Finance Report
Period 11, 2024/25
Management accounts from 1 April 2024 – 1 February 2025

Board
26 March 2025

Headlines

Grow and diversify our revenue

- Cumulative journey growth in the year to date is 1.3%. In our budget we were targeting 6% year-on-year journey growth over the full year, on top of the 9% we saw in 2023/24.
- Despite growth on last year, journeys are 139 million lower than Budget with passenger income £209m lower than Budget.
- Our Quarter 3 forecast is for passenger income to be £245m up on last year, but £240m lower than Budget.

Deliver recurring cost savings

- Core operating costs are £76m higher than Budget, mainly from higher bad debt charges from enforcement income and pressures from higher bus retender costs.
- To help mitigate the revenue pressure we have so far reduced non-permanent labour (NPL) by 600 this year.
- The outcome of the triennial TfL Pension Fund valuation as at 31 March 2024 and the subsequent agreement with the TfL Pension Trustees, allows us to reduce the employer contributions from the current 27.3 per cent to 10.5 per cent for the next three years. These lower employer pension contributions are factored into our latest forecast, with savings of £226m this year.

Grow our operating surplus

- We are making an operating deficit of £23m in the year to date. This is £150m lower than Budget as a result of revenue pressures and cyber incident impacts of £32m in the year to date.
- Our Quarter 3 full-year forecast is for an operating surplus of £150m this year, which is £51m better than last year and £12m lower than Budget.

Fund our capital investment

- Capital renewals are £660m in the year to date, £34m up on last year as we increase renewals investment to address the backlog of asset replacement.
- Renewals are £12m lower than Budget. We expect renewals spend to be £27m lower than Budget over the full year.
- We have secured £485m of government capital funding for 2025/26.

Maintain liquidity to protect us against shocks

- Cash balances are £1.28bn at the end of Period 11 and are almost £50m lower than Budget, a result of revenue pressures offset by lower enhancement spend and increased borrowing.
- The Greater London Authority (GLA) financing facility of £350m offers additional protection against shocks and risks.

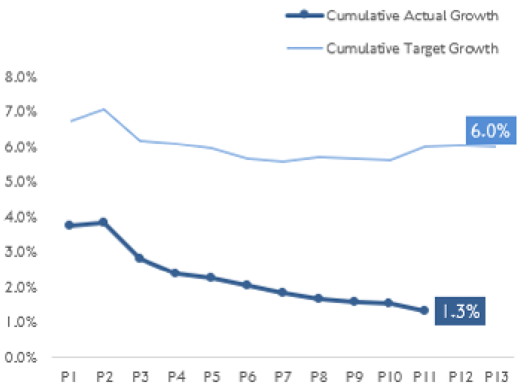
Passenger journeys

In 2024/25 we have budgeted 6% year-on-year growth in demand. In the year to date, journeys are 1.3% up on last year, but are 139 million lower than Budget. This is largely owing to a range of economic factors, which are impacting both leisure and commuting demand. There have been other factors impacting customer choices including national rail strikes.

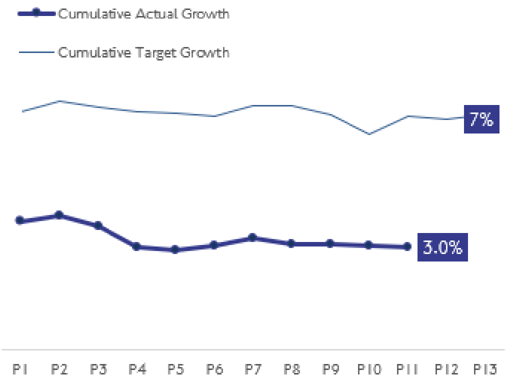
As a result of the cyber incident we have been estimating journey volumes based on income received since period 6. Our previous estimates for periods 6-8 were restated in our period 9 update to the Board, with access to partial journey data restored. There still remains a small level of uncertainty with the journey data until it is fully restored.

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

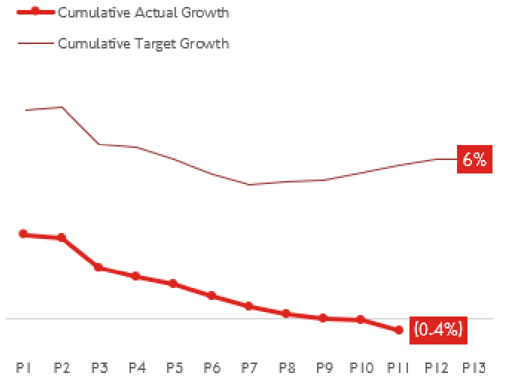
TfL		Absolute m	Var to Bud m	Var to Last Year (m/ %)	
	P	267	(28.5)	(2.5)	-0.9%
	Y	3,021	(139.2)	39.7	1.3%



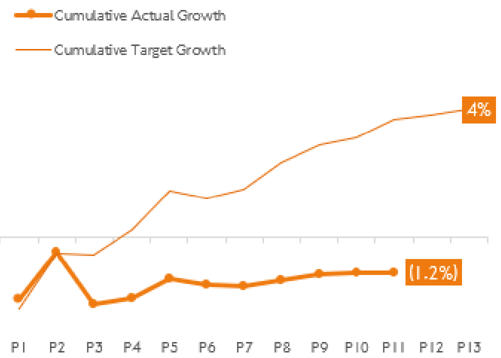
LU		Absolute m	Var to Bud m	Var to Last Year (m/ %)	
	P	89	(8.6)	2.2	2.5%
	Y	1,019	(38.1)	30.1	3.0%



Bus		Absolute m	Var to Bud m	Var to Last Year (m/ %)	
	P	138	(16.4)	(5.5)	-3.8%
	Y	1,558	(88.9)	(6.0)	-0.4%



Rail		Absolute m	Var to Bud m	Var to Last Year (m/ %)	
	P	22	(2.5)	(0.3)	-1.2%
	Y	250	(13.6)	(2.9)	-1.2%

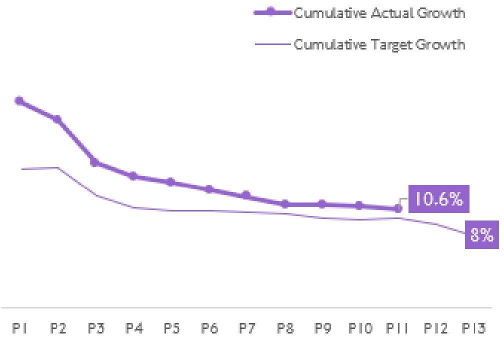


LO		Absolute m	Var to Bud m	Var to Last Year (m/ %)	
	P	14	(1.7)	(0.1)	-0.6%
	Y	154	(8.8)	0.8	0.5%

DLR		Absolute m	Var to Bud m	Var to Last Year (m/ %)	
	P	7	(0.6)	(0.0)	-0.3%
	Y	82	(3.5)	(1.3)	-1.6%

Tram		Absolute m	Var to Bud m	Var to Last Year (m/ %)	
	P	2	(0.2)	(0.2)	-10.1%
	Y	15	(1.3)	(2.4)	-14.2%

EL		Absolute m	Var to Bud m	Var to Last Year (m/ %)	
	P	17	(0.9)	1.1	6.9%
	Y	194	1.4	18.5	10.6%



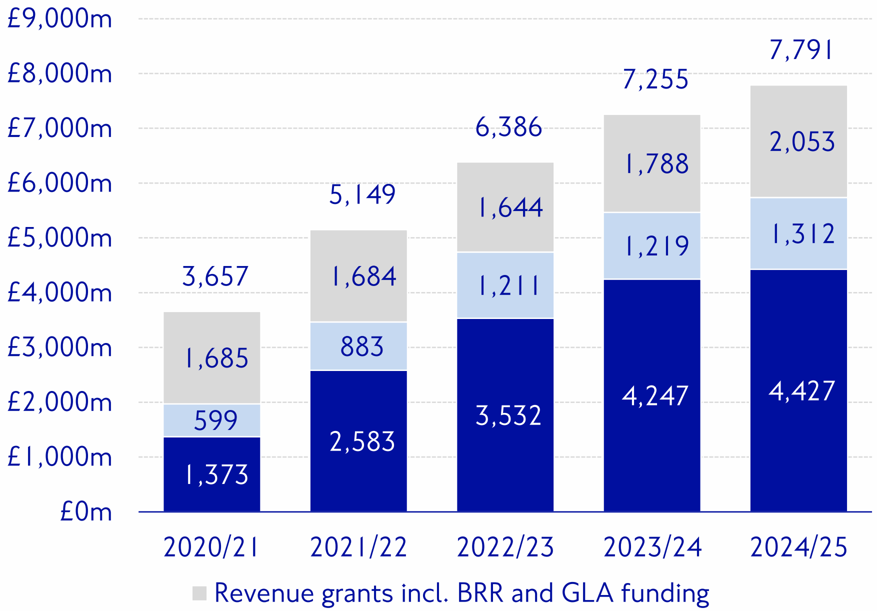
Our progress

Our underlying revenue has increased by over £4bn since 2020/21 and is more than £500m up on last year, with increases from all revenue sources.

Real terms like-for-like operating costs are almost £400m lower than in 2020/21.

Grow and diversify our revenue

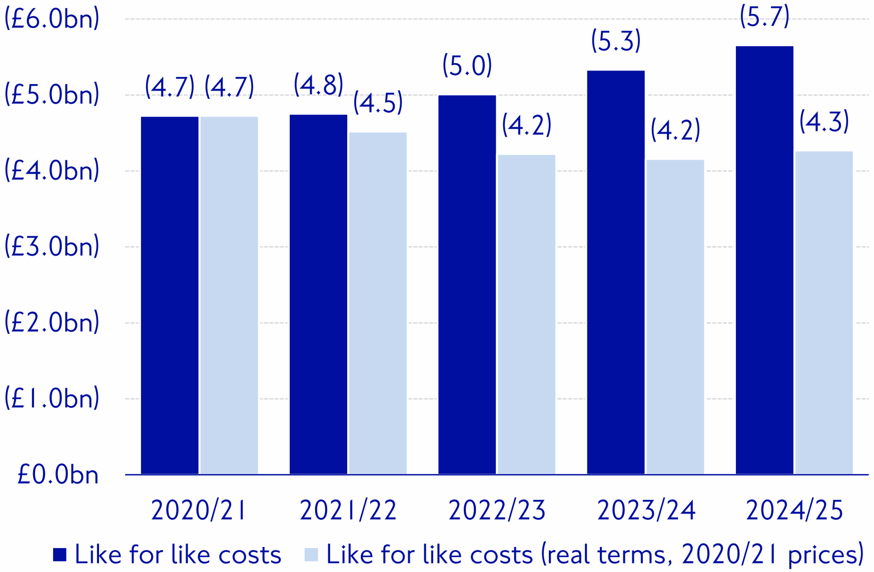
Revenue (excluding extraordinary funding)
Year to Period 11 (£m)



Excludes all HMG pandemic related funding and one-off GLA funding

Deliver recurring cost savings

Like-for-like costs since 2020/21 – Year to Period 11 (£bn)



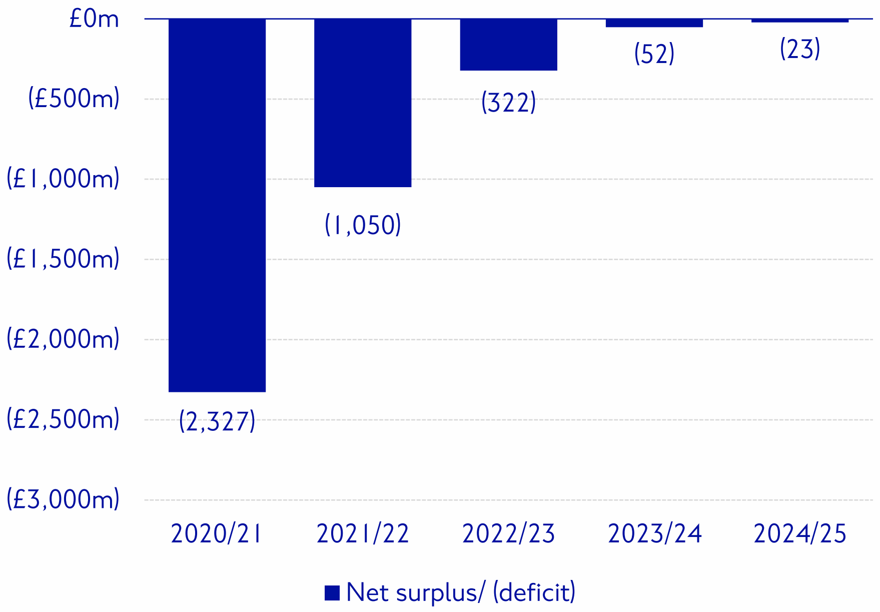
Our progress

We turned an operating deficit into a surplus in 2023/24 through revenue increases and cost control. We are currently making a deficit, but expect to make a surplus of £150m by year end.

Our cash balance is broadly in line with our strategic minimum cash level; we are forecasting to end the year above £1.3bn of cash.

Grow our operating surplus

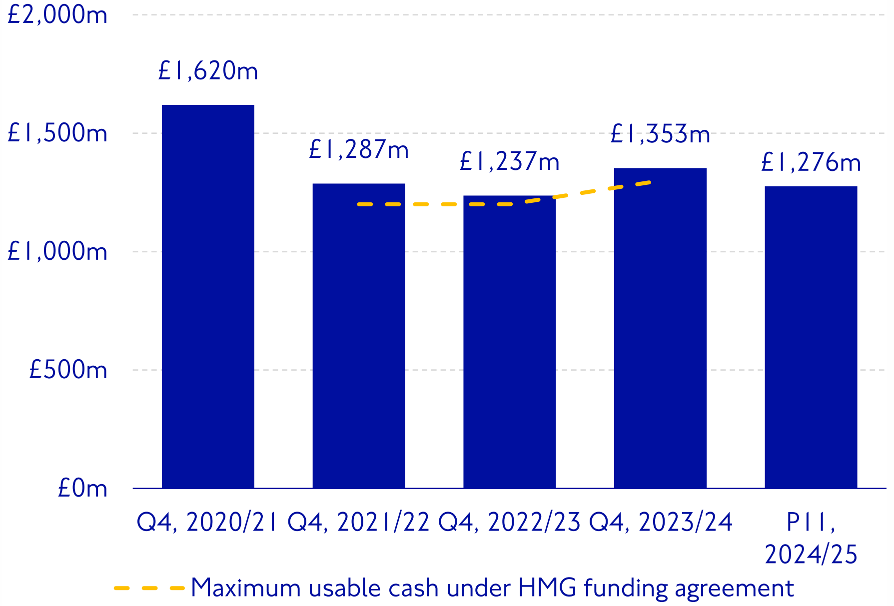
Operating surplus / (deficit) – Year to Period 11 (£m)



Excludes all HMG pandemic related funding

Maintaining liquidity to protect us against shocks

Cash balance (£m)



Economic context

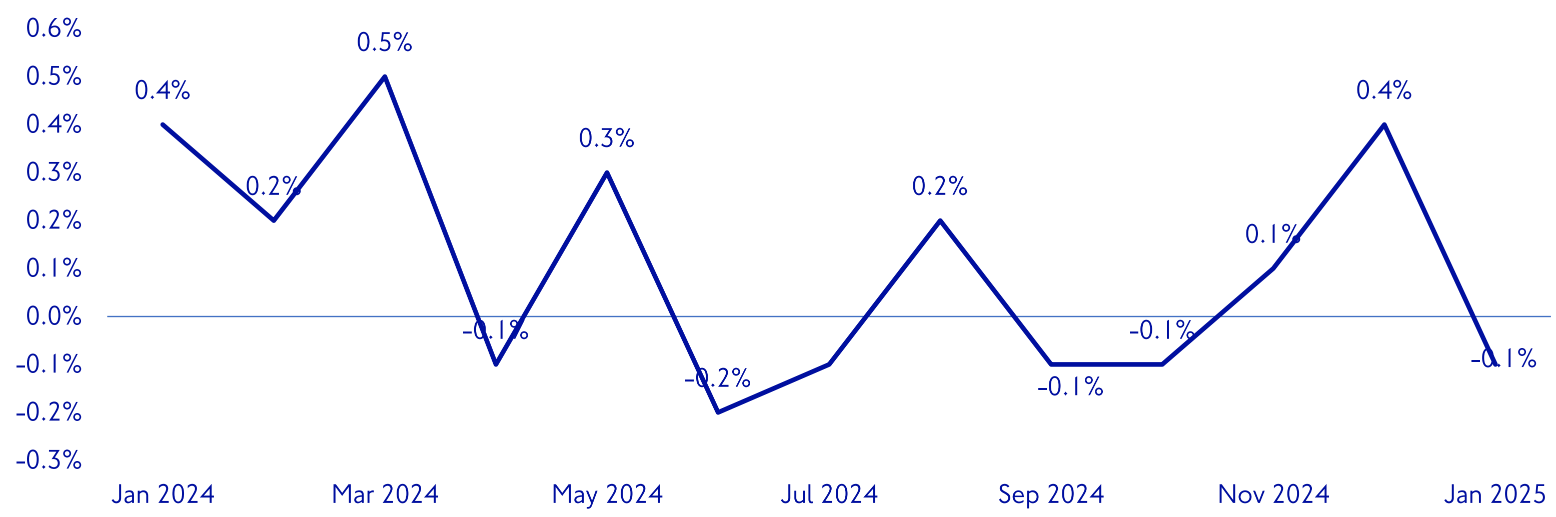
Economic growth has been lower than expected. The economic forecast that underpinned our Budget estimated gross domestic product (GDP) growth at between 1% and 1.6% this year. GDP has grown by 0.2% in the three months to January 2025, compared to the previous quarter.

Retail volumes are falling and have declined by 0.6% in the three months to January 2025 when compared with the preceding quarter.

A recent survey of business indicates that economic uncertainty is the main challenge they currently face, increasing significantly over recent months.* Global economic uncertainty, already high from the war in Ukraine and geo-political uncertainties, has increased in recent months as a result of the current US administration's trade policy. This is likely to add to UK economic challenges.

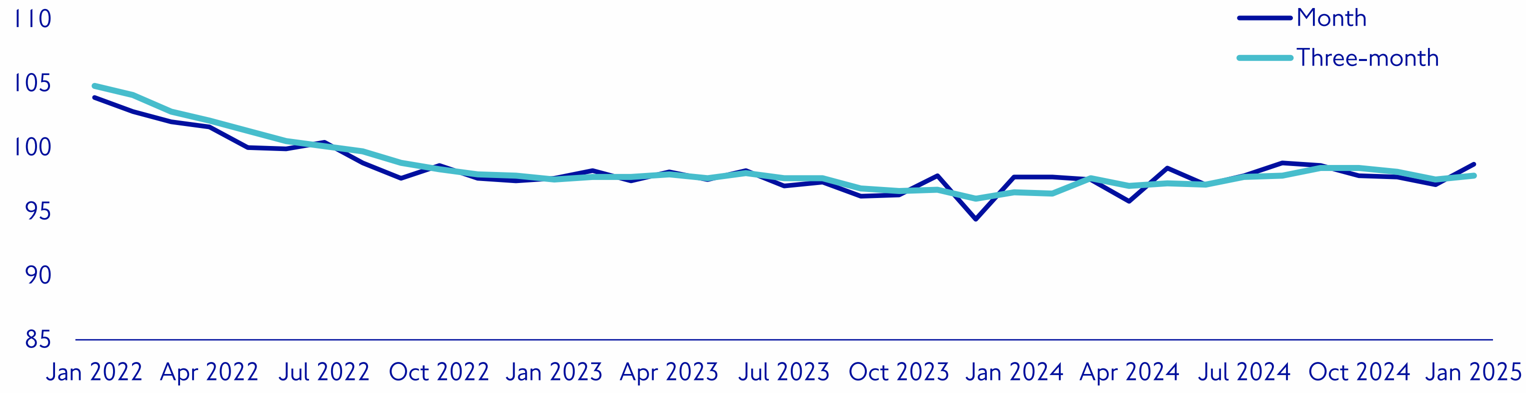
*ONS, *Business Insights and the impact on the UK economy* (March 2025)

UK economic growth remains sluggish



ONS, *GDP monthly estimate, UK: January 2025 (March 2025)*

Retail sales have levelled off after a falling trend



ONS, *Retail sales, Great Britain: January 2025 (March 2025)*

Income statement

In the year to date we have an operating deficit of £23m.

Passenger income is £209m lower than Budget in the year to date, driven by lower passenger growth than expected. Other operating income is £46m up on Budget from higher ULEZ enforcement income.

Our core operating costs are £76m higher than Budget, mainly from higher bad debt charges from enforcement income. Exceptional costs are £86m lower than Budget, mainly from central contingency release, which was budgeted to mitigate risks on revenue and other unforeseen events.

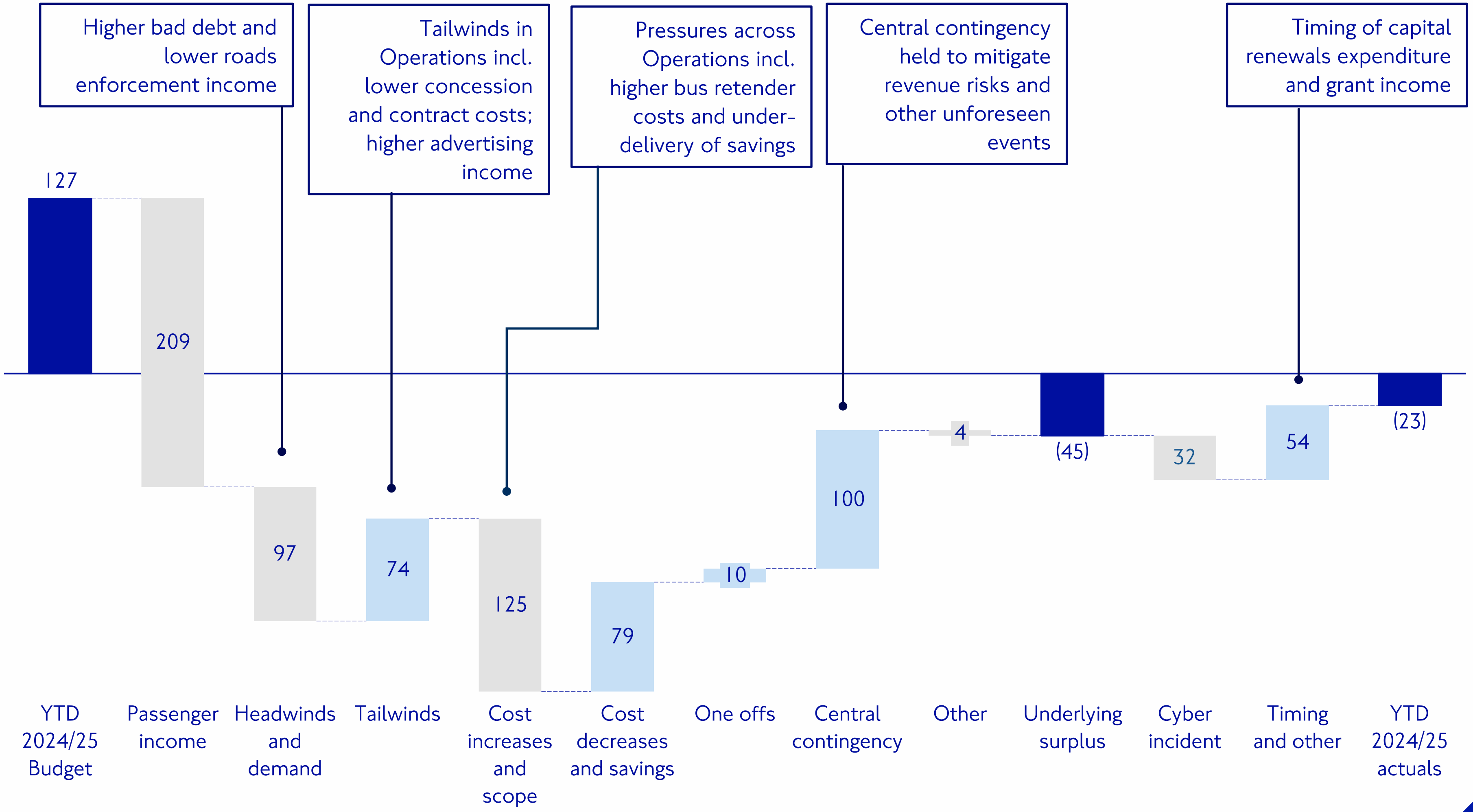
£m	Actuals	Variance to Budget		Variance to last year	
Passenger income	4,427	(209)	-5%	179	4%
DfT revenue top-up	0	0	N/A	(162)	-100%
Passenger income	**4,427**	**(209)**	**-5%**	**17**	**0%**
Other operating income	1,312	46	4%	92	8%
Business Rates Retention	1,836	0	0%	217	13%
Other revenue grants	240	2	1%	(67)	-22%
Revenue	**7,815**	**(161)**	**-2%**	**259**	**3%**
Core operating costs	(6,650)	(76)	-1%	(467)	-8%
Investment programme operating costs	(135)	(3)	-2%	146	52%
Exceptional costs	(27)	86	76%	(21)	-393%
Operating surplus before interest and renewals	**1,003**	**(154)**	**-13%**	**(83)**	**-8%**
Capital renewals	(660)	12	2%	(34)	-5%
Net interest costs	(365)	(8)	-2%	(15)	-4%
Operating surplus / (deficit)	**(23)**	**(150)**	**-118%**	**(132)**	**-121%**
Places for London net contribution	**28**	**6**	**25%**	**(7)**	**-21%**
Operating surplus/ (deficit) including Places	**5**	**(144)**	**-96%**	**(140)**	**-96%**

Operating surplus

We have an operating deficit of £23m in the year to date, which is £150m worse than Budget. After adjusting for timing differences and cyber incident costs, we are making a deficit of £45m, £172m behind Budget.

We are seeing a combined £306m pressure on our surplus from demand and volume impacts on passenger income, roads enforcement income and enforcement payment rates. Our operating costs have also seen pressures from higher bus retender prices, which we have partly mitigated through savings.

Operating surplus – year to date variances from Budget (£m)



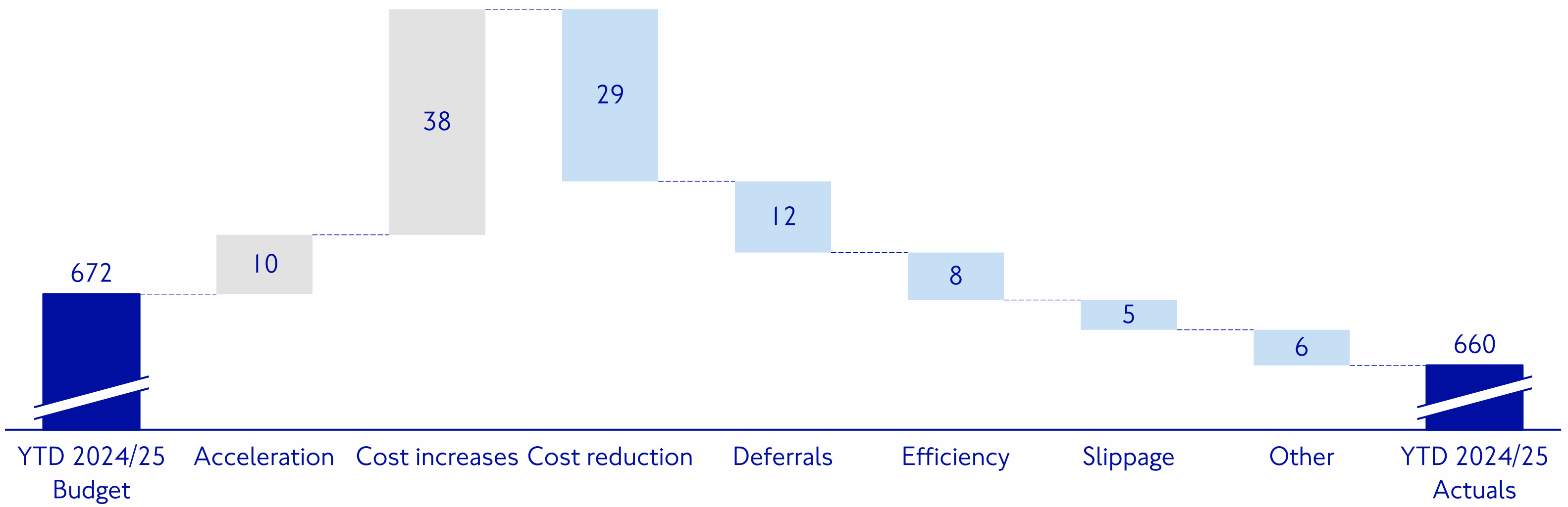
Capital renewals

Capital renewals are £660m in the year to date, £34m up on last year as we increase our renewals investment to address the backlog of asset replacement.

Renewals spend is £12m lower than Budget in the year to date, largely driven by cost reduction in Technology projects (Payments and Hosting) and transfer to operating costs due to a move to software-as-a-service model on an IT project.

£m	Actuals	Variance to Budget		Variance to last year	
Four Lines Modernisation	(4)	1	14%	0	8%
Silvertown Tunnel	(3)	1	28%	(2)	-516%
Streets, Bus & RSS Renewals	(139)	3	2%	(5)	-4%
Environment	(24)	(0)	-1%	(9)	-59%
Rail & Station Enhancements	(1)	(0)	-133%	2	67%
LU Renewals	(352)	3	1%	(11)	-3%
Technology	(119)	12	9%	(7)	-7%
Licensing & Regulation (TPH)	(8)	(2)	-35%	(4)	-112%
Estates Directorate	(10)	4	28%	2	16%
Overlays	(0)	(9)	100%	0	96%
Total	(660)	12	2%	(34)	-5%

Capital renewals variances compared to Budget, by cause (£m)



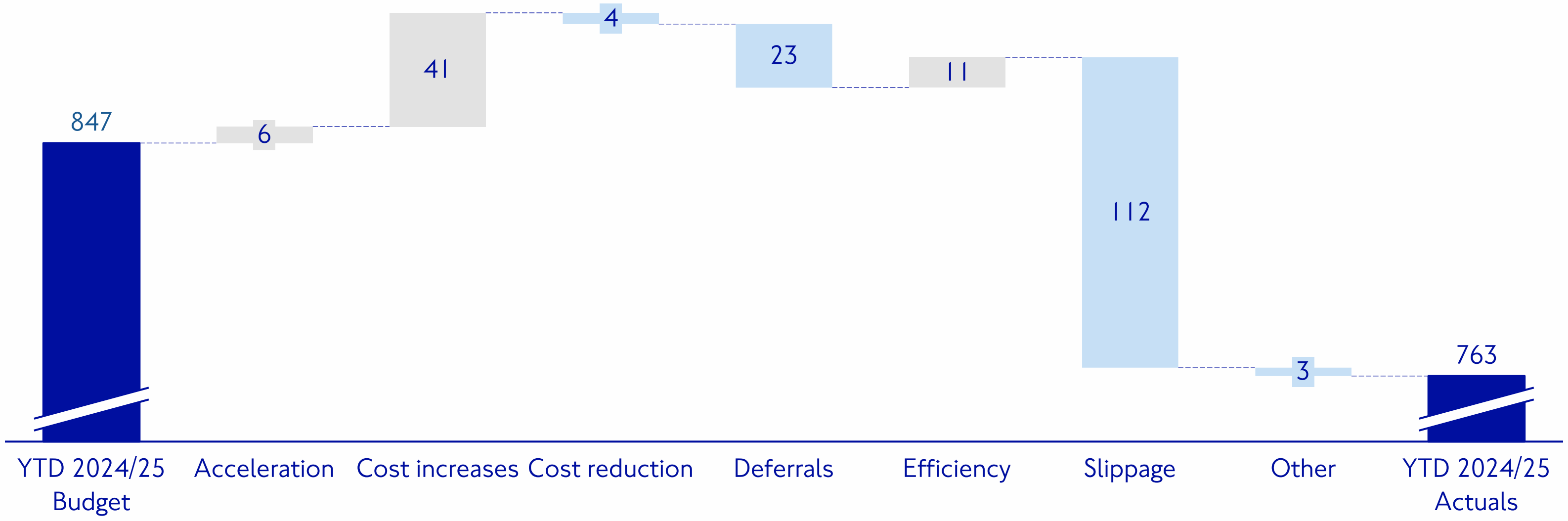
Capital enhancements

Capital enhancements (excluding Places for London and Crossrail) are £763m in the year to date, £144m lower than last year.

Enhancements spend is £85m lower than Budget in the year to date, largely driven by re-phasing on Piccadilly Line Upgrade and 4LM programmes, and delays across DLR Rolling Stock programme.

£m	Actuals	Variance to Budget		Variance to last year	
Four Lines Modernisation	(58)	4	6%	30	34%
DLR Rolling Stock Replacement	(164)	15	9%	21	11%
Piccadilly Line Upgrade	(254)	84	25%	95	27%
Bakerloo Line Trains	(5)	1	12%	(3)	-203%
Trams replacement	(2)	1	28%	(1)	-28%
Other Enhancements	(281)	(20)	-7%	1	0%
Total TfL excl. Places and Crossrail	**(763)**	**85**	**10%**	**144**	**16%**
Places for London	(122)	14	10%	(42)	-52%
Crossrail	(19)	19	50%	23	55%
Total	**(903)**	**118**	**12%**	**125**	**12%**

Capital enhancements variances compared to Budget, by cause (£m)



Cash balances and cash flow

Cash balances are £1.28bn at the end of Period 11, down by almost £80m since the end of 2023/24, and almost £50m lower than Budget.

Our cash balances are lower than Budget mainly as a result of lower revenue, which has been partly mitigated through lower capital enhancement spend and increased borrowing.

Our Treasury policy is to ensure we have on average 60 days of operating costs as our minimum cash balance, which will allow us to meet our payment obligations. We are forecasting to be above the £1.3bn target for the year end.

Cash balances (£m)	Actuals	Variance to Budget		Variance to last year	
Opening balances	1,353	(56)	-4%	115	9%
Change in cash balances	(77)	10	11%	(84)	<-1000%
Closing cash balances	**1,276**	**(46)**	-3%	**31**	2%

Cash flow statement (£m)	Actuals	Variance to Budget		Variance to last year	
Operating surplus before renewals and interest	1,003	(154)	-13%	(83)	-8%
Less LTIG and LTM	2	3	244%	3	282%
Cash generated / (used) from operating activities	***1,004***	***(151)***	*-13%*	***(81)***	*-7%*
Capital renewals	(660)	12	2%	(34)	-5%
New capital investment (VOWD)	(763)	85	10%	144	16%
Investment grants and ring-fenced funding	149	(12)	-7%	(592)	-80%
Working capital movements	(21)	(25)	-663%	(185)	-113%
Cash generated / (used) from investing activities	***(1,295)***	***60***	*4%*	***(669)***	*-107%*
Free cash flow	**(291)**	**(91)**	-45%	**(749)**	-163%
Net financing costs	(365)	(8)	-2%	(15)	-4%
Net borrowings	579	108	23%	680	676%
Cash generated / (used) from financing activities	***214***	***100***	*88%*	***665***	*147%*
Change in cash balance	**(77)**	**10**	11%	**(84)**	<-1000%

Debt

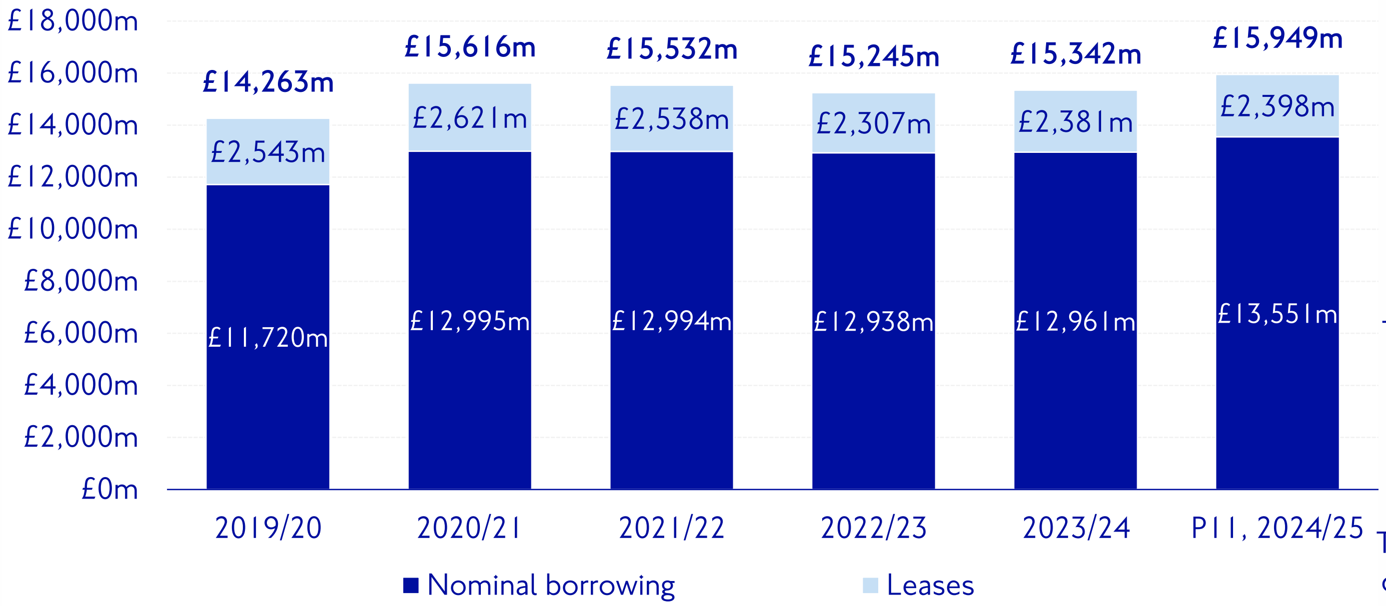
Our level of outstanding borrowing has increased by £590m for the year, bringing our total borrowing balance to £13,551m.

As part of preparing our submission into the 2025/26 GLA Mayor's Budget, we have accelerated previously planned borrowing from future years into 2024/25 to help mitigate the lower than Budget operating surplus this year. This means we have exceeded the operational boundary for borrowing in 2024/25, which is based on our original Budget, but our borrowing will remain within our authorised limit. This is an acceleration of borrowing only and the overall level of planned borrowing to 2027/28 remains the same as our 2024 TfL Business Plan.

Prudential indicator debt limits *	£m
Operational boundary	13,454
Authorised limit	14,654

* Excludes PFI and long-term liabilities

Total debt (£m)



89%

Around 89% of our borrowing is at a fixed rate of interest

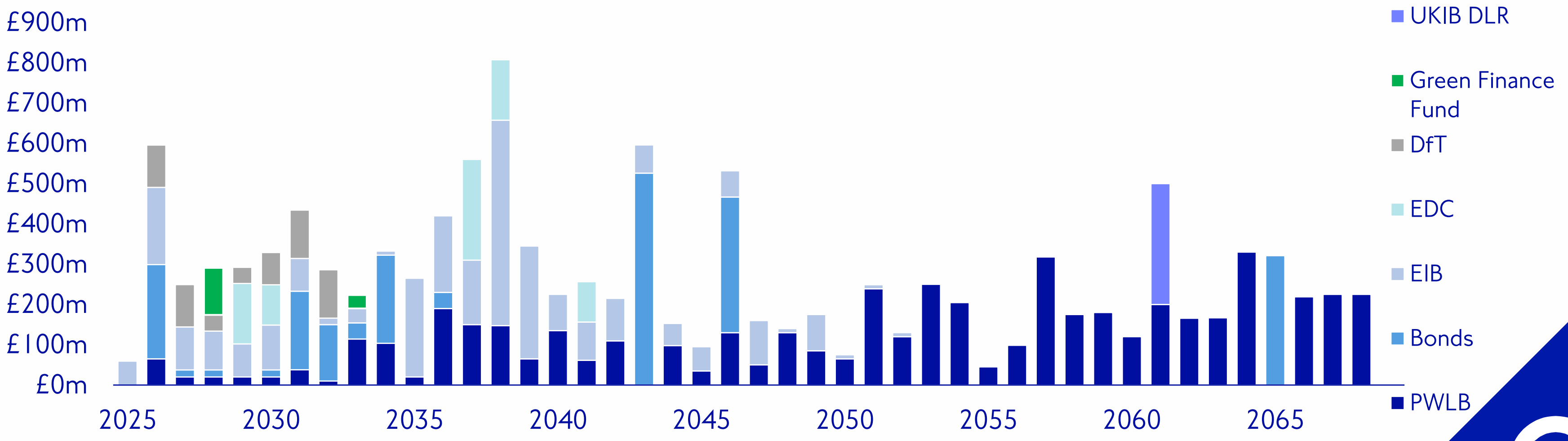
3.6%

The weighted average interest rate on our borrowing is around 3.6%

18 years

The weighted average tenor of our borrowing is just under 18 years

Borrowing maturity profile (£m)



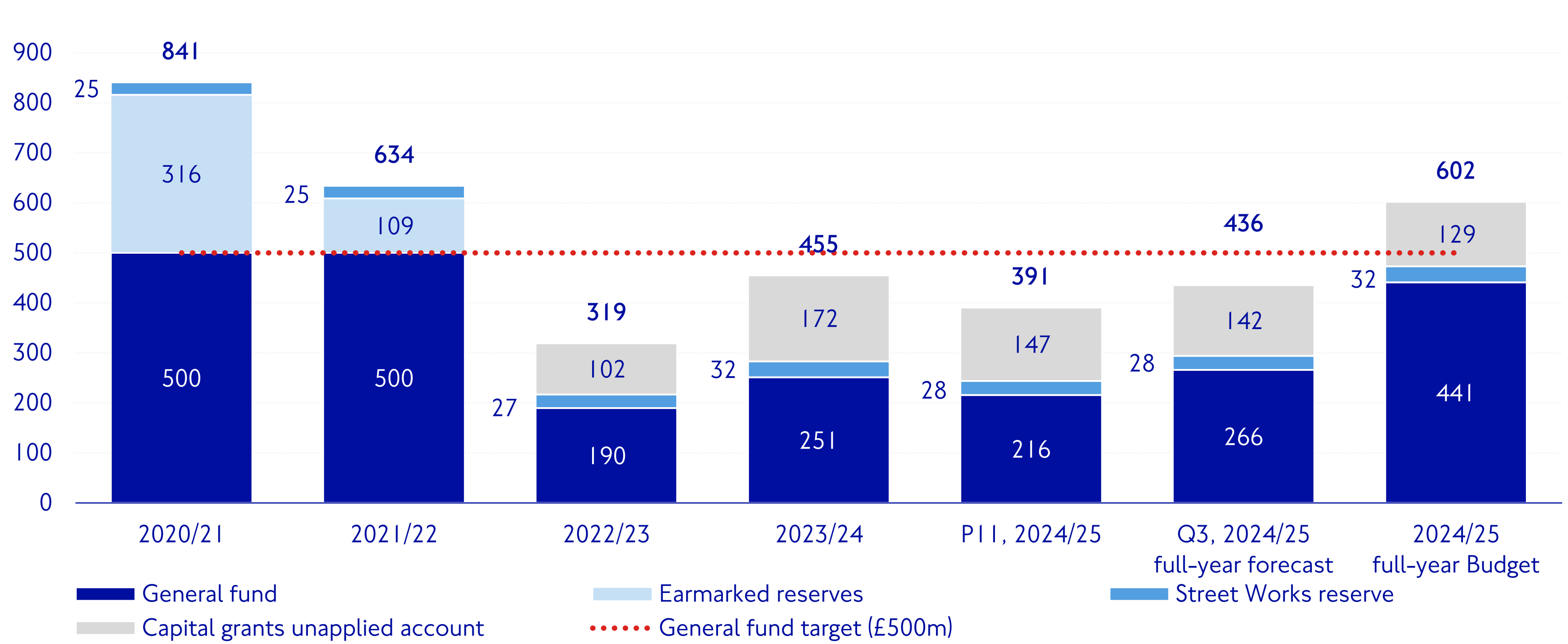
Reserves

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.

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
- Usable reserves at the end of 2023/24 were higher than Budget due to the December 2023 capital settlement from the DfT.

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 have been no changes since our Period 9 update to the Board.

	S&P	Moody's	Fitch
Long-term rating	AA-	A2	AA-
Outlook	Stable	Stable	Stable
Short-term rating	A-1+	P-1	F1+
Last changed/affirmed	May 2024	July 2024	Apr 2024

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-1+ from A-1. 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 July 2024, Moody's upgraded TfL's long-term credit rating to A2 from A3 and the short-term credit rating to P-1 from P-2. The outlook was changed to stable from positive. The rating is based on "significant improvements in TfL's operating performance" which Moody's expect to be sustained with growing operating surpluses over the medium term. Moody's stated the following as key drivers for this - the recovery in passenger revenue post-pandemic, new revenue sources and TfL's robust governance practices, particularly its focus on cost control, which have eliminated the need for any financial support from the central government to fund operations.

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).

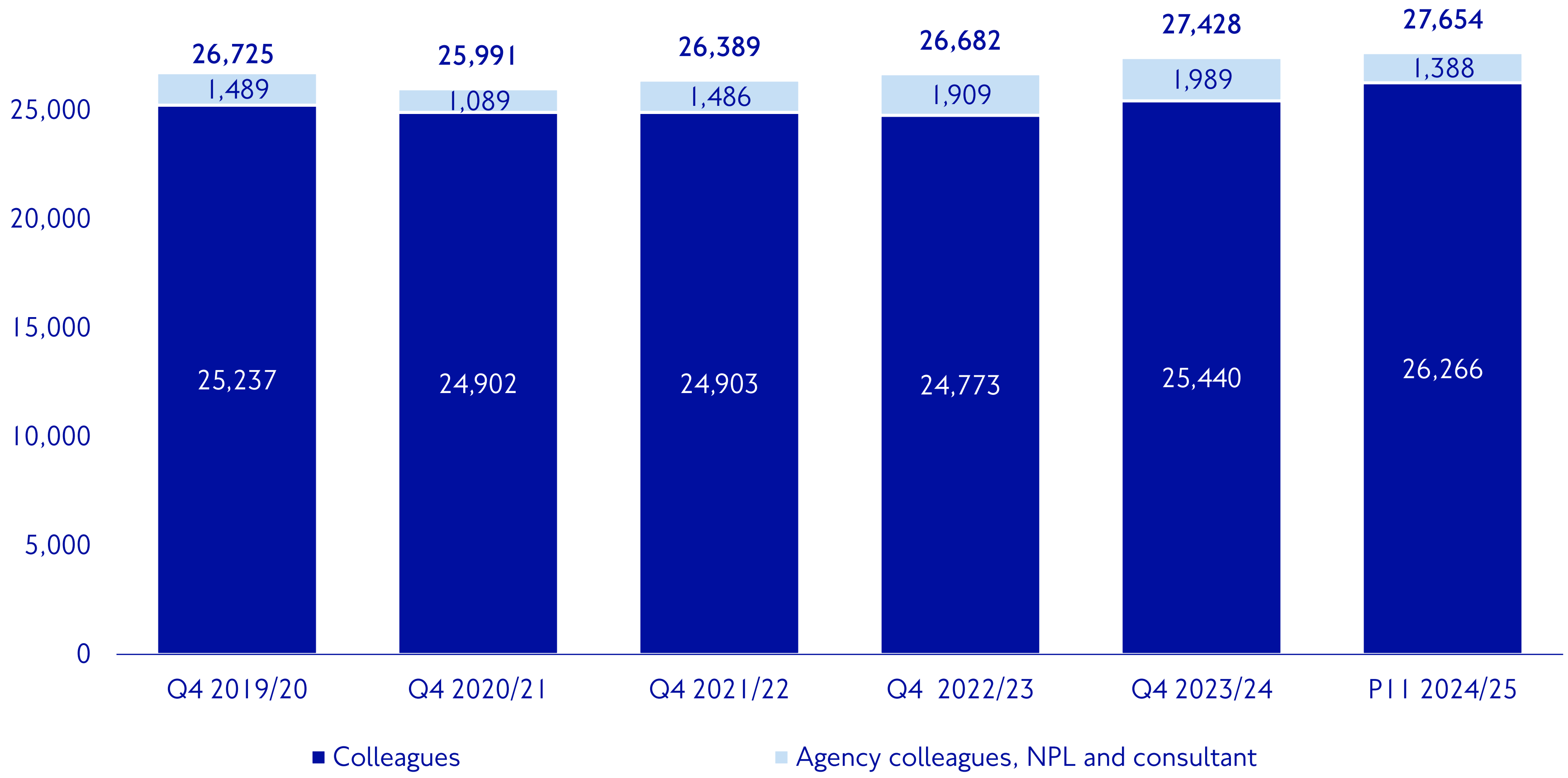
Colleagues

The increase in headcount reflects 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.

Permanent employee numbers are above pre-pandemic levels, and up on last year, driven by recent recruitment of graduates and apprenticeship trainees, and ramp up of our capital programmes.

Due to the actions we have been taking, NPL levels are 600 lower than at March 2024. A level of NPL is required to provide flexibility, particularly through time of change and temporary peaks in demand.

Headcount levels since 2019/20 (full-time equivalent)



Quarter 3 forecast

Our Quarter 2 forecast was for an operating surplus of £23m, which was £138m lower than Budget. This was a result of lower passenger income, the financial impacts of the cyber incident, as well as cost pressures from bus tender price increases.

Our latest forecast is for an operating surplus of £150m, which is £12m lower than our Budget. We have seen a worsening in passenger income since Quarter 2, which is now expected to be £52m lower than our previous forecast.

The outcome of the triennial TfL Pension Fund valuation allows us to reduce our employer contributions from the current 27.3 per cent to 10.5 per cent for the next three years. We have factored these lower employer pension contributions into our latest forecast, with savings of £226m in total for 2024/25.

£m	Q3 full-year forecast	Variance to Budget		Variance to Q2 forecast	
Underlying passenger income	5,290	(240)	-5%	(52)	-1%
Other operating income	1,537	59	4%	(28)	-2%
Business Rates Retention	2,170	0	0%	0	0%
Other revenue grants	294	4	1%	4	1%
Revenue	**9,290**	**(177)**	-2%	**(77)**	-1%
Core operating costs	(7,713)	79	1%	208	3%
Investment programme opex	(166)	(13)	-8%	3	2%
Exceptional costs	(58)	79	135%	(35)	-151%
Operating surplus before interest and renewals	**1,353**	**(32)**	-2%	**100**	8%
Capital renewals	(768)	27	4%	30	4%
Net interest costs	(436)	(7)	-2%	(3)	-1%
Operating surplus / (deficit)	**150**	**(12)**	-8%	**127**	555%
Places for London net contribution	**28**	**3**	10%	**2**	6%
Operating surplus/ (deficit) including Places	**178**	**(9)**	-5%	**129**	259%

Our Quarter 2 forecast has been restated to reflect £25m costs previously forecast in Core operating costs, but is now expected in Other operating income