



2023/24

TfL Budget

TfL Board

29 March 2023



Headlines

This Budget builds on our 2023 TfL Business Plan, our first business plan since 2019. The Budget updates 2023/24 for the latest information and turns it into a detailed plan, against which we can track progress through the year.

This Budget delivers on our key goals:

- **Safety & security: ensuring everyone gets home safe and healthy** by lowering speed limits on more roads, continuing our Safer Junction programme, progressing the second phase of the Direct Vision Standard and progressing the Ending Violence Against Women and Girls programme.
- **Colleague: being a great place to work for everyone to thrive** by launching our Action on Inclusion plan, improving welfare facilities for front line colleagues, developing our leadership capability and delivering more of the Our TfL programme.
- **Customer: give people more reasons to choose sustainable travel** by improving services including bringing new state-of-the-art DLR trains into service - increasing capacity and improved accessibility, improving services such as increasing the Elizabeth line to 24 trains an hour at the busiest times, improving high speed mobile coverage on the tube and delivering 10km of new bus lanes.
- **Green: tackling the climate and ecological emergency** by delivering the London-wide expansion of ULEZ, supported by a £110m scrappage scheme, continuing the roll out of zero emissions buses and moving towards renewable energy sources.
- **Finance: growing our income and controlling our costs to secure our future** by achieving an operating surplus without the use of Government base funding support (see overleaf).



Financial summary

This Budget confirms our forecast to return to operating financial sustainability in 2023/24, due to:

- **Rising passenger demand:** by the end of 23/24 we expect our ridership to grow by 7% from where we are now, and passenger income by over £800m, even though we have assumed a recession during 2023 and only a gradual recovery thereafter. While we are still facing external uncertainty, we continue to have the protection of the revenue true-up with HMG until March 2024.
- **Increasing other sources of income to reduce our reliance on fares:** since setting the budget for 2020/21, just prior to the pandemic, we have increased total income by 14%, while decreasing fares as a percentage of income from 72% to 65% on a like-for-like basis.
- **Managing the impact of increasing inflation:** while higher inflation increases our operating costs by £279m in 2023/24 compared to our 2022/23 Budget, this would have been circa £400m without the action we have taken. This is lower than our estimate of £289m in the Business Plan, despite inflation having increased since that point.
- **Continuing to deliver recurring cost savings:** working towards our target of £600m pa by 2025/26.
- **Creating an operating surplus:** these actions mean we create an operating surplus in 2023/24, even with all DfT base funding allocated to fund capital investment. The level of passenger demand growth will determine whether DfT revenue top-up is required to deliver this operating surplus.
- **Funding investment:** our operating surplus is used to fund capital investment and also support a return to prudent, incremental borrowing to finance new investment. We have proactively taken opportunities to refinance debt to reduce ongoing costs.
- **Rebuilding our cash:** we are now rebuilding our cash reserves after the impact of the pandemic, and we are continuing to maintain the GLA £500m financing facility to protect against further shocks.

However, our ability to continue to deliver capital investment is dependent on the DfT providing additional funding to mitigate inflation (as per the 30 August 2022 settlement) and agreeing long-term capital funding for 2024/25 onwards.

Building on our Business Plan



2023 Business Plan
2022/23 to 2025/26

MAYOR OF LONDON

 TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Our Budget builds on our Business Plan

In December 2022, we published our first Business Plan since 2019, which:

- Set out our plans over the medium term to 2025/26
- Demonstrated how we will achieve financial sustainability
- Prioritised £8.1bn of investment to make progress against the Mayor's Transport Strategy

Mayor's
Transport
Strategy:

Healthy Streets and
healthy people

Safe, Active, Efficient & Green

A good public transport
experience

Connected, Accessible & Quality

New homes and jobs

Sustainable & Unlocking

Our Budget builds on this Business Plan:

- Focuses on the next year, 2023/24 and updates for the latest information and forecasts
- Sets out a more detailed plan for the year ahead to make progress against our goals over the short term.
- Is underpinned by our Scorecard, to track our progress throughout the year

Our Goals: bring
together MTS
outcomes and
internal objectives

Safety & Security: Everyone home safe and healthy

Colleague: Be a great place to work for everyone to thrive

Customer: Give people more reasons to choose sustainable travel

Green: Tackle the climate and ecological emergency

Finance: Grow our income and control our costs

Since publishing the Business Plan, inflation has continued to increase

Our 30 August 2022 funding settlement with Government was based on the 2022/23 TfL Budget, set in March 2022.

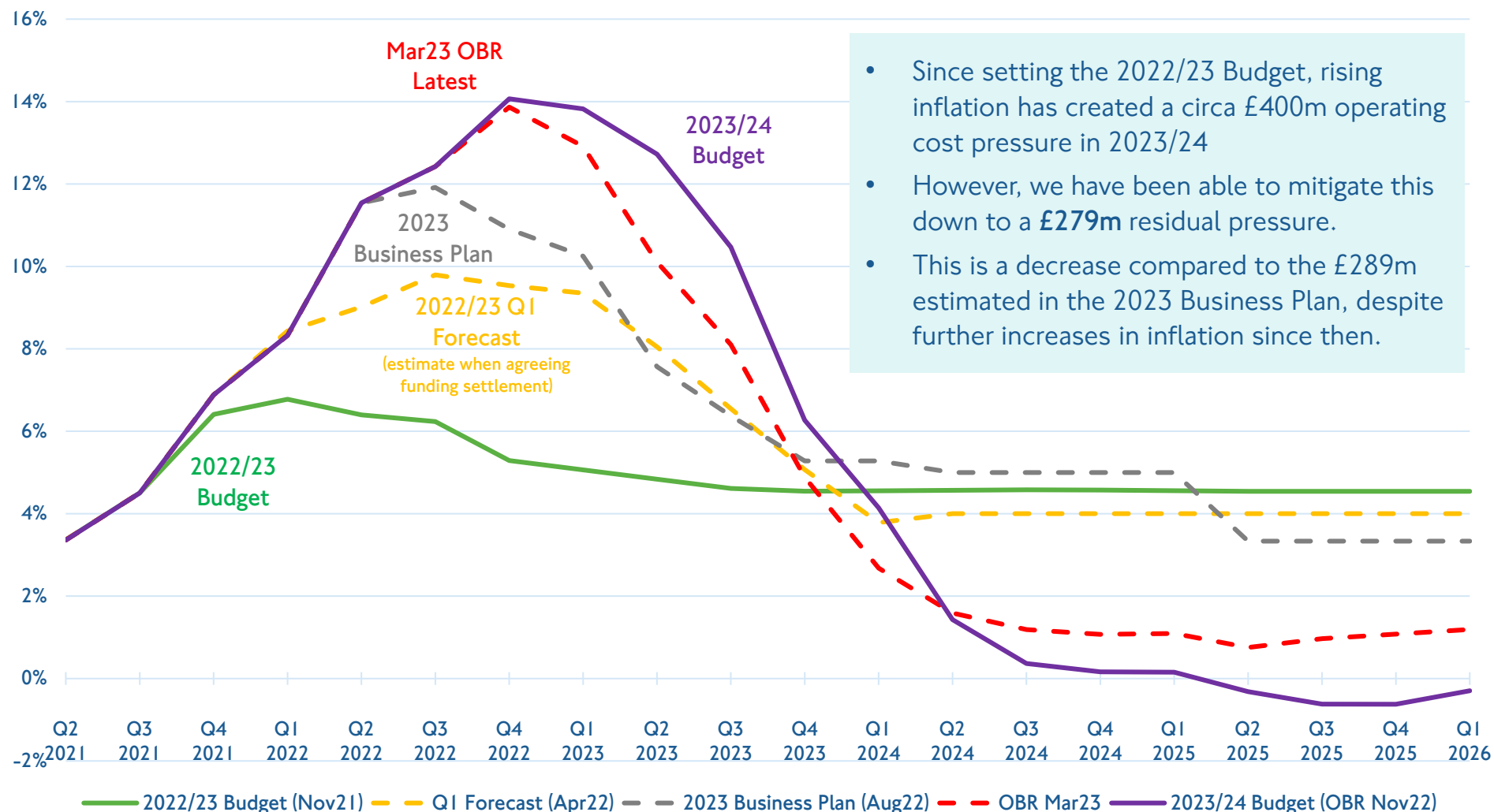
Inflation forecasts have continued to rise, creating a £279m increased cost pressure in 2023/24.

This cost pressure is increasingly challenging to offset given the savings already assumed in our plans.

Recognising this, Government included an inflation adjustment mechanism for our 2023/24 funding, although our claim is still under review.

The latest OBR forecasts suggest some near-term easing of inflation.

Retail Prices Index (%) forecasts 2021/22 - 2025/26



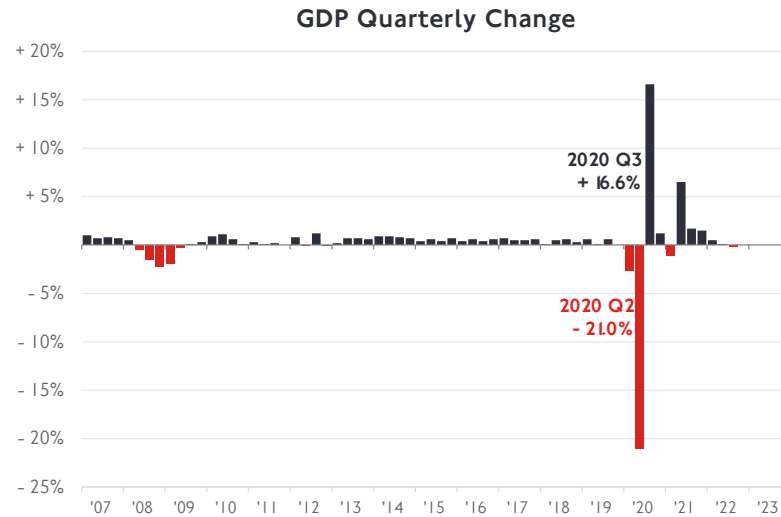
- Since setting the 2022/23 Budget, rising inflation has created a circa £400m operating cost pressure in 2023/24
- However, we have been able to mitigate this down to a £279m residual pressure.
- This is a decrease compared to the £289m estimated in the 2023 Business Plan, despite further increases in inflation since then.

And all other economic indicators remain volatile

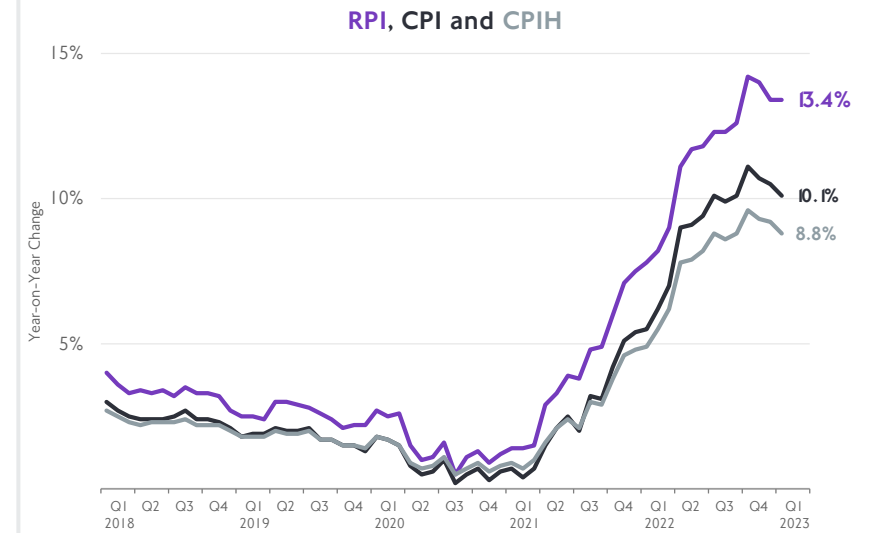
2022 was a turbulent year for the economy and while economic growth appears poor, the latest economic indicators suggest that there is some ground for optimism with the UK economy avoiding recession in Q4, 2022, retail sales growing by 5% in January 2023 and inflation & energy prices starting to fall.

However, this Budget is still being produced amid considerable uncertainty. The latest OBR economic forecast was released on March 15 alongside the HMT Budget, which forecast the economy would shrink in 2023 but avoiding a technical recession.

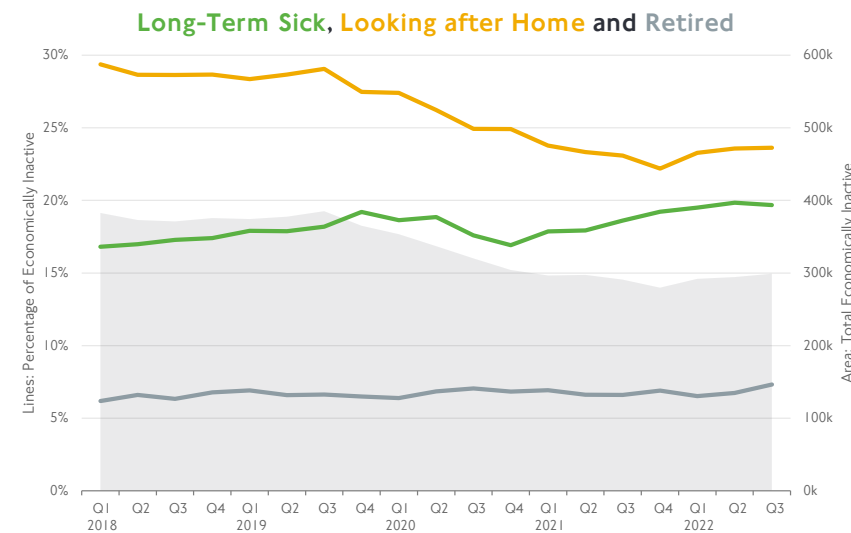
GDP Growth



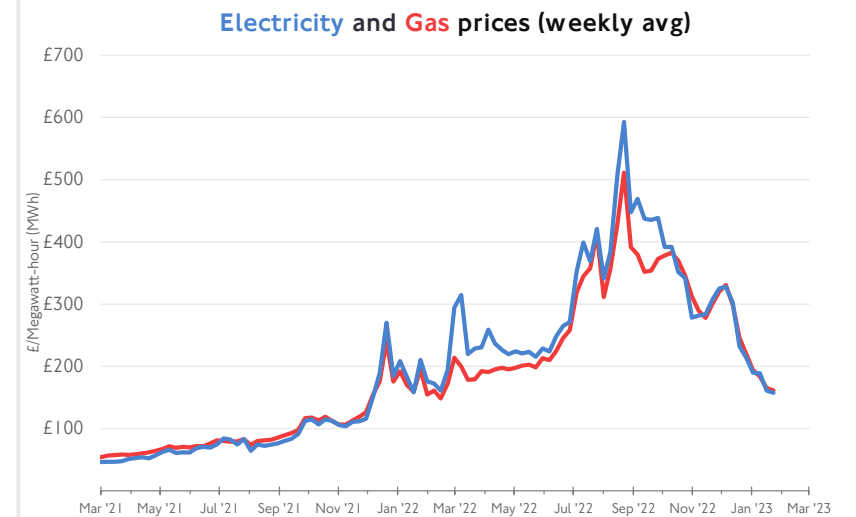
Inflation



Economic inactivity



Energy prices



The outcomes of the Mayor's Budget fed into the TfL Budget

Recurring / ongoing



Retaining inner London bus routes



Providing additional bus kilometres in outer London each year

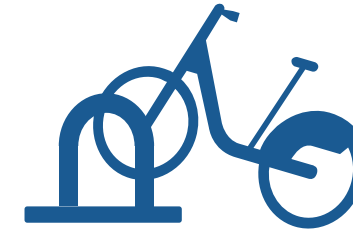


Retaining monthly and annual Travelcards

Additional in 2023/24



Accelerating cycle route schemes



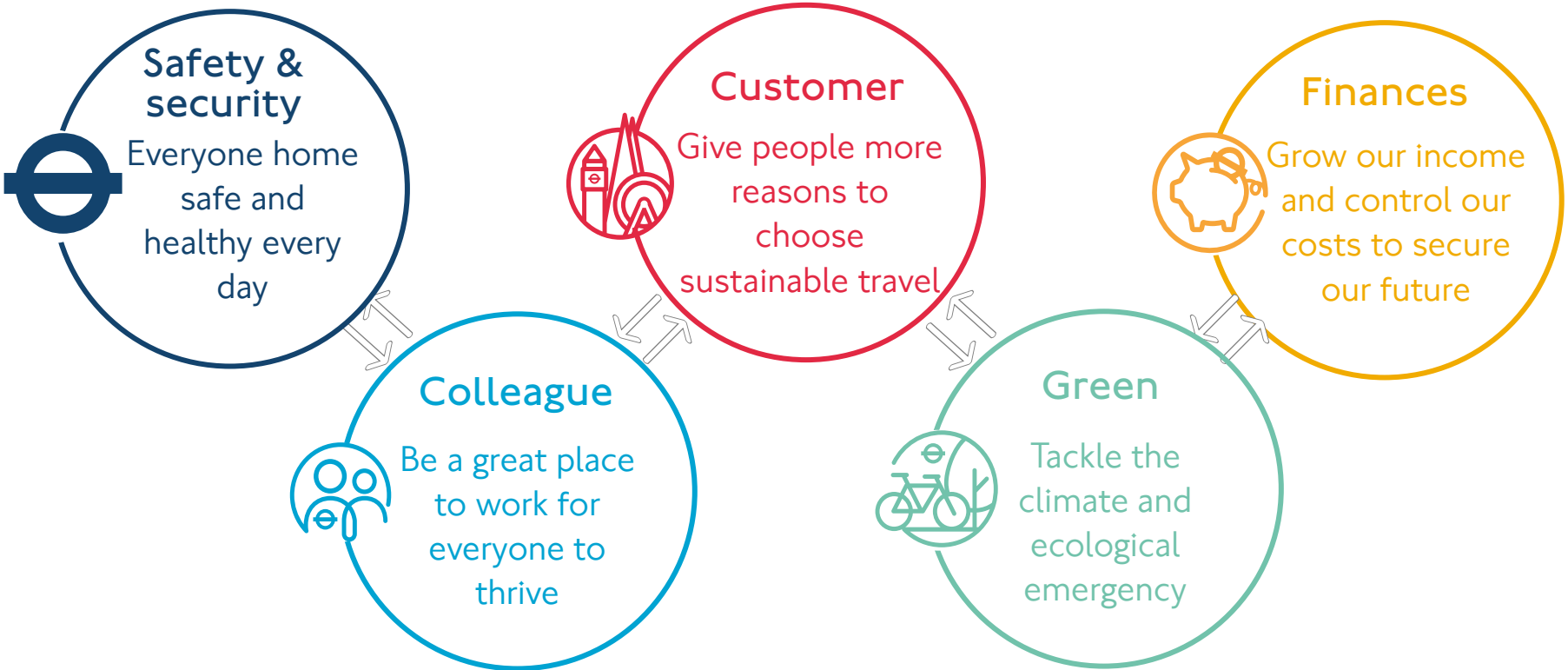
Providing additional cycle parking spaces

The Mayor has also followed the National Rail fares increase of 5.9% on all Mayoral controlled fares. The total increase in fares is expected to be around £98m and, by matching National Rail, this avoids a decrease to funding for TfL. We currently expect to be able to retain this income with the DfT revising their revenue scenario accordingly.

Source: Mayor's Background Statement 2023-24 in support of his draft Consolidated Budget for 2023-24, published 18 January 2023

<https://www.london.gov.uk/who-we-are/governance-and-spending/spending-money-wisely/mayors-budget>

What this budget delivers against our goals



Delivering on our Safety & Security goal

Everyone home safe and healthy every day



- Progressing our **Ending Violence Against Women and Girls Programme**, following the launch of our **Active Bystander** campaign
- Transforming **Old Street** to create a much safer environment
- Progressing the second phase of the **Direct Vision Standard** to improve the safety of vulnerable road users for launch in 2024
- **Reducing speed limits** on more roads and delivering our **Safer Junction** programme
- Delivering improvements to our **body worn cameras** to reduce work-related violence and aggression

Metrics and milestones tracked on the scorecard



27.3% reduction
in the number of people Killed or Seriously injured on London's roads from 2010-14 baseline



7.8% reduction
in Customers Killed or Seriously injured on 22/23



4.0% reduction
in Colleagues Killed or Seriously injured on 22/23

- **Old Street roundabout** – completion of highway works (July 2023)
- **DVS Phase 2** – completion of public consultation (August 2023)
- **Lowering speed limits by 10mph** - on 77 km of the network (March 2024)
- **Deployable enforcement cameras** – Installing automatic traffic contravention detection DEC cameras at a further 265 sites (March 2024)

Delivering on our Colleague goal

Be a great place to work for everyone to thrive



- Our TfL Programme is **reviewing our operating model** with the dual aim of improving how we work as well as delivering recurring financial benefits
- Developing **leadership capability** through the Our People Leaders' Programme to improve engagement and wellbeing of employees
- Launching **Action on Inclusion** setting our long term approach to inclusion to improve representation and ensure we reflect the city we serve
- Delivering our **staff welfare facility upgrades**, including toilets and facilities for bus drivers

Metrics and milestones tracked on the scorecard



61%
Total engagement



94.25%
Attendance %

Added as a key indicator of staff engagement, health and wellbeing



Improving Senior Leader representation to:
Women 34.6%
BAME 18.5%
Have a disability 6.45%
Minority faith/belief 12.2%
LGB 5.5%

- **Staff welfare** – Delivery of first eight LU staff welfare sites (December 2023)
- **Bus driver welfare** – Eight bus driver welfare facilities completed (March 2024)

Delivering on our Customer goal

Give people more reasons to choose sustainable travel



- Expanding **high speed mobile coverage** on the tube
- Increasing the **Elizabeth line** to 24 trains an hour at the busiest times
- Delivering a **step-free** scheme to the Bakerloo line at Paddington and progressing a scheme at Knightsbridge to be opened in 2024
- Increasing and improving **bus services** in outer London ahead of London-wide ULEZ
- Continuing the **Four Lines Modernisation** programme, improving capacity, frequency and reliability
- Delivering **Cycleway 50** between Finsbury Park and Holloway, to encourage cycling
- Bringing the first of 54 new state-of-the-art **DLR trains** into service, to replace the oldest trains on the DLR, increasing capacity and improved accessibility

Metrics and milestones tracked on the scorecard



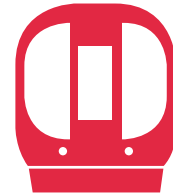
55%
of
Londoners
who agree
we care
about our
customers



**33.8
mins**
Bus
Journey
Time



**27.9
mins**
LU Journey
Time



**26.9
mins**
Rail Journey
Time
(DLR, Trams,
Overground,
Elizabeth Line)



90%
Investment
programme
milestone
delivery

- **Elizabeth line** - completion (May 2023)
- **Surrey Quays Station** – start on site (June 2023)
- **Kingston Cromwell Bus Station** – start on site (December 2023)
- **Stratford Station** – Open new South-Western entrance (March 2024)
- **Bus priority** – 10km of new bus lanes delivered (March 2024)
- **New DLR trains** - First new train enters service (March 2024)

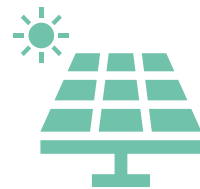
Delivering on our Green goal

Tackle the climate and ecological emergency



- Improving London's air quality by implementing **London-wide ULEZ**
- Launched a new £110m **scrapage scheme** providing financial assistance to help eligible Londoners scrap their highest polluting vehicles
- Increasing green infrastructure and biodiversity through **sustainable drainage schemes** and **wildflower verges**
- Continuing the roll out of **zero-emission buses** and **rapid charging points on TLRN**
- Progressing the procurement process for **Power Purchase Agreements**, the contract will facilitate up to 10% of electricity from new-build renewable assets
- Continue developing our **Climate Budget** and carbon reporting

Metrics and milestones tracked on the scorecard



<845 ktonnes
CO₂ emissions from
TfL operations &
buildings (CO₂e)



29 August 2023
London-wide ULEZ
delivery milestone



3,000
Colleagues
trained in carbon
literacy

- **LED lighting** – install on 50% of Bakerloo line trains (July 2023)

How this budget delivers against our financial roadmap

Grow our income and control our costs to secure our future



For London to stay vital, we need to be strong

Our financial roadmap

Our 2023 TfL Business Plan set out our strategy for rebuilding our finances, improving efficiency and helping to secure our future.



Actively grow passenger demand, while creating new sources of revenue to reduce our reliance on fares income

- Increase passenger demand to 86 per cent for Tube and rail (excluding the Elizabeth line) and 91 per cent for buses of pre-pandemic levels by 2025/26
- Grow new revenue sources of at least £500m by 2023
- Increase non-fares revenue as a proportion of total income



Create and grow an operating surplus based on our own sources of income

- Reach operating financial sustainability by 2023/24
- Grow an operating surplus from 2024/25 onwards to fund investment



Continue to deliver recurring cost savings to remain affordable for customers and taxpayers

- Continue to reduce like-for-like operating costs in real terms
- Deliver a further £600m of recurring operating cost savings by 2025/26



Fully fund our capital programme with a long-term Government settlement and an affordable level of debt

- Achieve a long-term funding settlement with Government
- Maintain an affordable level of debt based on a range of prudential indicators



Maintain cash reserves to make payments and protect against shocks

- Maintain average cash balances of 60 days operating expenses, which is around £1.2bn
- Maintain Greater London Authority Financing Facility of £500m for additional protection against shocks and risks



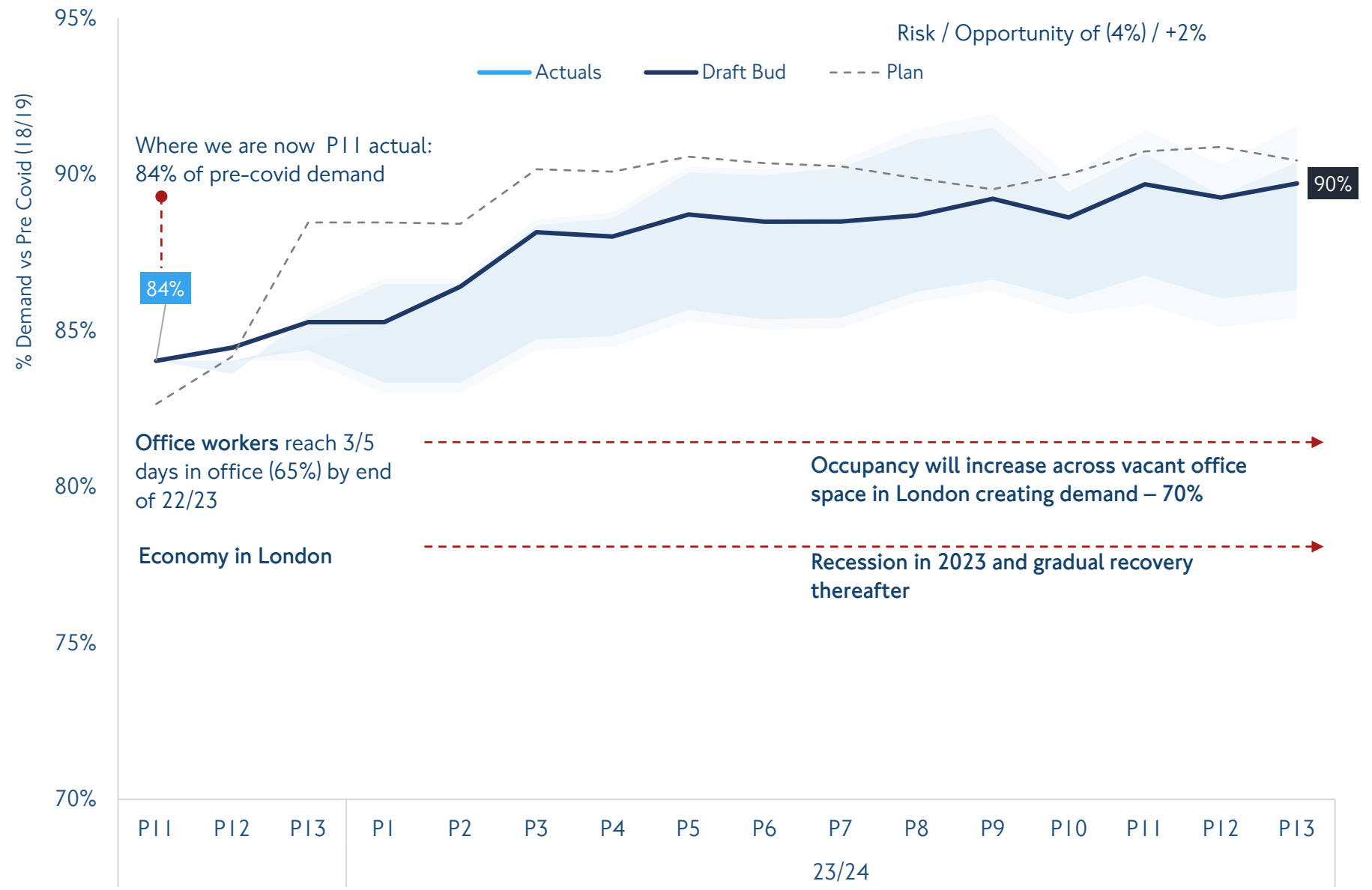
Actively grow passenger demand, while creating new revenue sources to reduce reliance on fares income

We are growing demand by 7% and remain protected from demand risk

By the end of 23/24 we expect our ridership to grow by 7% from where we are now, even though we have assumed a recession during 2023 and only a gradual recovery thereafter.

There remains a high level of uncertainty in 23/24, a range of c. £400m of risk and c. £150m of opportunity in 23/24. However, this risk and opportunity is held by Government under the funding settlement.

Passenger demand as percentage of pre-Covid (18/19)



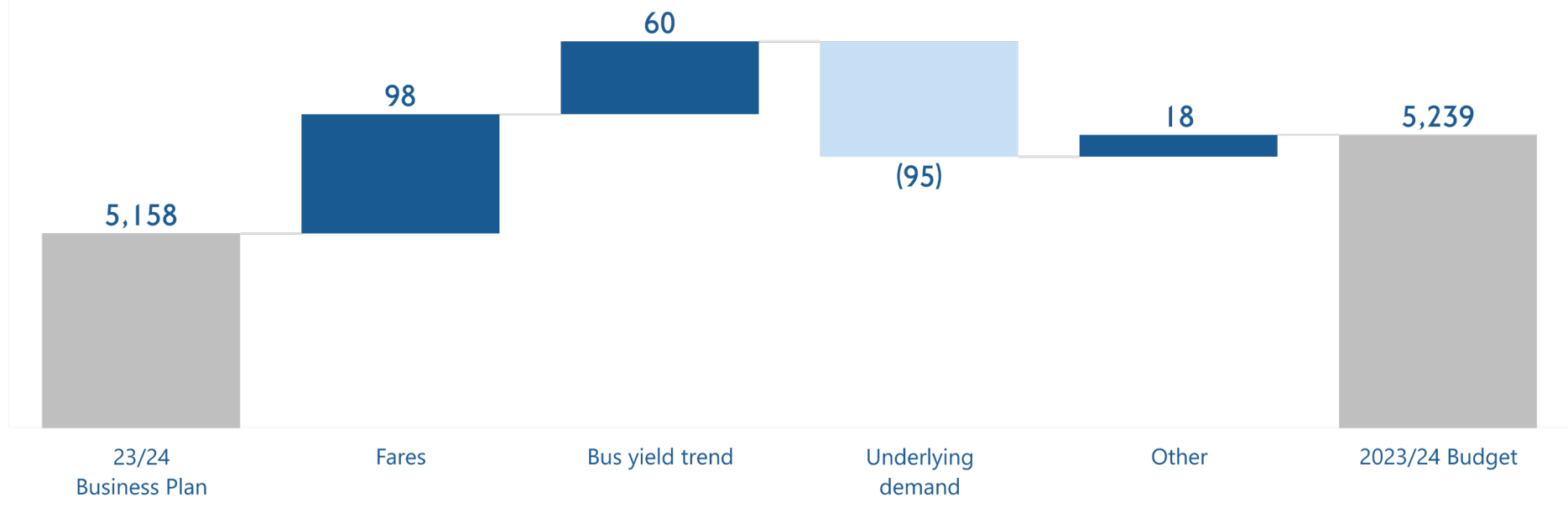
Note: on a 18/19 pre-pandemic basis we are expecting 6% pts growth, but on a underlying year on year basis this is 7% growth



Actively grow passenger demand, while creating new revenue sources to reduce reliance on fares income

Since the Plan, underlying demand has weakened but this has been offset by yield

Passenger income forecast: 2023/24 Budget compared to 2023 Business Plan (FY 2023/24)



- **Fares** – on 5 March 2023, fares increased by 5.9% in line with National Rail fares. The Mayor matched this increase to ensure that it did not affect TfL’s funding under the August 2022 funding settlement. This is compared to the 4% planning assumption in the Business Plan aligned to the funding settlement at that time.
- **Bus yield** – Bus yield has been brought in line with recent higher actuals
- **Underlying demand** – balance after known changes have been taken into account. Economic inputs have deteriorated since August 2022 offset by removing our winter suppression assumption.
- **Other** – small movement in centrally held items.



Actively grow passenger demand, while creating new revenue sources to reduce reliance on fares income

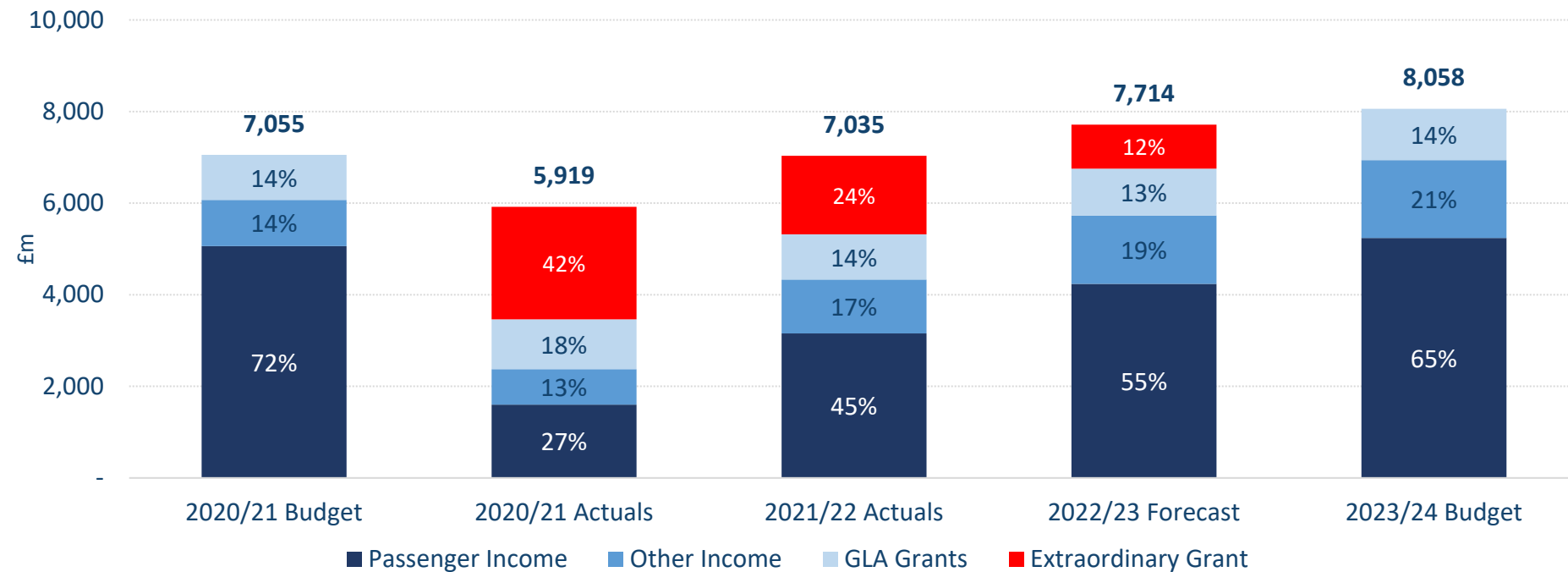
We are growing total income, while becoming less reliant on fares

Since setting the budget for 2020/21, just prior to the pandemic, we have:

- grown total income by 14% (£1.0bn)
- while reducing passenger income as a percentage of total income from 72% to 65%

However, this is still £1.0bn lower than expected by 2023/24 in our 2019 Business Plan set just prior to the pandemic.

Total income £m, on a like-for-like basis (2020/21 budget base)



How we are increasing other income sources outside of passenger income:

1. **Council Tax** - increase the share of GLA council tax allocated to TfL in 2022/23 and 2023/24 by £20 generating approx. £125m of additional funding for transport, in-line with the Government funding condition to raise £500m pa of new revenue.
2. **Other sources:** review of opportunities to increase commercial income, joined up approach to funding sources (such as Section 106, Borough CIL etc), as well as delivery of TTLP dividend.

Other impacts:

In order to help improve air quality, tackle climate change, and reduce traffic congestion, in October 2021 the Mayor expanded the ULEZ zone to the North and South Circular and announced on 25 November 2022 that the ULEZ will apply London-wide from 29 August this year to encourage Londoners and those who drive within London to shift to cleaner vehicles, public transport and sustainable active travel, such as walking and cycling. The net proceeds from ULEZ are applied to implement the Mayor's Transport Strategy.



Continue to deliver recurring cost savings to remain affordable

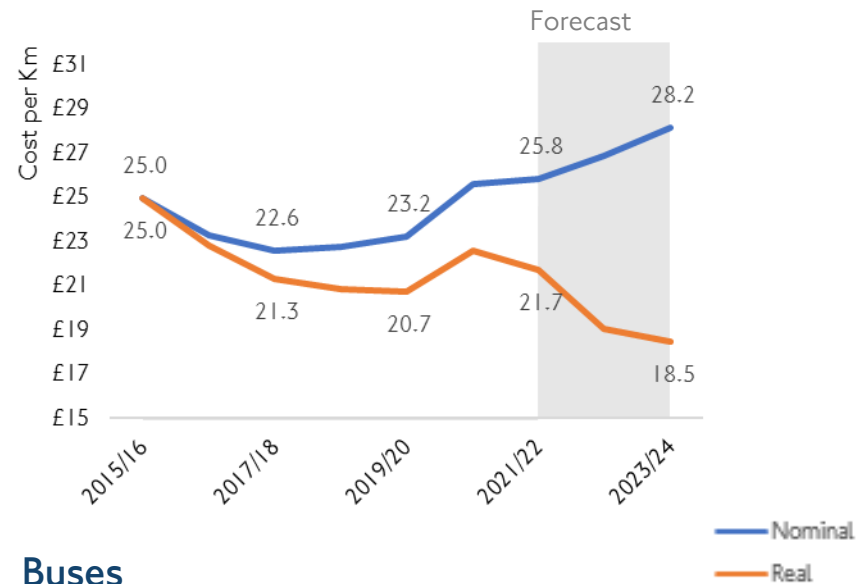
We are continuing to deliver recurring cost savings

Notwithstanding the cost pressures and inflation faced by TfL, in real terms (at 2015/16 prices), the per-km cost of all modes has been kept either flat or lower compared to a 2015/16 baseline, with costs expected to fall in real terms out to FY 2023/24.

Note: RPI assumption in line with those used in the TfL Budget

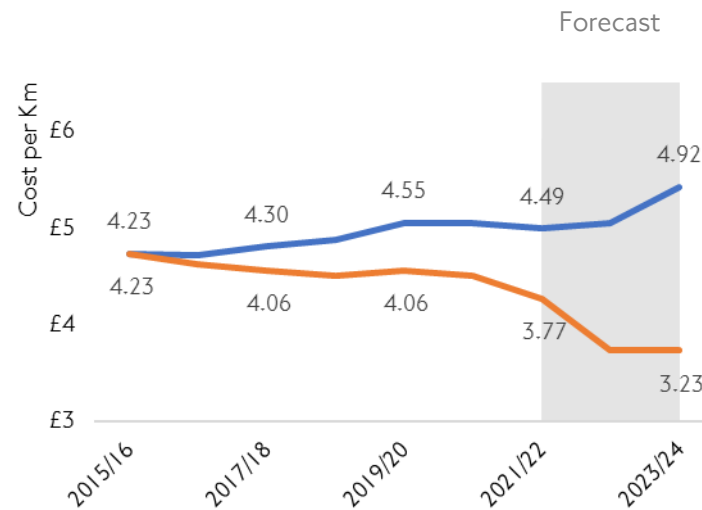
London Underground

Costs decrease in real terms when factoring in RPI



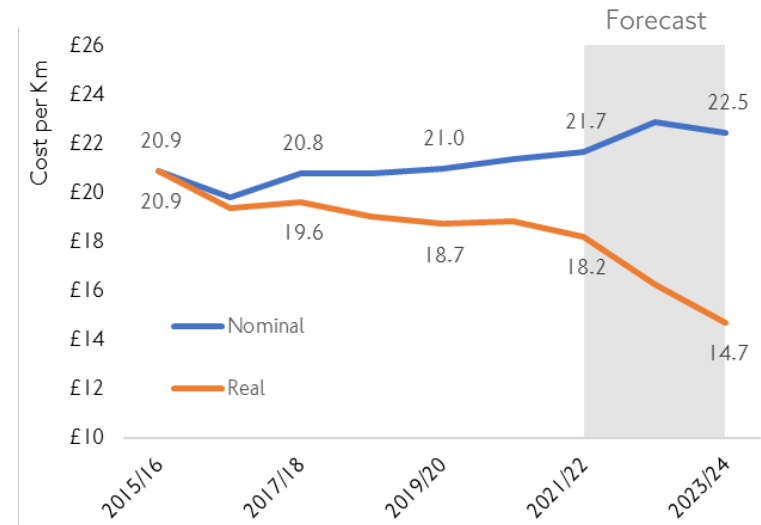
Buses

Costs decrease in real terms when factoring in RPI



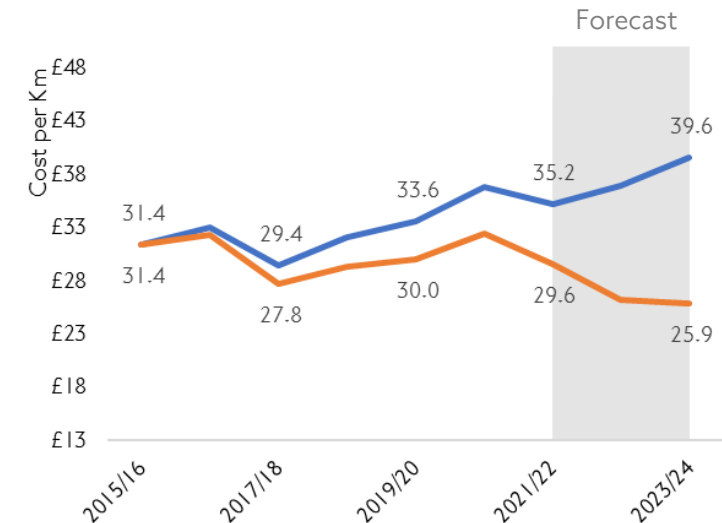
DLR

Costs decrease in real terms when factoring in RPI



London Overground

Costs decrease in real terms when factoring in RPI



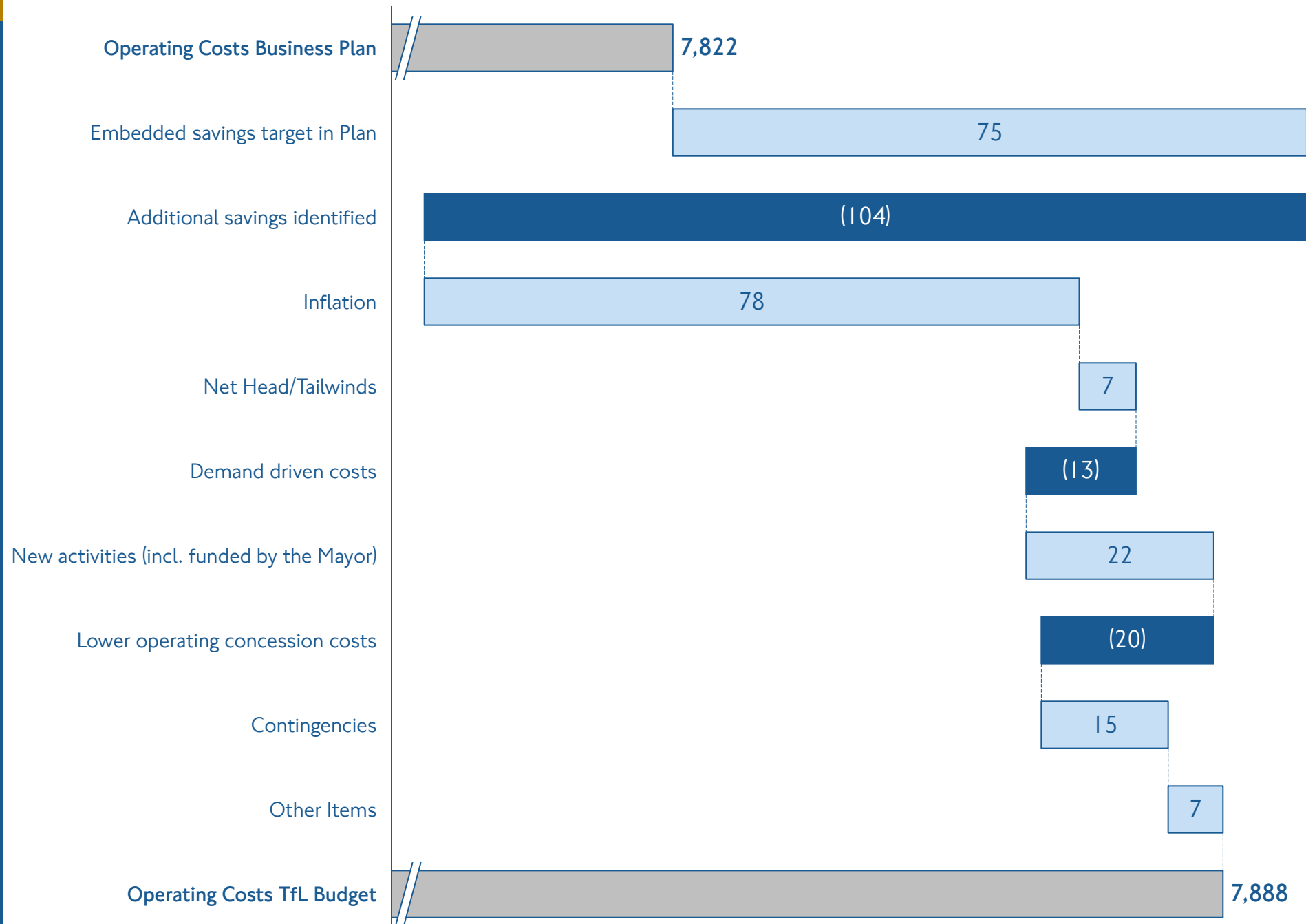


Since the Plan, we've had to find further savings

The 2023 Business Plan had an embedded savings target of £75m. In the 2023/24 Budget we have had to identify savings to meet this target, and then go further to offset the impacts of rising inflation.

Based on our strong financial performance in 2022/23, we have challenged all elements of the budget to be more stretching and remove any inbuilt caution to our budget. To offset this, we have increased our central contingency slightly to ensure the budget remains balanced, which can be accessed by cost centre managers if risks crystallise.

Operating costs (£m) – 2023 Business plan to 2023/24 Budget (FY 2023/24)



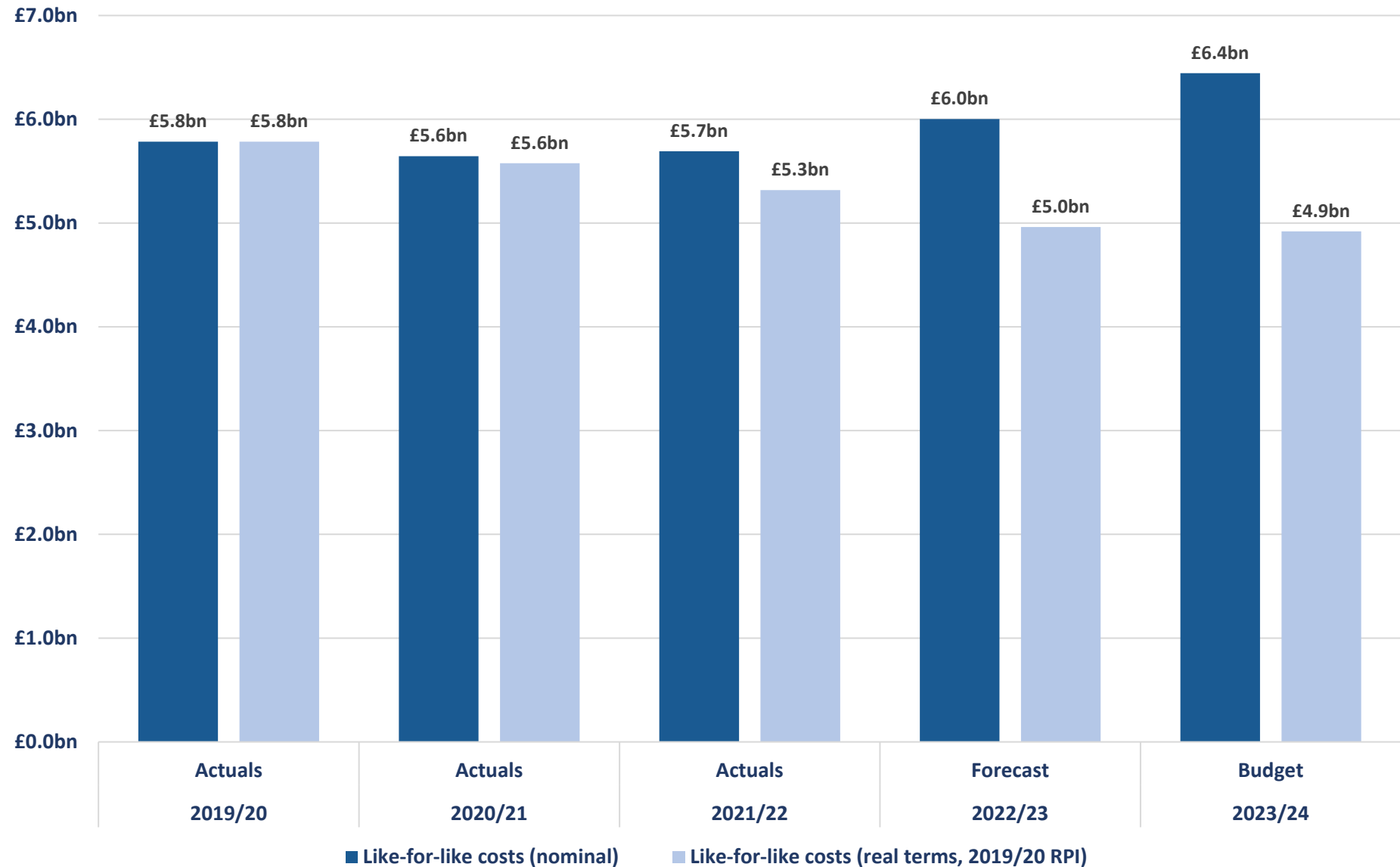


Continue to deliver recurring cost savings to remain affordable

We have continued to reduce real-terms costs on a like-for-like basis

In the short term, our like-for-like costs will rise as we are not able to fully offset the impact of high inflation. However, with our savings programme, we expect like-for-like costs in real terms to fall by around £900m compared to before the pandemic in 2019/20.

Core Operating costs (£m) – like for like (20 19/20 baseline)





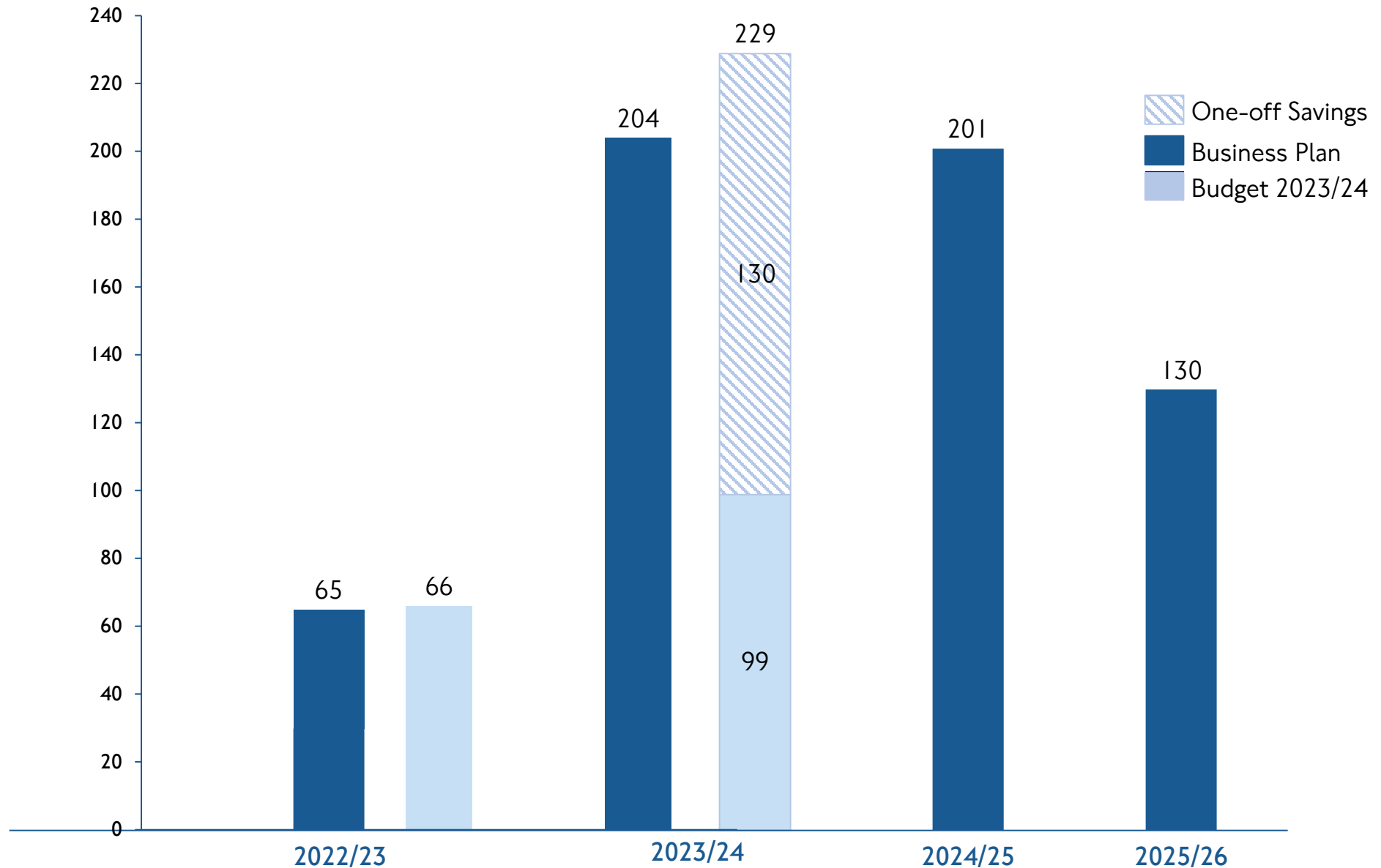
Continue to deliver recurring cost savings to remain affordable

We are continuing delivery of our additional £600m recurring savings

Our 2023 Business Plan sets out £600m of recurring savings to be made by the end of 2025/26.

For 2023/24 we continue to refine our plans to turn identified one-off savings into recurring savings.

Year on year incremental savings – actual and planned (£m)





Income statement (£m)

	2023/24 Budget		Variance to Plan		Variance YoY	
	2022/23 Forecast	2023/24 Budget	2022/23 Forecast	2023/24 Plan	2022/23 vs 2021/22	2023/24 vs 2022/23
Passenger income	4,398	5,239	(25)	81	903	841
Other operating income	1,492	1,699	18	31	314	207
Business Rates Retention	1,819	1,913	-	46	(25)	94
DfT base funding	798	-	50	-	(607)	(798)
Council tax precept	114	178	-	1	62	64
Other revenue grants	44	100	(1)	3	1	56
Revenue	8,665	9,129	42	162	700	464
Operating costs	(7,028)	(7,888)	81	(66)	(566)	(860)
Operating surplus before interest and renewals	1,637	1,241	123	96	134	(396)
Capital renewals	(615)	(745)	21	(20)	(64)	(130)
Operating surplus before interest	1,022	496	144	76	70	(526)
Net interest cost	(425)	(417)	(8)	(2)	14	8
Operating surplus	597	79	136	74	84	(518)
<i>Operating (deficit) / surplus (excluding DfT base funding)</i>	<i>(201)</i>	<i>79</i>	<i>86</i>	<i>74</i>	<i>691</i>	<i>280</i>

We are creating an operating surplus to fund investment

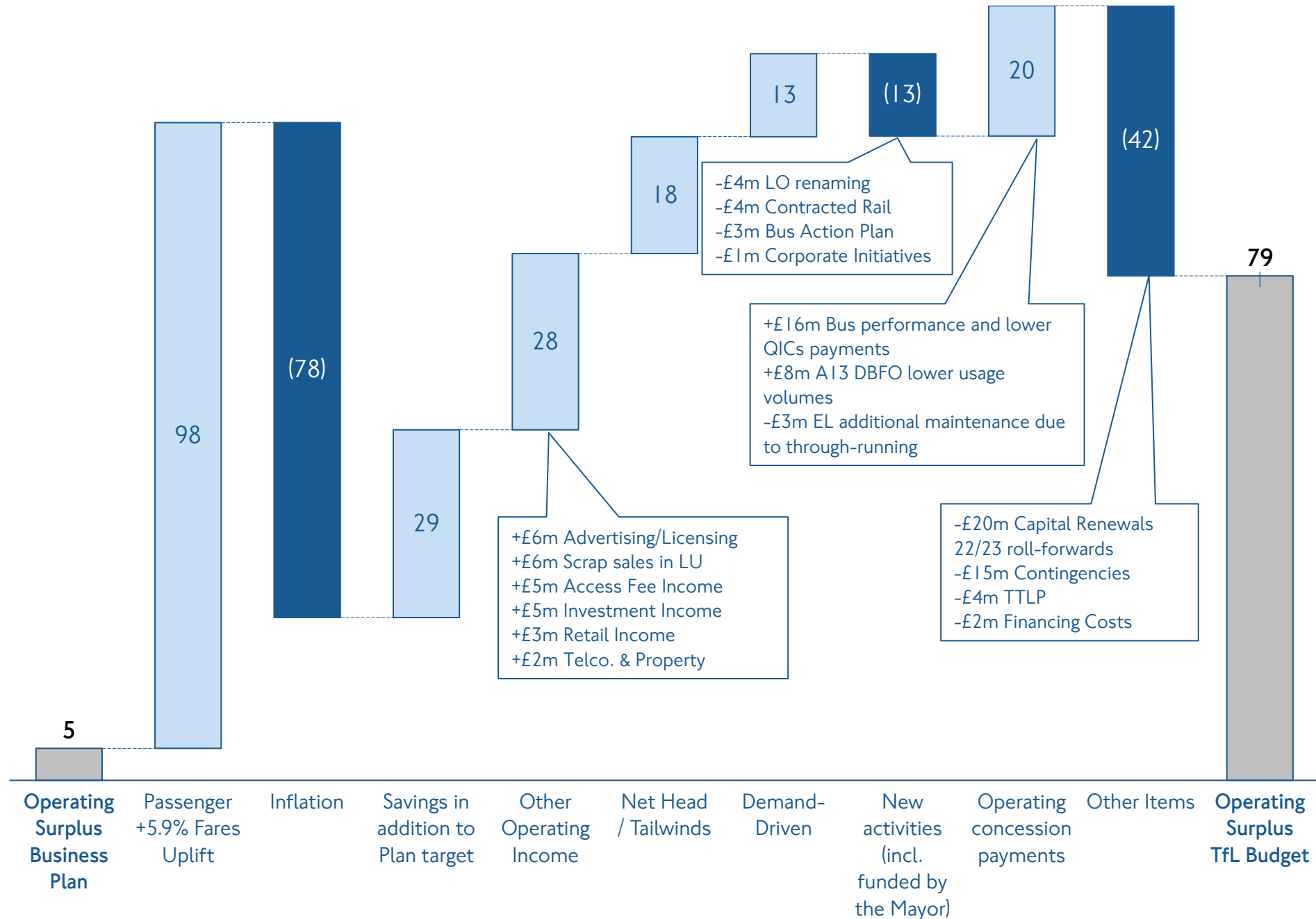
In 2023/24, we will deliver an operating surplus even with all DfT base funding applied to capital investment.

The level of actual passenger demand will determine whether DfT revenue top-up is required to deliver the operating surplus.



Operating surplus: 2023/24 Budget compared to 2023 Business Plan (FY 2023/24)

Since the Plan, we have improved the operating surplus





Capital expenditure (£m)

	Budget		2023 Business Plan		Variance	
	2022/23 Forecast	2023/24 Budget	2022/23 Budget	2023/24 Plan	2022/23 Variance	2023/24 Variance
Major rolling stock and signalling replacement	469	750	465	776	(4)	26
Safe and active travel	75	113	77	108	2	(5)
New homes and growth (excluding TTLP)	15	42	15	71	-	29
Technology	63	102	75	108	12	6
Air quality, environment and decarbonisation	54	112	68	143	14	31
Service performance and safety	50	21	47	42	(3)	21
Other	352	62	85	44	(267)	(18)
Total enhancements	1,079	1,202	832	1,292	(247)	90
Crossrail	198	80	247	48	49	(32)
Renewals	615	745	635	725	20	(20)
Total capital expenditure	1,892	2,026	1,714	2,065	(178)	39

Key movements:

- **Major rolling stock and signalling replacement:** steps up in 2023/24 due to higher run rates on the Piccadilly line train replacement and DLR rolling stock projects. The 2023/24 Budget is slightly lower than the Business Plan due to the latest phasing of these two projects.
- **New homes and growth:** steps up in 2023/24 due to increased run rate on the HIF funded East London Line upgrade. Phase 2 of this project has been deferred in the Budget from the Business Plan awaiting confirmation of HIF funding.
- **Air quality:** increase in 23/24 as the ULEZ scheme is delivered, as well as progress on Tunnel Charging schemes. The decrease in the Budget against the Business Plan is a mixture of savings and the latest phasing of activity.
- **Other:** 22/23 includes the purchase of the London Overground class 378 rolling stock (£281m), which will reduce cost and risk compared to the current leasing arrangements.
- **Renewals:** £20m of the programme has been rephased from 2022/23 to 2023/24, as the renewals budget was increased mid-year due to the Funding Settlement. We will need agreement from DfT to roll forward this funding.





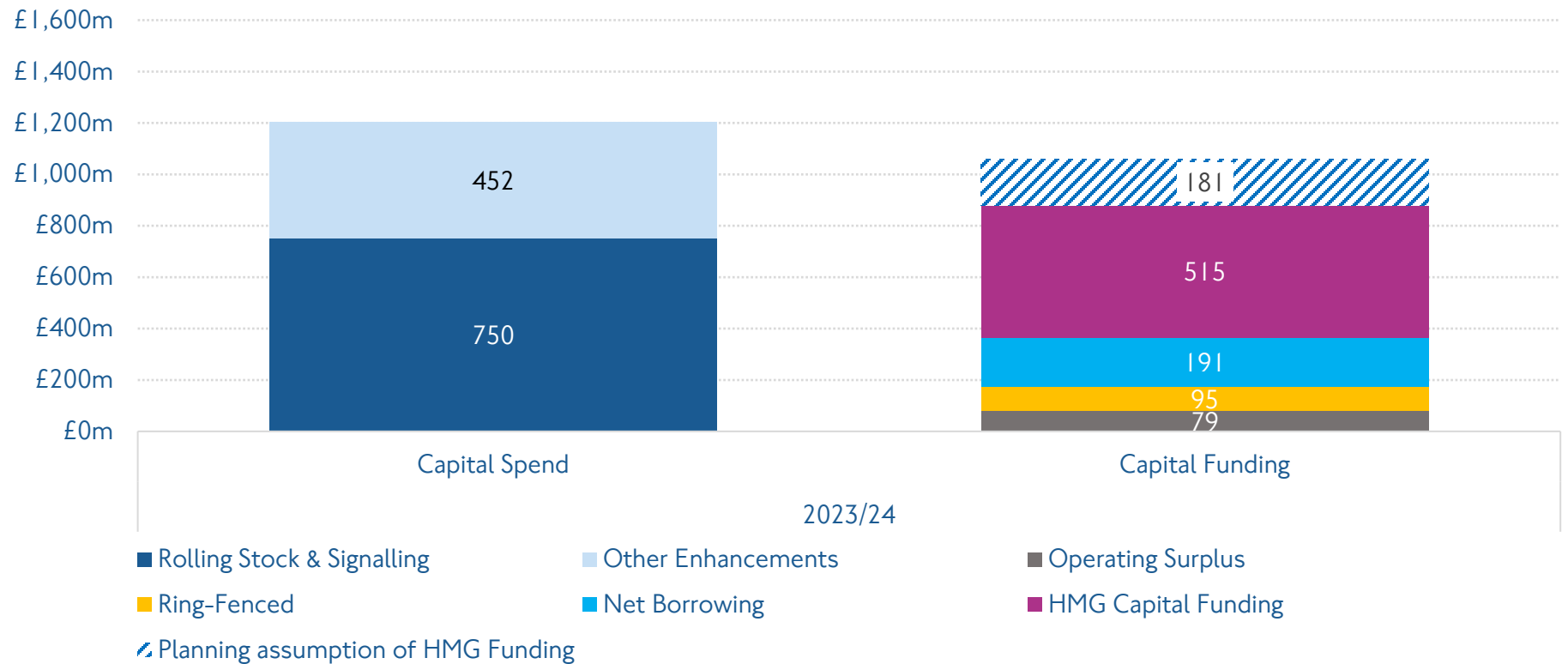
Government funding is still not fully confirmed for 2023/24

Our Business Plan assumed our 2023/24 funding would be adjusted in full for increased inflation.

As we become operationally financially sustainable, all DfT base funding is allocated to fund capital investment.

Therefore, the additional inflation funding appears in our capital account. This is because it is replacing the larger operating surplus that would have existed if inflation had been lower.

Capital expenditure funding analysis – 2023/24 (£m)



The level of DfT funding in 2023/24 remains uncertain as the review of our £279m inflation claim is still ongoing. The DfT have confirmed we can retain the benefit of the Mayor’s decision to match national rail fare increases, which we estimate at £98m. The Budget assumes that this is netted off our inflation claim of £279m to leave an assumption of £181m of inflation funding.

In addition, we will need DfT agreement to ‘rollover’ £20m of funding for renewals from 2022/23 to 2023/24. The renewals budget in 2022/23 was increased from £600m to £635m mid-year as part of the Funding Settlement, and it was not possible to increase delivery to this extent in the remainder of the year.

Note: differences between capital spend and funding in any given year are balanced through working capital given the timing of cash with multi-year projects.



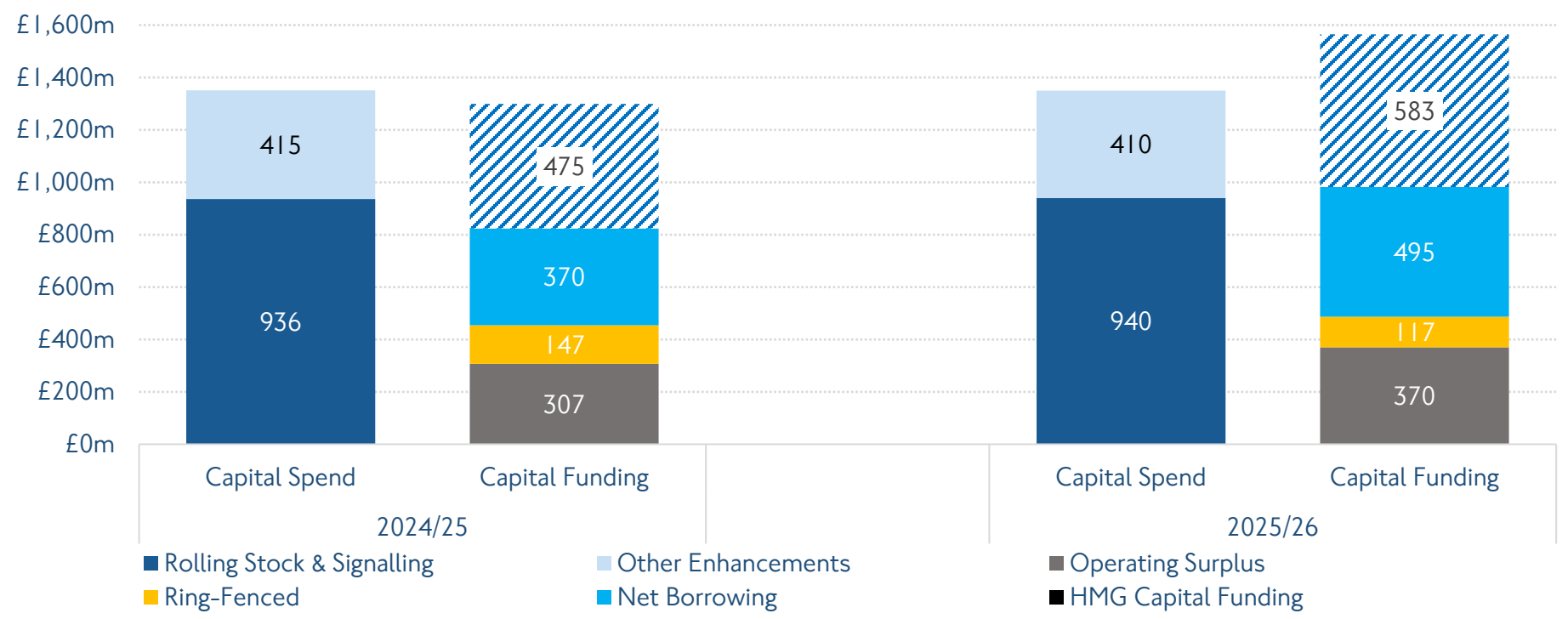
Longer-term capital funding is also required

Our Business Plan set out a requirement for ongoing capital funding from Government in the order of £500-600m p.a. for major asset replacement projects.

Given the long-term nature of these programmes, long-term funding certainty is required.

Note: differences between capital spend and funding in any given year are balanced through working capital given the timing of cash with multi-year projects.

Capital expenditure funding analysis – 2024/25 and 2025/26 (£m)



Preliminary discussions on longer-term funding have commenced, but no mechanism is in place to provide funding for 2024/25, even though HMG has recognised we are not able to fund major projects and renewals from our own sources of income.

This is priority issue to be resolved within this Budget year, ahead of publishing our next Business Plan in December 2023. Without this funding, we would seek need to significantly reprioritise our existing plan. Flexibility in 2024/25 is limited, especially within rolling stock and signalling investment where the vast majority of expenditure is contractually committed through the Piccadilly line and DLR fleet replacements. This reprioritisation would impact 2023/24, as we would need to slow or defer programmes ahead of the 2024/25 financial year commencing.

The upcoming Financial Sustainability Group – chaired by a Minister of State and a condition on the funding agreement – provides a useful forum for this issue to be raised. It is noted that Government have been able to provide eight regions outside of London with long-term transport investment settlements through the Budget. These Cities Region Sustainable Transport Settlements (CRSTS) extend to 2031-32.

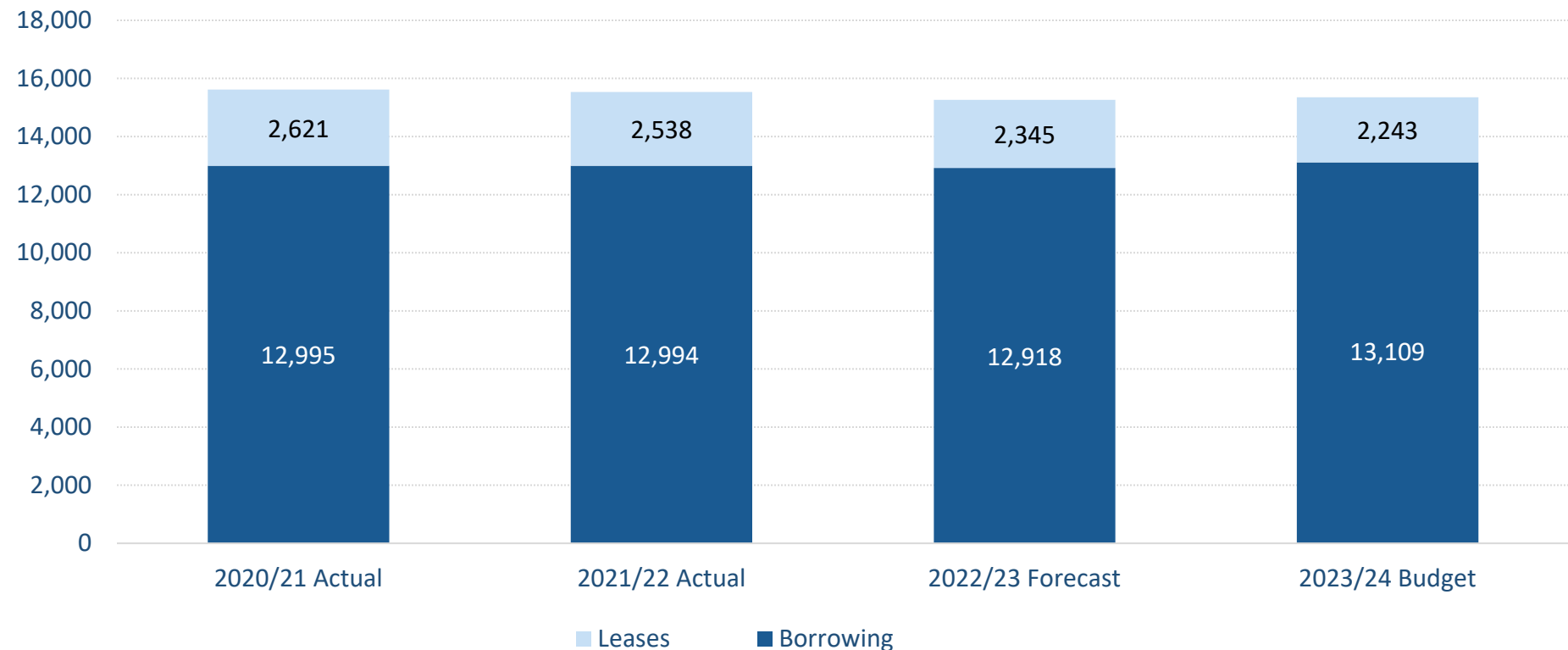


Maintaining an affordable level of debt

Debt: movements (£m)

£m	2020/21	2021/22	2022/23	2023/24
Net borrowing	1,275	(1)	(76)	191
Net movement in outstanding leases	78	(83)	(193)	(102)
Total change in debt balance	1,353	(84)	(269)	89

Actual/Forecast Closing Debt Balances (£m)



Our debt balance reduced in 2022/23, following the repurchase of £715m of our bonds. This was financed with £669m of new loans, reducing our debt levels without any material impact on interest costs.

In March 2023 we are also planning to terminate the lease for our 378 Overground rolling stock and purchase these trains. This decreases the outstanding lease liability and reduces overall costs.

Our debt balances are expected to increase by £191m in 2023/24. This will be largely driven by a £160m loan from the GLA to fund the London-wide ULEZ expansion and the financing for the 378 rolling stock transaction.





Maintain cash reserves to make payments and protect against shocks

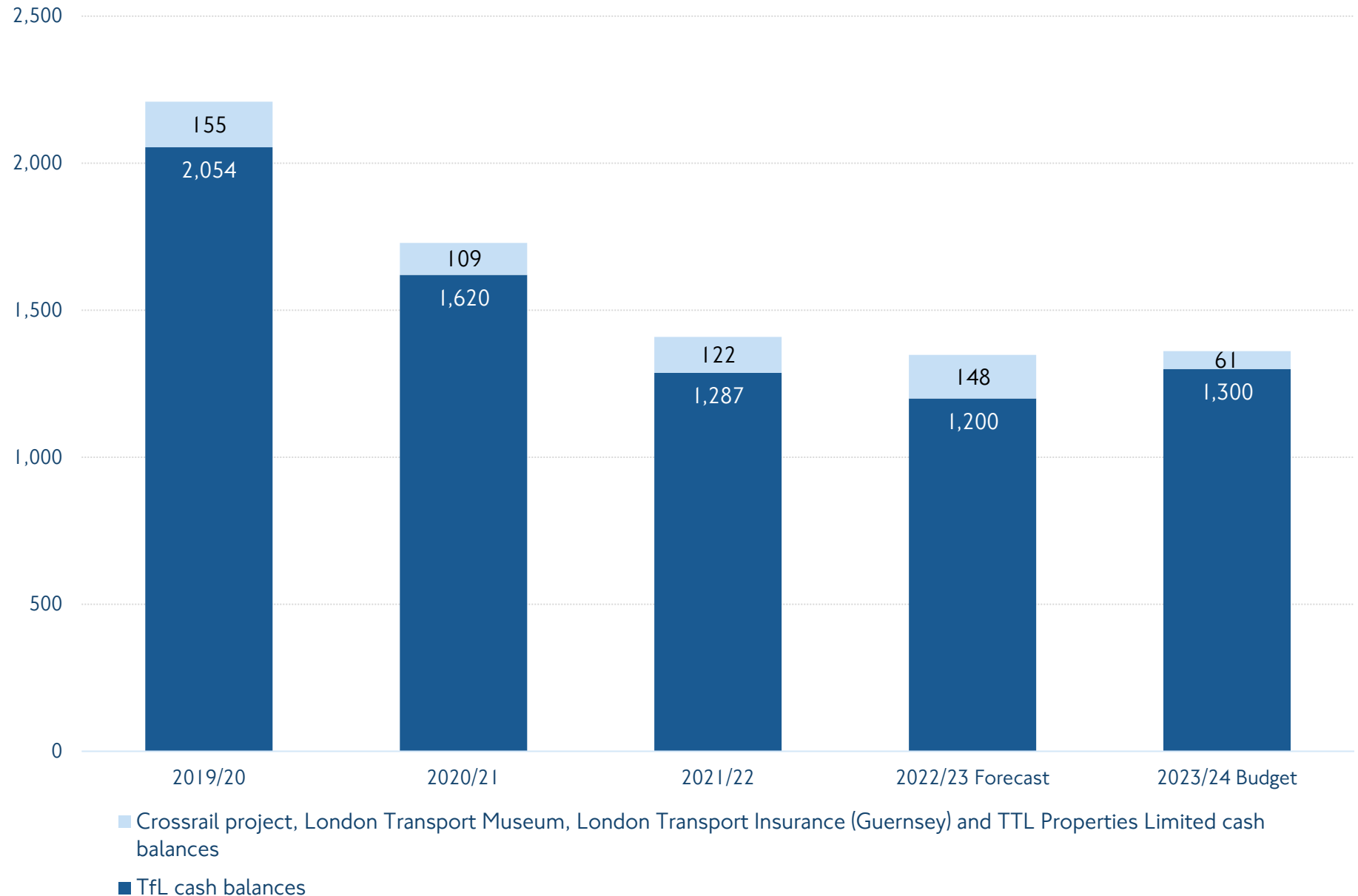
We are rebuilding our cash reserves

Prior to the pandemic we had built up our cash reserves to over £2bn, but these have been drawn-down to manage the demand shock we have faced.

As per the August 2022 funding settlement, we continue to manage cash at around £1.2bn throughout the period of the agreement but expect to end 2023/24 at £1.3bn which is the maximum permitted under the funding settlement.

We maintain other sources of liquidity including an overdraft facility and the £500m GLA financing facility to absorb any shocks and withstand strategic, safety and operational risks

Cash balances (£m)





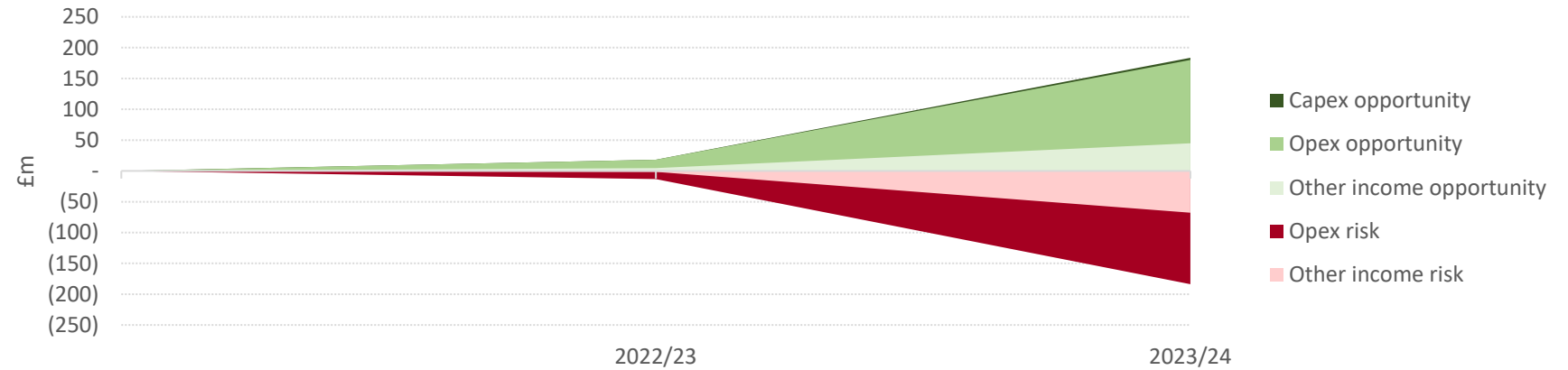
Except the HMG funding risk, our other risks and opportunities are balanced

There are significant external risks and headwinds as we head into next year, namely economic uncertainty, inflationary pressures and achieving the savings targets.

We are confident we can manage this through a mixture of management action, contingencies and other tailwinds. However, this analysis excludes the risk of not receiving the inflation funding from Government of around £181m and risks into 24/25.

Probability weighted risks and opportunities for the remainder of 2022/23 and 2023/24

Risks of almost (£200m) broadly offset by opportunities of £200m



Key risks in 23/24:

1. Other income – there is a range of uncertainty around compliance levels for London-wide ULEZ as well as underlying Congestion Charge volumes and payment rates.
2. Savings – there remains some risks to achieving our challenging savings targets this year but we are committed to delivering our programme of change.

Key opportunities in 23/24:

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.

Trajectory into 2024/25:

1. The Funding Settlement provides revenue protection in 2023/24, but the trajectory of passenger demand is key to ensuring we can operate without this protection from April 2024. To do this, we are putting plans in place to stimulate further revenue growth but risks remain.
2. Our ability to continue to deliver capital investment is also dependent on the DfT agreeing long-term capital funding for 2024/25 onwards.

Section 4
Appendices



Investment programme milestones (1/2)

	PIC Portfolio	Project Name	Milestone Description	Target month
1	CRL	Crossrail	All Crossrail activities completed or transitioned to a TfL owner	May 2023
2	Public Transport	ELLE Surrey Quays Station	Start on Site	June 2023
3	Network Extensions	Silvertown Tunnel	TfL submits details to the Secretary of State for approval of wider highway improvements that support the Traffic, Environmental and Socio-Economic objectives of the Silvertown Tunnel	June 2023
4	LU Train System Renewals	Bakerloo line fleet - RVAR	Reduce annual carbon emissions by 70 tonnes by installing energy-saving LED customer lighting on 50% of Bakerloo Line trains.	July 2023
5	Healthy Streets	Old Street Roundabout Removal	Old Street Roundabout Removal - Completion of Construction for Highway Works	July 2023
6	LU Infrastructure Renewals	Escalator Replacement Programme	Complete renewal of four LU escalators	August 2023
7	Air Quality & Environment	Direct Vision Standards Phase 2	Direct Vision Standards Phase 2 - Completion of Public Consultation	August 2023
8	Air Quality & Environment	ULEZ	Launch of London-wide ULEZ	August 2023
9	Line Upgrades	4 Lines Modernisation	Deliver into Service Neasden Heavy Maintenance Facility Long Shed	September 2023
10	Public Transport	Plain Line Rail Renewals Programme (21/24)	Replacing ballast and track between West Ham and Star Lane	September 2023
11	Network Extensions	Silvertown Tunnel	Silvertown Tunnel Boring Machine completes tunnelling	September 2023
12	Line Upgrades	Piccadilly Line Upgrade	New Piccadilly Line train delivered to the manufacturers test track.	October 2023
13	LU Technology	Connect	Complete installation of next generation replacement Connect radio base stations at all LU locations, improving reliability	November 2023
14	Assets	Kingston Cromwell Road	Kingston Cromwell Road Bus Station - Start of Construction on Site	December 2023



Investment programme milestones (2/2)

	PIC Portfolio	Project Name	Milestone Description	Target month
15	LU Infrastructure Renewals	Staff Welfare	Delivery of first eight LU staff welfare sites	December 2023
16	Line Upgrades	Piccadilly Line Upgrade	First stationary commissioning test complete on a new Piccadilly Line train	December 2023
17	Line Upgrades	DLR Signalling (SIG)	Signalling Complete to allow Trial Running for new DLR trains.	January 2024
18	T&D	TCP (Telecoms Commercialisation Project) - Emergency Services Network	Increase the current mobile phone coverage on the London Underground to cover a total of 100 locations being made up of stations and tunnel roads	February 2024
19	LU Train System Renewals	96TS JHOPL	Completion of the renewal of key components on 50% of the Jubilee line trains	March 2024
20	LU Enhancements	Stratford South-Western Entrance	Open new south-western entrance to Stratford station	March 2024
21	Assets	Restraint Barriers	Assets Capital Renewal - Vehicle Restraint System 5,500 Mts completed FY 2023/24	March 2024
22	Assets	Assets Capital Programme	Assets Capital Renewal - Surface Transport Stations & Stands - 8 Bus drivers welfare facilities completed in 2023/24	March 2024
23	Healthy Streets	Bus Priority	10km of new bus lane delivered by March 2024	March 2024
24	Healthy Streets	Lowering Speed Limits	Lowering the speed limit by 10mph on 77km of the network	March 2024
25	Line Upgrades	DLR Rolling Stock (RS)	First New DLR Train Enters Passenger Service	March 2024
26	Line Upgrades	DLR Southern Sidings	Bring into Use Beckton Depot Southern Sidings which will allow introduction of new DLR trains	March 2024
27	LU Train System Renewals	DTR/BTR	Deliver 3.5km of new LU track, improving reliability and reducing noise	March 2024
28	Surface Technology	Deployable Enforcement Cameras - Phase 2 (DEC2)	Making London safer by installing automatic traffic contravention detection DEC cameras at a further 265 sites in London by 31 March 2024	March 2024

Cash flow statement

£m	2023/24 Budget		Variance to Plan		Variance YoY	
	2022/23 Forecast	2023/24 Budget	2022/23 Forecast	2023/24 Plan	2022/23 vs 2021/22	2023/24 vs 2022/23
Net cash generated by operating activities	1,637	1,241	123	96	134	(396)
Less TTLP, LTIG and LTM	(42)	(21)	(1)	4	(20)	21
Net cash generated by TfL operating activities	1,595	1,220	122	100	114	(375)
Cash flows from investing activities						
Capital renewals	(615)	(745)	21	(20)	(64)	(130)
New capital investment	(1,078)	(1,200)	(248)	90	(260)	(122)
Ring-fenced capital funding	297	791	177	(212)	50	494
Working capital movements*	168	259	(72)	(92)	421	91
Net cash utilised by investing activities	(1,228)	(895)	(123)	(234)	347	333
Free cash flow	367	325	-	(134)	261	(42)
Cash flows from financing activities						
Net interest paid	(424)	(417)	(7)	(2)	15	7
Debt repayment	(35)	(35)	-	-	(35)	-
New TfL borrowing	5	227	(30)	67	5	222
Net cash generated from financing activities	(454)	(225)	(37)	65	(15)	229
Net (decrease)/increase in cash	(87)	100	(37)	(69)	246	188
<i>TfL cash balances</i>	<i>1,200</i>	<i>1,300</i>	<i>(36)</i>	<i>(103)</i>	<i>(87)</i>	<i>100</i>



Passenger income variables and scenarios

Passenger demand growth by mode

	22/23		23/24		Growth	
	Journeys	% Pre covid (18/19)	Journeys	% Pre covid (18/19)	YoY	Normalised*
LU	1,061	77%	1,130	82%	7%	2%
Buses	1,772	80%	1,910	86%	8%	7%
LO	158	84%	175	92%	10%	1%
EL	137	195%	222	315%	62%	41%
DLR	91	75%	92	76%	1%	(2%)
Trams	21	72%	23	80%	10%	7%
Total	3,241	81%	3,552	90%	10%	7%

*PII YoY with industrial action stripped out

A THE PATH TO "NEW NORMAL"

Range in Office Work Profile / Peak Service Usage

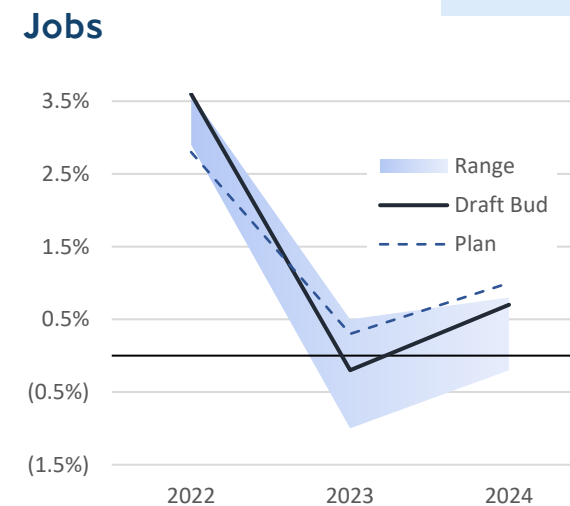
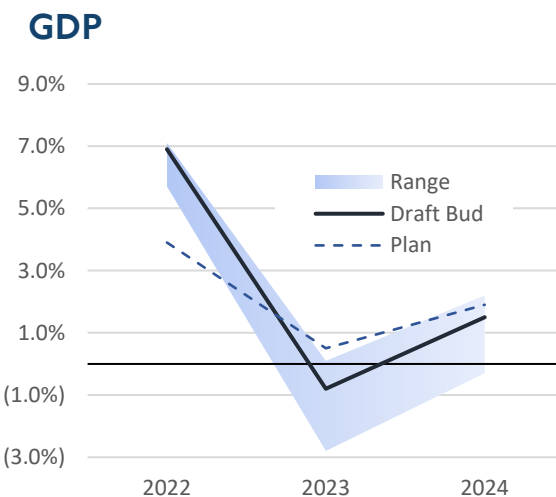
	Now	end of 23/24
1	≈ 65%	75%
2	≈ 65%	75%
3	≈ 65%	70%
4	≈ 65%	65%
5	≈ 65%	65%

Recovery in commuting / peak demand, separate from economic factors.

Growth here in the short to medium term will come from increasing occupancy rates on vacant office space in London, attracting a greater number of peak service journeys.

B LONDON'S ECONOMY

Based on the GLAs economic forecast Dec '22



Mayor's budget comparison

Mayor's Final Consolidated Budget as approved without amendment by the London Assembly on 23 February 2023.

The Budget document can be found here:

<https://www.london.gov.uk/media/100391/download>

Please refer to page 76 for the TfL Objective Analysis table.

	2023/24 Budget		Final Mayor's Budget		Variance	
	2022/23 Forecast	2023/24 Budget	2022/23 Forecast	2023/24 Budget	2022/23 Variance	2023/24 Variance
Passenger income	4,398	5,239	4,306	5,239	92	-
CC, LEZ, & ULEZ income	874	1,017	859	1,028	15	(11)
Other operating income	583	651	579	609	4	42
Third-party contributions	35	32	36	31	(1)	1
Subtotal income	5,890	6,939	5,780	6,907	110	32
<i>Operating costs</i>						
London Underground	(2,085)	(2,172)	(2,109)	(2,215)	24	43
Bus, Roads, Compliance & Policing	(2,490)	(2,695)	(2,529)	(2,723)	39	28
Contracted Rail & Sponsored Services	(558)	(576)	(579)	(607)	22	31
Elizabeth line	(476)	(538)	(491)	(549)	14	11
CC, LEZ, & ULEZ costs	(436)	(519)	(420)	(535)	(16)	16
Other operations	(982)	(1,387)	(986)	(1,212)	4	(175)
Subtotal operating costs	(7,028)	(7,888)	(7,115)	(7,843)	87	(45)
Net operating income and expenditure	(1,138)	(949)	(1,335)	(936)	197	(13)
<i>Other</i>						
Debt servicing	(425)	(417)	(418)	(415)	(7)	(2)
Revenue resources used to support capital	(1,255)	(880)	(1,126)	(690)	(127)	(191)
Net service income and expenditure	(2,818)	(2,246)	(2,879)	(2,040)	61	(206)
Transfer (to)/from reserves	30	53	25	(156)	5	209
Financing requirement	(2,788)	(2,193)	(2,854)	(2,196)	66	3
Specific grants	17	5	18	8	(1)	(3)
GLA funding from transport reserve	96	92	96	92	-	-
Retained business rates	1,897	1,991	1,897	1,991	-	-
22-23 General services grant	5	5	5	5	-	-
Collection fund deficit	(78)	(78)	(78)	(78)	-	-
HM Government revenue support	798	-	865	-	(66)	-
Council tax requirement	53	178	53	178	-	-



Divisional income statements

These divisional income statements show the performance of each 'Division' that we use in our Quarterly Performance Reporting.

These income statements show the 'net contribution' each division makes towards its share of indirect costs, financing cost and renewals.

A negative contribution means a division is utilising centrally received income, such as retained business rates and council tax to cover its operating costs.

Our Quarterly Performance Reporting will allocate the indirect costs, financing costs and renewals to each division to provide a complete view of the financial performance of each division.

London Underground

	2023/24 Budget		Variance to Plan		Variance YoY	
	2022/23 Forecast	2023/24 Budget	2022/23 Forecast	2023/24 Plan	2022/23 vs 2021/22	2023/24 vs 2022/23
Passenger income	2,216	2,531	(8)	21	692	316
Other operating income	29	25	4	7	8	(4)
Revenue	2,245	2,557	(4)	29	700	312
Operating costs	(2,088)	(2,172)	26	47	(121)	(84)
Net contribution	157	385	23	76	579	228

Buses, Streets & Other Operations

	2023/24 Budget		Variance to Plan		Variance YoY	
	2022/23 Forecast	2023/24 Budget	2022/23 Forecast	2023/24 Plan	2022/23 vs 2021/22	2023/24 vs 2022/23
Passenger income	1,374	1,513	29	39	246	139
Other operating income	1,051	1,275	10	7	211	224
Revenue	2,425	2,788	39	46	457	363
Operating costs	(3,066)	(3,448)	31	3	(207)	(382)
Net contribution	(641)	(659)	70	48	250	(19)

Divisional income statements

Elizabeth line

	2023/24 Budget		Variance to Plan		Variance YoY	
	2022/23 Forecast	2023/24 Budget	2022/23 Forecast	2023/24 Plan	2022/23 vs 2021/22	2023/24 vs 2022/23
Passenger income	306	534	21	(4)	213	229
Other operating income	11	10	(5)	(3)	(1)	(1)
Revenue	317	544	16	(7)	212	227
Operating costs	(476)	(538)	14	11	(70)	(62)
Net contribution	(160)	6	30	5	143	166

Rail

	2023/24 Budget		Variance to Plan		Variance YoY	
	2022/23 Forecast	2023/24 Budget	2022/23 Forecast	2023/24 Plan	2022/23 vs 2021/22	2023/24 vs 2022/23
Passenger income	359	404	-	9	68	45
Other operating income	26	14	11	7	13	(12)
Revenue	385	418	11	16	81	33
Operating costs	(523)	(540)	23	35	(48)	(16)
Net contribution	(138)	(122)	35	51	34	16

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