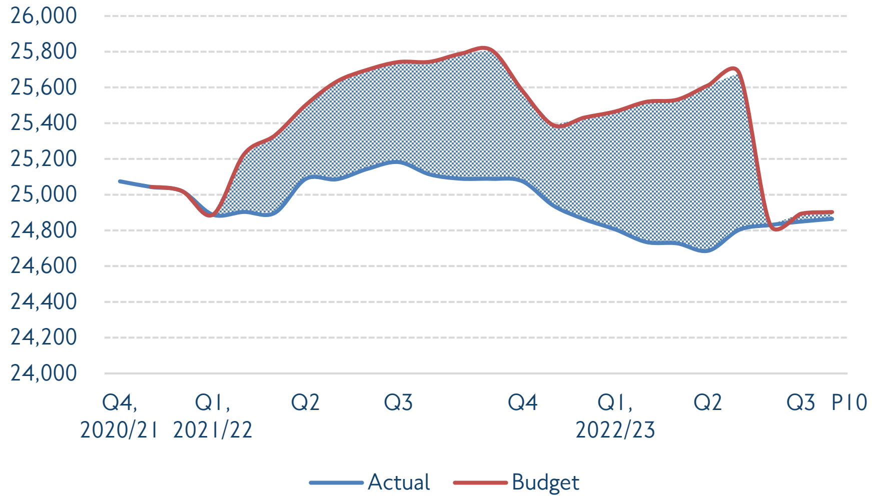
Total staff over 200 lower than pre-pandemic levels

Agency, NPL and consultants over 300 higher than 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

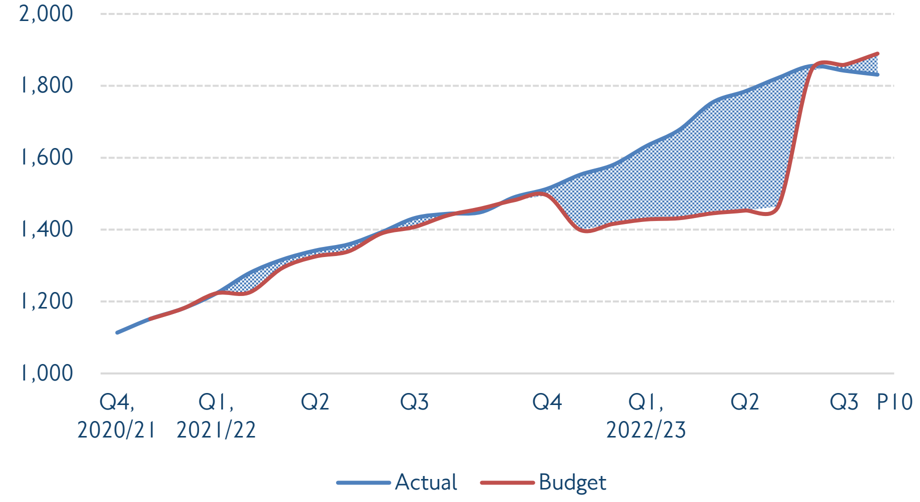
Permanent staff (FTE): actuals and Budget

Permanent employees down by 200 since the end of 2021/22, driven by large number of retirees and leavers. Staff levels now close to Revised Budget, with forecasting significantly improved. We are still seeing a competitive external market and high resignation rates, with leavers averaging 150 per period.



Agency and NPL staff (FTE): actuals and Budget

Agency and NPL FTE up by over 300 since the end of 2021/22 and higher than Budget. Driven by labour market challenges and funding uncertainty.



Capital renewals expenditure

Capital renewals are £12m lower than Budget, driven by timing differences for the DLR and in LU.

We are aiming to deliver as much as possible with the £635m envelope set by the funding settlement part way through the year, but will likely outturn closer to our original budget of £600m.

Capital renewals (£m)	Period 10 year to date, 2022/23			Period 10 year to date, 2021/22			Full-year forecast, 2022/23		
	Actuals	Variance to Revised Budget		Last year	Variance to last year		Q3 forecast	Variance to Revised Budget	
CCO	**(136)**	**6**	**4%**	**(112)**	**(24)**	**-21%**	**(198)**	**6**	**3%**
Four lines modernisation	(3)	0	8%	(5)	2	47%	(3)	0	8%
Surface assets	(71)	(1)	-1%	(62)	(9)	-15%	(99)	(1)	-1%
Air Quality and Environment	(9)	(0)	-2%	(2)	(7)	-292%	(12)	1	7%
Public transport	(35)	5	12%	(32)	(3)	-10%	(57)	3	4%
Technology	(18)	2	9%	0	(18)	0%	(26)	2	7%
Savings challenge and deliverability	(0)	0	81%	(11)	11	99%	(0)	1	94%
COO	**(240)**	**4**	**2%**	**(214)**	**(26)**	**-12%**	**(352)**	**7**	**2%**
LU	(239)	3	1%	(214)	(25)	-12%	(350)	4	1%
Elizabeth line	(1)	0	22%	0	(1)	0%	(2)	3	56%
CCSO excluding TTLP	**(39)**	**1**	**2%**	**(24)**	**(15)**	**-63%**	**(60)**	**5**	**8%**
Estates	(1)	(0)	-176%	(1)	0	21%	(2)	(2)	-882%
CCSO incl. T&D	**(39)**	**1**	**3%**	**(23)**	**(15)**	**-65%**	**(58)**	**7**	**11%**
Corporate	**(3)**	**2**	**34%**	**(3)**	**(1)**	**-28%**	**(5)**	**3**	**35%**
Total TfL excl. TTLP	**(418)**	**12**	**3%**	**(353)**	**(66)**	**-19%**	**(615)**	**20**	**3%**

Capital enhancements expenditure

Capital enhancements (£m)	Period 10 year to date, 2022/23			Period 10 year to date, 2021/22			Full-year forecast, 2022/23		
	Actuals	Variance to Revised Budget		Last year	Variance to last year		Q3 forecast	Variance to Revised Budget	
Rolling Stock and Signalling	**(340)**	**(9)**	**-3%**	**(266)**	**(74)**	**-28%**	**(470)**	**(4)**	**-1%**
Piccadilly line upgrade	(171)	(5)	-3%	(110)	(61)	-56%	(229)	(5)	-2%
Four lines modernisation	(88)	2	2%	(96)	9	9%	(114)	3	3%
Rail System Enhancements	(5)	0	7%	(4)	(1)	-28%	(6)	1	9%
MPD Savings challenge	0	(7)	100%	0	0	0%	10	(5)	36%
Trams	(1)	0	29%	(1)	0	27%	(2)	1	24%
DLR Rolling Stock replacement	(75)	0	0%	(54)	(21)	-38%	(130)	2	2%
Major Enhancements	**(76)**	**1**	**1%**	**(143)**	**67**	**47%**	**(112)**	**(3)**	**-3%**
Silvertown Tunnel	(15)	(3)	-29%	(9)	(6)	-70%	(45)	(4)	-9%
Northern Line Extension	(0)	0	28%	(50)	50	100%	(1)	(0)	-206%
Barking Riverside	(4)	1	17%	(28)	24	87%	(6)	(5)	-424%
Elephant & Castle Station Capacity	(6)	(0)	0%	(2)	(4)	-176%	(5)	4	43%
Bank Congestion Relief	(51)	2	3%	(45)	(7)	-15%	(56)	0	1%
HS2	(0)	0	100%	(0)	0	100%	(0)	0	100%
Elizabeth line	0	2	140%	(9)	10	105%	0	1	138%
Other Enhancements	**(141)**	**20**	**12%**	**(152)**	**11**	**7%**	**(216)**	**39**	**15%**
Major stations	(1)	0	2%	(2)	1	51%	(1)	0	24%
DLR RSRP HIF	(3)	1	15%	(1)	(2)	-129%	(4)	2	34%
Surface assets	(1)	(0)	-15%	(5)	4	73%	(1)	(0)	-21%
Air Quality and Environment (AQE)	(35)	5	12%	(33)	(2)	-6%	(54)	14	20%
Public transport	(6)	1	20%	(6)	1	13%	(9)	2	18%
Healthy Streets	(48)	(1)	-1%	(32)	(16)	-48%	(75)	2	3%
Technology	(6)	(1)	-9%	(9)	3	35%	(6)	2	21%
LU	(10)	2	15%	(16)	5	34%	(14)	2	12%
CCSO excl. TTLP	(30)	12	28%	(46)	16	34%	(49)	11	18%
Estates	(1)	1	70%	(0)	(0)	-41%	(1)	5	85%
Corporate	(0)	0	50%	(1)	0	77%	(1)	0	4%
Total TfL excl. TTLP and Crossrail	**(557)**	**12**	**2%**	**(561)**	**4**	**1%**	**(799)**	**32**	**4%**
TTLP	(41)	62	60%	(22)	(19)	-86%	(191)	58	23%
Crossrail	(184)	15	7%	(470)	285	61%	(211)	35	14%
Total	**(782)**	**88**	**10%**	**(1,052)**	**271**	**26%**	**(1,201)**	**126**	**9%**

Cash flow statement

We have continued to generate free cash flow during the year, although the operating surplus before capital renewals and interest (equivalent to EBITDA) is still supported by operating funding from Government.

In 2023/24, all base funding from Government will go to fund capital investment.

We have taken advantage of interest rate movements to repurchase £716m of existing debt at lower prices.

Cash balances

	Period 10 year to date, 2022/23			Year to date, 2021/22		
£m	Actuals	Variance to Revised Budget		Actuals	Variance to last year	
Opening balance	1,287	0	0%	1,620	(333)	-21%
Change in cash balance	(267)	(215)	412%	(223)	(44)	20%
Closing balance	**1,021**	**(215)**	**-17%**	**1,397**	**(376)**	**-27%**

Cash flow statement

	Period 10 year to date, 2022/23			Year to date, 2021/22		
£m	Actuals	Variance to Revised Budget		Actuals	Variance to last year	
Operating surplus before capital renewals and interest	1,356	60	5%	1,420	(64)	-5%
Less TTLP, LTIG and LTM	(39)	(2)	6%	(20)	(19)	91%
Cash generated / (used) from operating activities	***1,317***	***58***	***5%***	***1,399***	***(82)***	***-6%***
Capital renewals	(418)	12	-3%	(353)	(66)	19%
New capital investment	(557)	12	-2%	(561)	4	-1%
Investment grants and ring-fenced funding	68	(8)	-10%	85	(18)	-21%
Working capital movements	16	(122)	-89%	(436)	452	-104%
Cash generated / (used) from investing activities	***(891)***	***(106)***	***13%***	***(1,264)***	***373***	***-29%***
Free cash flow	**426**	**(48)**	**-10%**	**135**	**291**	**215%**
Net interest costs	(326)	(1)	0%	(342)	16	-5%
Existing debt maturing	(1,303)	(669)	106%	(305)	(998)	327%
New debt issued	1,223	669	121%	334	889	266%
Short-term net borrowing change	(286)	(165)	136%	(45)	(241)	536%
Cash generated / (used) from financing activities	***(692)***	***(167)***	***32%***	***(358)***	***(334)***	***93%***
Change in cash balance	**(267)**	**(215)**	**412%**	**(223)**	**(44)**	**20%**

Cash balances

Total cash balances (excl. cash balances identified for Crossrail construction) are just over £1.0bn at the end of Period 10, £267m lower than at the start of the year. Cash balances are (£215m) lower than Revised Budget, largely a result of working capital movements and matured commercial paper which has not yet been re-borrowed – we expect to re-borrow this by year end while managing cash balances.

A condition of the current funding agreement is that our cash balances will average no more than £1.2bn for the duration of the agreement.

	2021/22 closing cash	2022/23 cash movement	P10, 2022/23 closing cash	P10, 2022/23 variance to Revised Budget
TfL closing cash balances	1,287	(267)	1,021	(215)

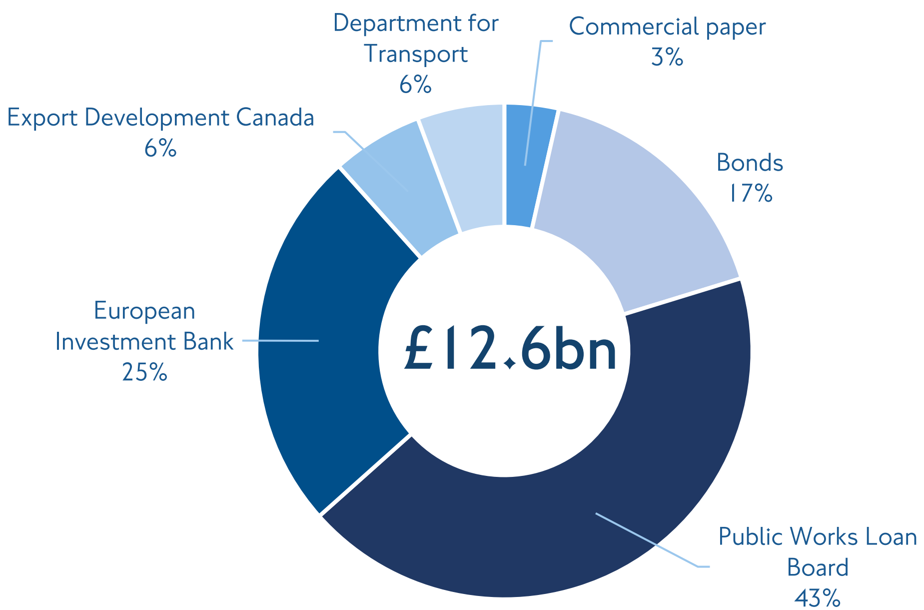
Cash balances reduced from £2,054m at the end of 2019/20 to £1,021m at the end of Period 10, 2022/23.

Debt position

We have borrowed from a range of sources in previous years to help fund our capital programme, including Crossrail and major upgrades to our tube network.

In December we repurchased £715m of our bonds for a market price of £669m. The purchase was funded with loans from the PWLB with no material impact on interest costs.

TfL total debt



90%

Around 90% of our borrowing is at a fixed rate of interest

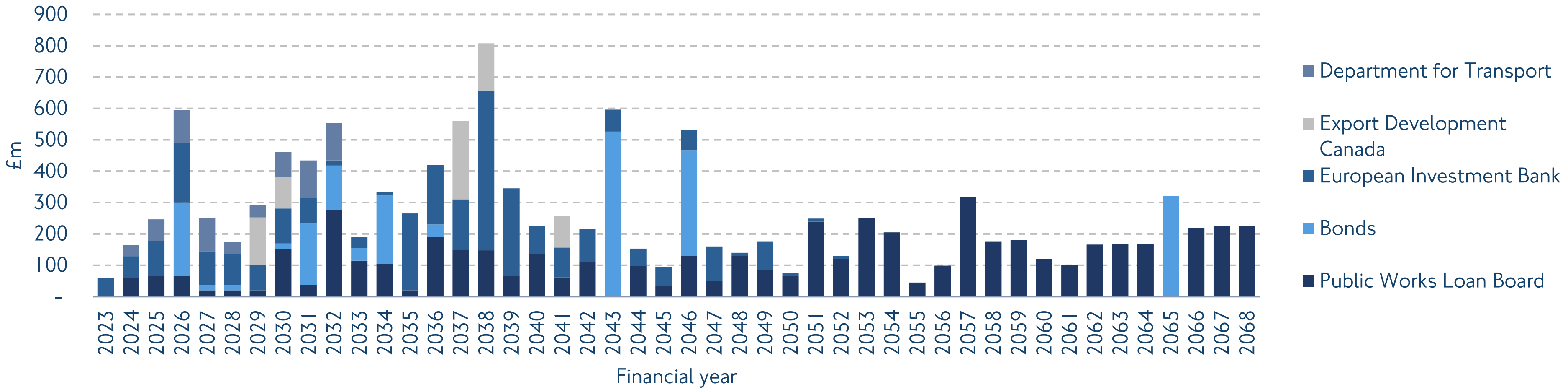
3.4%

The weighted average interest rate on our borrowing is 3.4%

19.6 years

The weighted average tenor of our borrowing is 19.6 years

TfL borrowing maturity profile



The debt maturity profile excludes around £450m of short-term commercial paper, which we intend to continue to re-issue on a rolling basis.

Credit ratings

We are rated by the three major credit rating agencies. This allows us to attract interest from the widest pool of investors possible.

	Standard & Poor's	Moody's	Fitch
Long-term rating	A+	Baa1	AA-
Outlook	Stable	Stable	Negative
Short-term rating	A-1	P-2	F1+
Last changed/affirmed	May 2022	October 2022	January 2023

Standard and Poor's (S&P)

- S&P affirmed our credit rating at A+/A-1 in May 2022, which reflected its view that the government would continue to provide adequate support to TfL until performance returns to sustainable levels.
- In September 2022, S&P published a bulletin on TfL covering the recent funding settlement. It is noted that the agreement with central government left a funding gap, but that it believes this could be bridged with additional cost savings or temporary support from the GLA. S&P noted that overall, it expected TfL's financial metrics to stay broadly in line with previous expectations.
- Our S&P rating was downgraded from AA- to A+ in May 2020, around the start of the pandemic.

Moody's

- Moody's affirmed our credit rating in October 2022 and maintained the stable outlook, stating that our operating strengthening performance and protections under the funding agreement will partially mitigate economic and fiscal risks
- Moody's previously downgraded our credit rating from A3 to Baa1 in May 2022, citing its concern around the ongoing uncertainty over long-term funding arrangements, and stating that operating performance was expected to be weaker than previously predicted due to lower economic growth and higher inflation.
- In September 2022, Moody's published a research piece containing its view on the most recent funding agreement and GLA facility. It noted that the funding is credit positive, enabling TfL to balance its budget.
- Moody's had previously downgraded our rating in October 2020 (from Aa3 to A1) and June 2021 (from A1 to A3).

Fitch

- On 26 January 2023, Fitch upgraded our long-term credit rating from A+ to AA-. This reflects our improving financial profile and Fitch's assessment of the link between TfL and the Government. Fitch have assigned a negative outlook, which reflects the negative outlook they have assigned to the Government's credit rating.

Divisional summaries

London Underground

Tube journeys are 75% of pre-pandemic levels, up from 65% at the end of last year but down from 81% in the prior period. Journeys and income are broadly in line with the Revised Budget, although P10 saw some large scale impact from national rail industrial action, estimated to have reduced revenue by £13m.

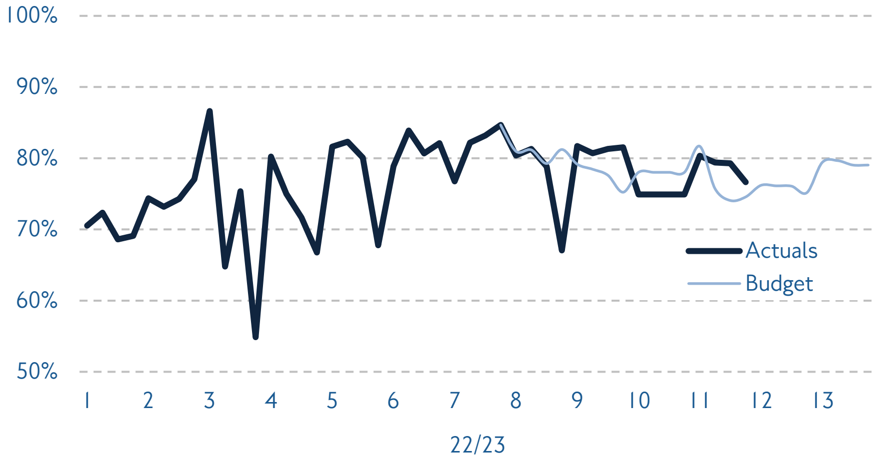
Operating costs are £1,591m in the year to date, £12m (1%) lower than Budget. This is mainly driven by lower maintenance spend, timing and one off benefits from utilities costs.

Capital renewals are £242m, over £20m higher than last year, but slightly under Budget.

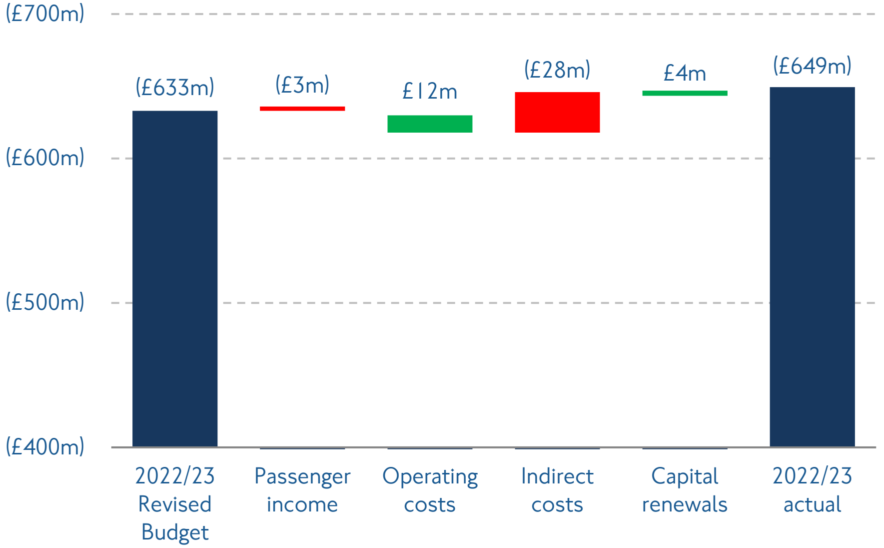
	Period 10, year to date, 2022/23				Period 10, year to date, 2021/22		
Operating account (£m)	Actuals	Revised Budget	Variance to Revised Budget		Last year	Variance to last year	
Passenger income	1,678	1,681	(3)	0%	1,137	541	48%
Other operating income	21	21	-	0%	16	5	31%
Revenue	**1,699**	**1,702**	**(3)**	**0%**	**1,153**	**546**	**47%**
Operating costs	(1,591)	(1,603)	12	-1%	(1,526)	(65)	4%
Net contribution	**108**	**99**	**9**	**9%**	**(373)**	**481**	**-129%**
Indirect costs	(304)	(276)	(28)	10%	(219)	(85)	39%
Net financing costs	(211)	(210)	(1)	0%	(217)	6	-3%
Capital renewals	(242)	(246)	4	-1%	(219)	(23)	11%
Operating surplus / (deficit)	**(649)**	**(633)**	**(16)**	**3%**	**(1,028)**	**379**	**-37%**
New capital investment	**(358)**	**(357)**	**(1)**	**0%**	**(357)**	**(1)**	**0%**

Tube journeys compared to pre-pandemic baseline

% vs Pre Covid Period / Budget		Journeys (millions)	Var to Budget
75%	78%	806	(3)



Net operating surplus/ (deficit) compared to Budget



Elizabeth line

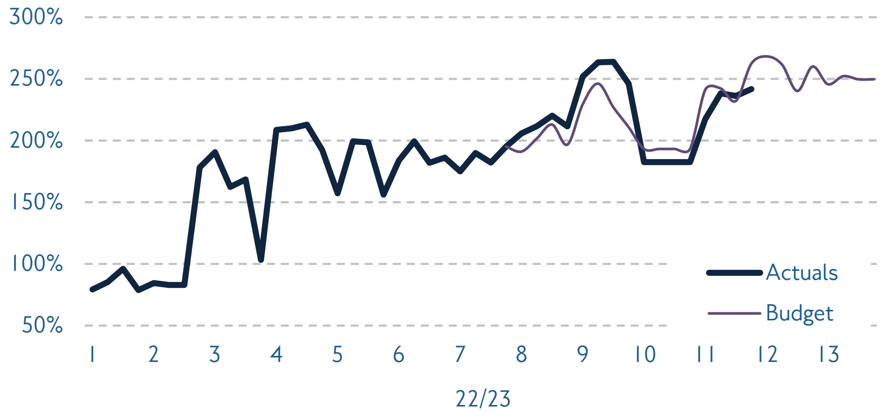
Elizabeth line journeys are tracking close to Budget, and are 2 million higher in the year to date. Passenger income is £11m better, a result of some favourability in ticket yield.

Operating costs are in line with Budget. We have seen a slight increase in staff costs, which have been offset by lower concession costs.

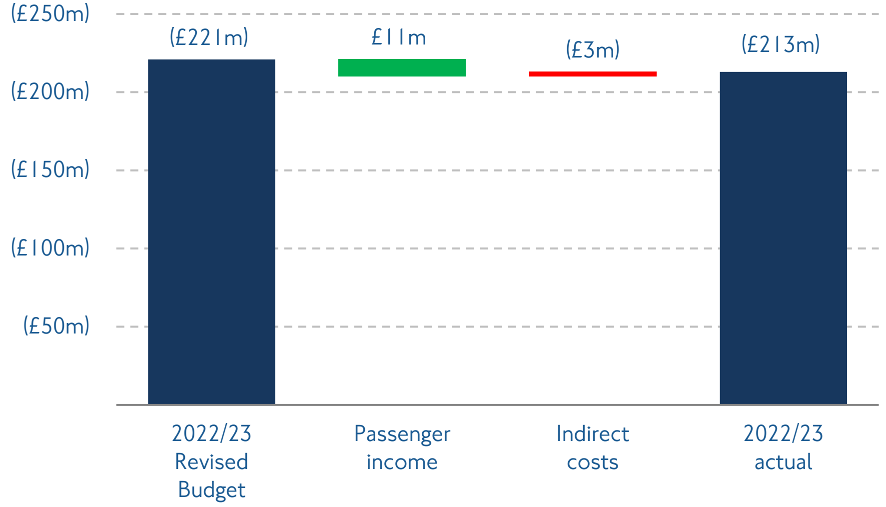
	Period 10, year to date, 2022/23				Period 10, year to date, 2021/22		
Operating account (£m)	Actuals	Revised Budget	Variance to Revised Budget		Last year	Variance to last year	
Passenger income	209	198	11	6%	67	142	212%
Other operating income	13	13	-	0%	10	3	30%
Revenue	**222**	**211**	**11**	**5%**	**77**	**145**	**188%**
Operating costs	(357)	(357)	-	0%	(313)	(44)	14%
Net contribution	**(135)**	**(146)**	**11**	**-8%**	**(236)**	**101**	**-43%**
Indirect costs	(11)	(8)	(3)	38%	(6)	(5)	83%
Net financing costs	(66)	(66)	-	0%	(73)	7	-9%
Capital renewals	(1)	(1)	-	0%	-	(1)	N/A
Operating surplus / (deficit)	**(213)**	**(221)**	**8**	**-4%**	**(315)**	**102**	**-32%**
New capital investment	-	(1)	1	-100%	(9)	9	-100%
Crossrail project	(184)	(199)	15	-8%	(470)	286	-61%
New capital investment	**(184)**	**(200)**	**16**	**-8%**	**(479)**	**295**	**-62%**

EL journeys compared to pre-pandemic baseline

% vs Pre Covid Period / Budget		Absolute m	Var to Bud m
183%	193%	96	2



Net operating surplus/ (deficit) compared to Budget



Buses, Streets & Other operations

Including Congestion Charge and Ultra Low Emission Zone (ULEZ)

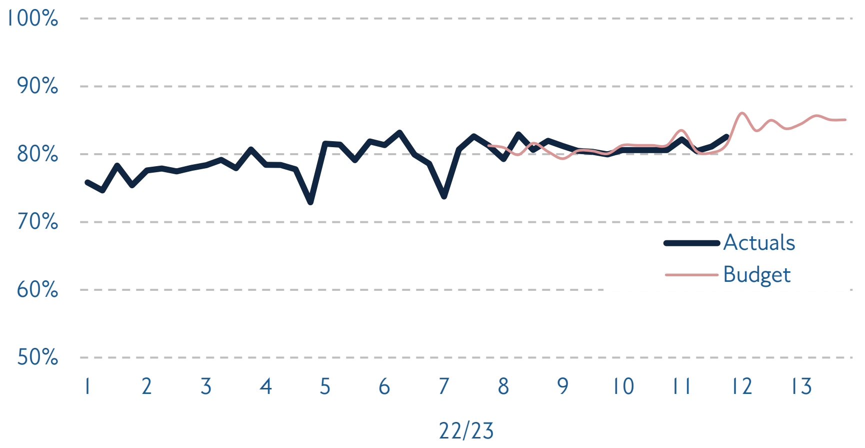
Bus journeys are 81% of pre-pandemic levels, up from 70% at the end of last year, and in line with last period. While journeys are in line with Budget, passenger income is £25m (2%) higher than Budget; a result of higher ticket yield of £0.02.

Other operating income is £845m, £26m higher than Budget. This is mainly driven from higher ULEZ enforcement income, and includes PCN income issued to non-UK drivers from P10. This has resulted in higher than expected bad debt levels (£24m) in operating costs. This has been partly offset by lower bus performance payments.

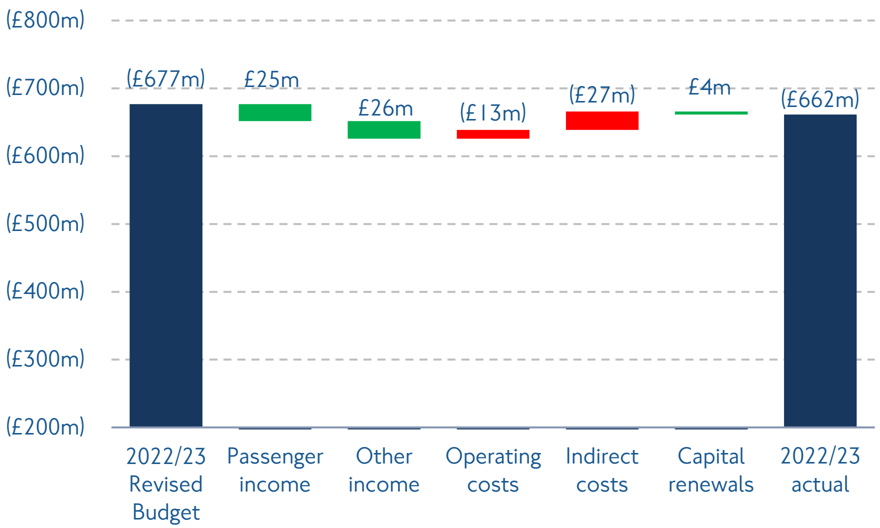
Operating account (£m)	Period 10, year to date, 2022/23 Actuals	Revised Budget	Variance to Revised Budget		Period 10, year to date, 2021/22 Last year	Variance to last year	
Passenger income	1,049	1,024	25	2%	829	220	27%
Other operating income	845	819	26	3%	587	258	44%
Revenue	**1,894**	**1,843**	**51**	3%	**1,416**	**478**	34%
Operating costs	(2,366)	(2,353)	(13)	1%	(2,180)	(186)	9%
Net contribution	**(472)**	**(510)**	**38**	-7%	**(764)**	**292**	-38%
Indirect costs	(57)	(30)	(27)	90%	(20)	(37)	185%
Net financing costs	(19)	(19)	-	0%	(21)	1	-6%
Capital renewals	(113)	(118)	4	-4%	(88)	(26)	29%
Operating surplus / (deficit)	**(662)**	**(677)**	**15**	-2%	**(892)**	**231**	-26%
New capital investment	(106)	(106)	-	0%	(90)	(16)	18%

Bus journeys compared to pre-pandemic baseline

% vs Pre Covid Period / Budget		Absolute m	Var to Bud m
81%	81%	1,353	1



Net operating surplus/ (deficit) compared to Budget



Rail

Rail journeys are at 67% of pre-pandemic levels in the period, which were partly affected by national rail industrial action. Journeys are 2 million lower than Budget in the year to date, with income £4m lower.

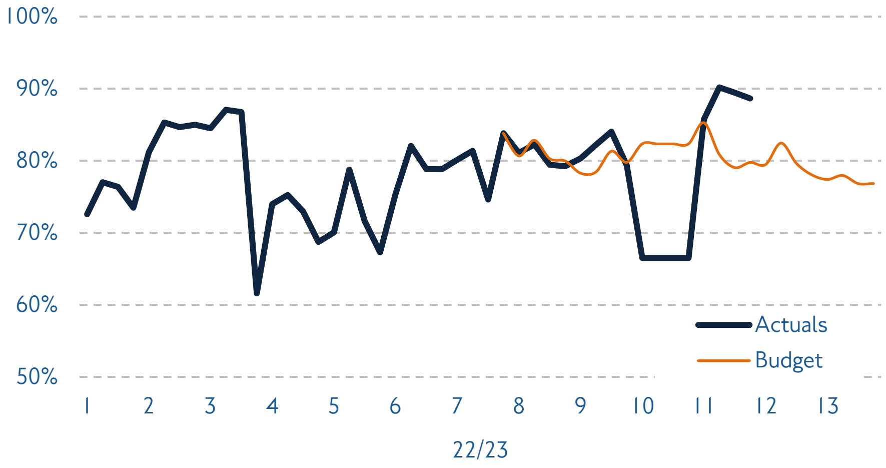
Operating income is £6m up on Budget, largely from Network Rail compensation for industrial action.

Operating costs are (£418m) in the year to date. Costs are £9m lower than Budget, mainly from lower operator performance payments, lower utilities costs and smaller one off savings.

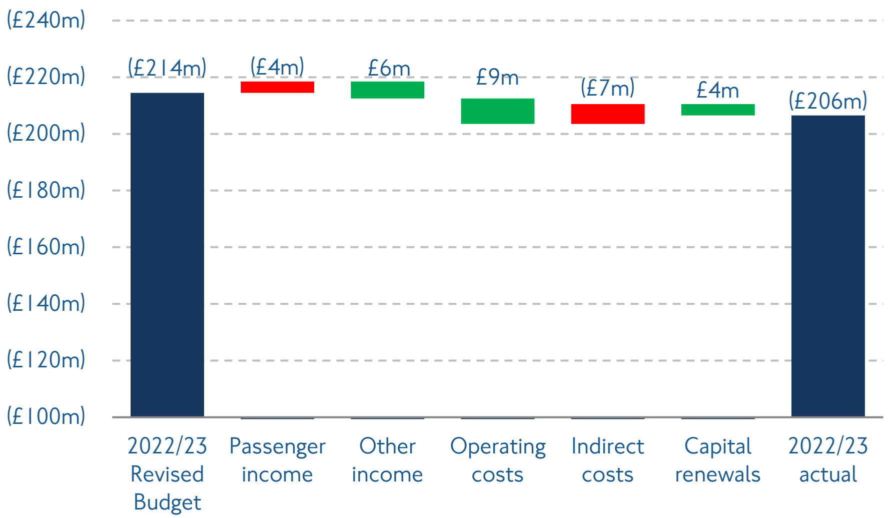
Operating account (£m)	Period 10, year to date, 2022/23 Actuals	Revised Budget	Variance to Revised Budget		Period 10, year to date, 2021/22 Last year	Variance to last year	
Passenger income	269	273	(4)	-1%	218	51	23%
Other operating income	20	14	6	43%	13	7	54%
Revenue	**289**	**287**	**2**	1%	**231**	**58**	25%
Operating costs	(418)	(427)	9	-2%	(362)	(56)	15%
Net contribution	**(129)**	**(140)**	**11**	-8%	**(131)**	**2**	-1%
Indirect costs	(20)	(13)	(7)	54%	(9)	(11)	122%
Net financing costs	(27)	(27)	-	0%	(31)	4	-13%
Capital renewals	(30)	(34)	4	-12%	(28)	(2)	7%
Operating surplus / (deficit)	**(206)**	**(214)**	**8**	-4%	**(199)**	**(7)**	4%
New capital investment	(88)	(91)	3	-3%	(91)	3	-3%

Rail journeys compared to pre-pandemic baseline

% vs Pre Covid Period / Budget		Absolute m	Var to Bud m
67%	82%	204	(2)



Net operating surplus/ (deficit) compared to Budget



Major Projects

Four Line Modernisation

We are planning to introduce signal migration area seven from Dagenham Heathway to Upminster in March 2023. This will extend the roll out of the new signalling system on the District line and connect the first depot to the network.

Software development continues for future signalling migration areas covering the Metropolitan line between Finchley Road and Preston Road (signal migration area eight), including the interface with Neasden depot and the Jubilee line.

Design and installation of trackside signalling assets continues on the Uxbridge (signal migration area 14) and Amersham (signal migration areas 9 and 13) branches of the Metropolitan line beyond Preston Road. Installation is targeted for completion in March 2023.

Railway systems enhancements

Delivery of the scheduled Northern line signalling software updates continue. These software updates address residual issues and requirements following completion of the Northern Line Extension and the Bank station closure works.

Delivery of the Jubilee line signalling software updates continue, with the updates addressing residual issues. The first software release was commissioned onto the railway in Quarter 3 2022/23, and the final software release is being planned, accounting for dependencies on other projects such as the Four Lines Modernisation programme.

The enhancement work for the Northern line power supply is due to be completed in Quarter 1 2023/24. This will provide system capacity and resilience for reliable services during planned or unplanned outages.

Piccadilly line upgrade

New rolling stock

In December Siemens completed the manufacture of the second in type Key Motor car shell for the first new Piccadilly line train. This follows the successful assembly of the first Intermediate Motor cars back in June. This keep us on target for the first train to be fully formed and ready to start testing from Summer 2023.

Power

The DC Power team completed the delivery of the DC cabling required to connect the new sidings at South Harrow with the substation at Sudbury Hill. In total the team have now delivered and installed 8.2km of DC cabling and 1.4km of AC cabling. This supports our key milestone to bring all 12 sidings at South Harrow into use to support the upcoming timetable change in May 2023.