

Finance Report

Quarter 4, 2023/24

Management results from 1 April 2023 – 31 March 2024

Board

12 June 2024



We delivered an operating surplus in 2023/24, which was used to fund our investment

Our results for 2023/24 demonstrate our commitment to achieving operational sustainability as we finish the year with an operating surplus £59m higher than Budget. This is the first year since the pandemic that we have operated without extraordinary grant base funding from Government being used to support operations.

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

- TfL's passenger journeys at the end of Quarter 4 were 3.6 billion, up 0.3 billion on 2022/23, and 9% higher than last year. Journeys are now at 88% of pre-pandemic levels, compared to 80% at the end of last year
- Passenger income grew by 20%, from £4.4bn to £5.2bn, and was 1% better than Budget

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

- Our total operating costs are £7,846m in the full year, £42m (1%) lower than Budget
- We are continuing to focus on cost savings and have made £138m of recurring savings
- Like-for-like operating costs are almost £800m lower than 2019/20 in real terms, although we have seen a small increase in 2023/24 compared to the previous year.

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

- Our operating surplus is £138m, £59m higher than Budget
- This is over £320m better than last year on a like-for-like basis (after adjusting for HMG funding support in 2022/23)
- This is the first year we were able to fully cover our day-to-day costs from our income
- This also shows a turnaround of almost £3bn since 2020/21
- We have also now met the test set by HMG for TfL to achieve operational financial sustainability.

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

- Capital renewals £18m (2%) ahead of Budget, driven by some acceleration of works into this year
- With no inflation support provided by Government, capital enhancements expenditure has had to slip – we ended the year £93m (8%) lower than Budget
- We have capital funding in place for 2024/25, but need longer-term capital funding to deliver major schemes efficiently and effectively.

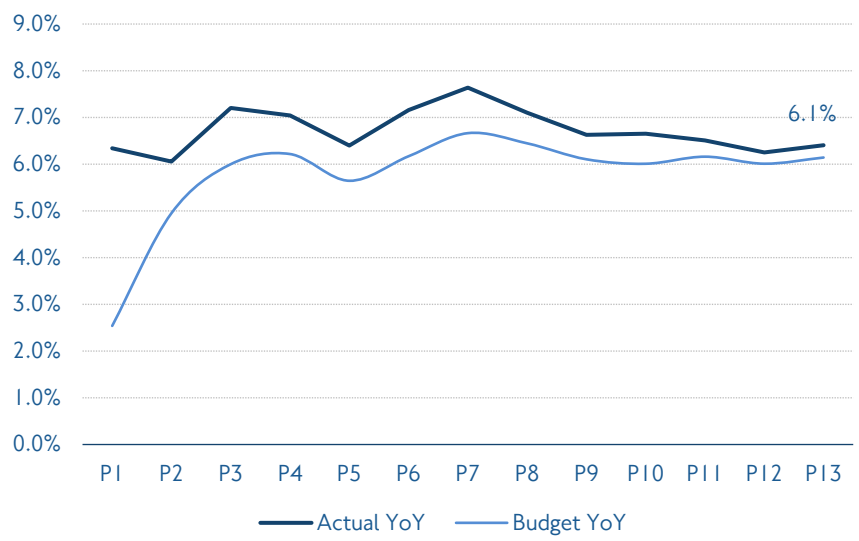
Maintain cash reserves to make payments and protect against shocks

- Cash balances are £1.35bn at year end, just over £50m higher than Budget
- Our usable cash balances – which excludes ring-fenced funding for projects – are £1.16bn – these are required to be under £1.3bn as one of the funding conditions from HMG in the August 2022 funding settlement
- Standards & Poor's upgraded our credit rating by one notch to AA-/A-1+ in May 2024.

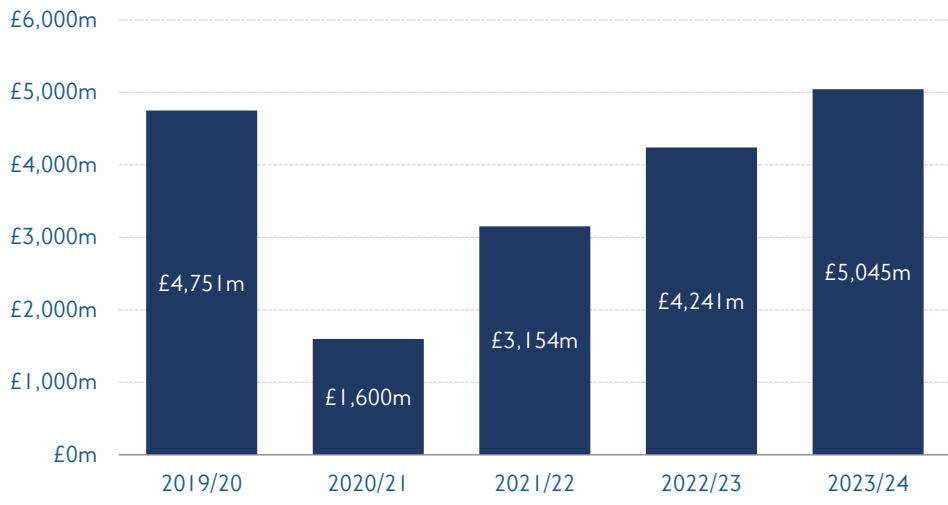


Headlines

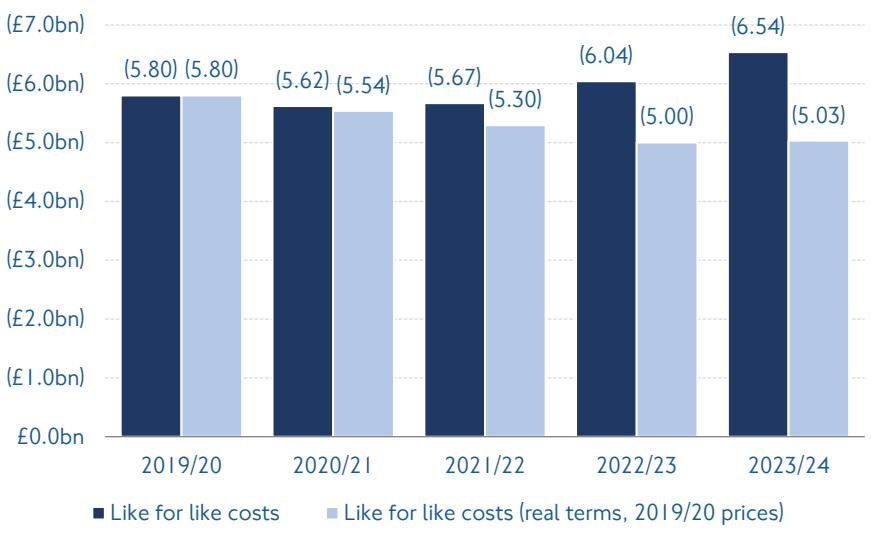
Total passenger journeys up just over 6% compared to last year, which is slightly ahead of Budget



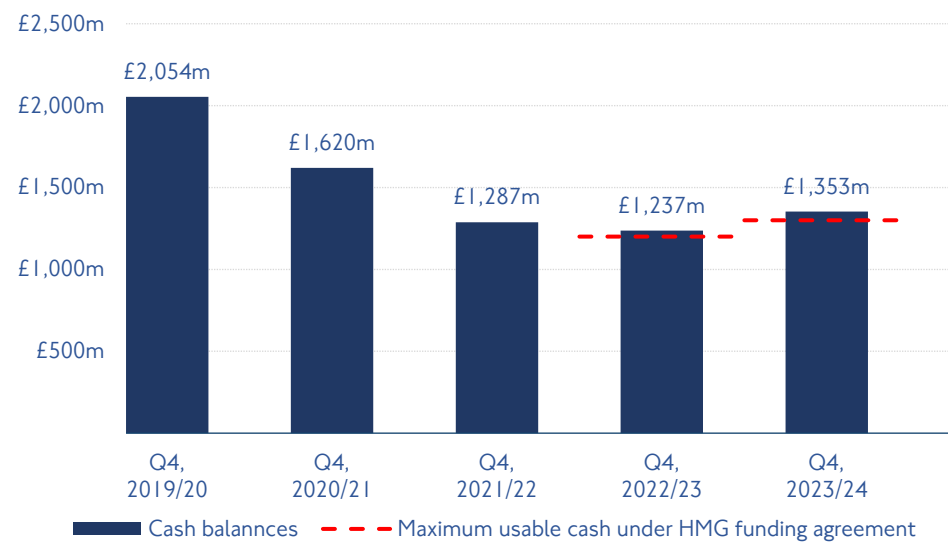
Passenger income higher than pre-pandemic levels in cash terms, from combination of journey recovery and Elizabeth line services



Like-for-like operating costs in real terms slightly up on 2022/23, but are almost £800m lower than 2019/20



We have maintained usable cash balances of £1.2bn in line with DfT funding conditions. Year-end usable cash balances are £1.16bn



Passenger journeys

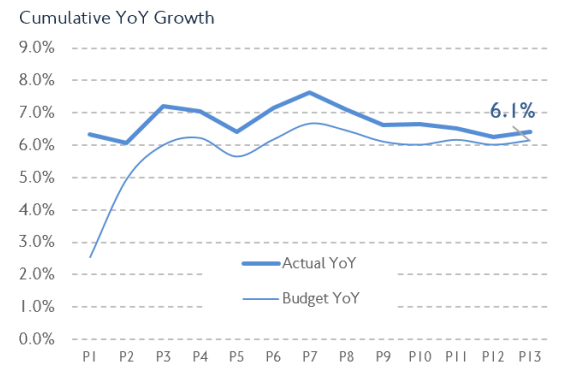
TfL's passenger journeys at the end of Quarter 4 were 3.6 billion, up 0.3 billion on 2022/23. We budgeted for 6% underlying year-on-year growth in demand this year; we are slightly ahead of target, with cumulative growth of 6.1%.

Overall journeys at the end of 2023/24 are nine million above Budget. Passenger journeys have seen significant growth on TfL's Tube and rail network, with more than four million Tube journeys and around five million bus journeys made on weekdays. The Elizabeth line also continues to grow, with ridership levels at around 700,000 journeys every weekday and passenger income up by almost £300m from 2022/23.

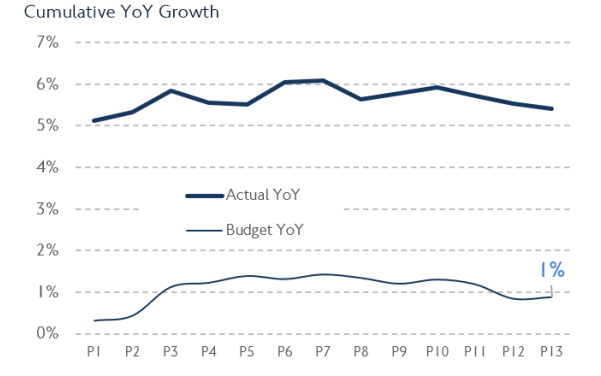
LU and DLR journeys are higher than expected as the assumed impact of Elizabeth line new services to these modes is less than expected.

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

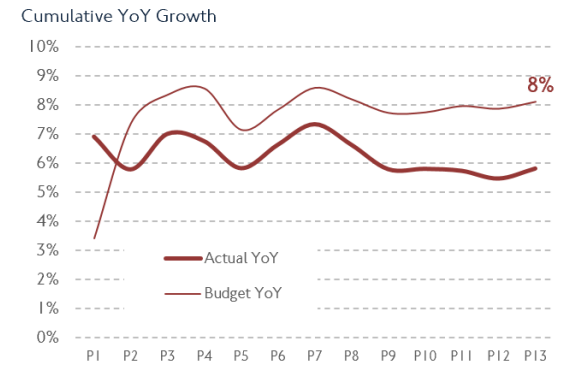
TfL	% Growth period / budget		Absolute m		Var to Bud m
	8.2%	7.7%	P	290	1.4
			Y	3,560	8.9



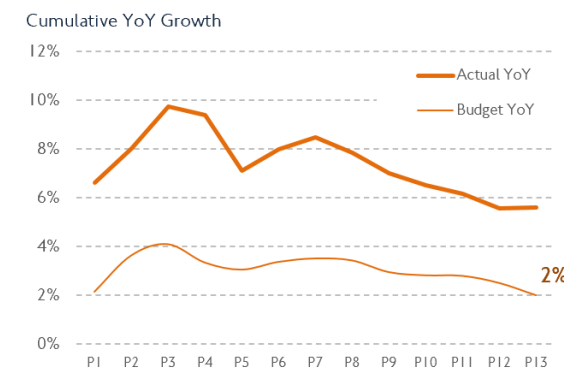
LU	% Growth period / budget		Absolute m		Var to Bud m
	4%	1%	P	93	2.5
			Y	1,181	50.8



Bus	% Growth period / budget		Absolute m		Var to Bud m
	10%	11%	P	155	(1.5)
			Y	1,870	(40.2)



Rail	% Growth period / budget		Absolute m		Var to Bud m
	6%	-4%	P	24	2.2
			Y	300	10.3

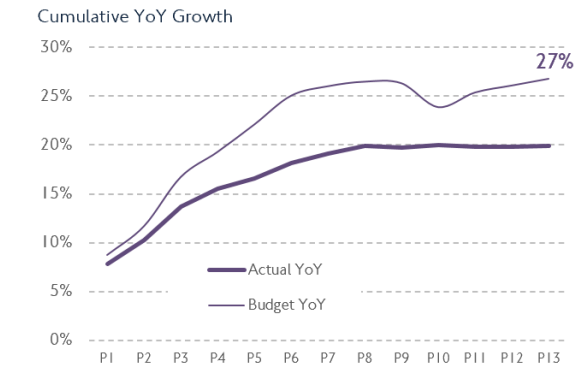


LO	% Growth period / budget		Absolute m		Var to Bud m
	11%	-3%	P	15	1.9
			Y	181	6.7

DLR	% Growth period / budget		Absolute m		Var to Bud m
	-1%	-7%	P	8	0.5
			Y	99	6.7

Tram	% Growth period / budget		Absolute m		Var to Bud m
	-3%	5%	P	2	(0.1)
			Y	20	(3.1)

EL	% Growth period / budget		Absolute m		Var to Bud m
	22%	35%	P	17	(1.8)
			Y	210	(12.0)



EL journeys are estimates and are subject to revision

Income statement

Total revenue is broadly in line with Budget. Passenger income is £63m higher, which is offset by lower revenue top up from Government. Other operating income is slightly higher than last year but below Budget. We have seen record vehicle compliance – in turn, improving air quality in London – which has led to lower-than-expected revenue from road network charges.

We are continuing to focus on cost savings, and our total operating costs are £7,846m in the full year, £42m lower than Budget. We have a proven record of making year-on-year improvements and will continue to do so by increasing our efficiency.

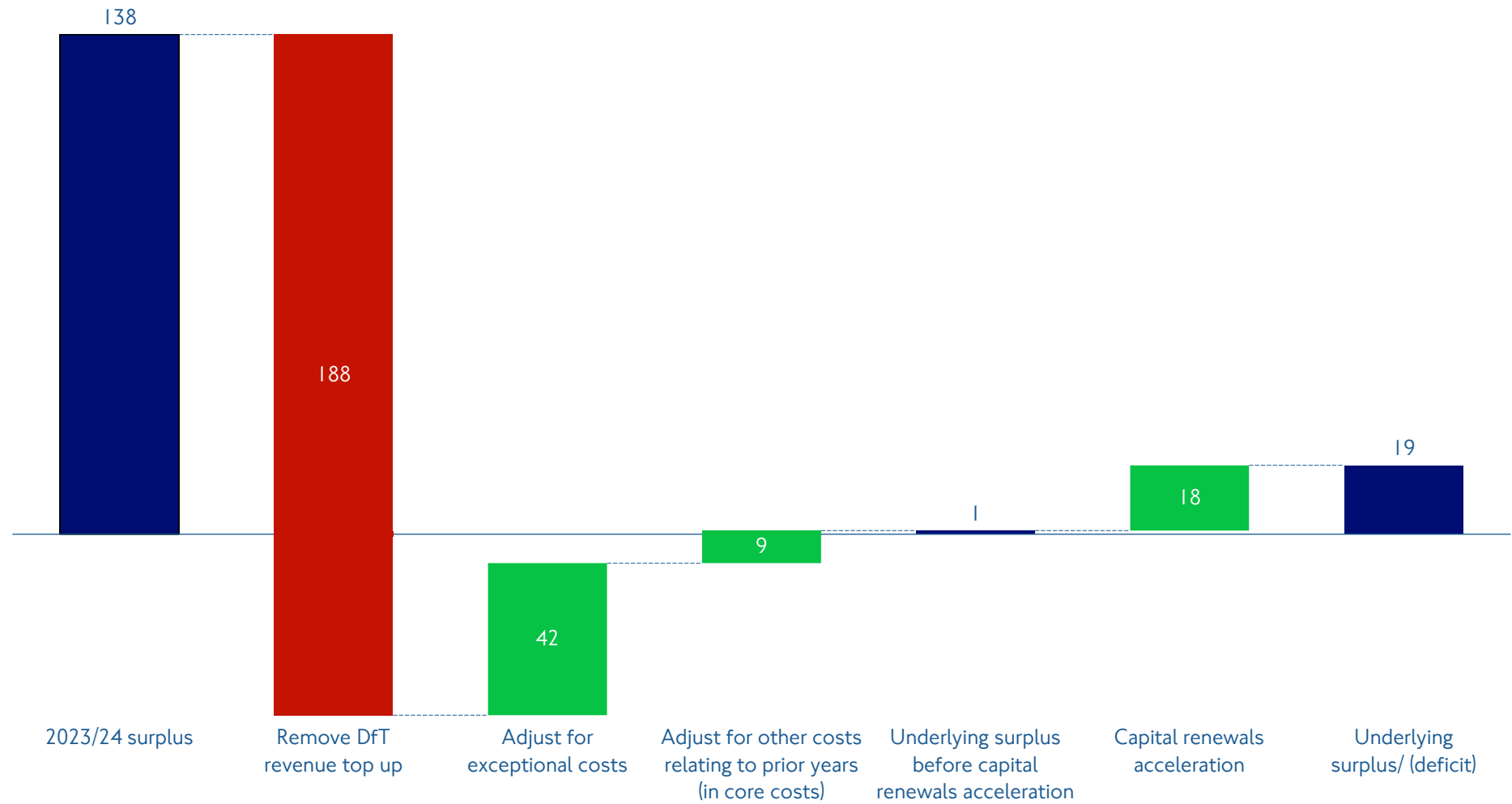
We are increasing investment in renewing our critical assets, with renewals investment up by £139m from last year and £18m higher than Budget.

£m	Actuals	Variance to Budget		Variance to last year	
Underlying passenger income	5,045	63	1%	804	19%
DfT revenue top up	188	(68)	-27%	76	69%
Passenger income	5,233	(6)	0%	880	20%
Other operating income	1,614	(85)	-5%	29	2%
Business Rates Retention	1,914	1	0%	95	5%
Other revenue grants	397	119	43%	(570)	-59%
Revenue	9,158	29	0%	434	5%
Core costs	(7,492)	0	0%	(627)	-9%
Investment programme	(312)	(75)	-31%	(166)	-114%
Exceptional costs	(42)	116	73%	2	4%
Total operating costs	(7,846)	42	1%	(791)	-11%
Operating surplus before interest and renewals	1,312	71	6%	(357)	-21%
Capital renewals	(763)	(18)	-2%	(139)	-22%
Net interest costs	(411)	6	1%	13	3%
Operating surplus / (deficit)	138	59	97%	(483)	-145%

Income statement includes Places for London

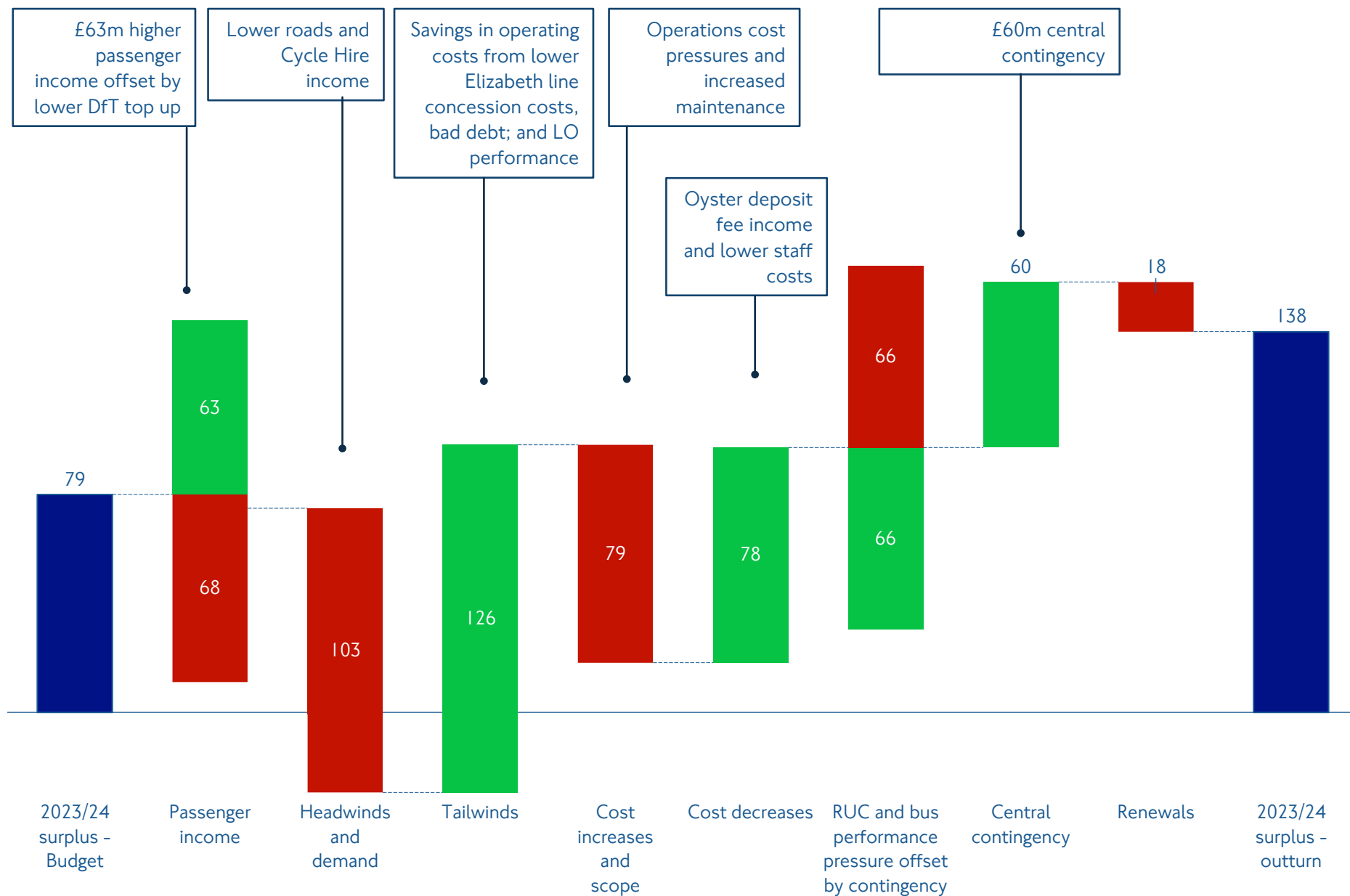
Even after adjusting for DfT revenue top up, we made an underlying surplus

Operating surplus (£m)



Our central contingency has mitigated some of our key income and cost pressures this year

Income statement variances by cause (£m)



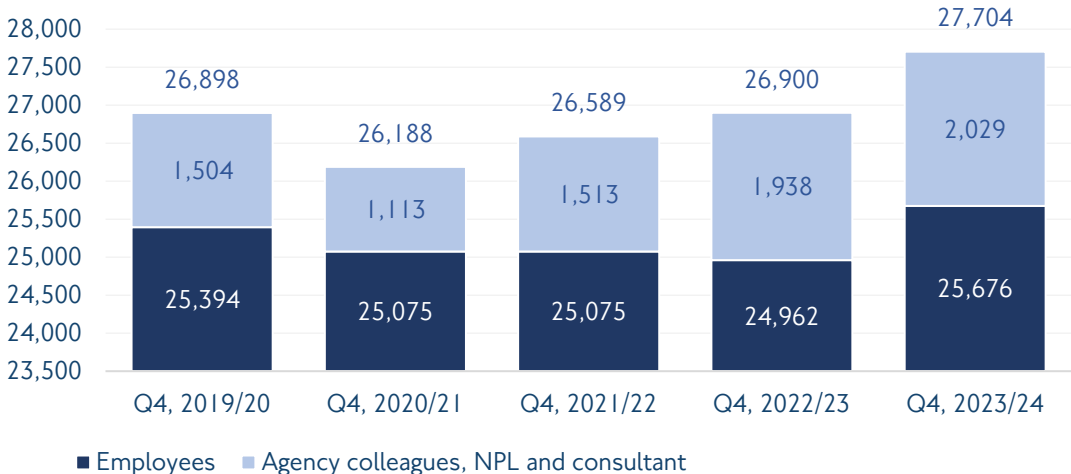
Colleagues

Headcount has increased since 2019/20 reflecting the ramp up of our capital programme and new services introduced in the last three years, including the Elizabeth line, Northern Line Extension and Barking Riverside extension, as well as from increases in graduate recruitment.

Permanent employee numbers are up on pre-pandemic levels, and up on last year, driven by recruitment of graduates and apprenticeship trainees.

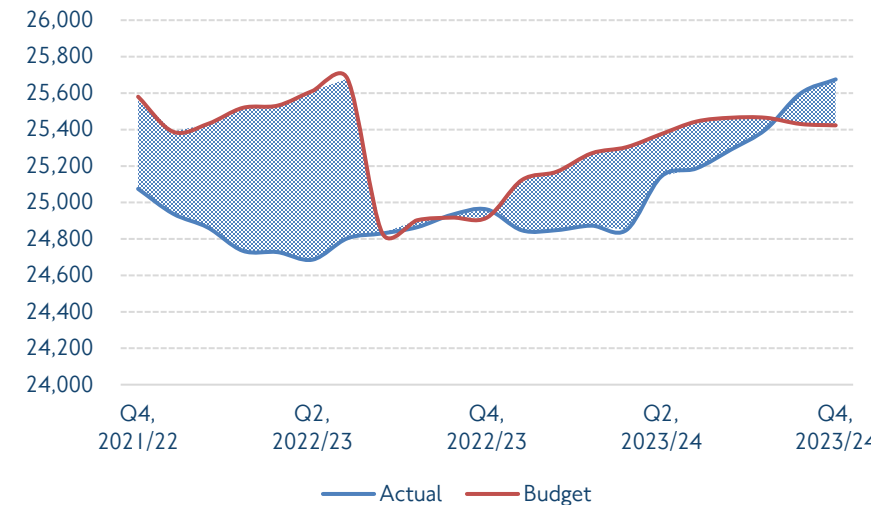
Agency and NPL colleagues have increased by over 500 since the end of 2019/20, but remain significantly lower than 2015/16 levels. NPL offers flexibility, particularly through time of change and temporary peaks in demand.

Headcount trends since 2019/20



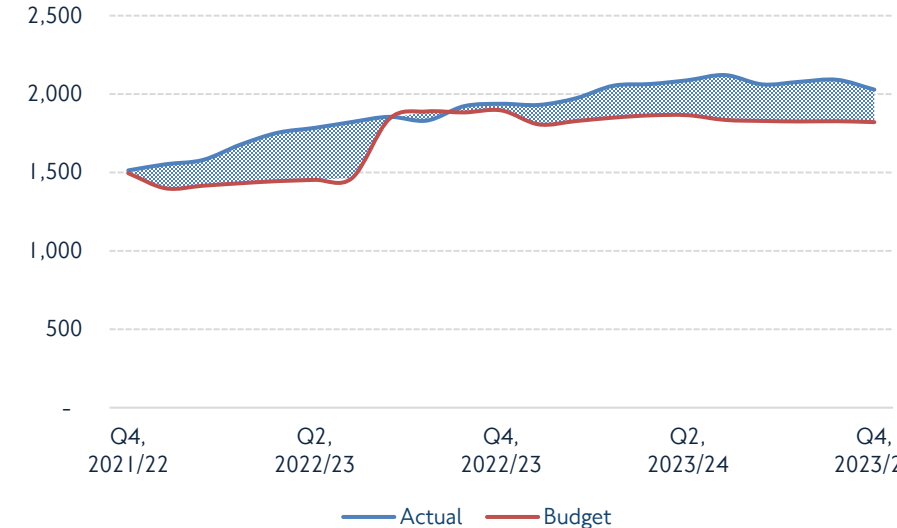
Permanent colleagues (FTE): actuals and Budget

Permanent employees up by over 700 since the end of 2022/23, mostly driven by the recruitment of graduate and apprenticeship trainees. Staff levels are above Budget in Q4, for the first time this year.



Agency and NPL colleagues (FTE): actuals and Budget

Agency and NPL FTE up by 91 since the end of 2022/23, and are slightly higher than Budget in Q4. This is driven by labour market challenges.



Capital renewals

Capital renewals are £18m (2%) higher than Budget over the full year and 20% higher than last year. We have proactively managed the allocation of our available funding across our programmes to maximise delivery.

Renewals delivery has been strong during 2023/24, with some further acceleration of project spend from 2024/25, mainly in LU Renewals.

We are increasing investment in renewing our critical assets, with renewals investment £139m higher than last year. We will continue to increase renewals investment to address the backlog of asset replacement that has been created by the pandemic and a lack of certainty over Government funding.

£m	Full year, 2023/24				Full year, 2022/23		
	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Major Projects	(6)	(4)	(2)	-42%	(3)	(3)	-91%
Four Lines Modernisation	(5)	(4)	(1)	-27%	(3)	(2)	(1)
Silvertown Tunnel	(1)	0	(1)	0%	0	(1)	0%
Programmes	(757)	(740)	(17)	-2%	(619)	(137)	-22%
Streets, Bus & RSS Renewals	(170)	(163)	(7)	-5%	(157)	(14)	-9%
Environment	(19)	(25)	6	23%	(12)	(7)	-63%
Rail & Station Enhancements	1	(7)	9	115%	(7)	8	116%
LU Renewals	(416)	(381)	(35)	-9%	(316)	(100)	-32%
Technology	(134)	(152)	17	11%	(121)	(13)	-11%
Estates Directorate	(15)	(10)	(5)	-46%	(2)	(13)	-595%
Other (TPH, City Planning, Group etc)	(3)	(2)	(1)	-50%	(4)	2	35%
Total TfL	(763)	(745)	(18)	-2%	(624)	(139)	-22%

Capital enhancements

Total TfL new capital investment, excluding Crossrail construction and Places for London, was £1,108m at the end of Quarter 4, which is £94m lower than Budget.

Major rolling stock and signalling projects are almost £300m up on last year, with increased spend in projects including DLR rolling stock (£90m). We have also seen a ramp up in spend on Safe and Healthy Streets, with an increase of £45m compared to last year.

£m	Full year, 2023/24				Full year, 2022/23		
	Actuals	Budget	Variance to Budget		Last year	Variance to last year	
Major Rolling Stock and Signalling	(772)	(804)	32	4%	(480)	(292)	-61%
Four Lines Modernisation	(99)	(94)	(5)	-5%	(115)	16	14%
DLR Rolling Stock Replacement	(223)	(256)	33	13%	(133)	(90)	-68%
Piccadilly Line Upgrade	(445)	(450)	5	1%	(230)	(215)	-93%
Bakerloo Line Trains	(2)	(1)	(1)	-79%	(0)	(2)	-1152%
Trams - project	(2)	(3)	1	19%	(1)	(1)	-101%
Other Enhancements	(337)	(398)	61	15%	(604)	(266)	-44%
Silvertown Tunnel	(10)	(15)	5	32%	(45)	34	77%
Northern Line Extension	(0)	(0)	(0)	(0)	2	(2)	1
Barking Riverside	(1)	4	(5)	127%	(6)	4	79%
Bank Station Capacity Upgrade	(5)	(8)	3	41%	(54)	50	91%
Elizabeth Line	(1)	(3)	2	67%	(1)	0	7%
Safe & Healthy Streets	(118)	(121)	3	3%	(73)	(45)	-61%
Environment	(82)	(113)	31	27%	(53)	(29)	-55%
Streets, Bus & RSS Renewals	(2)	0	(2)	0%	(3)	1	39%
LU Renewals	(5)	(16)	11	67%	(12)	7	56%
Estates Directorate	(2)	(3)	1	40%	(1)	(1)	-84%
Rail & Station Enhancements (excl. Trams)	(60)	(50)	(9)	-18%	(20)	(40)	-204%
Technology	(53)	(102)	49	48%	(63)	10	16%
Network Development & Third Party Pipeline	0	0	0	0%	0	0	0%
Other (TPH, City Planning, OP, Group etc)	3	31	(28)	90%	7	(4)	57%
London Transport Museum	(1)	(2)	1	40%	(1)	(0)	-30%
Purchase LO trains	0	0	0	0%	(281)	281	100%
Total TfL excl. Places and Crossrail	(1,108)	(1,202)	94	8%	(1,083)	(25)	-2%
Places for London	(88)	(145)	58	40%	(87)	(0)	0%
Crossrail	(50)	(80)	30	38%	(188)	139	74%
Total TfL	(1,246)	(1,427)	181	13%	(1,359)	113	8%

Cash flow statement

Cash balances are £1.35bn at the end of Quarter 4, just over £50m higher than Budget.

We continued to balance the requirements of our liquidity policy and the August 2022 funding settlement letter with the Government by aiming to have, on average, up to or around £1.2bn of usable cash and liquid investments held by the TfL Group. The funding agreement came to an end on 31 March 2024, and year-end usable cash balances were below the £1.3bn required by HMG.

Cash balances

£m	Full year, 2023/24			Full year, 2022/23		
	Actuals	Variance to Budget		Actuals	Variance to last year	
Opening balance	1,237	37	3%	1,287	(50)	-4%
Change in cash balance	116	15	15%	(50)	166	-331%
Closing balance	1,353	53	4%	1,237	115	9%

Cash flow statement

£m	Full year, 2023/24			Full year, 2022/23		
	Actuals	Variance to Budget		Actuals	Variance to last year	
Operating surplus before capital renewals and interest	1,312	71	6%	1,669	(357)	-21%
Less Places, LTIG and LTM	(40)	(20)	100%	(53)	13	-24%
<i>Cash generated / (used) from operating activities</i>	1,272	51	4%	1,616	(344)	-21%
Capital renewals	(763)	(18)	2%	(624)	(139)	22%
New capital investment	(1,108)	94	-8%	(1,083)	(25)	2%
Investment grants and ring-fenced funding	901	110	14%	295	606	205%
Working capital movements	202	(60)	-23%	180	22	12%
<i>Cash generated / (used) from investing activities</i>	(768)	126	-14%	(1,232)	464	-38%
Free cash flow	504	177	55%	384	120	31%
Net interest costs	(411)	6	-1%	(424)	13	-3%
Net borrowing	23	(168)	-88%	(10)	33	-330%
<i>Cash generated / (used) from financing activities</i>	(388)	(162)	72%	(434)	46	-11%
Change in cash balance	116	15	15%	(50)	166	-331%



Cash balances

Total cash balances (excl. cash balances identified for Crossrail construction) are just over £1.35bn at the end of Quarter 4, almost £120m higher than last year.

A requirement of the August 2022 DfT funding agreement is that our usable cash balances will average no more than £1.2bn for the duration of the agreement, and were no higher than £1.3bn at year end. Usable balances are £1.16bn at the end of Quarter 4.

Cash balances (£m)



- - - Maximum usable cash under HMG funding agreement

Reserves

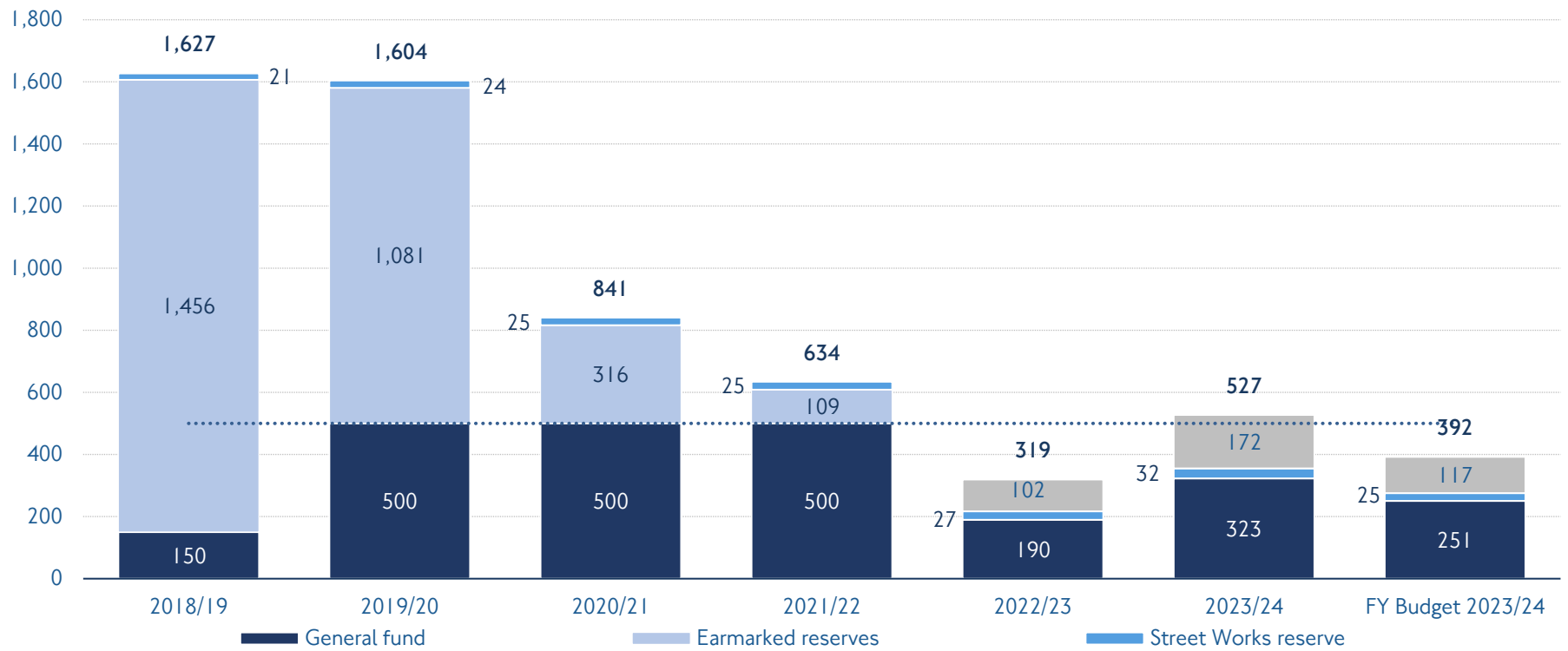
The pandemic has seen a material reduction in TfL’s usable reserves, which primarily consist of its General Fund, Earmarked Reserves and Capital Grants Unapplied.

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. This was largely driven by the purchase of the Class 378 rolling stock. The savings from this purchase over the remaining life of the assets will further support TfL as it rebuilds its usable reserves.

The 2024 Business Plan set out our plan to grow usable reserves back to target levels by the end of 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
- Usable reserves at the end of 2023/24 were higher than Budget due to the December 2023 capital settlement from the DfT.

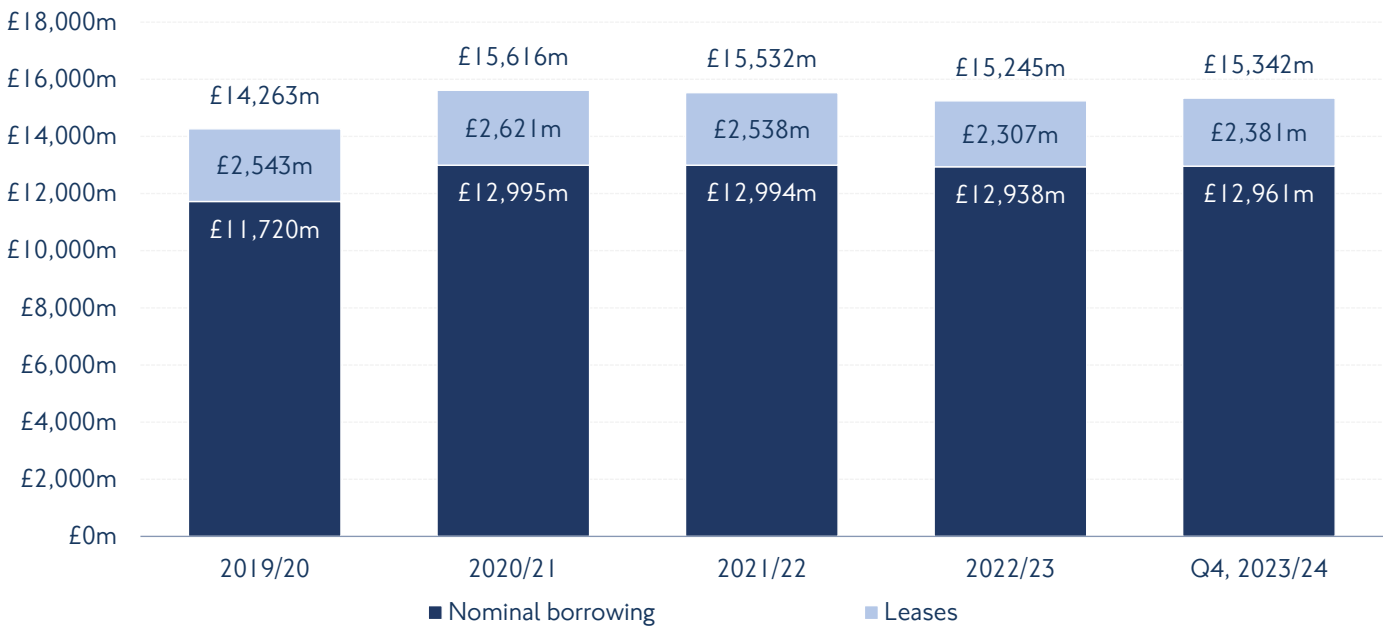
Debt

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 increased by £23m for the year, bringing our total borrowing balance to £12,961m. This is largely driven by an increase in our short-term borrowing, to suit our cash and liquidity needs. Leasing debt has increased by just over £70m, partly due to equipment leased connected to the Northern line trains contract.

Under the new capital funding agreement with Government in December 2023, we have received £245m of funding to date with the remaining £5m to be received in 2024/25. Consequently, some borrowing planned for 2023/24 has been deferred into 2024/25.

Total debt (£m)



92%

92% of our borrowing is at a fixed rate of interest

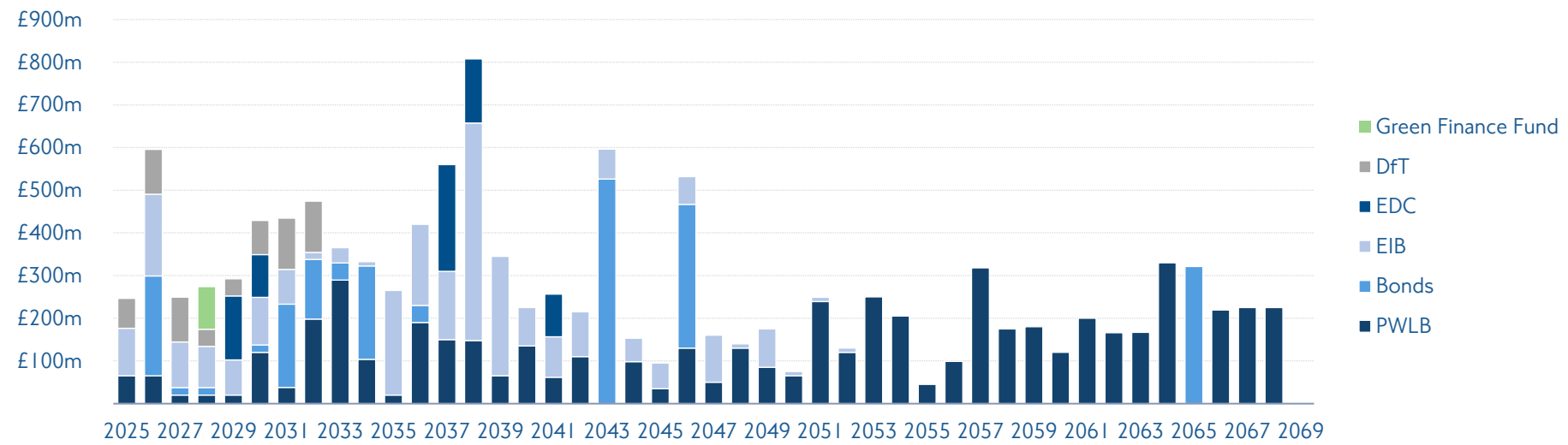
3.5%

The weighted average interest rate on our borrowing is 3.5%

19-years

The weighted average tenor of our borrowing is around 19 years

TfL borrowing maturity profile



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.

Fitch upgraded the TfL outlook to stable from negative in April 2024 and S&P upgraded both the LT and ST rating by one notch to AA-/A-I+ in May 2024.

There have been no other changes since the Q3 update to the Board.

	Standard & Poor's	Moody's	Fitch
Long-term rating	AA-	A3	AA-
Outlook	Stable	Positive	Stable
Short-term rating	A-I+	P-2	F I+
Last changed/affirmed	May 2024	November 2023	April 2024

Standard and Poor's (S&P)

- On 20 May 2024, S&P upgraded TfL's long-term credit rating to AA- from A+ and the short-term credit rating to A-I+ from A-I. The outlook is stable. The key drivers for S&P include the post-coronavirus pandemic recovery in passenger demand, which S&P expects to remain high, cost-efficiency measures, supporting our ability to cope with external shocks and rebuild flexibility within our operations and the expectation of a gradual increase in capital investments and the quality of services.

Moody's

- On 15 November 2023, Moody's upgraded our long-term credit rating from Baa I to A3 and changed the outlook from stable to positive. This reflects the recovery to date and the work into achieving ongoing financial sustainability. The positive outlook reflects Moody's expectation that we will continue to build our financial surplus. A sustained improvement in operating performance and a multi-year funding agreement with Government with minimal conditions could lead to a further upgrade. Moody's published an issuer comment "London mayor's policy plans support credit quality" in May 2024, following the re-election of Sadiq Khan. Moody's see this as credit positive for TfL, but still highlight the uncertainty around a long-term capital funding settlement for TfL.

Fitch

- Fitch reaffirmed our credit rating in January 2024 and upgraded the outlook from negative to stable on 15 April 2024, reflecting the change in the UK rating (with which our rating is equalised).