Appendix 1

Finance Report

Period 7, 2023/24

Management results from 1 April 2023 – 14 October 2023

TfL Finance Committee

22 November 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. We have successfully delivered that strategy so far this year, but have risks:

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

- Cumulative journey growth of almost 8% in the year to date. We are targeting 6% year-on-year journey growth over the full year, on top of the 31% increase in 2022/23
- Passenger journeys are relatively steady at 90% of pre-pandemic levels, up from 85% at the end of 2022/23

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

- Like-for-like operating costs falling in real terms: 6% higher than last year despite year-on-year inflation of 10%
- Operating costs 1% lower than Budget, mainly from contingency we have not yet used
- 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

- Our headline surplus is £142m, £58m up on Budget in the year to date
- Risks for the remainder of the year, but we remain on track to deliver an operating surplus in 2023/24

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

- The DfT has confirmed TfL will not receive inflationary support of £181m this year and funding for 2024/25 remains uncertain
- This has meant capital enhancements expenditure has had to be allowed to slip, and is now almost £90m lower than Budget
- Capital renewals are slightly lower than Budget, but we expect to be in line with available funding of £736m over the full year

Maintain cash reserves to make payments and protect against shocks

- Cash balances are slightly lower than Budget and are below £1.2bn as set out in the 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

2023/24 Operating financial sustainability

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

- *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 the year to date, we were slightly behind the phasing of savings delivery, but have plans in place to deliver over the full year.
- *Other income* – although the funding settlement with Government protects TfL from risk on passenger income, there remains uncertainty on other operating income. This range is partly covered through the contingency held in the 2023/24 Budget.
- *Judicial Review in relation to use of CCTV on red route parking bays* – following a successful adjudicators appeal against a PCN issued by TfL using CCTV evidence, TfL judicially reviewed the decision to clarify the legal position. The case was heard in the High Court on 26 October 2023 and we await the decision.

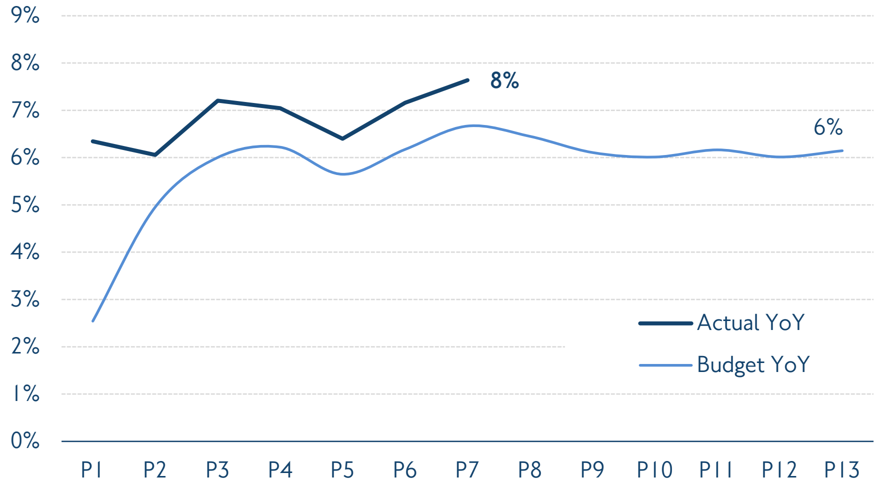
2024/25 capital funding

The primary risk to our financial sustainability in the medium term is the lack of capital funding certainty from government beyond 31 March 2024. Although TfL is on track to achieve operating financial sustainability, the Government has consistently recognised in the funding settlements that TfL is not expected to fund major capital projects from its operating incomes. On 22 September, TfL submitted its 2024/25 Capital Business Case to DfT and constructive discussion with HMG continues with an outcome expected in the autumn.

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 almost 8% year-on-year to Period 7, 90% 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

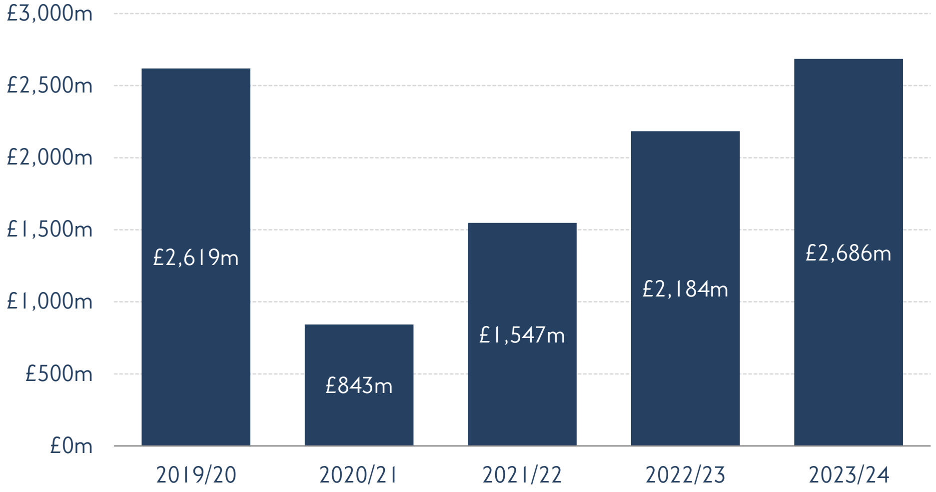
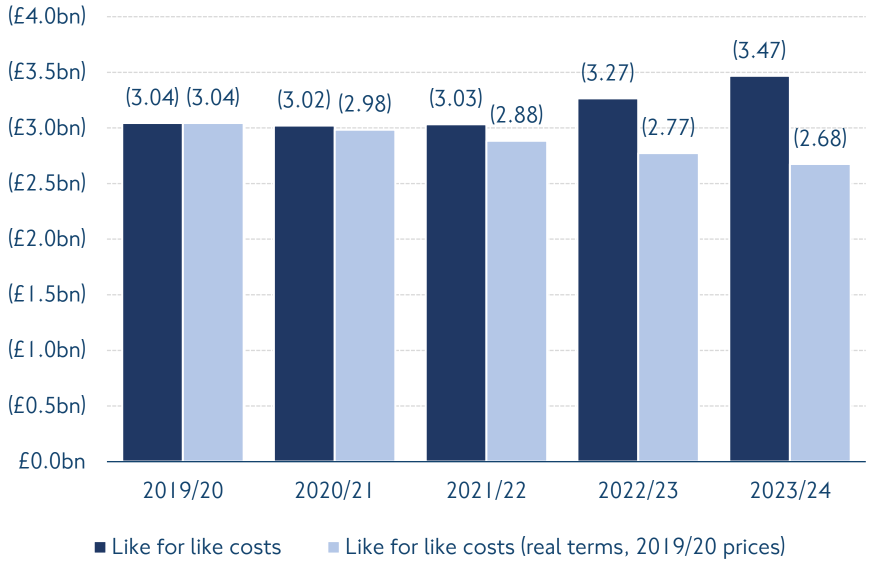
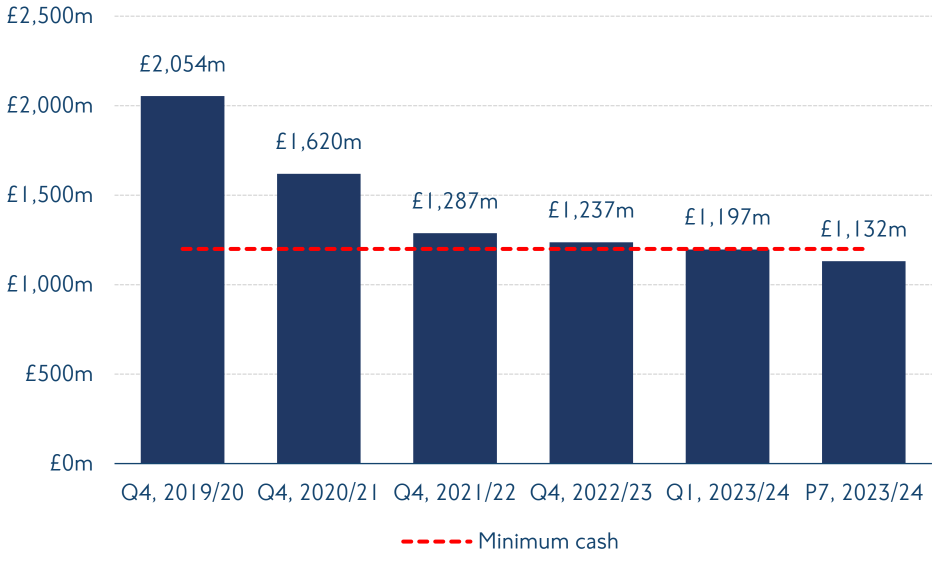


Chart shows results to end of Period 7 for each year

Like-for-like operating costs 6.2% higher than last year, but down in real terms as inflation at 10.1%



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



Passenger journeys

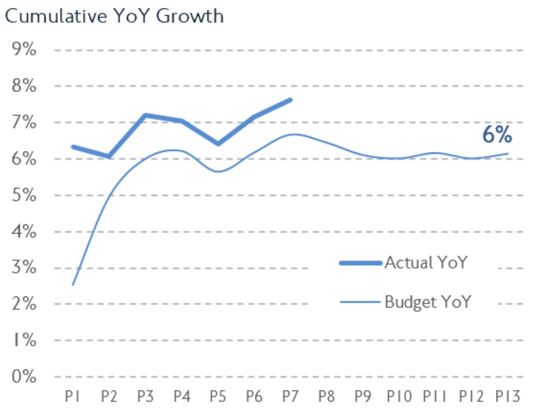
In 2023/24 we have budgeted 6% underlying year on year growth in demand. Journeys to date are positive, with cumulative growth of almost 8%.

TfL passenger journeys were 17 million better than Budget. LU and Rail journeys continue to perform strongly in the year to date, offsetting slower growth on buses. On buses, we are seeing a slightly improved ticket yield, with passenger income higher than expected.

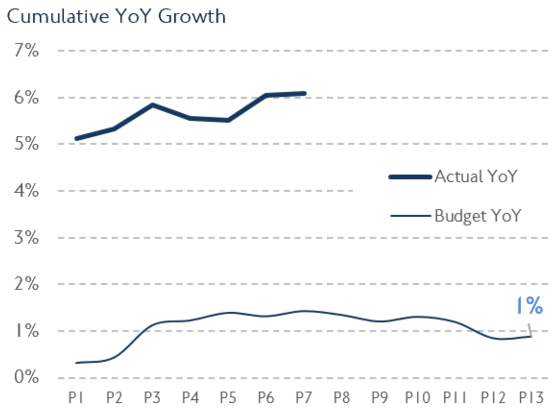
LU and DLR journeys are higher than expected as the assumed impact of Elizabeth line new services to these modes is less than expected.

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

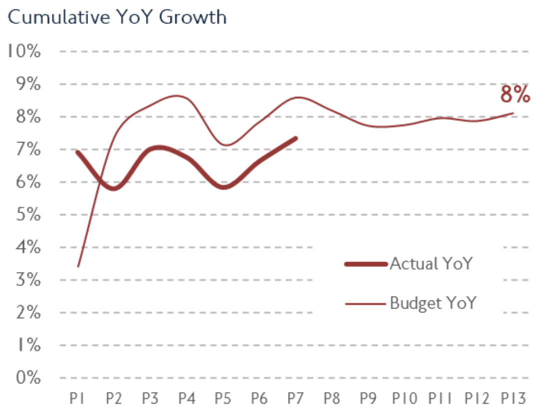
TfL	% Growth period / budget			Absolute m	Var to Bud m
	10.4%	9.5%	P	293	2.3
			Y	1907	17.2



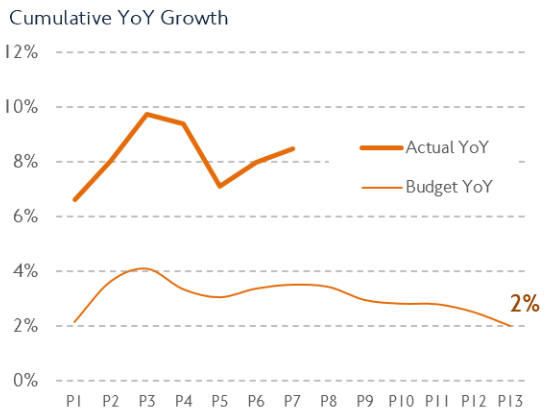
LU	% Growth period / budget			Absolute m	Var to Bud m
	6%	2%	P	94	3.8
			Y	629	27.6



Bus	% Growth period / budget			Absolute m	Var to Bud m
	11%	13%	P	156	(2.0)
			Y	1005	(11.5)



Rail	% Growth period / budget			Absolute m	Var to Bud m
	11%	4%	P	25	1.6
			Y	163	7.5

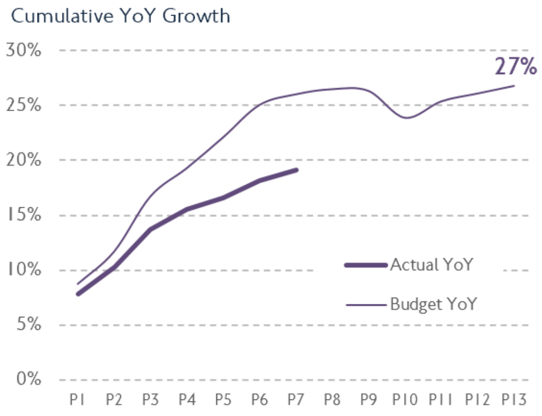


LO	% Growth period / budget			Absolute m	Var to Bud m
	15%	9%	P	15	0.7
			Y	98	3.6

DLR	% Growth period / budget			Absolute m	Var to Bud m
	8%	-7%	P	8	1.1
			Y	54	5.1

Tram	% Growth period / budget			Absolute m	Var to Bud m
	1%	18%	P	2	(0.3)
			Y	11	(1.2)

EL	% Growth period / budget			Absolute m	Var to Bud m
	24%	32%	P	17	(1.0)
			Y	110	(6.4)



EL journeys are estimates and are subject to revision

Income statement

Total revenue is in line with Budget. Passenger income is £44m higher, which is offset by lower revenue top up from Government. These variances should net off over a full year.

Operating costs are £40m lower than Budget. We are seeing some timing differences on savings delivery, higher ULEZ scrappage payments (offset by grant shown in other revenue grants) and some cost pressures on bus operators costs, through improved performance. These cost pressures have been offset by staff cost savings and one offs, as well as central contingency to mitigate uncertainty on other operating income. We need to retain contingency to mitigate risks over the remainder of the year.

Capital renewals are £17m lower than Budget. We expect to deliver to available funding over the full year.

Income statement (£m)

	Year to date, 2023/24				Year to date, 2022/23		
£m	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Underlying passenger income	2,686	2,642	44	2%	2,184	502	23%
DfT revenue top up	90	155	(66)	-42%	105	(15)	-15%
Passenger income	**2,776**	**2,797**	**(21)**	-1%	**2,290**	**486**	21%
Other operating income	786	786	(0)	0%	819	(33)	-4%
Business Rates Retention	1,030	1,030	0	0%	986	44	4%
Other revenue grants	202	178	24	14%	560	(358)	-64%
Revenue	**4,794**	**4,791**	**3**	0%	**4,655**	**139**	3%
Operating cost	(4,068)	(4,107)	40	1%	(3,753)	(315)	-8%
Operating surplus before interest and renewals	**726**	**684**	**42**	6%	**902**	**(176)**	-19%
Capital renewals	(360)	(376)	17	4%	(287)	(73)	-25%
Net interest costs	(224)	(224)	(1)	0%	(231)	6	3%
Operating surplus / (deficit)	**142**	**84**	**58**	70%	**384**	**(242)**	-63%

Income statement

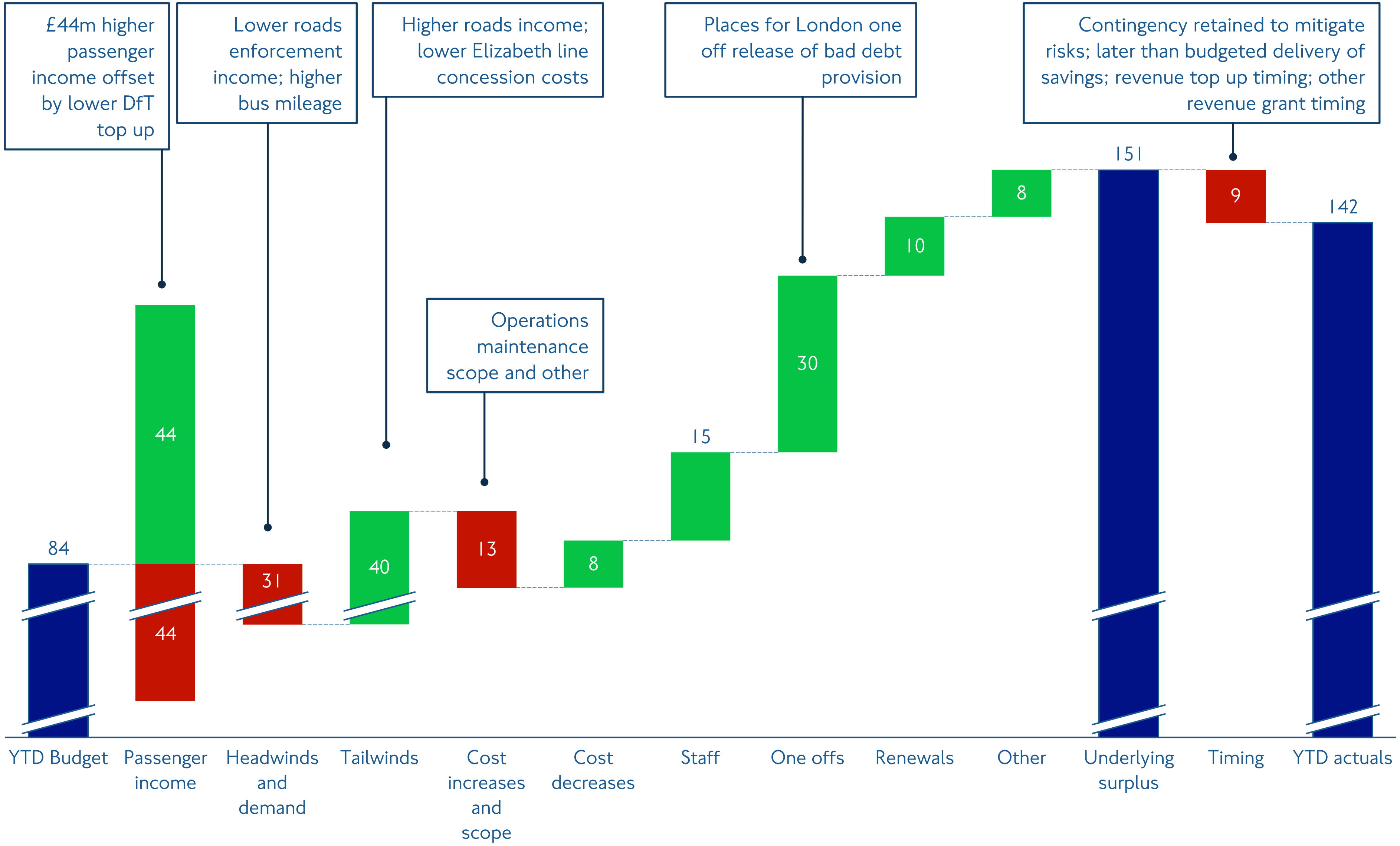
The underlying surplus – after adjusting for timing differences on savings and capital renewals - is £151m, £67m better than Budget and £37m better after adjusting for one-offs.

We need to retain contingency for later this year to mitigate the financial risks we still face.

Over the remainder of the year, we expect our favourable surplus position to trend back towards our budget target due to:

1. renewals spend ramping up to meet the funding envelope
2. some costs such as rolling stock lease payments are phased in the second half of the year
3. bus contracts renew based on a higher inflation than budgeted.

Income statement variances by cause (£m)



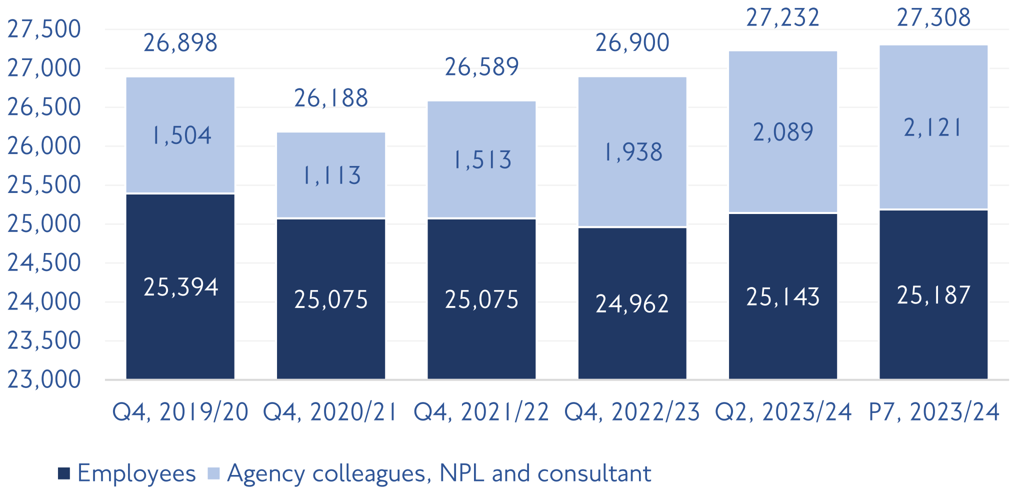
Colleagues

Total colleague numbers are now slightly above pre-pandemic levels. This reflects the ramp up our capital programme and new services introduced in the last three years, including the Elizabeth line, Northern Line Extension and Barking Riverside extension.

Permanent employee numbers are over 200 lower than before the pandemic, but are over 200 above the end of 2022/23. This is mostly driven by recruitment of graduates and apprenticeship trainees.

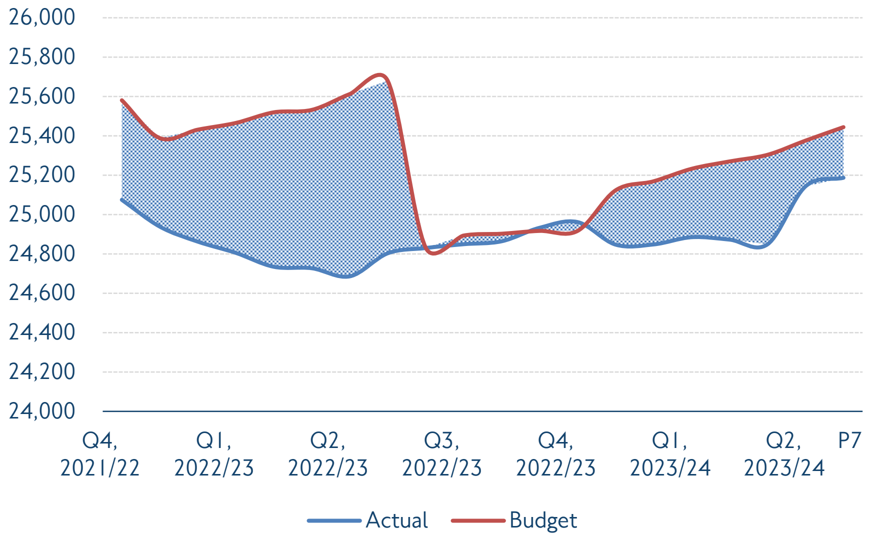
Agency and NPL colleagues have increased by over 600 since the end of 2019/20, but remain significantly lower than 2015/16 levels. NPL offers flexibility, particularly through time of change and temporary peaks in demand.

Headcount trends since 2019/20



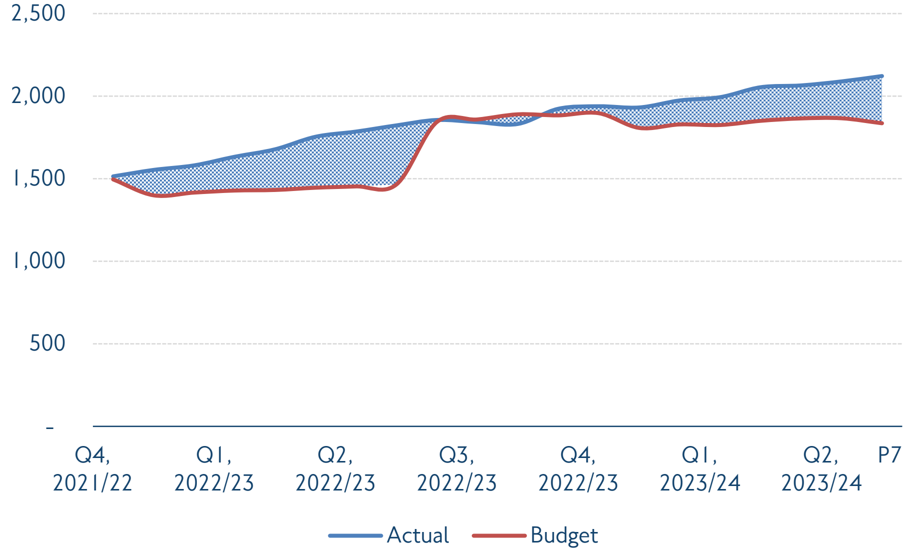
Permanent colleagues (FTE): actuals and Budget

Permanent employees up by over 200 since the end of 2022/23, mostly driven by the recruitment of graduate and apprenticeship trainees. Staff levels are below Budget in Period 7 with the gap widening this year.



Agency and NPL colleagues (FTE): actuals and Budget

Agency and NPL FTE up by over 100 since the end of 2022/23 and are slightly higher than Budget in Period 5. This is driven by labour market challenges.



Capital renewals

Capital renewals are £17m lower than Budget in the year to date, but significantly higher than last year. We have seen some underspend over the first periods, largely driven by historical accrual releases in Streets, Bus & RSS Renewals programme and slippage in Technology, including ERP and Payments projects.

We are closely managing our workbank and forecast to spend in line with available funding of £736m over the full year.

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

	Year to date, 2023/24				Year to date, 2022/23		
£m	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Major Projects	**(2)**	**(2)**	**(0)**	**-10%**	**(2)**	**(0)**	**-13%**
Four Lines Modernisation	(2)	(2)	(0)	-3%	(2)	(0)	(0)
Silvertown Tunnel	(0)	0	(0)	0%	0	(0)	0%
Programmes	**(357)**	**(374)**	**17**	**5%**	**(285)**	**(72)**	**-25%**
Safe & Healthy Streets	(0)	(1)	1	100%	0	(0)	100%
Streets, Bus & RSS Renewals	(74)	(95)	21	22%	(73)	(1)	-2%
Environment	(9)	(11)	1	13%	(7)	(3)	-41%
Rail & Station Enhancements	(2)	(5)	3	52%	(4)	2	47%
LU Renewals	(203)	(182)	(20)	-11%	(151)	(52)	-35%
Technology	(62)	(74)	12	16%	(47)	(16)	-34%
Estates Directorate	(3)	(4)	0	13%	(0)	(3)	-1461%
Elizabeth Line	0	0	0	0%	(1)	1	100%
Other (TPH, City Planning, Group etc)	(3)	(3)	0	3%	(3)	0	4%
Total	**(360)**	**(376)**	**17**	**4%**	**(287)**	**(73)**	**-25%**

Capital enhancements

Enhancements spend is £86m lower than Budget driven by:

- DLR RS: £17m underspend driven by rephasing delivery of the Maintenance Facility Building to align with the contractors latest programme.
- Piccadilly Line Upgrade: £9m underspend due to delays in onboarding contractors
- Environment: slippage by £19m driven by reclassification of costs into IP Opex, rephasing of spend into later years and cost estimates adjustment
- Technology: £35m slippage largely driven by change in delivery approach of Telecoms Commercialisation Project 2 (simultaneous delivery of 4G & 5G): a third party funded project.

We are unable to mitigate this underspend given the Government's decision not to provide additional inflation support for 2023/24.

	Year to date, 2023/24				Year to date, 2022/23		
£m	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Major Rolling Stock and Signalling	**(335)**	**(363)**	**29**	**8%**	**(230)**	**(105)**	**-45%**
Four Lines Modernisation	(52)	(54)	2	4%	(65)	14	21%
DLR Rolling Stock Replacement	(109)	(126)	17	14%	(46)	(63)	-139%
Piccadilly Line Upgrade	(173)	(182)	9	5%	(119)	(54)	-46%
Bakerloo Line Trains	0	0	0	0%	0	0	0%
Trams - project	(1)	(2)	1	35%	(0)	(1)	-135%
Other Enhancements	**(177)**	**(234)**	**58**	**25%**	**(162)**	**(14)**	**-9%**
Silvertown Tunnel	(4)	(8)	4	51%	(6)	2	32%
Northern Line Extension	0	(0)	0	1	0	0	(4)
Barking Riverside	(1)	4	(6)	130%	(3)	2	56%
Bank Station Capacity Upgrade	(4)	(7)	3	41%	(41)	38	91%
Elizabeth Line	(0)	(2)	2	83%	(2)	2	83%
Safe & Healthy Streets	(60)	(65)	5	8%	(33)	(27)	-82%
Environment	(56)	(75)	19	25%	(21)	(35)	-166%
Streets, Bus & RSS Renewals	(0)	0	(0)	0%	(3)	3	99%
LU Renewals PIC Programme	(3)	(9)	6	63%	(7)	4	54%
Estates Directorate	(1)	(1)	(0)	-59%	(0)	(1)	-591%
Rail & Station Enhancements (excl. Trams)	(20)	(21)	0	1%	(12)	(8)	-63%
Technology	(27)	(63)	35	56%	(36)	8	23%
Network Development & Third Party Pipeline	(1)	(1)	(0)	-11%	0	(1)	0%
Other (TPH, City Planning, OP, Group etc)	2	14	(12)	87%	3	(1)	37%
London Transport Museum	(0)	(1)	1	69%	(0)	(0)	-67%
Total TfL excl Places and Crossrail	**(512)**	**(598)**	**86**	**14%**	**(393)**	**(119)**	**-30%**
Places for London	(57)	(75)	18	24%	(33)	(24)	-71%
Crossrail	(32)	(59)	27	45%	(143)	111	78%
Total	**(601)**	**(731)**	**130**	**18%**	**(569)**	**(32)**	**-6%**

Cash flow statement

Cash balances are £1.13bn at the end of Period 7, just over £30m lower than Budget. This was driven by lower borrowing and temporary adverse working capital.

Cash balances

£m	Year to date, 2023/24 Actuals	Variance to Budget		Year to date, 2022/23 Actuals	Variance to last year	
Opening balance	1,237	37	3%	1,287	(50)	-4%
Change in cash balance	(106)	(72)	212%	(182)	76	-42%
Closing balance	**1,132**	**(34)**	**-3%**	**1,106**	**26**	**2%**

Cash flow statement

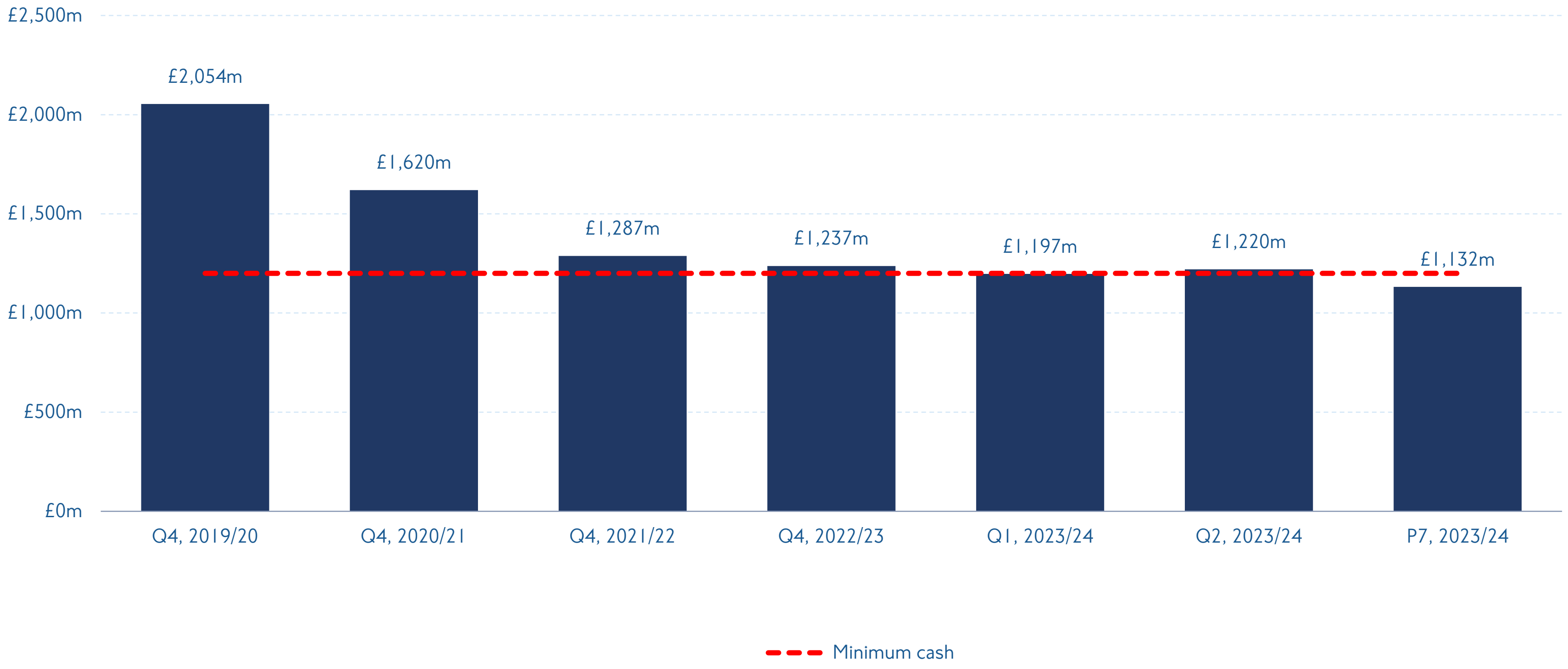
£m	Year to date, 2023/24 Actuals	Variance to Budget		Year to date, 2022/23 Actuals	Variance to last year	
Operating surplus before capital renewals and interest	726	42	6%	902	(176)	-19%
Less Places, LTIG and LTM	(28)	(17)	149%	(53)	25	-47%
Cash generated / (used) from operating activities	***698***	***26***	***4%***	***849***	***(150)***	***-18%***
Capital renewals	(360)	17	-4%	(287)	(73)	25%
New capital investment	(512)	86	-14%	(393)	(119)	30%
Investment grants and ring-fenced funding	503	25	5%	35	468	1324%
Working capital movements	(74)	(122)	-252%	45	(119)	-263%
Cash generated / (used) from investing activities	***(442)***	***6***	***-1%***	***(599)***	***157***	***-26%***
Free cash flow	**256**	**32**	**14%**	**250**	**6**	**3%**
Net interest costs	(224)	(1)	0%	(231)	6	-3%
Existing debt maturing	(129)	0	0%	(634)	505	-80%
New debt issued	0	(94)	-100%	554	(554)	-100%
Short-term net borrowing change	(9)	(9)	N/A	(121)	112	-93%
Cash generated / (used) from financing activities	***(362)***	***(104)***	***40%***	***(432)***	***69***	***-16%***
Change in cash balance	**(106)**	**(72)**	**212%**	**(182)**	**76**	**-42%**

Cash balances

Total cash balances (excl. cash balances identified for Crossrail construction) are just over £1.1bn at the end of Period 7, around £100m lower than at the end of last year. This is driven from timing of new borrowing and working capital.

A requirement 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 £1,132m at the end of Period 7, 2023/24

Reserves

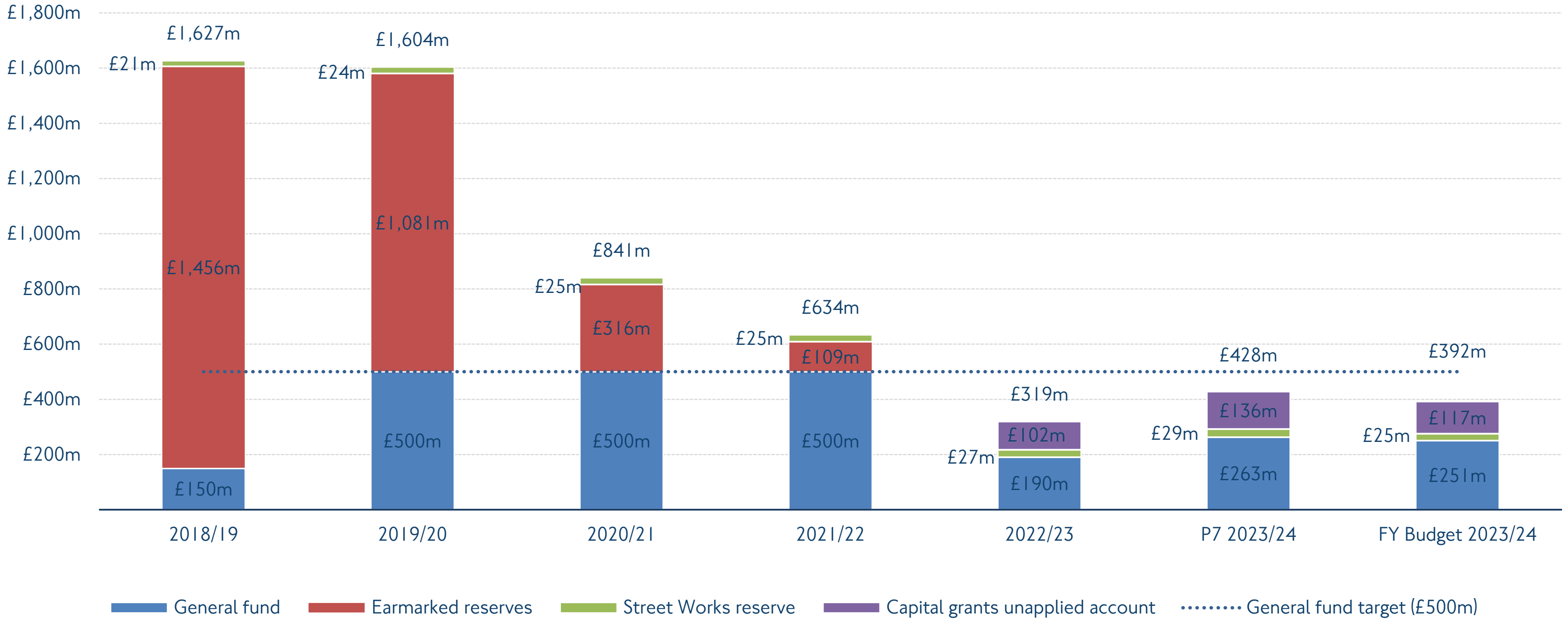
The pandemic has seen a material reduction in TfL's useable reserves, which consist of its General Fund and Earmarked Reserves.

Usable reserves are generally lower than TfL's cash balance, as elements of cash will be restricted for certain purposes and because cash payments are made in arrears in-line with supplier payment terms.

At the end of 2022/23, TfL's General Fund reserves fell below our target of £500m, although this was largely driven by the purchase of the Class 378 rolling stock. The savings from this purchase will further support TfL as it rebuilds its usable reserves.

As part of the 2024 Business Plan process, we will be setting out the plan that shows useable reserves growing back to target levels by 2025/26.

Usable reserves (£m)



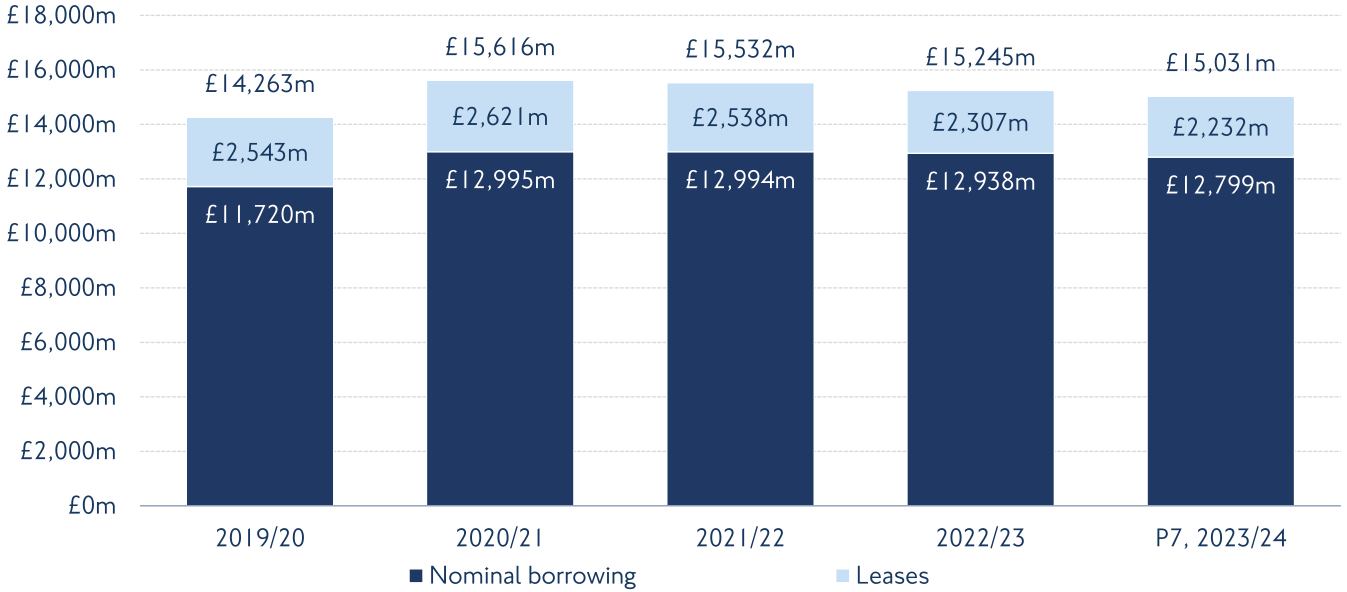
- Usable reserves of the Corporation are those that can be applied to fund future expenditure. They are made up of the General Fund, Earmarked Reserves, the Capital Grants Unapplied Account and the Street Works Reserve
- The General Fund represents sufficient cash-backed reserves held by the Group to cover risks that may arise. The Group has a target General Fund balance of £500m, which was increased from £150m at the start of the pandemic in March 2020
- The primary reason for falling below the benchmark at the end of the 2022/23 financial year was the transaction in March 2023 to purchase the Class 378 rolling stock for £277m. The saving in lease financing over the life of the asset will further support TfL as it rebuilds its usable reserves
- At P7, usable reserves are tracking above the full year figure due to timing of the DfT capital grant receipts of £480m to P7 (of FY Budget £696m), which are recognised in usable reserves when received rather than straight lined.

Debt

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

Our level of outstanding borrowing has decreased by £138m for the year up to Period 7, bringing our total borrowing balance to £12,799m. This is largely driven by a reduction in our short-term borrowing, to suit our cash and liquidity needs.

Total debt (£m)



93%

93% of our borrowing is at a fixed rate of interest

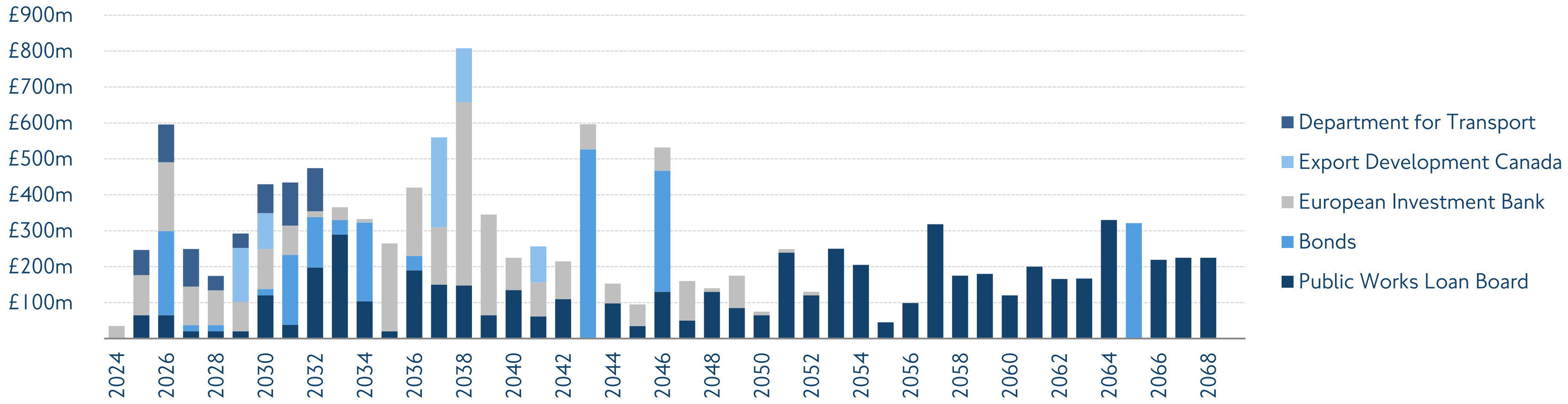
3.5%

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 £526m of short-term borrowing, 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.

There has been no change to our credit rating position since our last Finance Update to the Committee.

	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 6% up on 2022/23. Journeys are showing strong growth and are 28 million higher than Budget. Passenger income is (£1m) down Budget, a result of lower ticket yield compared to Budget.

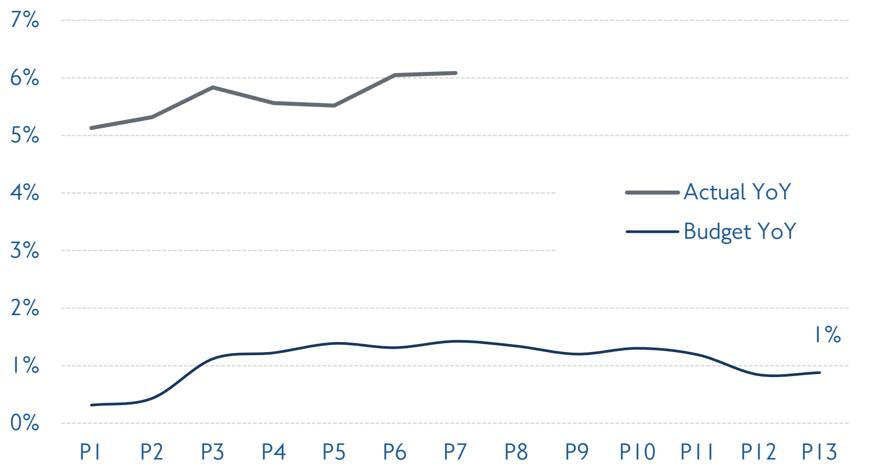
Operating costs are (£1,188m) in the year to date, (£31m) higher than Budget. This is mainly driven by higher maintenance costs and the timing of efficiencies delivery, which we expect to deliver later in the year.

Capital renewals are (£21m) higher than Budget in the year to date, driven by timing differences from accelerated delivery.

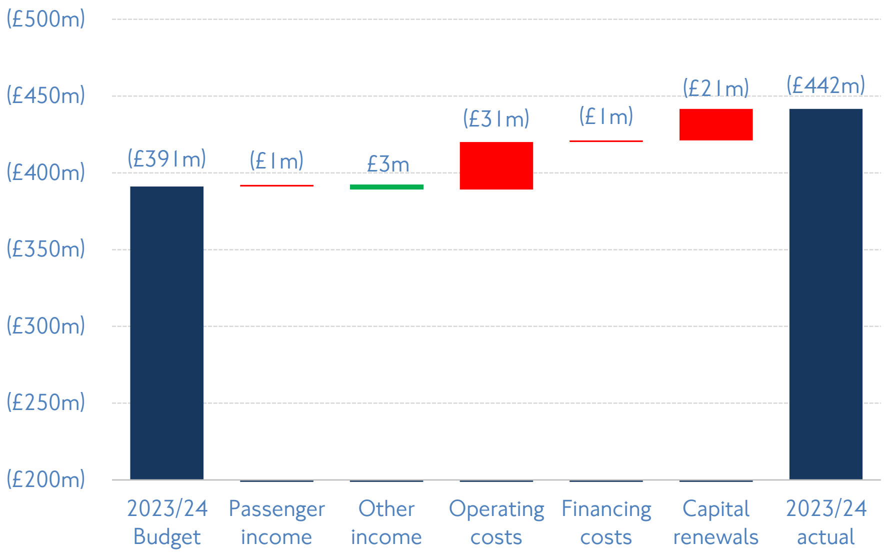
Income statement (£m)	Year to date, 2023/24 Actuals	Budget	Variance to Budget		Year to date, 2022/23 Last year	Variance to last year	
Passenger income	1,337	1,338	(1)	0%	1,156	181	16%
Other operating income	16	13	3	23%	16	-	0%
Revenue	**1,353**	**1,351**	**2**	0%	**1,172**	**181**	15%
Operating costs	(1,188)	(1,157)	(31)	3%	(1,130)	(58)	5%
Net contribution	**165**	**194**	**(29)**	-15%	**42**	**123**	293%
Indirect costs	(238)	(238)	-	0%	(222)	(16)	7%
Net financing costs	(147)	(146)	(1)	1%	(151)	4	-3%
Capital renewals	(222)	(201)	(21)	10%	(170)	(51)	30%
Operating surplus / (deficit)	**(442)**	**(391)**	**(51)**	13%	**(501)**	**60**	-12%
New capital investment	**(253)**	**(280)**	**27**	**-10%**	**(263)**	**10**	**-4%**

Tube journeys year-on-year growth

% vs Growth Period / Budget		Journeys (millions)	Var to Budget
6%	2%	629	28



Operating surplus/ (deficit) compared to Budget



Elizabeth line

Elizabeth line journeys are showing strong growth, with cumulative journeys around 20% up on last year. Passenger income is £36m higher than Budget.

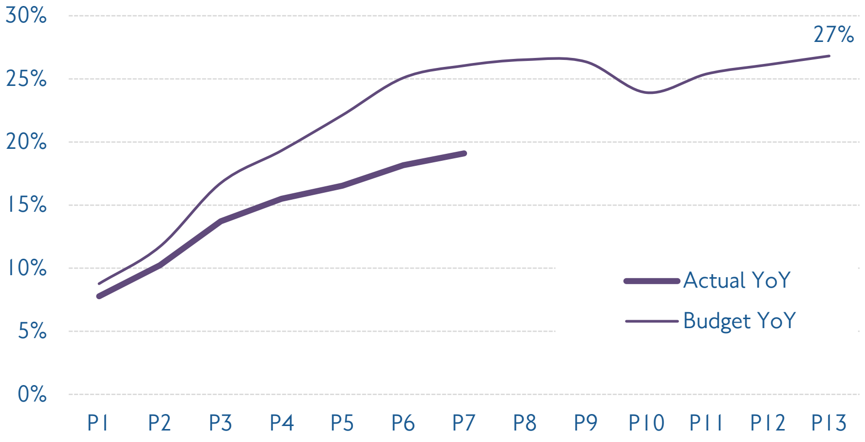
Operating costs are £7m lower than Budget, driven by lower concession costs.

The Elizabeth line is delivering a positive net contribution, and is within £8m of covering its indirect costs, financing costs and renewals.

	Year to date, 2023/24				Year to date, 2022/23		
Income statement (£m)	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Passenger income	316	280	36	13%	126	190	151%
Other operating income	4	5	(1)	-20%	10	(6)	-60%
Revenue	**320**	**285**	**35**	**12%**	**136**	**184**	**135%**
Operating costs	(271)	(278)	7	-3%	(257)	(14)	5%
Net contribution	**49**	**7**	**42**	**600%**	**(121)**	**170**	**-140%**
Indirect costs	(9)	(15)	6	-40%	(9)	-	0%
Net financing costs	(44)	(44)	-	0%	(46)	2	-4%
Capital renewals	(4)	(5)	1	-25%	(1)	(3)	436%
Operating surplus / (deficit)	**(8)**	**(57)**	**49**	**-86%**	**(177)**	**169**	**-96%**
New capital investment	-	(5)	5	-93%	(3)	3	-90%
Crossrail project	(32)	(59)	27	-45%	(143)	111	-78%
Total new capital investment	**(32)**	**(64)**	**31**	**-49%**	**(146)**	**114**	**-78%**

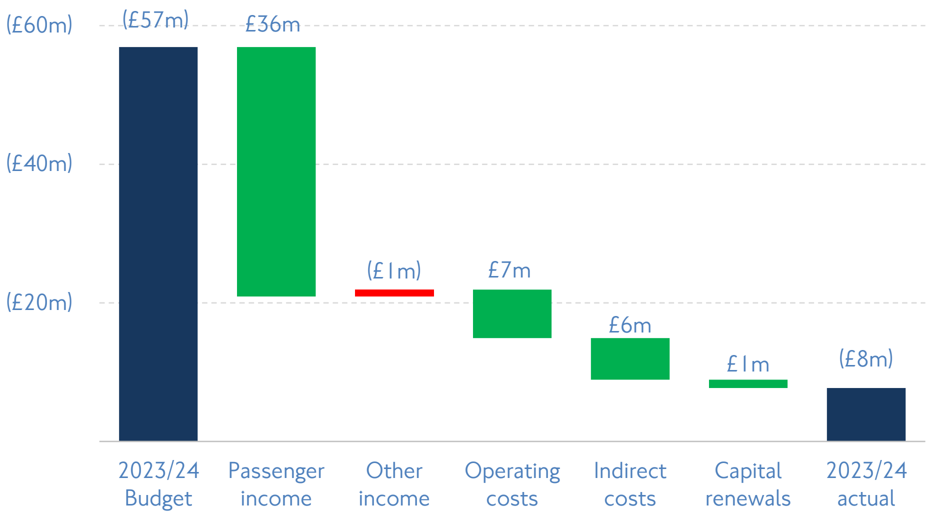
EL journeys year-on-year growth

% vs Growth Period / Budget		Absolute m	Var to Bud m
24%	32%	110	(6)



EL journeys are estimates and are subject to revision

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 an 7% increase in growth since last year, but is lower than expected. Journeys are 12 million lower than Budget in the year to date. Despite this, passenger income is £6m higher than Budget.

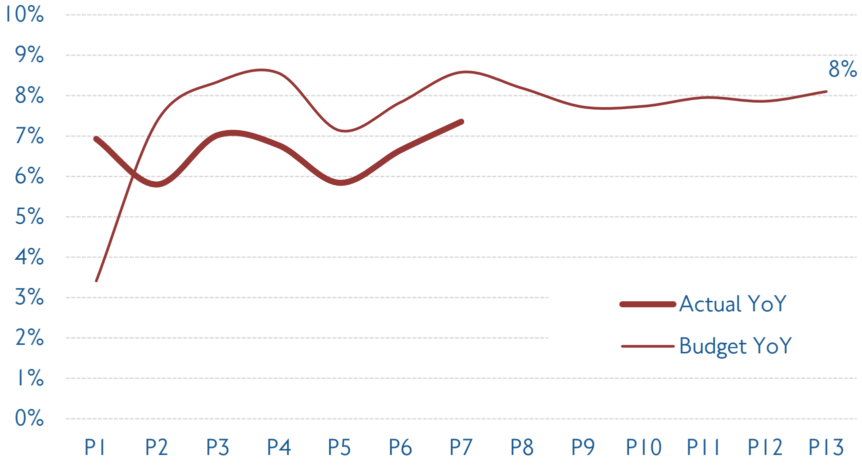
Other operating income is (£3m) below Budget. This is driven by lower roads enforcement and cycle hire income, which has been partly offset by higher Congestion Charge and ULEZ income (before the introduction of the London-Wide expansion).

Operating costs are (£37m) higher than Budget, mainly from timing of ULEZ scrappage scheme applications. We have also seen higher bus performance payments to operators, partly offset by savings.

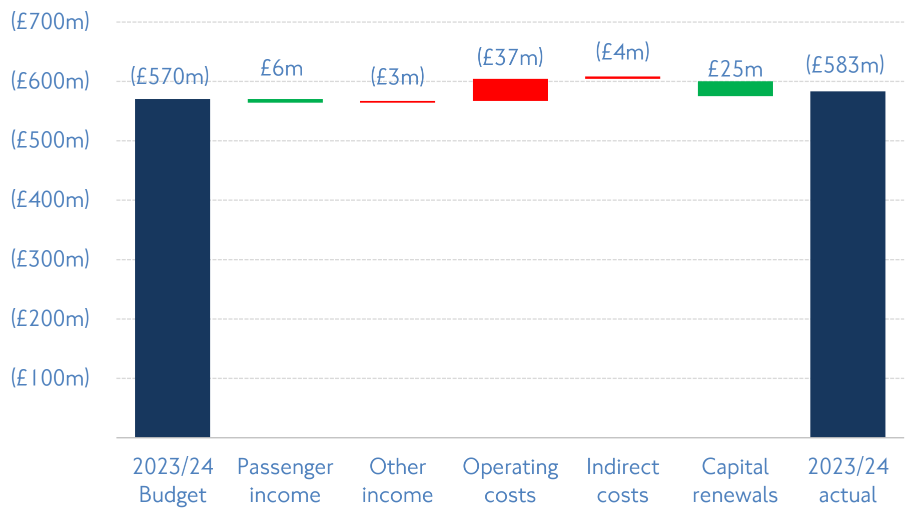
Income statement (£m)	Year to date, 2023/24 Actuals	Budget	Variance to Budget		Year to date, 2022/23 Last year	Variance to last year	
Passenger income	813	807	6	1%	725	88	12%
Other operating income	555	558	(3)	-1%	587	(32)	-5%
Revenue	**1,368**	**1,365**	**3**	**0%**	**1,312**	**56**	**4%**
Operating costs	(1,823)	(1,786)	(37)	2%	(1,629)	(194)	12%
Net contribution	**(455)**	**(421)**	**(34)**	**8%**	**(317)**	**(138)**	**44%**
Indirect costs	(41)	(37)	(4)	11%	(42)	1	-2%
Net financing costs	(13)	(13)	-	0%	(14)	1	-7%
Capital renewals	(74)	(99)	25	-25%	(77)	3	-4%
Operating surplus / (deficit)	**(583)**	**(570)**	**(13)**	**2%**	**(450)**	**(133)**	**29%**
New capital investment	**(126)**	**(162)**	**36**	**-22%**	**(65)**	**(60)**	**92%**

Bus journeys year-on-year growth

% vs Pre Covid Period / Budget		Absolute m	Var to Bud m
11%	13%	1,005	(12)



Operating surplus/ (deficit) compared to Budget



Rail

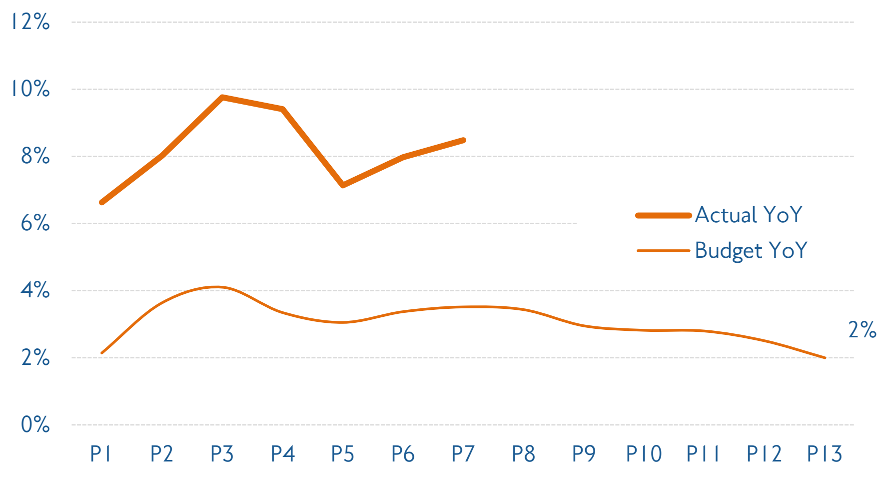
Rail journeys are showing strong growth and are around 8% up on last year. Journeys are 8 million higher than Budget in the year to date. Passenger income is also £9m up on Budget, reflecting this strong performance.

Operating costs are (£212m) in the year to date, and are broadly in line with Budget.

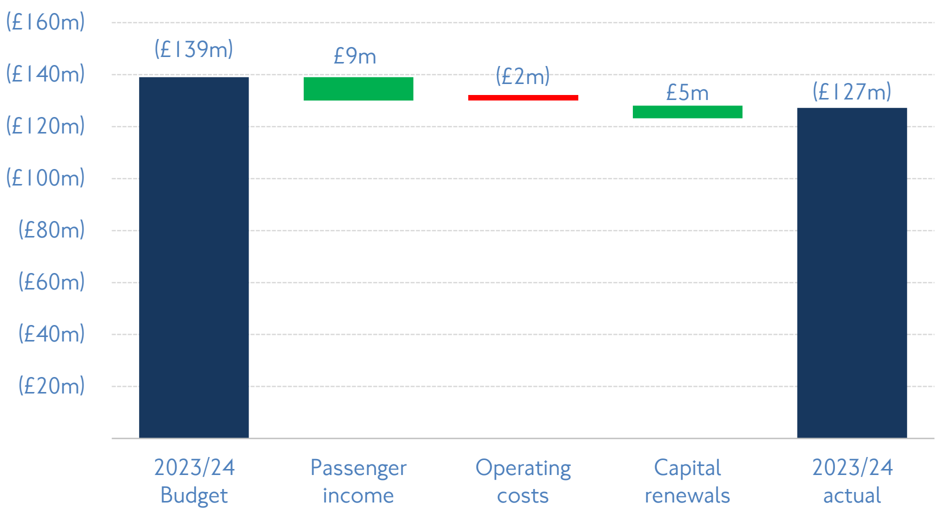
Income statement (£m)	Year to date, 2023/24 Actuals	Budget	Variance to Budget		Year to date, 2022/23 Last year	Variance to last year	
Passenger income	225	216	9	4%	190	35	18%
Other operating income	7	7	-	0%	12	(5)	-42%
Revenue	**232**	**223**	**9**	**4%**	**202**	**30**	**15%**
Operating costs	(298)	(296)	(2)	1%	(290)	(8)	3%
Net contribution	**(66)**	**(73)**	**7**	**-10%**	**(88)**	**22**	**-25%**
Indirect costs	(14)	(14)	-	0%	(14)	-	0%
Net financing costs	(19)	(19)	-	0%	(19)	-	0%
Capital renewals	(28)	(33)	5	-15%	(22)	(6)	27%
Operating surplus / (deficit)	**(127)**	**(139)**	**12**	**-9%**	**(143)**	**16**	**-11%**
New capital investment	**(122)**	**(131)**	**9**	**-7%**	**(54)**	**(68)**	**127%**

Rail journeys year-on-year growth

% vs Growth Period / Budget		Absolute m	Var to Bud m
11%	4%	163	8



Operating surplus/ (deficit) compared to Budget



Key Project updates

Silvertown Tunnel

The tunnel boring machine (TBM) completed its drive on 23 July, 62 days ahead of plan. This was a significant achievement for the programme as it represents successful completion of a complex TBM manoeuvre and is the first time this technique has been used in the UK. In October, the Riverlinx consortium won the Temporary Works Initiative of the Year at the 2023 British Construction Awards for this solution. The TBM has now been dismantled and removal from the retrieval chamber was completed in September.

TfL took full possession of the land required for both tunnel construction and operation on 14 August 2023.

Road User Charging

On 29 August 2023, the Ultra Low Emission Zone (ULEZ) was expanded London wide to cover all London boroughs, which will bring cleaner air to 5 million more Londoners.

We have installed an extensive camera network to support the effective operation of the scheme. Up to 2 October 2023, we had installed over 2,000 new cameras with a total of more than 3,500 cameras enforcing road user charging schemes in London.

Unfortunately, there have been incidences of vandalism on the ULEZ cameras and signs. All incidents are reported to the police and some arrests have been made. We are working closely with our contractors and the police. Vandalism is not impacting the operation of the scheme.

The London-wide ULEZ back-office system successfully went live on 29 August 2023 and is performing well.

Four Lines Modernisation

We continue to make progress on the programme, which is delivered by progressively installing new signalling on sections of the railway called Signal Migration Areas (SMAs).

Software development continues for the next SMA to be commissioned, covering the Metropolitan line between Finchley Road and Preston Road (SMA8), which is due to go live in 2024.

SMA8 is the most complex area integrating the new signalling system on the Metropolitan line with the Jubilee line and Neasden depot train control software, with significant testing challenges expected.

This has created challenges in determining with confidence the precise date for SMA8 Go Live in 2024 which is currently under review by the project team.