# Finance Report

## Period 1, 2023/24

**Management results from 1 April 2023 – 29 April 2023**

TfL Finance Committee

21 June 2023

# We are delivering on our financial strategy to rebuild our finances

Our 2023 TfL Business Plan set out our strategy for rebuilding our finances, improving efficiency and helping to secure our future. The 2023/24 Budget built on this, demonstrating how we will become operationally financial sustainable this year. It is only one period into the year, but we continue to successfully deliver that strategy:

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

- Passenger journeys 88% of pre-pandemic levels in Period 1, up from 85% at the end of 2022/23
- Targeting 6% year-on-year journey growth, on top of the 31% increase in 2021/22
- Total revenue is within 3% of our Budget

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

- Like-for-like operating costs falling in real terms: 5% higher than last year despite year-on-year inflation of 11.4%
- Operating costs in line with Budget in the period
- Some pressures from bus operator performance payments due to improving performance, but we expect to manage these
- We have also seen timing differences for savings delivery, but we are committed to delivery of almost £230m savings this year

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

- Underlying operating surplus (excluding revenue top up from government) of £6m in the period, a slight improvement on Budget
- After adjusting for timing differences, the P1 surplus is £25m better than Budget
- Remain on track to deliver an underlying operating surplus in 2023/24

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

- Capital renewals are ahead of Budget, with work ahead of schedule
- Aiming to deliver almost £740m of renewals this year, an increase of £110m on 2022/23
- Capital enhancement behind Budget in Period 1, but expect increased ramp up in spend in coming periods
- Total debt (including leases) increased in the period, a result of short-term borrowing which will unwind in future periods.

**Maintain cash reserves to make payments and protect against shocks**

- Cash balances in line with Budget and below £1.2bn as set out in funding agreement
- The GLA financing facility of £500m has been maintained for additional protection against shocks and risks

# We are on track to achieving operating financial sustainability in 2023/24, but risks remain

Our Budget for 2023/24 is to deliver an operating surplus of £79m, demonstrating our achievement of financial sustainability.

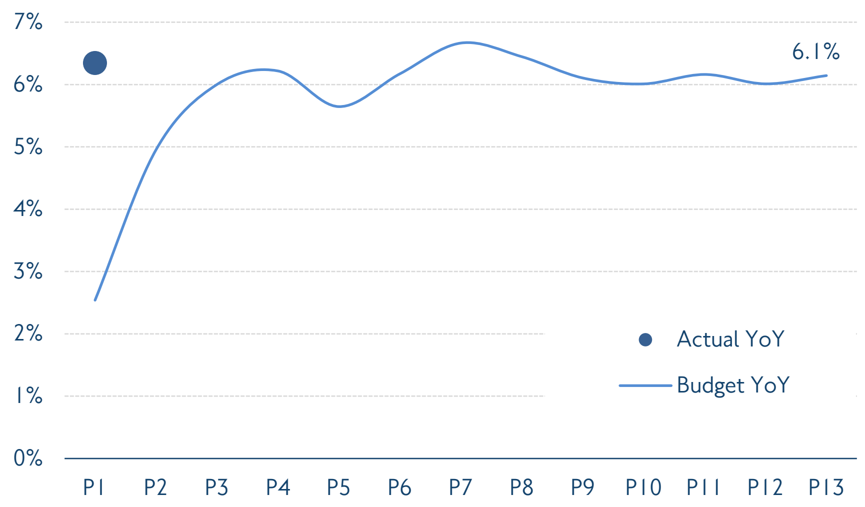
- **Economic uncertainty** – economic growth remains poor, but latest indicators give some ground for optimism. The latest Office for Budget Responsibility (OBR) forecast from March 2023 indicated the economy will shrink in 2023/24, but avoid a technical recession. The risk on passenger income is protected by the funding settlement to March 2024. In Period 1 we were on budget for passenger demand.
- **Savings targets** – are stretching, with a target of £229m incremental recurring savings set out in our 2023/24 Budget. However, we have a strong track record of delivering savings and managing to budget. In Period 1 we were slightly behind the phasing of savings delivery, but have plans in place to deliver over the full year.
- **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. This range is partly covered through the contingency held in the 2023/24 Budget.

However, we will need the support of government to mitigate risks we do not have direct control over:

- **Inflationary pressures on TfL cost base –** our current forecast is that higher inflation will drive £181m net pressure in 2023/24. We submitted our inflation request covering 2023/24 in February 2023, with the DfT's advisors completing their assessment in mid-March 2023.
- **2024/25 capital funding** – the primary risk to our financial sustainability in the medium term is the lack of capital funding certainty from government beyond 31 March 2024. Failure to confirm this well in advance of March 2024 would force TfL to have to reprioritise its Business Plan, undoing the progress made under the current funding agreement and mean TfL would again need to start making difficult choices relating to reducing service levels, asset renewals and delaying non-committed investment.

# Headlines

### Total passenger journeys up 6% year-on-year in Period 1, 88% of pre-pandemic levels. Targeting 6% year on year growth over the full year




### Passenger income higher than pre-pandemic levels in cash terms, from combination of journey recovery and Elizabeth line services

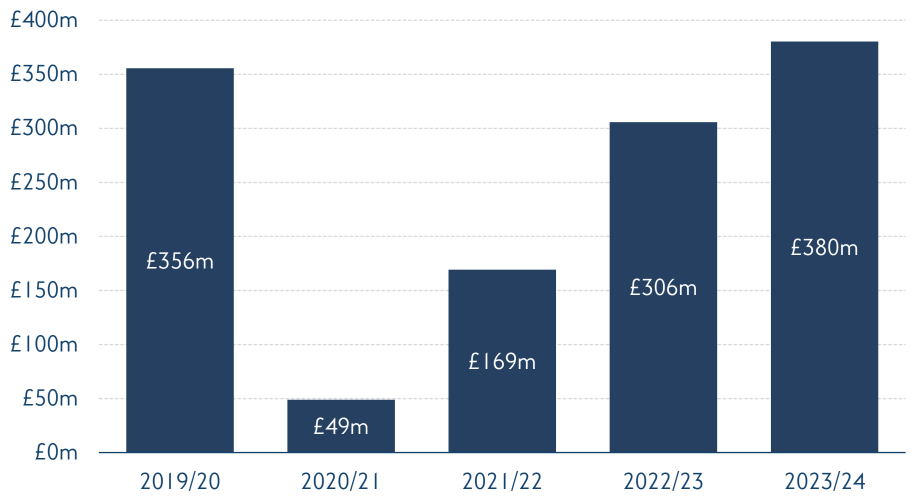
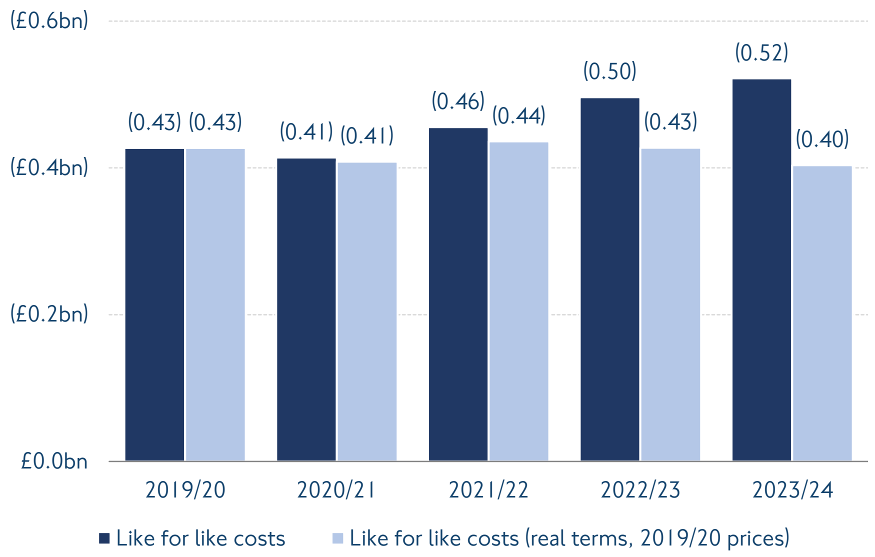
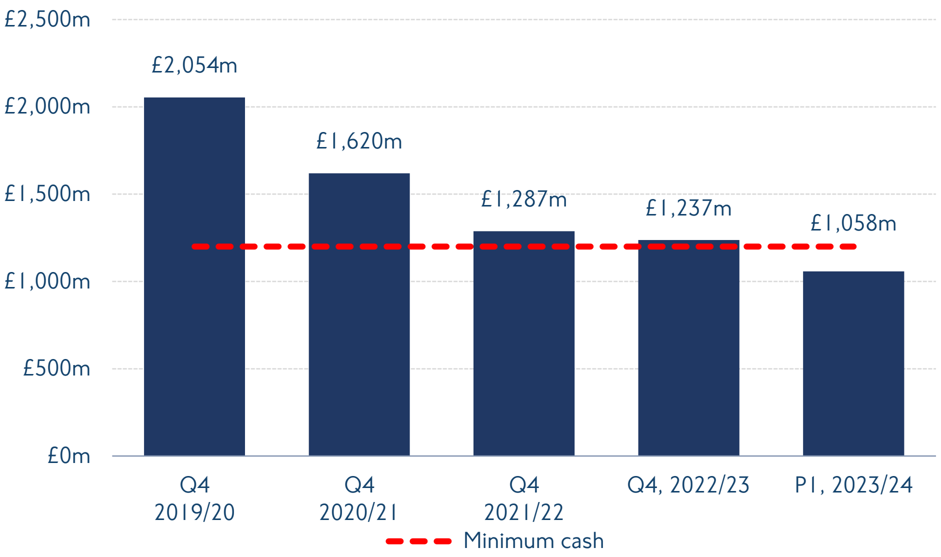



Chart shows results to end of Period 1 for each year

### Like-for-like operating costs 5% higher than last year, but down in real terms




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



# Passenger journeys

In 2023/24 we have budgeted 6% underlying year on year growth in demand.

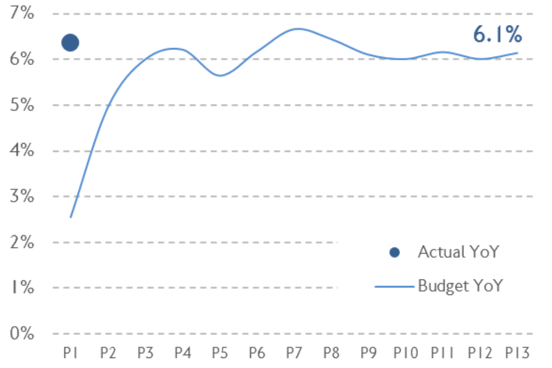
TfL passenger demand was 10 million journeys (3.6%) better than Budget, with 6% YoY growth and 88% of pre-covid levels.

Period 1 results should be taken with caution as it is a period of high seasonal variability due to Easter bank and school holidays.

## Passenger journeys year-on-year growth and comparison to Budget

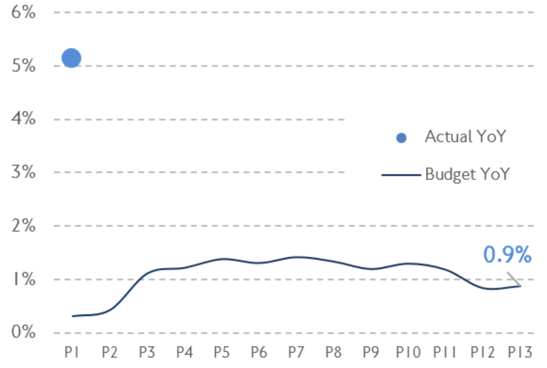
| TfL | % Growth period / budget | | | Absolute m | Var to Bud m |
|---|---|---|---|---|---|
| | 6.3% | 2.5% | P | 274 | 10 |

Cumulative YoY Growth



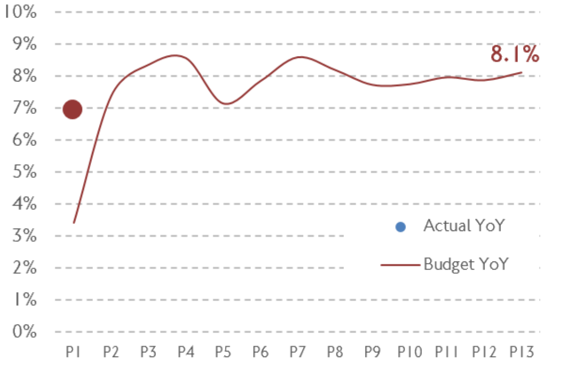

| LU | % Growth period / budget | | | Absolute m | Var to Bud m |
|---|---|---|---|---|---|
| | 5.1% | 0.3% | P | 91 | 4.2 |

Cumulative YoY Growth



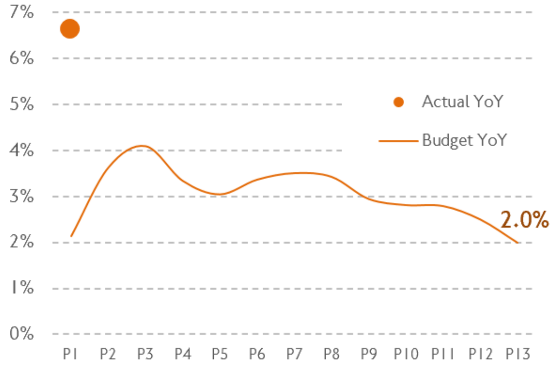

| Bus | % Growth period / budget | | | Absolute m | Var to Bud m |
|---|---|---|---|---|---|
| | 7% | 3% | P | 146 | 4.8 |

Cumulative YoY Growth




| Rail | % Growth period / budget | | | Absolute m | Var to Bud m |
|---|---|---|---|---|---|
| | 7% | 2% | P | 23 | 1.0 |

Cumulative YoY Growth



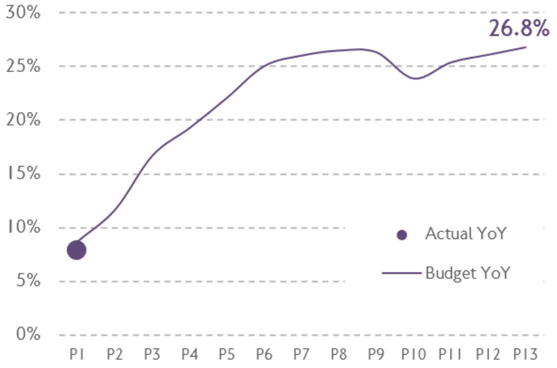

| LO | % Growth period / budget | | | Absolute m | Var to Bud m |
|---|---|---|---|---|---|
| | 7% | 6% | P | 14 | 0.2 |

| DLR | % Growth period / budget | | | Absolute m | Var to Bud m |
|---|---|---|---|---|---|
| | 9% | -5% | P | 8 | 1.0 |

| Tram | % Growth period / budget | | | Absolute m | Var to Bud m |
|---|---|---|---|---|---|
| | -8% | 6% | P | 1 | -0.2 |

| EL | % Growth period / budget | | | Absolute m | Var to Bud m |
|---|---|---|---|---|---|
| | 8% | 9% | P | 14 | -0.1 |

Cumulative YoY Growth



# Income statement

Total revenue is £18m (3%) better than Budget. Passenger income is £75m higher than last year, - partly from new Elizabeth line services.

In 2023/24, all DfT base funding is allocated to fund capital investment. However, the revenue top-up mechanism remains to underwrite risk on passenger income.

Operating costs are broadly in line with Budget. However, we are seeing some cost pressures on bus operators costs - through improved performance – as well as timing differences in delivering savings. These have been offset by lower RUC costs and other smaller savings.

Capital renewals are (£9m) up on both last year and Budget. We expect to deliver to available funding over the full year.

## Income statement (£m)

| | Period 1, 2023/24 | | | | Period 1, 2022/23 | | |
|---|---|---|---|---|---|---|---|
| £m | Actuals | Budget | Variance to Budget | | Last year | Variance to last year | |
| Underlying passenger income | 380 | 372 | 8 | 2% | 306 | 75 | 24% |
| DfT revenue top up | 35 | 25 | 9 | 37% | 43 | (3) | -8% |
| **Passenger income** | **415** | **397** | **18** | **5%** | **348** | **71** | **21%** |
| Other operating income | 107 | 107 | 0 | 0% | 120 | (13) | -11% |
| Business Rates Retention | 147 | 147 | 0 | 0% | 0 | 147 | N/A |
| Other revenue grants | 25 | 25 | 0 | 0% | 84 | (63) | -72% |
| **Revenue** | **694** | **676** | **18** | **3%** | **552** | **142** | **26%** |
| Operating cost | (566) | (567) | 1 | 0% | (563) | (3) | -1% |
| **Operating surplus before interest and renewals** | **128** | **109** | **19** | **17%** | **(10)** | **138** | **1327%** |
| Capital renewals | (53) | (44) | (9) | -20% | (44) | (9) | -20% |
| Net interest costs | (34) | (33) | (1) | -3% | (35) | 1 | 3% |
| **Operating surplus / (deficit)** | **41** | **32** | **9** | **28%** | **(90)** | **131** | **146%** |
| **Underlying operating surplus/ (deficit)*** | **6** | **7** | **(1)** | **-14%** | **(208)** | **214** | **103%** |

* Excluding DfT revenue top up and base funding (in 2022/23)

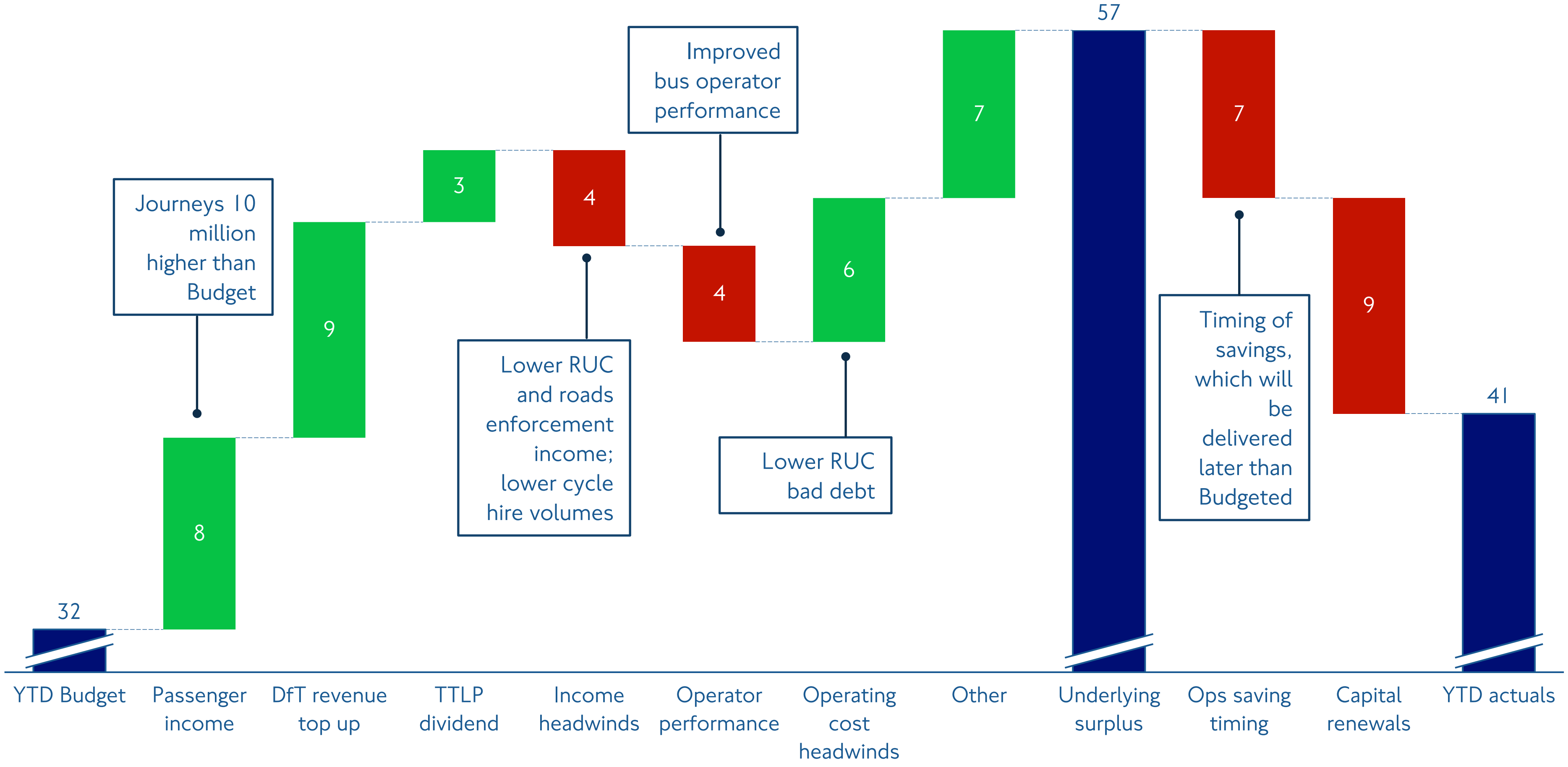
# Income statement

The underlying surplus – after adjusting for timing differences on savings and capital renewals - is £57m, £25m better than Budget.

The deliver of operational savings remains a risk, but our latest plans show these being delivered later in the year.

We are managing our capital renewals portfolio to maximise delivery within the available funding, and will slow down delivery later in the year if required.

Income statement variances by cause (£m)



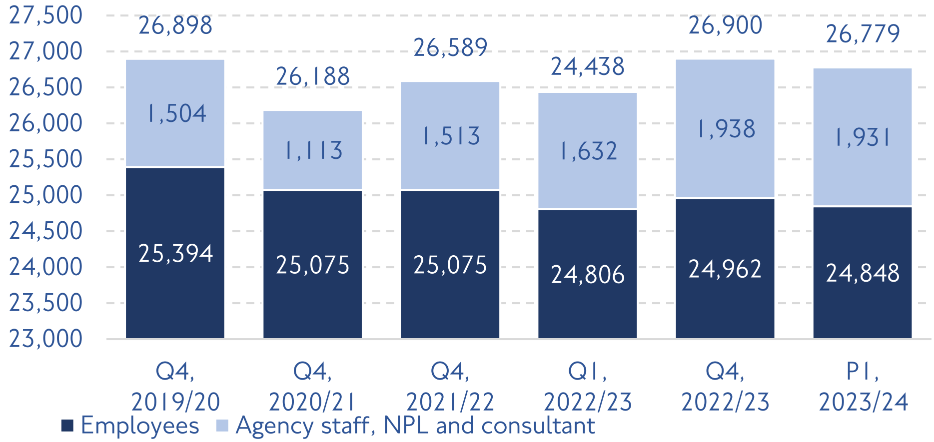
# Staff

Total staff levels are just over 100 lower than pre-pandemic levels and are slightly down from the end of 2022/23 as a result of a large number of retirees (in line with historical trend).

Permanent employee numbers are around 500 lower than before the pandemic and are over 200 down from the end of 2021/22; ongoing labour market issues, and funding uncertainty in the first half of last 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 400 since the end of 2019/20, but remain significantly lower than 2015/16 levels. NPL offers flexibility, particularly through time of change and temporary peaks in demand.

## Headcount trends since 2019/20



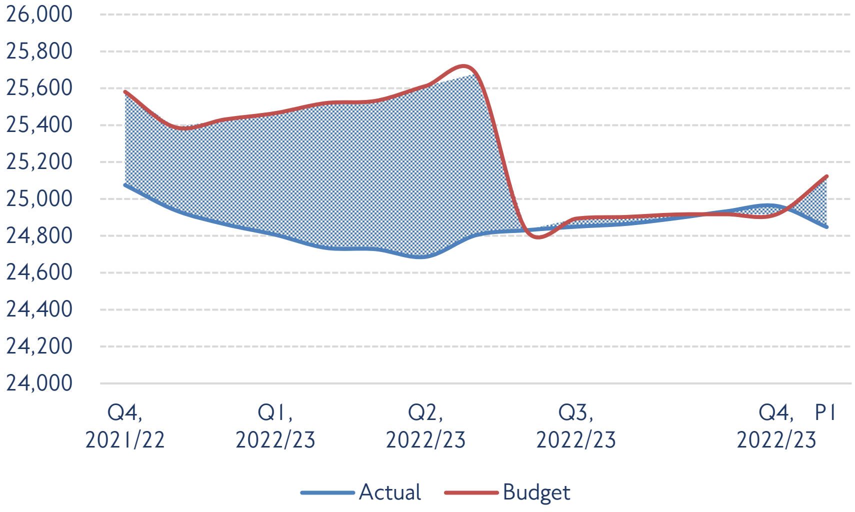

## Total staff are around pre-pandemic levels

Agency, NPL and consultants over 400 higher than pre-coronavirus levels as a result of labour market challenges

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

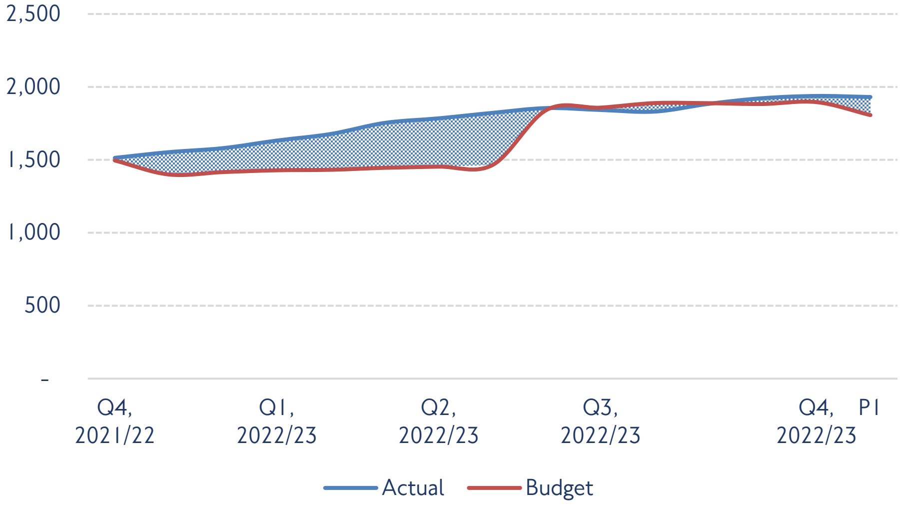
### Permanent staff (FTE): actuals and Budget

Permanent employees down by over 200 since the end of 2021/22, driven by large number of retirees and leavers. Staff levels are slightly below Budget in Period 1. 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 400 since the end of 2021/22 and are slightly higher than Budget in Period 1. This is driven by labour market challenges and previous funding uncertainty.



# Capital renewals

P1 spend is (£9m) higher than Budget from timing of LU renewals programme; we are aiming to meet the available funding target of £736m.

The available funding target is made of up the £725m capital envelope from the August 2022 funding agreement, plus £11m of spend expected to be rolled over from 2022/23 (pending DfT confirmation).

| Capital renewals (£m) | Period 1, 2023/24 | | | Period 1, 2022/23 | | |
|---|---|---|---|---|---|---|
| | Actuals | Variance to Budget | | Last year | Variance to last year | |
| **CCO** | **(16)** | **0** | **2%** | **(18)** | **2** | **11%** |
| Four lines modernisation | (0) | (0) | -12% | (0) | 0 | 58% |
| Surface assets | (7) | 1 | 12% | (10) | 2 | 21% |
| Air Quality and Environment (AQE) | (1) | 0 | 30% | (1) | (0) | -22% |
| Public transport | (6) | (1) | -29% | (5) | 1 | 11% |
| Technology | (2) | 0 | 13% | 0 | (2) | 0% |
| Savings challenge and deliverability | 0 | 0 | 100% | (2) | 1 | 91% |
| **COO** | **(32)** | **(9)** | **-42%** | **(24)** | **1** | **5%** |
| LU | (31) | (10) | -45% | (24) | 2 | 9% |
| Elizabeth Line | (1) | (0) | -5% | 0 | (1) | 0% |
| Estates | 0 | 0 | 212% | 0 | (0) | 0% |
| **CCSO** | **(4)** | **1** | **17%** | **(2)** | **(3)** | **-132%** |
| **Corporate** | **(1)** | **(0)** | **-19%** | **(0)** | **(1)** | **-168%** |
| **Total TfL** | **(53)** | **(9)** | **-19%** | **(44)** | **0** | **0%** |

# Capital enhancements

18% below target in P1, but we expect to be in line with Budget at year-end. Main variances to date are from a one-off upside in Bank Congestion Relief and timing of costs for Barking Riverside.

| Capital enhancements (£m) | Period 1, 2023/24 | | | Period 1, 2022/23 | | |
|---|---|---|---|---|---|---|
| | Actuals | Variance to Budget | | Last year | Variance to last year | |
| **Rolling Stock and Signalling Replacement** | **(47)** | **3** | **6%** | **(33)** | **(16)** | **-49%** |
| Piccadilly line upgrade | (21) | 1 | 4% | (18) | (4) | -20% |
| Four lines modernisation | (8) | 1 | 11% | (8) | (0) | -4% |
| Rail System Enhancements | (0) | 0 | 49% | (0) | (0) | -238% |
| MPD Savings challenge | 0 | 0 | 0% | 0 | 0 | 0% |
| Trams | (0) | 0 | 49% | (0) | 0 | 14% |
| DLR Rolling Stock replacement incl. HIF | (17) | 0 | 2% | (6) | (12) | -199% |
| **Major Enhancements** | **2** | **3** | **219%** | **(11)** | **10** | **88%** |
| Silvertown Tunnel | (2) | 0 | 24% | (1) | (1) | -172% |
| Northern Line Extension | (0) | 0 | 54% | (0) | 0 | 78% |
| Barking Riverside | (0) | (5) | 109% | (1) | 6 | 414% |
| Elephant & Castle Station Capacity | (1) | 0 | 2% | (1) | 0 | 20% |
| Bank Congestion Relief | 5 | 7 | 342% | (7) | 5 | 71% |
| HS2 | 0 | 0 | 0% | (0) | 0 | 100% |
| Elizabeth Line | (1) | 0 | 30% | (0) | (0) | -228% |
| **Other Enhancements** | **(20)** | **8** | **29%** | **(16)** | **(13)** | **-84%** |
| Major stations | (0) | 0 | 15% | (0) | (0) | -42% |
| Surface assets | (0) | (0) | 0% | (0) | 0 | 100% |
| Air Quality and Environment (AQE) | (7) | 2 | 19% | (2) | (7) | -393% |
| Public transport | (1) | (0) | -38% | (1) | (0) | -20% |
| Healthy Streets | (8) | 1 | 8% | (6) | (2) | -37% |
| Technology | (1) | 0 | 21% | (1) | (1) | -135% |
| LU | (1) | 0 | 11% | (1) | (0) | -32% |
| CCSO | (2) | 5 | 71% | (5) | (2) | -42% |
| LT Museum | 0 | 0 | 157% | 0 | (0) | 291% |
| Estates | 0 | 0 | 100% | (0) | (0) | -489% |
| Corporate | 0 | 0 | 121% | (0) | (0) | -435% |
| **Total TfL excl. TTLP and Crossrail** | **(65)** | **14** | **18%** | **(60)** | **(19)** | **-32%** |
| TTLP | (4) | 4 | 48% | (2) | 2 | 100% |
| Crossrail | (7) | 6 | 47% | (26) | 26 | 100% |
| **Total** | **(76)** | **24** | **24%** | **(88)** | **9** | **10%** |

# Cash flow statement

Cash balances are broadly in line with Budget, but just over £180m lower than at the end of last year, driven by working capital movements.

In P1 we undertook additional short-term borrowing of £176m to offset some large capital milestone payments. This borrowing will unwind over coming periods.

## Cash balances

| £m | Period 1, 2023/24 Actuals | Period 1, 2023/24 Variance to Budget | | Period 1, 2022/23 Actuals | Period 1, 2022/23 Variance to last year | |
|---|---|---|---|---|---|---|
| Opening balance | 1,237 | 37 | 3% | 1,287 | (50) | -4% |
| Change in cash balance | (181) | (47) | 35% | (293) | 112 | -38% |
| **Closing balance** | **1,058** | **(10)** | **-1%** | **994** | **62** | **6%** |

## Cash flow statement

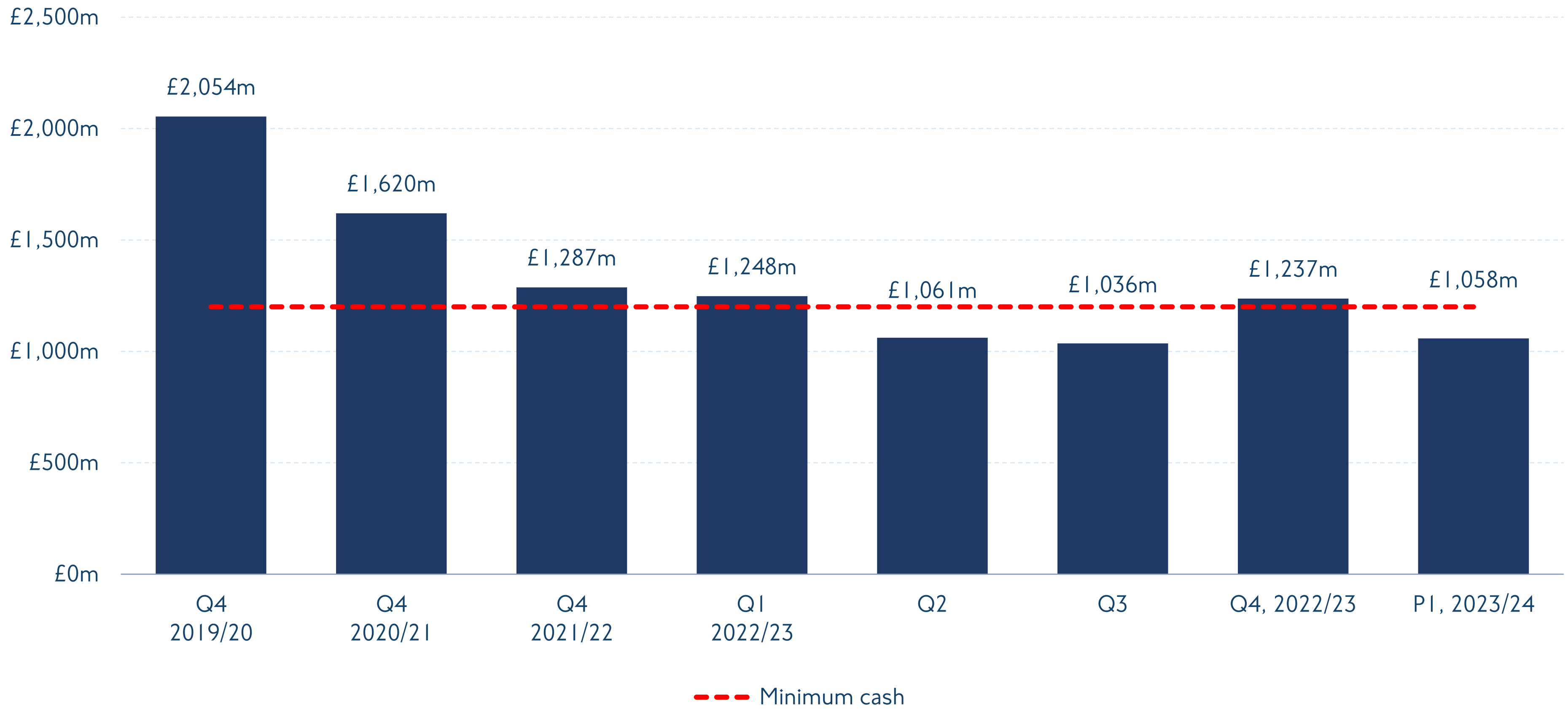
| £m | Period 1, 2022/23 Actuals | Period 1, 2022/23 Variance to Budget | | Period 1, 2021/22 Actuals | Period 1, 2021/22 Variance to last year | |
|---|---|---|---|---|---|---|
| **Operating surplus before capital renewals and interest** | 128 | 18 | 17% | (10) | 138 | -1327% |
| Less TTLP, LTIG and LTM | (6) | (4) | 272% | (4) | (2) | 47% |
| *Cash generated / (used) from operating activities* | ***122*** | ***14*** | ***13%*** | ***(14)*** | ***136*** | ***-955%*** |
| Capital renewals | (53) | (9) | 19% | (44) | (8) | 19% |
| New capital investment | (65) | 14 | -18% | (60) | (5) | 9% |
| Investment grants and ring-fenced funding | 188 | 20 | 12% | 33 | 154 | 462% |
| Working capital movements | (513) | (296) | 136% | (165) | (348) | 211% |
| *Cash generated / (used) from investing activities* | ***(444)*** | ***(270)*** | ***156%*** | ***(236)*** | ***(207)*** | ***88%*** |
| **Free cash flow** | **(322)** | **(256)** | **391%** | **(250)** | **(71)** | **28%** |
| Net interest costs | (34) | (1) | 3% | (35) | 1 | -3% |
| Existing debt maturing | (55) | 0 | 0% | (35) | (20) | 57% |
| New debt issued | 0 | (20) | -100% | 0 | 0 | N/A |
| Short-term net borrowing change | 230 | 230 | N/A | 28 | 203 | 736% |
| *Cash generated / (used) from financing activities* | ***141*** | ***209*** | ***-307%*** | ***(43)*** | ***184*** | ***-431%*** |
| **Change in cash balance** | **(181)** | **(47)** | **35%** | **(293)** | **112** | **-38%** |

# Cash balances

Total cash balances (excl. cash balances identified for Crossrail construction) are just under £1.1bn at the end of Period 1, £181m lower than at the end of last year.

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.

Cash balances



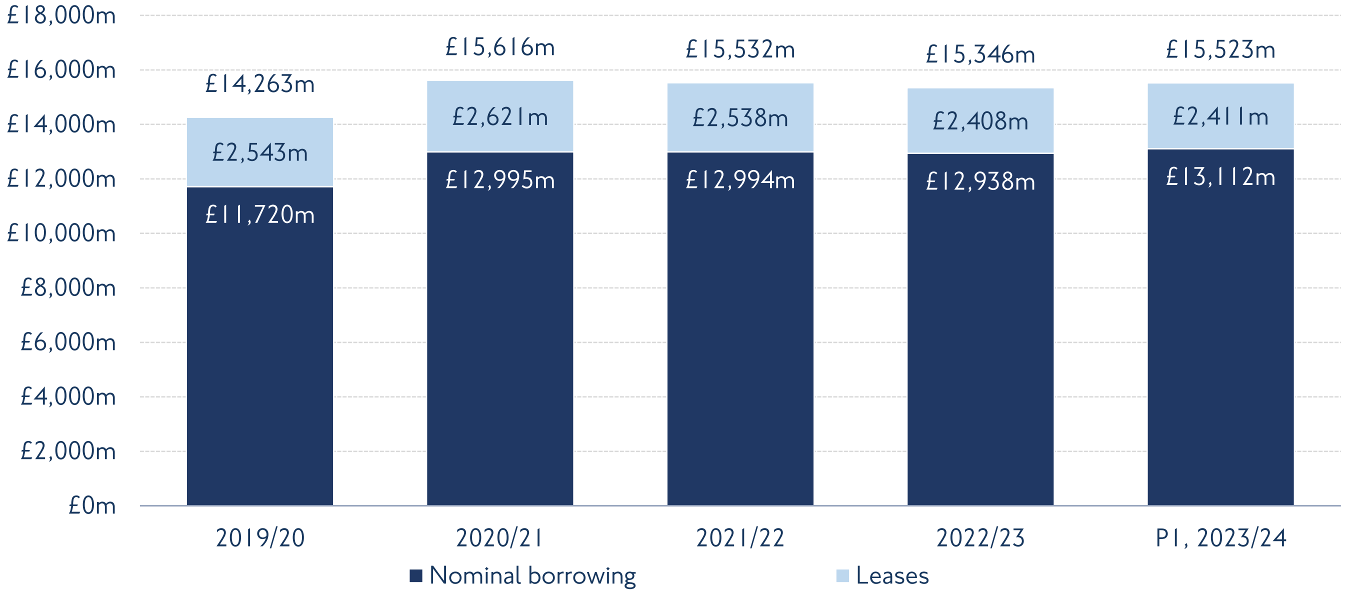

Cash balances reduced from £2,054m at the end of 2019/20 to £1,237m at the end of 2022/23 and is now £1,058m at the end of Period 1, 2023/24

# Debt

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

There was an increase of £176m in our level of outstanding borrowing during Period 1, bringing our total borrowing balance to £13,112m. This increase was driven by a rise in our short-term borrowing, which was used to fund scheduled payments while maintaining liquidity levels in line with our Liquidity Policy.

## Total debt (£m)




# 91%

91% of our borrowing is at a fixed rate of interest

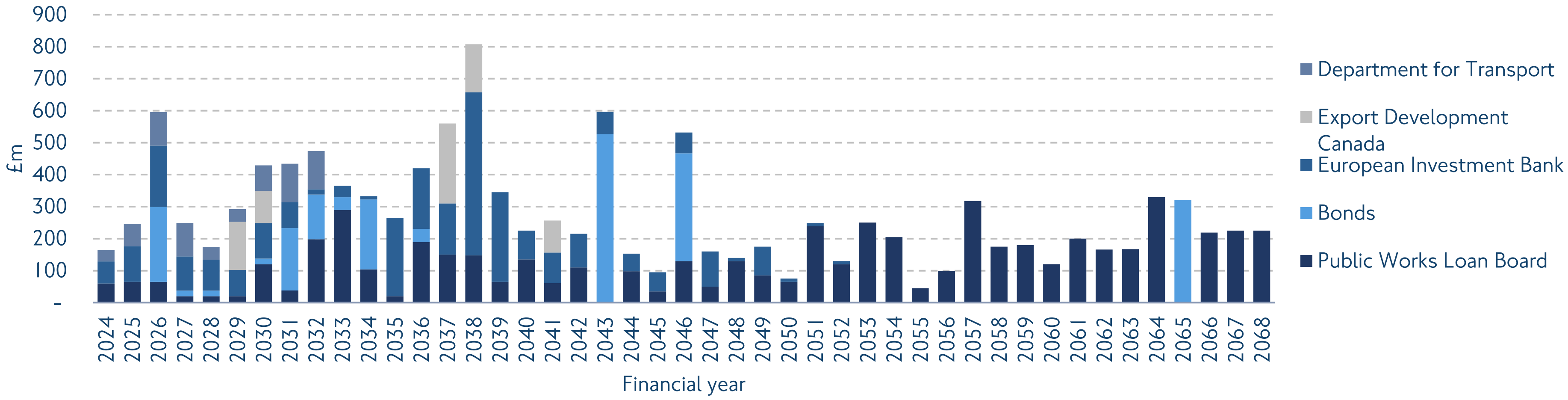
# 3.5%

The weighted average interest rate on our borrowing is 3.5%

# 19.3 years

The weighted average tenor of our borrowing is 19.3 years

## TfL borrowing maturity profile




The borrowing maturity profile excludes £765m of commercial paper and other short-term borrowings which we generally continue to re-issue on a rolling basis.

# Credit ratings

We are rated by three major credit rating agencies. This allows us to attract interest from a wide pool of investors and gives us access to a range of funding sources.

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

## Standard and Poor's (S&P)

- S&P affirmed our credit rating at A+/A-1 in May 2023 and revised the outlook to positive (from stable). This is a positive movement on the outlook and reflects S&P's view that recovering ridership and cost controls should result in higher financial flexibility.

## Moody's

- Moody's affirmed our credit rating in October 2022 and maintained the stable outlook, stating that our strengthening operating performance and protections under the funding agreement will partially mitigate economic and fiscal risks.
- In December 2022, Moody's published a full credit opinion, which noted that our credit profile reflects rising passenger income, the funding agreement with government and a "relatively inflexible cost and revenue base". It also noted our strategic importance as the main public transport provider in London and our strong management and governance.

## 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 UK Government. Fitch have assigned a negative outlook, which reflects the negative outlook they have assigned to the UK Government's credit rating.

# Divisional summaries

# London Underground

Tube journeys are 5% up on 2022/23. Journeys and income are slightly ahead of Budget, although P1 is a period of high seasonal variability.

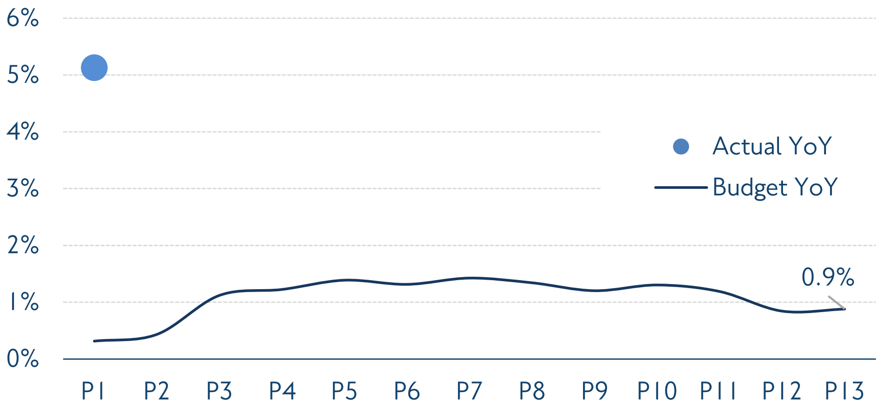
Operating costs are (£171m) in the period, (£5m) higher than Budget. This is mainly driven by timing of efficiencies delivery, which we expect to deliver later in the year.

Capital renewals are (£32m) in P1, (£10m) higher than Budget, driven by increased levels of delivery compared to traditional spend patterns early in the year.

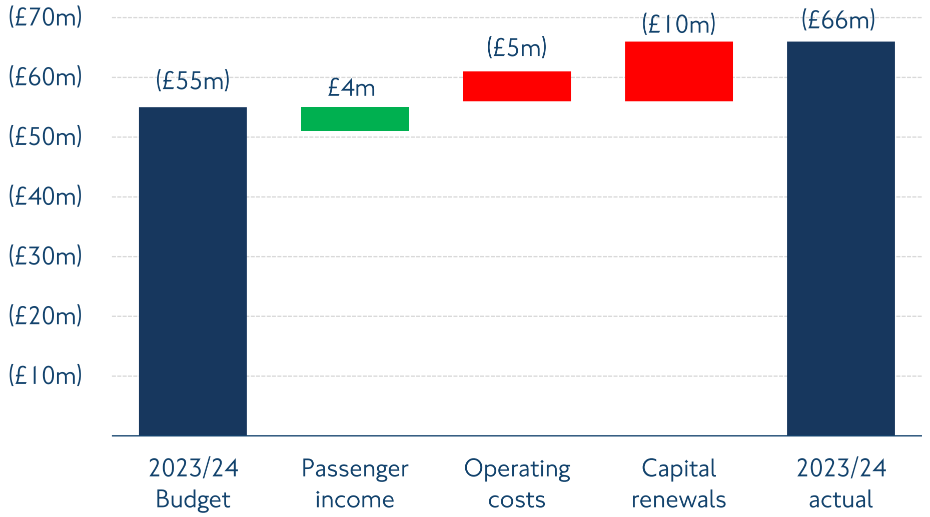
| | Period 1, 2023/24 | | | | Period 1, 2022/23 | | |
|---|---|---|---|---|---|---|---|
| Income statement (£m) | Actuals | Budget | Variance to Budget | | Last year | Variance to last year | |
| Passenger income | 195 | 191 | 4 | 2% | 167 | 28 | 17% |
| Other operating income | 2 | 2 | 0 | 0% | 3 | (1) | -33% |
| **Revenue** | **197** | **193** | **4** | **2%** | **170** | **27** | **16%** |
| Operating costs | (171) | (166) | (5) | -3% | (177) | 6 | 3% |
| **Net contribution** | **26** | **27** | **(1)** | **-4%** | **(7)** | **33** | **471%** |
| Indirect costs | (38) | (38) | 0 | 0% | (37) | (1) | -3% |
| Net financing costs | (22) | (22) | 0 | 0% | (23) | 1 | 4% |
| Capital renewals | (32) | (22) | (10) | -45% | (24) | (8) | -33% |
| **Operating surplus / (deficit)** | **(66)** | **(55)** | **(11)** | **-20%** | **(91)** | **25** | **27%** |
| | | | | | | | |
| New capital investment | (28) | (41) | 13 | 32% | (41) | 13 | 32% |

## Tube journeys year-on-year growth

| % vs Growth Period | / Budget | Journeys (millions) | Var to Budget |
|---|---|---|---|
| 5% | 0% | 91 | 4 |




## Operating surplus/ (deficit) compared to Budget



# Elizabeth line

Elizabeth line journeys and passenger income are in line with Budget for P1.

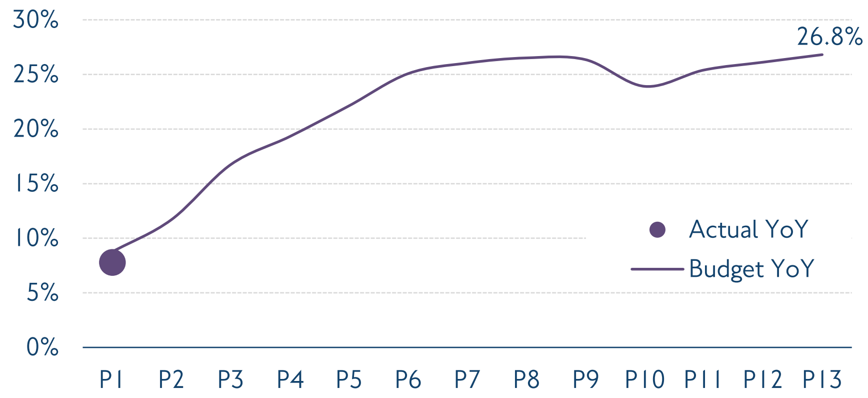
Operating costs are in line with Budget. We have seen slightly higher maintenance costs, but these have been offset by savings in rolling stock performance.

Capital renewals are also in line with Budget.

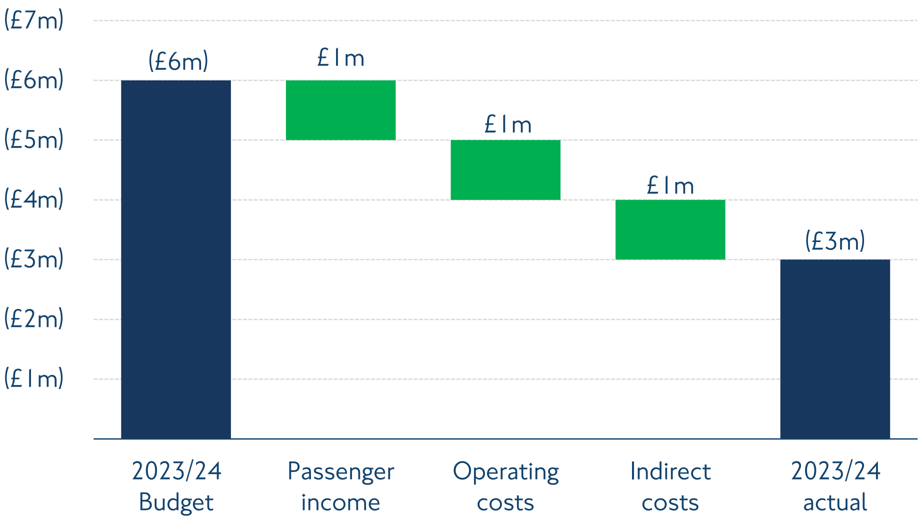
| | Period 1, 2023/24 | | | | Period 1, 2022/23 | | |
|---|---|---|---|---|---|---|---|
| Income statement (£m) | Actuals | Budget | Variance to Budget | | Last year | Variance to last year | |
| Passenger income | 36 | 35 | 1 | 3% | 10 | 26 | 260% |
| Other operating income | 1 | 1 | 0 | 0% | 1 | 0 | 0% |
| **Revenue** | **37** | **36** | **1** | **3%** | **11** | **26** | **236%** |
| Operating costs | (31) | (32) | 1 | 3% | (35) | 4 | 11% |
| **Net contribution** | **6** | **4** | **2** | **50%** | **(24)** | **30** | **125%** |
| Indirect costs | (1) | (2) | 1 | 50% | (2) | 1 | 50% |
| Net financing costs | (7) | (7) | 0 | 0% | (7) | 0 | 0% |
| Capital renewals | (1) | (1) | 0 | 0% | 0 | (1) | N/A |
| **Operating surplus / (deficit)** | **(3)** | **(6)** | **3** | **50%** | **(33)** | **30** | **91%** |
| New capital investment | (1) | (1) | 0 | 0% | 0 | (1) | N/A |
| Crossrail project | (7) | (13) | 6 | 46% | (26) | 19 | 73% |
| **Total new capital investment** | **(8)** | **(14)** | **14** | **100%** | **(26)** | **18** | **69%** |

## EL journeys year-on-year growth

| % vs Growth Period / Budget | | Absolute m | Var to Bud m |
|---|---|---|---|
| 8% | 9% | 14 | 0 |




## Operating surplus/ (deficit) compared to Budget



# Buses, Streets & Other operations

## Including Congestion Charge, Low Emission Zone (LEZ) and Ultra Low Emission Zone (ULEZ)

Bus journeys have seen a 7% increase in growth since last year. Passenger income is £4m higher than Budget, with journeys also higher than Budget.

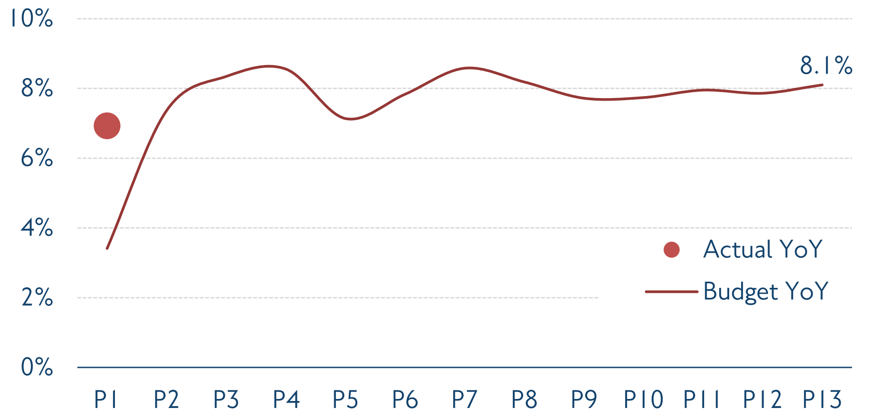
Other operating income is £75m in the period, (£3m) below Budget. This is driven by a delay in the roll out of Deployable Enforcement Cameras, lower congestion charge enforcement income, and lower cycle hire income.

Operating costs are £2m lower than Budget, with higher bus performance payments to operators offset by lower CC, LEZ and ULEZ bad debt and other savings.

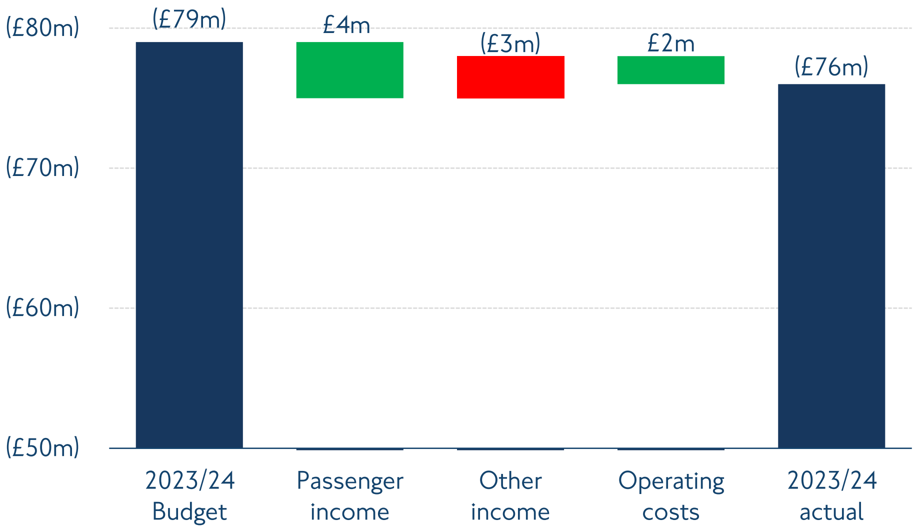
| | Period 1, 2023/24 | | | | Period 1, 2022/23 | | |
|---|---|---|---|---|---|---|---|
| Income statement (£m) | Actuals | Budget | Variance to Budget | | Last year | Variance to last year | |
| Passenger income | 119 | 115 | 4 | 3% | 104 | 15 | 14% |
| Other operating income | 75 | 78 | (3) | -4% | 90 | (15) | -17% |
| **Revenue** | **194** | **193** | **(3)** | **-2%** | **194** | **(15)** | **-8%** |
| Operating costs | (249) | (251) | 2 | 1% | (242) | (7) | -3% |
| **Net contribution** | **(55)** | **(58)** | **3** | **5%** | **(48)** | **(7)** | **-15%** |
| Indirect costs | (6) | (6) | 0 | 0% | (7) | 1 | 14% |
| Net financing costs | (2) | (2) | 0 | 0% | (2) | 0 | 0% |
| Capital renewals | (13) | (13) | 0 | 1% | (14) | 1 | 6% |
| **Operating surplus / (deficit)** | **(76)** | **(79)** | **3** | **4%** | **(71)** | **(5)** | **-7%** |
| | | | | | | | |
| **New capital investment** | **(17)** | **(21)** | **4** | **17%** | **(10)** | **(7)** | **-75%** |

### Bus journeys year-on-year growth

| % vs Pre Covid Period / Budget | | Absolute m | Var to Bud m |
|---|---|---|---|
| 7% | 3% | 146 | 5 |




### Operating surplus/ (deficit) compared to Budget



# Rail

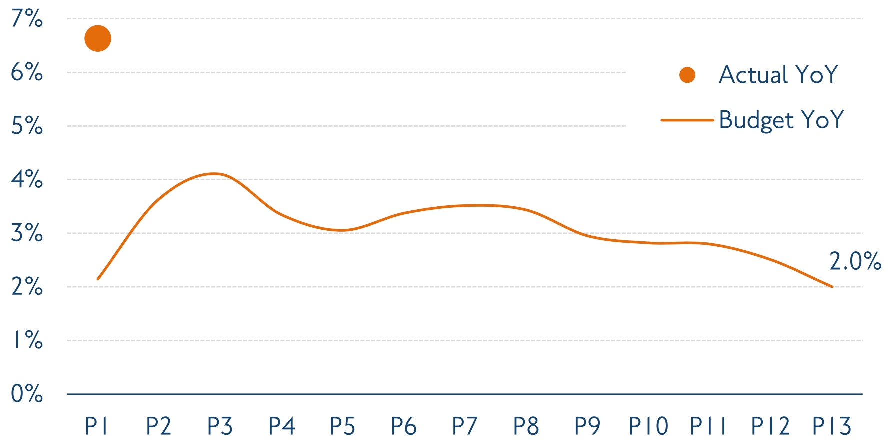
Rail journeys have grown 7% year-on-year and are slightly ahead of Budget. Higher demand on DLR has driven the favourability in passenger income.

Operating costs are (£46m) in the period. This is £1m lower than Budget, from lower leasing costs and other smaller timing variances.

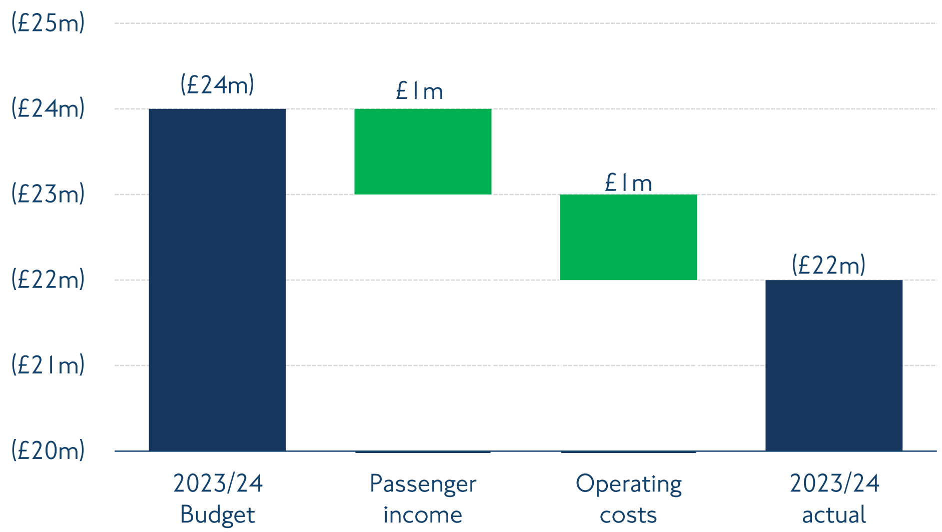
| | Period 1, 2023/24 | | | | Period 1, 2022/23 | | |
|---|---|---|---|---|---|---|---|
| Income statement (£m) | Actuals | Budget | Variance to Budget | | Last year | Variance to last year | |
| Passenger income | 32 | 31 | 1 | 3% | 28 | 4 | 14% |
| Other operating income | 1 | 1 | - | 0% | 2 | (1) | -50% |
| **Revenue** | **33** | **32** | **1** | **3%** | **30** | **3** | **10%** |
| Operating costs | (46) | (47) | 1 | 2% | (42) | (4) | -10% |
| **Net contribution** | **(13)** | **(15)** | **2** | **13%** | **(12)** | **(1)** | **-8%** |
| Indirect costs | (2) | (2) | - | 0% | (2) | - | 0% |
| Net financing costs | (3) | (3) | - | 0% | (3) | - | 0% |
| Capital renewals | (4) | (4) | - | 0% | (5) | 1 | 20% |
| **Operating surplus / (deficit)** | **(22)** | **(24)** | **2** | **8%** | **(22)** | **-** | **0%** |
| **New capital investment** | **(19)** | **(14)** | **(5)** | **-34%** | **(8)** | **(11)** | **-135%** |

## Rail journeys year-on-year growth

| % vs Growth Period / Budget | | Absolute m | Var to Bud m |
|---|---|---|---|
| 7% | 2% | 23 | 1 |




## Operating surplus/ (deficit) compared to Budget



# Key Project updates

## Four Line Modernisation

Following our successful commissioning of the signalling section between Stepney Green to Becontree, SMA6, on 15 January, the signalling section between Dagenham East and Upminster, SMA7, went live on 19 March. This is another significant achievement for the programme as it extends the roll-out of the new signalling system on the District line, completes automatic running on the east of the railway, and connects the first depot to the network.

The area now operating under the new signalling contains 62 stations and four complex junctions, including the full Circle and Hammersmith & City lines. For comparison purposes, the Jubilee line has 27 stations. This means that two of the four sub-surfaces lines (and around 57 per cent of the Tube network in total) is now operated by an automatic signalling system.

## London-wide ULEZ

Installation of infrastructure to support the London-wide ULEZ launch on 29 August 2023 is underway. Since 5 December, 17 of the 24 boroughs where new signs and cameras are required, have signed consent agreements for infrastructure to be installed on borough roads. Four boroughs (Harrow, Hillingdon, Bexley and Bromley) and one county (Surrey) have publicly announced their opposition to the scheme. These authorities, along with Croydon, Sutton and Havering have not signed the required agreement so installation works are progressing under direct installation powers.

We have scaled the London-wide ULEZ system and are continuing to progress testing to ensure it can process the anticipated increase in data volumes from the additional vehicles in the expanded zone.

A campaign continues to increase awareness and eligible Londoners, charities, small businesses and sole traders, continue to apply to the scrappage scheme, providing support to those most impacted by ULEZ.

## Piccadilly line upgrade

In January, Siemens Mobility completed all works at the test track in Wildenrath in Germany, including installation of third and fourth rail power upgrades and building of a platform for one-person operation. Testing will start on the track to ensure all upgrades are functioning correctly ahead of the first train arriving there for dynamic testing in the summer.

In March, the first-in-type driving motor car body shell was completed by Siemens. The car body is now ready to enter the painting process. This keeps us on target for the first train to be completed and transferred to the test centre in Wildenrath to start commissioning tests this autumn.

Our depot migration plans is under review after a change to our wheel lathe delivery caused knock-on impacts, leaving our depots programme misaligned to the train introduction dates. We are working through mitigation options to minimise any schedule and cost impacts.