

Board

Date: 25 July 2018

Item: Quarterly Performance Report, Quarter One, 2018/19

This paper will be considered in public

1 Summary

- 1.1 The Quarterly Performance Report (Appendix 1) sets out TfL's financial results for quarter one, 2018/19 – the period from 1 April to 23 June 2018.

2 Recommendation

- 2.1 **The Board is asked to note the Quarterly Performance Report.**

3 Financial Reporting to the Board

Quarterly Performance Report

- 3.1 In response to feedback from a number of stakeholders the Quarterly Performance Report (QPR) has been changed in order to provide the latest quarterly financial information in a timelier manner and to reduce duplication with other Reports.
- 3.2 The operational and customer information previously included in the QPR will continue to be presented in the quarterly Customer Services and Operational Performance Report.
- 3.3 The QPR presents year-to-date performance against budget, as well as year-on-year and four year trend analysis.

Quarterly Results Presentation

- 3.4 Accompanying the QPR is a Quarterly Results Presentation (Appendix 2) which will be presented to the Board.
- 3.5 The QPR is intended to be a reference document with the accompanying slides containing the same financial information but presented in a more visual way which summarises the story behind the numbers.

List of appendices to this report:

- Appendix 1: Quarterly Performance Report, Quarter One, 2018/19
Appendix 2: Quarterly Results Presentation, Quarter One, 2018/19

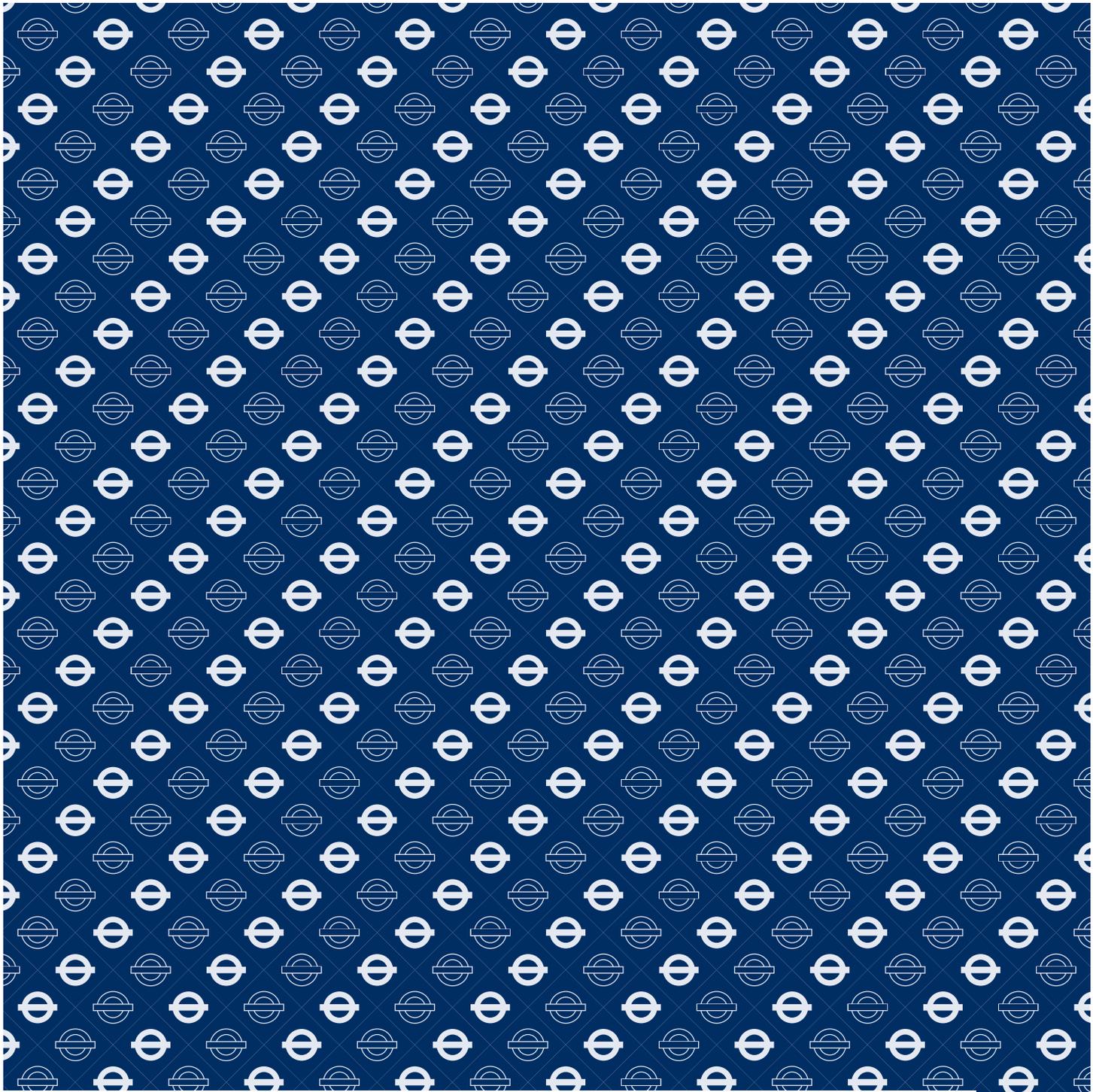
List of Background Papers:

None

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Transport for London quarterly performance report

Quarter 1 2018/19

MAYOR OF LONDON



**TRANSPORT
FOR LONDON**
EVERY JOURNEY MATTERS

About Transport for London (TfL)

Part of the Greater London Authority family led by Mayor of London Sadiq Khan, we are the integrated transport authority responsible for delivering the Mayor's aims for transport.

We have a key role in shaping what life is like in London, helping to realise the Mayor's vision for a 'City for All Londoners'. We are committed to creating a fairer, greener, healthier and more prosperous city. The Mayor's Transport Strategy sets a target for 80 per cent of all journeys to be made on foot, by cycle or using public transport by 2041. To make this a reality, we prioritise health and the quality of people's experience in everything we do.

We manage the city's red route strategic roads and, through collaboration with the London boroughs, can help shape the character of all London's streets. These are the places where Londoners travel, work, shop and socialise. Making them places for people to walk, cycle and spend time will reduce car dependency and improve air quality, revitalise town centres, boost businesses and connect communities.

We run most of London's public transport services, including the London Underground (LU), London Buses, the DLR, London Overground (LO), TfL Rail, London Trams, London River Services (LRS), London Dial-a-Ride, Victoria Coach Station (VCS), Santander Cycles and the Emirates Air Line (EAL). The quality and accessibility of these services is fundamental to Londoners' quality of life. By improving and expanding public transport, we can make people's lives easier and increase the appeal of sustainable travel over private car use.

We are moving ahead with many of London's most significant infrastructure projects, using transport to unlock growth. We are working with partners on major projects like Crossrail 2 and the Bakerloo line extension that will deliver the new homes and jobs London and the UK need. We are in the final phases of completing the Elizabeth line which, when it opens, will add 10 per cent to London's rail capacity.

Supporting the delivery of high-density, mixed-use developments that are planned around active and sustainable travel will ensure that London's growth is good growth. We also use our own land to provide thousands of new affordable homes and our own supply chain creates tens of thousands of jobs and apprenticeships across the country.

We are committed to being an employer that is fully representative of the community we serve, where everyone can realise their potential. Our aim is to be a fully inclusive employer, valuing and celebrating the diversity of our workforce to improve services for all Londoners.

We are constantly working to improve the city for everyone. This means freezing TfL fares so everyone can afford to use public transport, using data and technology to make services intuitive and easy to use, and doing all we can to make streets and transport services accessible to all. We reinvest every penny of our income to continually improve transport networks for the people who use them every day.

None of this would be possible without the support of boroughs, communities and other partners who we work with to improve our services. We all need to pull together to deliver the Mayor's Transport Strategy; by doing so we can create a better city as London grows.

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The financial information included in the report is unaudited and does not constitute TfL's statutory accounts. TfL's last audited **Statement of Accounts** for the year ended 31 March 2017 was published in September 2017. TfL's draft unaudited Statement of Accounts for the year ending 31 March 2018 was published in May 2018.

Introduction

This Quarterly Performance Report covers the period from 1 April to 23 June 2018. We have made some changes to the format of the report, with the aim of making it more useful for readers, and to show both trend information and performance against Budget.

We have made a good start to the financial year with the operating surplus £37m better than Budget despite some timing differences on grant receipts. The reduction against last year reflects the fact that this is the first quarter with no operating grant from central government. Passenger income overall is slightly better than Budget, although there are differences between the divisions, with upside in Tube ridership offsetting some downward movement on buses. All divisions are reporting higher passenger income than last year. Other income is also up on Budget and last year as a result of higher commercial and Road Network Compliance income.

Operating costs are £43m lower than Budget with additional savings being made over and above the significant cost reductions already assumed in the Budget. The increase against last year reflects preparations for the opening of the Elizabeth line and inflationary pressures across all areas.

Key achievements in the capital investment programme included hitting major milestones on the Four Lines Modernisation and starting work on station cross passages for the Northern Line Extension.

We remain confident that the Budget for the current year will be delivered and that we are on target to achieve an operating surplus by 2021/22. The continued focus on cost control is expected to drive further efficiencies, both in operating and capital expenditure.

Simon Kilonback
Chief Finance Officer

Sarah Bradley
Group Financial Controller



Business at a glance

Keeping London moving, working and growing to make life in our city better

How we report on our business



Facts and figures*

940 Trains on the TfL network



580km

TfL-operated highways



680km

TfL-operated Rail and Underground routes



9,550

Buses on the TfL network



6,350

Traffic signals operated by TfL



* Based on full year 2017/18

Budget at a glance



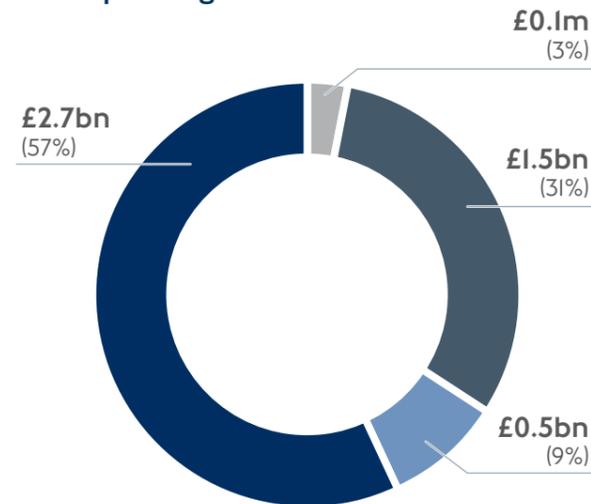
Sources of funds
£9.8bn

73%
spent on running and operating the network every day



27%
spent renewing and improving the network through one of the largest capital investment programmes in Europe

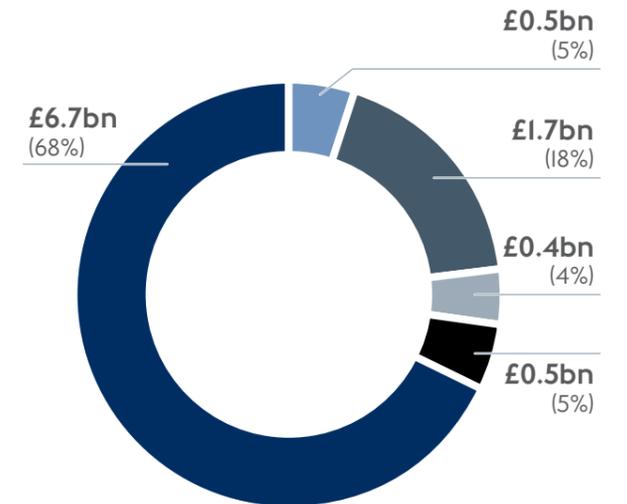
Total passenger income



Total: **£4.8bn**

■ Underground ■ Rail
■ Buses ■ TfL Rail

Total costs



Total: **£9.8bn**

■ Operating costs ■ New capital investment
■ Capital renewals ■ Crossrail ■ Net financing

Financial summary

Performance in the year to date

Operating account

TfL Group (£m)	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Passenger income	1,096	1,095	1	1,079	17
Other operating income	181	173	8	160	21
Total operating income	1,277	1,268	9	1,239	38
General Grant	-	-	-	53	(53)
Business Rates Retention	256	256	-	231	25
Other revenue grants	10	25	(15)	11	(1)
Total income	1,543	1,549	(6)	1,534	9
Operating cost	(1,410)	(1,453)	43	(1,371)	(39)
Net operating surplus	133	96	37	163	(30)
Capital renewals	(97)	(119)	22	(117)	20
Net cost of operations before financing	36	(23)	59	46	(10)
Net financing costs	(102)	(106)	4	(96)	(6)
Net cost of operations	(66)	(129)	63	(50)	(16)

Capital account

TfL Group (£m)	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
New capital investment	(372)	(430)	58	(266)	(106)
Crossrail	(351)	(223)	(128)	(338)	(13)
Total capital expenditure	(723)	(653)	(70)	(604)	(119)
Financed by:					
Investment grant	264	264	-	259	5
Third-party contributions	11	11	-	7	4
Property and asset receipts	-	10	(10)	1	(1)
Borrowing	235	235	-	150	85
Crossrail funding sources	47	78	(31)	32	15
Other capital grants	40	33	7	44	(4)
Total	597	631	(34)	493	104
Net capital account	(126)	(22)	(104)	(111)	(15)

Cash flow summary

TfL Group (£m)	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Net cost of operations	(66)	(129)	63	(50)	(16)
Net capital account	(126)	(22)	(104)	(111)	(15)
Working capital movements	53	(165)	218	633	(580)
Increase/(decrease) in cash balances	(139)	(316)	177	472	(611)

Passenger journey analysis

TfL Group (£m)	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Number of passenger journeys (millions)	930	939	(9)	938	(8)
Average yield per passenger journey (£)	1.18	1.17	0.01	1.15	0.03
Operating cost per journey (£)	(1.52)	(1.55)	0.03	(1.46)	(0.06)

The year-to-date net operating surplus is £37m better than budget, reflecting solid progress against our plans. This includes a number of timing differences. We will focus on controlling costs during the rest of the year to continue this trend.

Total year-to-date income is £1,543m, £6m below budget. Total passenger income is £1m above budget and £17m higher than the previous year. TfL Rail services between Heathrow and Paddington were introduced on 20 May and passenger numbers have been as expected.

Compared to the prior year, total income is £9m higher. The cut in General Grant (£53m year to date) has been offset by increased passenger income and higher income from advertising and Road Network compliance.

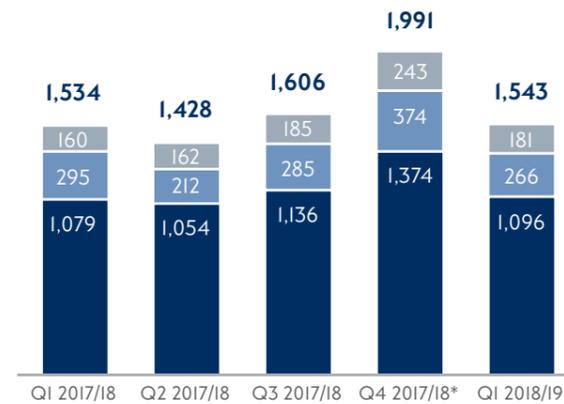
Year-to-date operating costs are £43m lower than budget. Timing differences account for £28m of this and will be incurred later in the year.

Against the prior year, operating costs are £39m higher, reflecting increased levels of station staff on London Underground and preparations for the opening of the Elizabeth line.

New capital investment and capital renewals are £80m lower than budget, mainly due to timing differences. Strategic planning has meant some projects were brought forward into 2017/18, resulting in savings against the budget this year; while some others will now incur spend later in the year.

Financial trends

Total income Quarterly (£m)



Year on year (£m)



- Passenger income
- Grants
- Other income

Total income £6m below budget

1% ▲ year on year

Passenger income is in line with expectations. Higher commercial income from specialist advertising deals and increased Road Network compliance income is offset by timing differences in the receipt of grant income.

Total cost Quarterly (£m)



Year on year (£m)



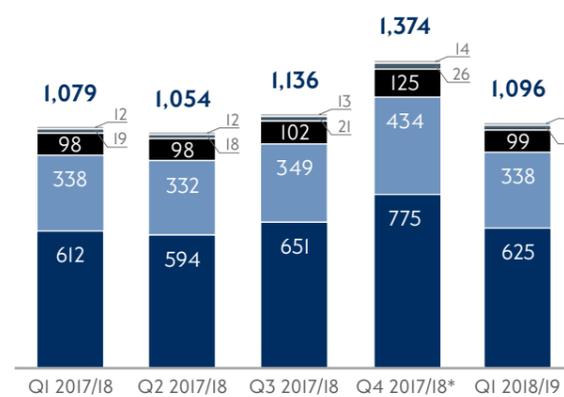
- Operating costs
- Net financing costs

Operating costs £43m below budget

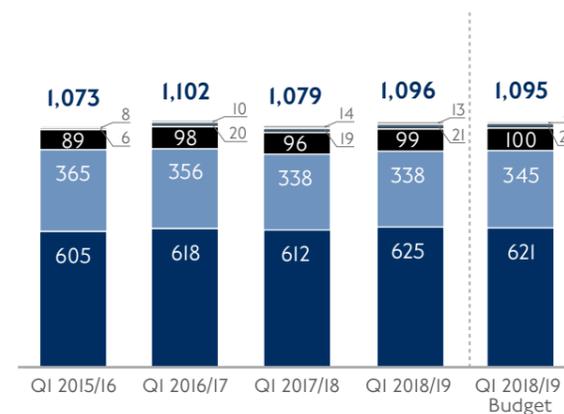
3% ▲ year on year

Lower than budgeted operating costs are driven by £15m of net savings and £28m of timing differences. The year on year increase is partly due to station staff on London Underground and higher Elizabeth line operating costs.

Total passenger income Quarterly (£m)



Year on year (£m)



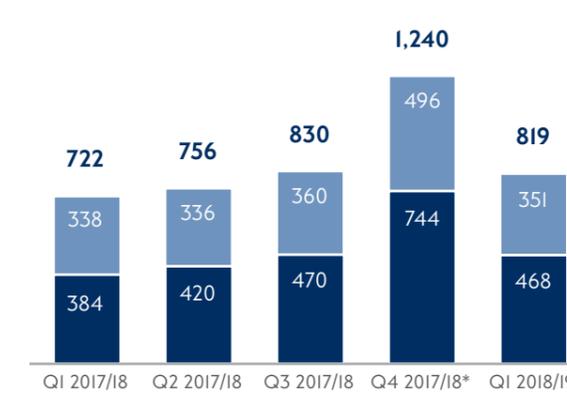
- London Underground
- Buses
- Rail
- TfL Rail
- Other operations

Passenger income in line with budget

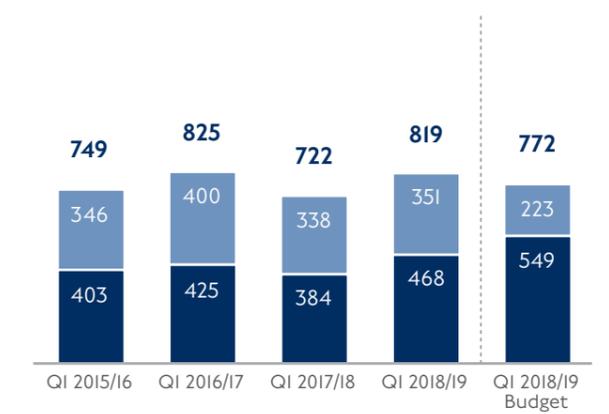
2% ▲ year on year

Passenger income compares well to 2017/18 – £17m higher in the year to date. TfL Rail services were introduced between Heathrow and Paddington on 20 May 2018 and the passenger numbers have been in line with our expectations.

Total capital expenditure Quarterly (£m)



Year on year (£m)



- Capital investment
- Crossrail

£2bn full-year capital investment budget

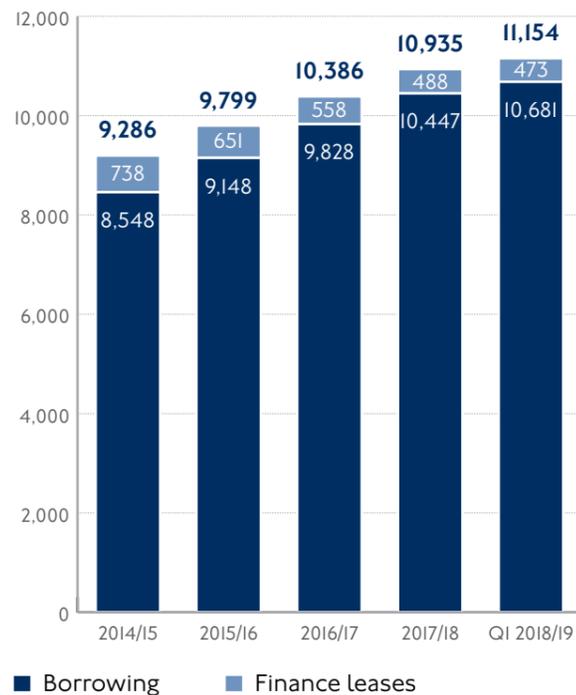
13% ▲ year on year

Capital expenditure increased this quarter as we prepare for the opening of the Elizabeth line in December. Strategic planning has meant some projects were brought forward into 2017/18, resulting in a timing underspend against budget this year for capital investment.

* Quarter 4 is longer than quarters 1 to 3 (16 weeks vs 12 weeks)

Debt and cash

Total value of debt (£m)

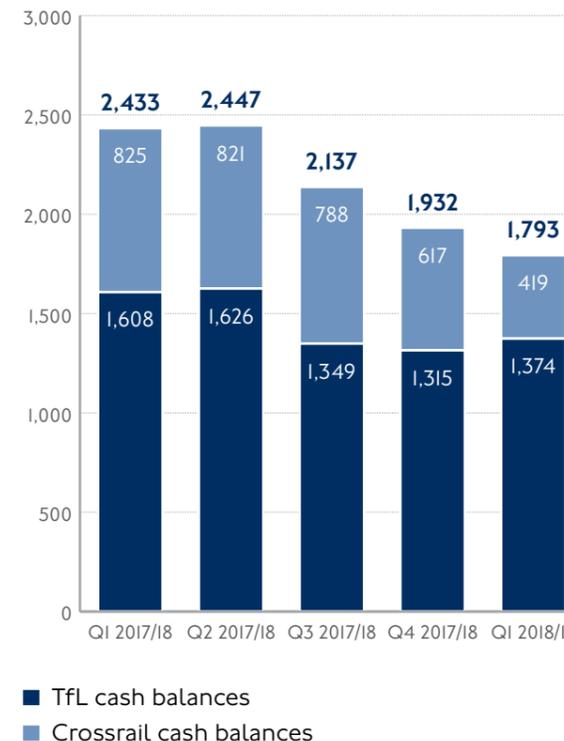


Borrowing

The incremental borrowing agreed with Government for 2018/19 is £800m. At the end of Quarter I, £250m of long-term debt had been drawn down under existing facilities with Export Development Canada and the European Investment Bank. These were partially offset by debt repayments of £15m.

The total nominal value of borrowing outstanding at the end of the quarter was £10,681m, of which £9,834m is long term.

Cash balances (£m)



Cash balances

Cash balances have decreased by £139m over the year to date to £1,793m at the end of Quarter I. Of the total balance, £419m is ring-fenced to deliver the Crossrail project. In addition, we aim to hold a prudent minimum level of cash for TfL (excluding Crossrail) for exceptional circumstances as well as to retain a high credit rating, in line with our liquidity policy approved by TfL Board. This minimum level of cash – currently around £550m – is driven by the size of our operating costs and the level of our debt.

We expect to continue to use our cash balances to fund the improvements outlined in our Business Plan and Budget.

Financing costs (% of total income)*



The ratio of financing costs to total income, including operating grants, helps TfL to monitor the affordability of its debt.

Financing costs and income (£m)

Year to date	Q1 2018/19	Q1 Budget	Variance
Interest income	2	2	-
Borrowing costs	(93)	(98)	5
PFIs/finance leases	(11)	(10)	(1)

£139m **7%▼**
Decrease in cash over the year to date

Credit ratings

Our credit strengths are reflected in the fact that we are rated within one notch of the UK Government by the three leading international rating agencies.

Credit ratings	
Moody's	Aa3 stable outlook
Standard & Poor's	AA- stable outlook
Fitch	AA- negative outlook

* Financing costs include interest costs for borrowing and finance leases

Passenger journeys

Quarter I, year to date

930m total number of journeys*

1%▼ total passenger journeys year on year

London Underground



314m

Elizabeth line (TfL Rail)



11m

Buses



521m

Rail (DLR, London Overground, London Trams)



78m

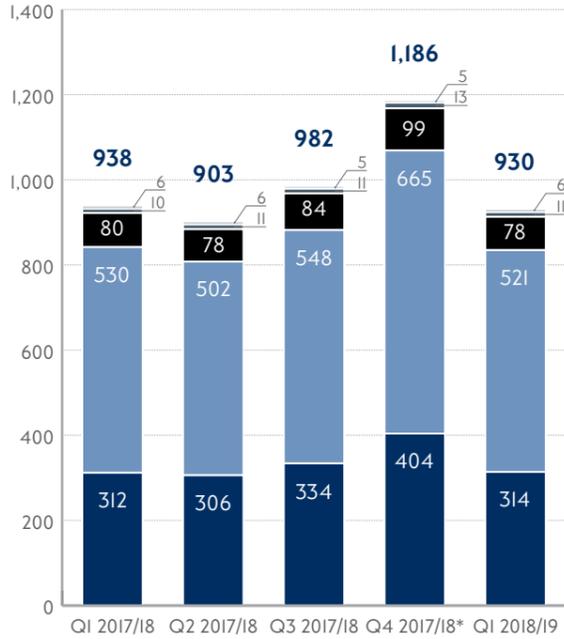
Other (London River Services, Dial-a-Ride, Santander Cycles, Emirates Air Line)



6m

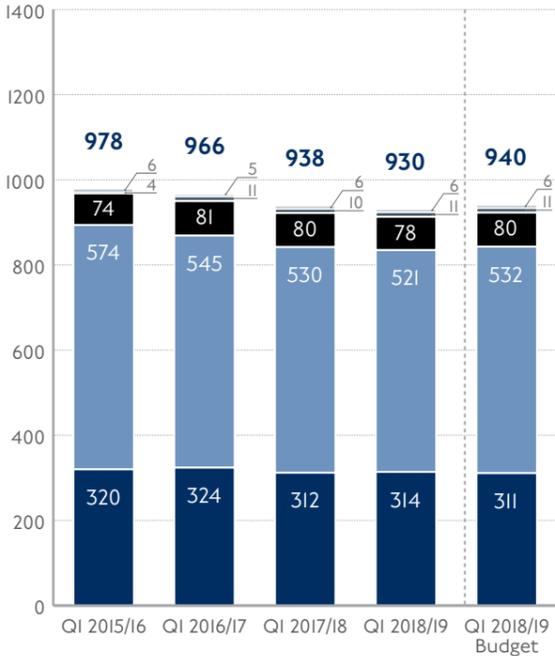
* Excluding road journeys and pedestrians

Quarterly (millions)



■ London Underground ■ Buses ■ Rail ■ TfL Rail ■ Other operations

Year to date (millions)



London Underground passenger volumes were two million (one per cent) better than 2017/18 and three million better than budget. Passenger journeys in 2017/18 were impacted by a number of incidents, such as the part closure of the Hammersmith & City line following the Grenfell fire, the London Bridge and Westminster terror attacks and the general election. Once last year's numbers are adjusted for these, the underlying trend shows that journeys are 0.2 per cent below last year.

Bus passenger journeys in the quarter were nine million (two per cent) lower than 2017/18 and eleven million lower than budget. Lower Travelcard, bus pass and pay as you go journeys were only partly offset by growth in contactless journeys. We are currently investigating the cause of this decline.

TfL Rail passenger demand was 0.1 million journeys better than quarter I last year. Compared to budget, rail demand was one per cent lower in the quarter. Underlying rail demand, after adjusting for one less day in this year's quarter and one less Bank Holiday, was in line with last year.

* Quarter 4 is longer than quarters 1 to 3 (16 weeks vs 12 weeks)

Underground

London Underground

Financial summary

The net operating surplus in London Underground is £22m above budget and has increased by £8m from last year. Increased passenger income and deferrals of operating expense projects have driven this improvement.

London Underground (£m)	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Passenger income	625	621	4	612	13
Other operating income	5	5	-	5	-
Total operating income	630	626	4	617	13
Operating cost	(485)	(497)	12	(473)	(12)
Direct operating surplus	145	129	16	144	1
Indirect operating cost	(61)	(67)	6	(68)	7
Net operating surplus	84	62	22	76	8
Capital renewals	(60)	(70)	10	(67)	7
New capital investment	(8)	(20)	12	(7)	(1)
Total capital expenditure	(68)	(90)	22	(74)	6

Passenger income is £4m up on budget and £13m up against last year, which was adversely affected by the Westminster and London Bridge terror attacks, Grenfell fire and the General Election.

Direct operating costs are £12m better than budget. Our continued emphasis on cost control has resulted in lower staff and maintenance costs. We have also deferred projects, such as asset resilience, as well as delays in letting the civils contract at Knightsbridge and Victoria line maintenance. The additional

expenditure versus last year is mainly due to inflationary pressures and higher utilities costs, partially offset by our cost controls.

Within capital expenditure, a change in strategy resulted in £6m of Camden track works being accelerated in 2017/18, £8m in-year re-profiling and £5m of work at South Kensington being deferred into future years. There is also lower expenditure on escalator works against last year.

Passenger journeys analysis

	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Number of passenger journeys (millions)	314	311	3	312	2
Average yield per passenger journey (£)	1.99	2.00	(0.01)	1.96	0.03
Operating cost per journey (£)	(1.74)	(1.81)	0.07	(1.73)	(0.01)

Passenger journeys

Underlying demand is improving and now down less than half a per cent. Figures for April and May from the Office of Rail and Road show that overall demand is down one per cent for rail travel across London and the South East.

Average yield per passenger journey

Underlying passenger income per journey has improved compared with the equivalent period last year. This is partly due to the impact of average National Rail fares increasing in January 2018, which increases a proportion of TfL's tickets e.g. Travelcards.

Operating cost per journey

Operating cost per journey is below budget, largely due to increasing passenger journey numbers and costs increasing at a slower rate than expected.

Underlying passenger journeys year-on-year change (%)



Compares underlying year-to-date passenger journey numbers with those in the previous year. Not actuals – adjusted for one-off events (such as strike days), timing of Easter holidays and the number of days in each quarter.

Elizabeth line

Currently operating as TfL Rail 

Financial summary

The focus remains on successfully introducing Elizabeth line services in the central section (between Paddington and Abbey Wood), which remains on course to open as planned in December this year.

Elizabeth line (£m)	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Passenger income	21	21	-	19	2
Other operating income	7	7	-	1	6
Total operating income	28	28	-	20	8
Operating cost	(41)	(43)	2	(26)	(15)
Direct operating deficit	(13)	(15)	2	(6)	(7)
Indirect operating cost	(2)	(2)	-	(2)	-
Net operating deficit	(15)	(17)	2	(8)	(7)
New capital investment	(126)	(130)	4	(46)	(80)
Crossrail construction cost	(351)	(223)	(128)	(338)	(13)
Total capital expenditure	(477)	(353)	(124)	(384)	(93)

Passenger income is in line with budget and £2m higher than last year, driven by an increase in passenger journeys. The year-on-year increase in other operating income relates to higher ticket sales commissions receivable and third-party contributions.

Operating costs have reduced against budget, mainly due to savings in train maintenance costs. Costs are higher than last year as we prepare for the opening of the Elizabeth line (including recruitment of maintenance technicians and train

drivers), along with additional costs for operating new services to Heathrow and costs relating to the new trains, which were introduced at the end of June 2017. These new trains have also driven an increase in new capital investment versus last year.

Construction and fit-out of the new Elizabeth line stations and tunnels is well advanced. The infrastructure testing phase has started and a new class 345 train is running under signalling in the tunnels.

Passenger journeys analysis

	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Number of passenger journeys (millions)	11.4	11.3	0.2	10.2	1.2
Average yield per passenger journey (£)	1.84	1.86	(0.02)	1.86	(0.02)
Operating cost per journey (£)	(3.77)	(3.89)	0.21	(2.75)	(1.02)

Passenger journeys

Passenger demand is two per cent higher than budget and 12 per cent higher than last year. Demand has increased as a result of new services from Paddington to Hayes & Harlington and Heathrow that started in May 2018, as well as a reduction in the number of closures this year and the timing of Easter.

Average yield per passenger journey

Passenger income per journey is one per cent than budget and last year, mainly due to lower compensation from Network Rail from the reduction in closures.

Operating cost per journey

Operating cost per journey is five per cent lower than budget due to cost savings in the first quarter. The increase from last year is due to additional costs offset by increasing passenger numbers.

Underlying passenger journeys year-on-year change (%)



Compares underlying year-to-date passenger journey numbers with those in the previous year. Not actuals – adjusted for one-off events (such as strike days), timing of Easter holidays and the number of days in each quarter. Planned closures are not adjusted for.

* TfL Rail started operating at the end of Q1 2015/16, so no comparable data

Buses

London Buses

Financial summary

Reduced passenger income has contributed to the net operating deficit being £5m higher than budget. Total operating costs are broadly flat compared to the same quarter last year.

Buses (£m)	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Passenger income	338	345	(7)	338	-
Other operating income	3	3	-	3	-
Total operating income	341	348	(7)	341	-
Operating cost	(485)	(486)	1	(483)	(2)
Direct operating deficit	(144)	(138)	(6)	(142)	(2)
Indirect operating cost	(7)	(8)	1	(9)	2
Net operating deficit	(151)	(146)	(5)	(151)	-
Capital renewals	-	(2)	2	(2)	2
New capital investment	-	(12)	12	(8)	8
Total capital expenditure	-	(14)	14	(10)	10

Lower bus passenger income is primarily due to fewer fare-paying passenger journeys. Underlying year-on-year demand shows a 1.2 per cent decline in the year to date.

Direct operating cost is as budgeted and almost flat year on year. This is as we continue to offset the higher cost owing to the annual contracted price inflation

(2.4 per cent average) within the bus operators' contracts, and the roll out of cleaner buses.

Capital expenditure is lower, as a result of a change in accounting treatment for the installation of enhanced catalytic converters, which reduce the emissions of buses so they meet the Euro VI standard.

Passenger journeys analysis

	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Number of passenger journeys (millions)	521	532	(11)	530	(9)
Average yield per passenger journey (£)	0.65	0.65	-	0.64	0.01
Operating cost per journey (£)	(0.94)	(0.93)	(0.01)	(0.93)	(0.01)

Passenger journeys

Total passenger journeys were two per cent lower than budget and two per cent lower than last year. On a normalised basis, passenger journeys were 1.2 per cent lower.

Average yield per passenger journey

The average yield per passenger journey is as per budget. Compared to last year, the average yield per passenger journey has increased by 1.2p. This is primarily due to a fares increase on Travelcards in January 2018.

Operating cost per journey

Operating cost per journey is one pence higher than budget and last year. This is primarily due to a lower number of passenger journeys.

Underlying passenger journeys year-on-year change (%)



Compares underlying year-to-date passenger journey numbers with those in the previous year. Not actuals – adjusted for one-off events (such as strike days), timing of Easter holidays and the number of days in each quarter.

Streets

Transport for London Road Network (TLRN)



Financial summary

Operating performance is tracking ahead of budget in the first quarter as a result of improved income.

Streets (£m)	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Passenger income	-	-	-	-	-
Other operating income	76	72	4	71	5
Total operating income	76	72	4	71	5
Operating cost	(107)	(106)	(1)	(93)	(14)
Direct operating deficit	(31)	(34)	3	(22)	(9)
Indirect operating cost	(15)	(16)	1	(16)	1
Net operating deficit	(46)	(50)	4	(38)	(8)
Capital renewals	(12)	(8)	(4)	(23)	11
New capital investment	(20)	(21)	1	(19)	(1)
Total capital expenditure	(32)	(29)	(3)	(42)	10

Income in the first quarter is up £4m against budget and £5m against 2017/18. Enforcement, compliance and cost recoveries account for the rise. Congestion Charging income has been stable, with increased Penalty Charge Notices offsetting lower volumes of charge-paying vehicles entering the zone.

Operating costs remain in line with budget, contributing to a favourable net operating deficit variance of £4m. There has been an increase in operating

costs compared to this time last year, a result of more funding for projects delivered by boroughs.

We have paused our programme of proactive capital renewals on highways assets, hence the drop compared to last year. However, total capital expenditure is running higher than budget, with some of last year's programme slipping into this financial year.

Volume analysis

	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Congestion Charge volumes (thousands)	3,344	3,673	(329)	3,622	(278)
Congestion Charge and enforcement income (£m)	53.9	53.7	0.2	53.6	0.3
Traffic volumes – all London (index)	96.8	-	-	96.0	0.8
Cycling growth in CCZ*	14.3%	14.9%	-	14.7%	-

Cycling

A daily average of 459,756km, or around 148,000 journeys, was cycled in central London during quarter 1. Weather can affect cycling levels and is likely to have contributed to a slowing in levels of cycling growth. In particular, March was exceptionally cold with widespread snow, and it was the wettest since 1981, with more than three times more rain than the previous year.

Traffic flow

The pan-London traffic flow index stands at 96.8. This is one index point higher than the same quarter last year.

Traffic flow (volume) year-on-year change



Compares traffic flow volumes for the year-to-date with the corresponding quarters in the previous year.

* Cycling data is based on calendar quarters rather than financial quarters ie Q1 is January to March and is the latest available data. It is presented as a percentage change from the baseline year (ie quarter 1 in 2014).

Rail

DLR, London Overground and London Trams



Financial summary

We have achieved a net operating surplus by limiting our operating costs to a £1m increase compared to 2017/18.

Rail (£m)	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Passenger income	99	100	(1)	96	3
Other operating income	5	4	1	1	4
Total operating income	104	104	-	97	7
Operating cost	(98)	(108)	10	(97)	(1)
Direct operating surplus/(deficit)	6	(4)	10	-	6
Indirect operating cost	(4)	(4)	-	(5)	1
Net operating surplus/(deficit)	2	(8)	10	(5)	7
Capital renewals	(5)	(11)	6	(6)	1
New capital investment	(6)	(17)	11	(7)	1
Total capital expenditure	(11)	(28)	17	(13)	2

Passenger income is £1m below budget. This is primarily owing to the DLR where the late cancellation of industrial action in April had an impact on demand.

Operating costs are £10m below budget due to lower performance payments to the London Overground operator and savings relating to the

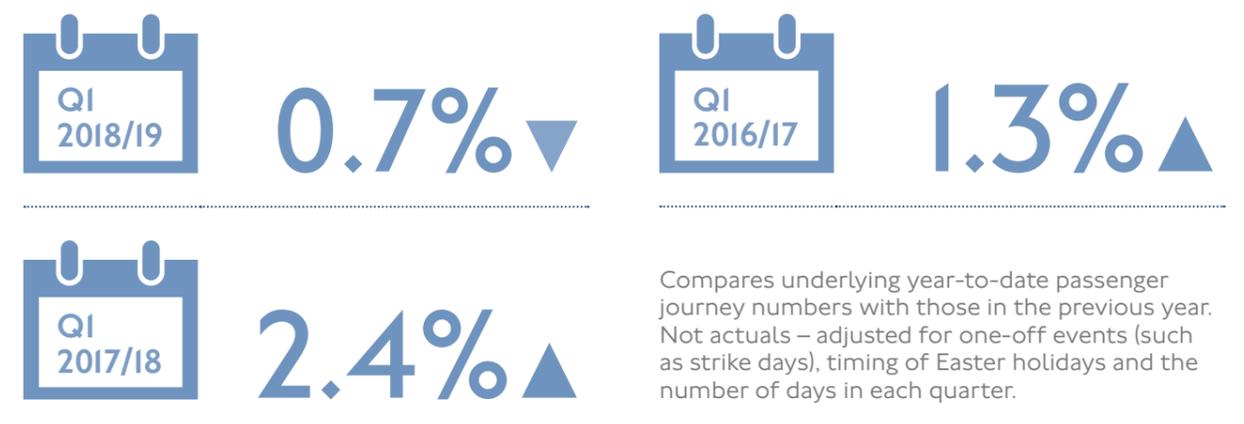
final accounting of 2017/18 on the DLR PFI. This is partly offset by higher performance payments on the DLR.

Capital renewals and new capital investment requirements are being finalised for delivery later this financial year.

Passenger journeys analysis

	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
London Overground					
Number of passenger journeys (millions)	43.4	44.0	(0.6)	43.9	(0.5)
Average yield per passenger journey (£)	1.22	1.21	0.01	1.15	0.07
Operating cost per journey (£)	(1.45)	(1.61)	0.16	(1.38)	(0.07)
DLR					
Number of passenger journeys (millions)	28.4	28.9	(0.5)	28.6	(0.2)
Average yield per passenger journey (£)	1.42	1.42	-	1.39	0.03
Operating cost per journey (£)	(1.04)	(1.08)	0.04	(1.14)	0.10
London Trams					
Number of passenger journeys (millions)	6.6	6.8	(0.2)	6.6	-
Average yield per passenger journey (£)	0.81	0.83	(0.02)	0.85	(0.04)
Operating cost per journey (£)	(1.28)	(1.21)	(0.07)	(1.16)	(0.12)

Underlying passenger journeys year-on-year change (%)



Other operations

London Dial-a-Ride, London River Services, London Taxi and Private Hire, Santander Cycles, Victoria Coach Station, Emirates Air Line and others



Financial summary

As well as the operations named above, we include the costs of the Crossrail 2 project team and the Planning team, together with certain group items in this category.

Other operations (£m)	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Passenger income	13	8	5	14	(1)
Other operating income	26	26	-	24	2
Total operating income	39	34	5	38	1
Operating cost	(47)	(52)	5	(45)	(2)
Direct operating deficit	(8)	(18)	10	(7)	(1)
Indirect operating cost	(9)	(9)	-	(8)	(1)
Net operating deficit	(17)	(27)	10	(15)	(2)
Capital renewals	(10)	(17)	7	(13)	3
New capital investment	(22)	(29)	7	(11)	(11)
Total capital expenditure	(32)	(46)	14	(24)	(8)

Licence fee increases in Taxi and Private Hire have been deferred until September at the earliest. This is because we have been awaiting the outcome of a judicial review of operator fees, and has resulted in a ten per cent reduction in other operating income against budget.

Capital renewals underspend is driven by slippage in the cycle hire payment system project.

Volume analysis

	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Santander Cycles					
Number of hires (millions)	2.8	2.7	0.1	2.8	-
Average income per hire (£)	1.23	1.19	0.04	1.29	(0.06)
Operating cost per hire (£)	(2.25)	(2.42)	0.17	(2.10)	(0.15)

Victoria Coach Station

Number of coach departures (thousands)	53.0	56.2	(3.2)	56.2	(3.2)
Average income per departure (£)	34.49	38.29	(3.8)	35.99	(1.5)
Operating cost per departure (£)	(36.86)	(36.10)	(0.76)	(35.86)	(1.00)

London River Services

Number of passenger journeys (millions)	2.8	3.0	(0.2)	3.0	(0.2)
Average income per journey (£)	0.24	0.26	(0.02)	0.21	0.03
Operating cost per journey (£)	(1.92)	(1.05)	(0.87)	(0.98)	(0.94)

London Dial-a-Ride

Number of passenger journeys (thousands)	240.4	235.0	5.4	251.0	(10.6)
Operating cost per trip (£)	(47.28)	(48.67)	1.39	(48.54)	1.26

Taxi and Private Hire

Number of private hire vehicle drivers	112,002	-	-	116,775	(4,773)
Taxi drivers	23,710	-	-	24,275	(565)
Total income (£m)	7.5	9.0	(1.5)	5.9	1.6
Total costs (£m)	(8.2)	(8.2)	-	(7.5)	(0.7)

Emirates Air Line

Number of passenger journeys (thousands)	345.0	394.7	(49.7)	382.3	(37.3)
Average yield per passenger journey (£)	4.38	4.93	(0.55)	4.22	0.16
Operating cost per journey (£)	(2.02)	(2.47)	0.45	(2.69)	0.67

Commercial Development

Media, telecoms, property development and commercial property 

Financial summary

Net operating surplus is higher, due to a combination of better income and significant underspending in facilities and accommodation projects.

Commercial Development (£m)	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Passenger income	-	-	-	-	-
Other operating income	59	56	3	55	4
Total operating income	59	56	3	55	4
Operating cost	(33)	(41)	8	(32)	(1)
Direct operating surplus	26	15	11	23	3
Indirect operating cost	(3)	(3)	-	(3)	-
Net operating surplus	23	12	11	20	3
New capital investment	(34)	(47)	13	(9)	(25)
Property receipts	-	10	(10)	1	(1)
Crossrail over site development	16	46	(30)	-	16
Net capital account	(18)	9	(27)	(8)	(10)

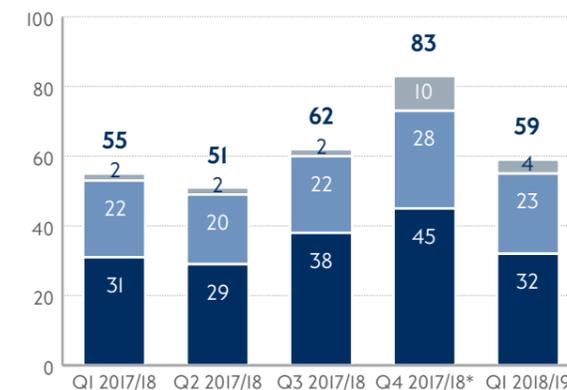
Operating income is higher than budget, largely due to unbudgeted Kingsbourne House rent, higher turnover, back-dated rents and better media revenue.

Operating expenditure is lower than budget due to office maintenance and projects being delayed, and rates refunds.

New capital investment is significantly lower than budget, mainly due to digital media roll out, along with a slower start on property investments, variations in delivery of Crossrail over site developments and phasing works at Broadway.

Capital receipts are lower, mainly due to re-phased disposals of Paddington and Lindsey Street Crossrail sites.

Media, property and other income (£m) Quarterly



■ Media
■ Property
■ Other

* Quarter 4 is longer than quarters 1 to 3 (16 weeks vs 12 weeks)

Advertising on the rail and bus shelters is up year on year, outperforming budget due to a better than expected advertising market in quarter 1. This is not expected to continue.

Property income has benefited from unbudgeted income from Kingsbourne House, which is awaiting disposal and also favourable rent reviews, where trends are good.

Kidbrooke, Landmark Court and Blackhorse Road

Consultation and engagement started with local communities at three sites. At Kidbrooke in Greenwich, we are bringing forward 600 homes, while at Blackhorse Road in Waltham Forest we are delivering 350 homes. Half of the homes at both sites will be affordable. We are proposing 80 new homes, and 130,000sq ft of commercial space at Landmark Court in Southwark.

Small sites

We selected the London Community Land Trust to deliver a total of 75 new homes at Cable Street in Tower Hamlets and at Christchurch Road in Lambeth. We piloted these sites as part of the Mayor's 'Small Sites, Small Builders' programme, which makes plots of publicly-owned land more accessible to London's small and medium-sized building companies.

Major projects

Financial summary

Major Projects is responsible for our largest and most complex projects. It comprises line upgrades, Deep Tube Upgrade, network extensions and major stations.

Major projects (£m)	Q1 2018/19	Budget 2018/19	Variance	Q1 2017/18	Variance
Passenger income	-	-	-	-	-
Other operating income	-	-	-	-	-
Total operating income	-	-	-	-	-
Operating cost	(5)	(2)	(3)	(2)	(3)
Direct operating deficit	(5)	(2)	(3)	(2)	(3)
Indirect operating cost	(8)	(9)	1	(9)	1
Net operating deficit	(13)	(11)	(2)	(11)	(2)
Capital renewals	(10)	(11)	1	(6)	(4)
New capital investment	(156)	(154)	(2)	(159)	3
Total capital expenditure	(166)	(165)	(1)	(165)	(1)

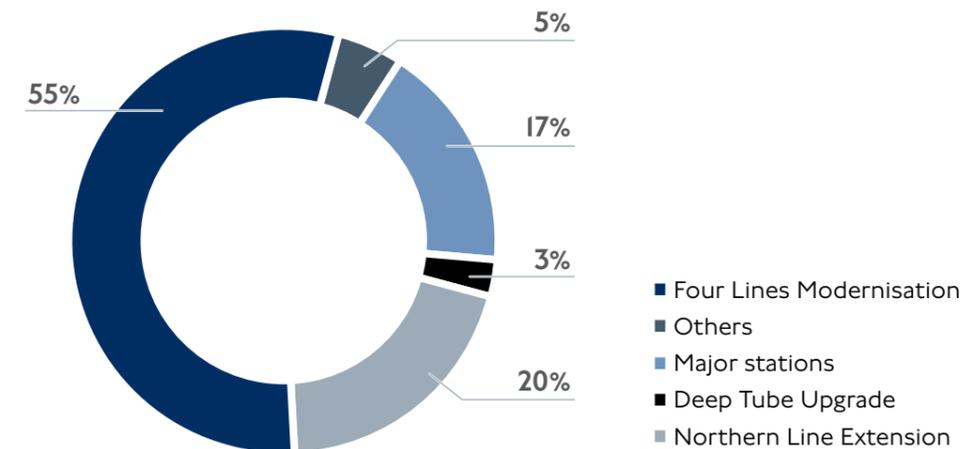
Four Lines Modernisation

The programme achieved two major milestones: service line control go live, which brings together the service control teams for the Metropolitan, District, Circle and Hammersmith & City lines at the new Hammersmith Service Control Centre; and the first trial of the new Automatic Train Control system.

Deep Tube Upgrade

This will see new trains and signalling to modernise the Bakerloo, Central, Piccadilly and Waterloo & City lines. Starting with the Piccadilly line upgrade, it will increase capacity by 60 per cent (equivalent of up to 21,000 customers per hour). In April, an invitation to negotiate the signalling contract was issued to Alstom, Siemens and Thales. Tenders are expected back in the autumn with a view to awarding the contract by mid-2020.

Year-to-date spend by programme



Major stations

Victoria and Tottenham Court Road stations are nearly complete. We continue to focus management attention on Bank Bloomberg, with the end date now pushed to November 2018.

Northern Line Extension

Tunnelling is complete and ready for fit out at Battersea. Planning application for Kennington Park head house and landscaping was approved on 4 May. Work started at Kennington station on 26 May to construct four platform cross passages, with trains not stopping on the Bank branch platforms until mid-September 2018.

Silvertown Tunnel

The Development Consent Order was approved by the Secretary of State on 10 May.

Barking Riverside Extension

The main works contract tender was issued on the 13 April.



Appendices

TfL Group balance sheet

Balance sheet (£m)	23 June 2018	Q1 Budget	Variance	31 March 2018	Variance
Intangible assets	106	117	(11)	118	(12)
Property, plant and equipment	39,868	39,809	59	39,274	594
Investment property	537	537	-	537	-
Investment in associate entities	324	324	-	319	5
Long-term derivatives	15	12	3	12	3
Long-term finance lease receivables	21	28	(7)	17	4
Long-term debtors	30	28	2	28	2
Non current assets	40,901	40,855	46	40,305	596
Stocks	64	64	-	64	-
Short-term debtors	606	517	89	561	45
Assets held for sale	83	83	-	83	-
Short-term derivatives	4	6	(2)	6	(2)
Short-term finance lease receivables	9	10	(1)	8	1
Cash and short-term investments	1,793	1,616	177	1,932	(139)
Current assets	2,559	2,296	263	2,654	(95)
Short-term creditors	(2,456)	(2,184)	(272)	(2,349)	(107)
Short-term derivatives	(3)	(1)	(2)	(2)	(1)
Short-term borrowings	(847)	(846)	(1)	(846)	(1)
Short-term finance lease liabilities	(71)	(67)	(4)	(70)	(1)
Short-term provisions	(321)	(297)	(24)	(334)	13
Current liabilities	(3,698)	(3,395)	(303)	(3,601)	(97)
Long-term creditors	(66)	(68)	2	(66)	-
Long-term borrowings	(9,803)	(9,804)	1	(9,569)	(234)
Long-term finance lease liabilities	(402)	(406)	4	(418)	16
Long-term derivatives	(49)	(52)	3	(52)	3
Long-term provisions	(95)	(78)	(17)	(84)	(11)
Pension provision	(4,706)	(4,707)	1	(4,707)	1
Long-term liabilities	(15,121)	(15,115)	(6)	(14,896)	(225)
Total net assets	24,641	24,641	-	24,462	179
Capital and reserves					
Usable reserves	1,681	1,509	172	1,790	(109)
Unusable reserves	22,960	23,132	(172)	22,672	288
Total capital employed	24,641	24,641	-	24,462	179

Headcount

Full-time equivalents (FTEs) including non-permanent labour (NPL)

	31 March 2018 Actual	YTD net (leavers)/joiners	End of Q1 Actual
Underground	18,851	134	18,985
Elizabeth line	238	-	238
Buses	578	(84)	494
Rail	285	1	286
Streets	1,518	(200)	1,318
Other operations	1,400	(17)	1,383
Professional services*	3,850	31	3,881
Commercial Development	298	2	300
Crossrail	651	(42)	609
Major Projects Directorate	786	(291)	495
Total	28,455	(466)	27,989

During the quarter, approximately 500 engineering staff transferred into London Underground from Streets and the Major Projects directorate. Through the transformation programme, we have created a single, pan-TfL integrated engineering directorate. By bringing together professional engineering resource in to a single directorate, we can build on our collaborative and inclusive culture – encouraging innovation and knowledge sharing across the engineering profession, regardless of mode or project.

The transfer into London Underground was offset by general attrition, retirements, medical terminations and slowing recruitment.

There is a reduction in Buses due to directorate moves into Streets, engineering and other operations. Some staff also left the organisation as part of the transformation programme.

* Professional Services comprises functions within TfL including Legal, Finance, Commercial, Human Resources, Procurement, and Customers, Communication & Technology where services are provided on a shared basis across all TfL divisions.

NPL

Our overall use of NPL has fallen by 85 during the quarter.

It is important that we continue to make use of the flexibility offered by NPL,

particularly through this time of change and temporary peaks in demand, such as in recruitment resulting from our transformation programme. It is equally important that we do not close off our ability to hire talent in scarce skills areas.

Date	Number of NPL	Weekly cost (£)	Reduction since December 2015	
			Number of NPL	Weekly saving (£)
15 December 2015	3,092	5,249,002		
31 March 2017	1,742	2,544,009	(1,350)	2,704,993
9 December 2017	1,521	2,127,139	(1,571)	3,121,863
31 March 2018	1,422	1,874,029	(1,670)	3,374,973
23 June 2018	1,337	1,863,073	(1,755)	3,385,930

The above table shows the cost reduction made from actions taken to reduce NPL costs. The weekly cost assumes seven hours a day and five days a week worked.

NPL by length of service

Length of service	31 March 2018 Actual	YTD net (leavers)/joiners	End of Q1 Actual
0-6 months	280	51	331
6-12 months	355	(92)	263
1-2 years	259	16	275
2-3 years	237	52	289
3-5 years	174	(57)	117
5+ years	117	(55)	62
Total	1,422	(85)	1,337

There remain a large number of non-permanent contractors who have been working at TfL for more than two years. Many of these are working on large construction projects, but we continue to seek to reduce reliance on these resources to the extent that is possible.

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July 2018

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PUB18_045 QPR_Q1

TfL Board

Quarterly Results

Quarter 1:

01 April 2018 – 23 June 2018

25 July 2018

Simon Kilonback



Summary and outlook

Summary

- Overall passenger income is in line with budget, with slightly higher income on London Underground and lower income on buses
- Operating costs lower than budget, driven by our management of costs and timing differences
- Net costs of operations ahead of budget, but slightly worse than 2017/18, reflecting loss of general grant

Outlook

- The economic environment remains very subdued
- Our focus on cost control will drive further efficiencies and we are looking to generate additional revenue
- As a result, we are on track to deliver our 2018/19 budget in challenging conditions



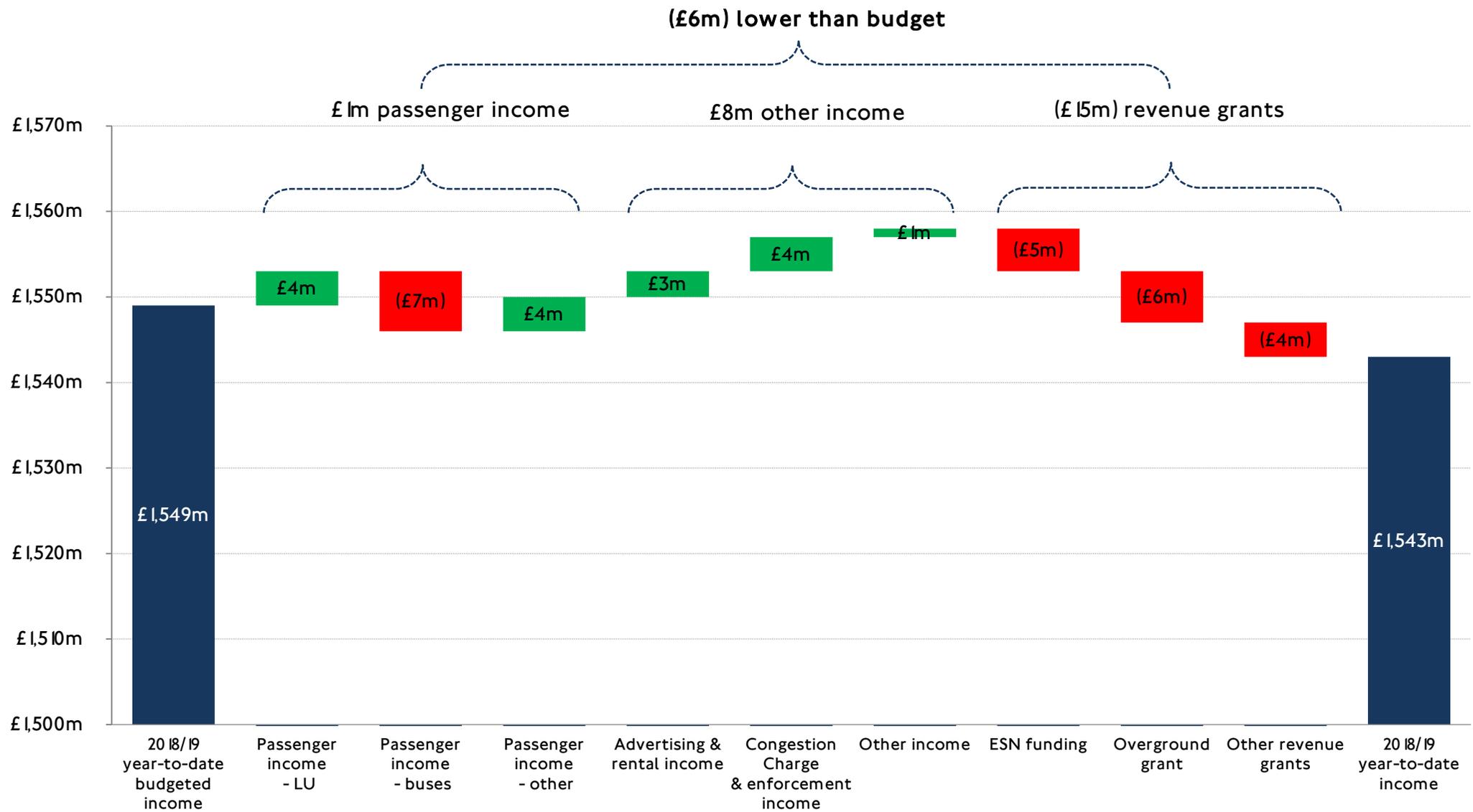
Performance against 2018/19 budget

Key figures - Operating account

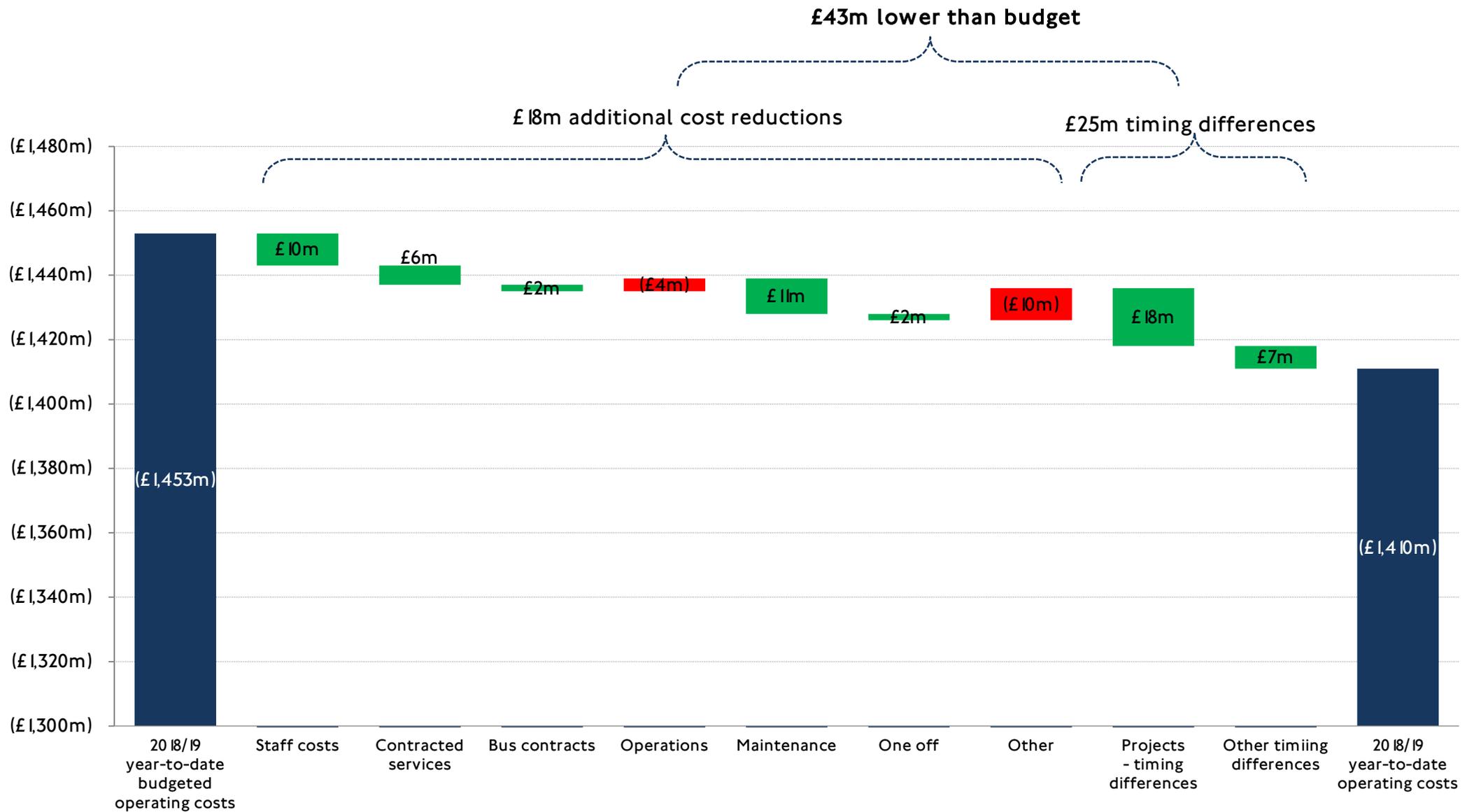
	Quarter 1 results, 2018/19				2017/18		
	Results	Budget	Variance to Budget	% variance to Budget	Last year results	Variance to last year	% variance to last year
Passenger income	1,096	1,095	1	0%	1,079	17	2%
Other operating income	181	173	8	5%	160	21	13%
Total operating income	1,277	1,268	9	1%	1,239	38	3%
Total revenue grants	266	281	(15)	-5%	295	(29)	-10%
Total income	1,543	1,549	(6)	0%	1,534	9	1%
Operating costs	(1,410)	(1,453)	43	-3%	(1,371)	(39)	3%
Net operating surplus	133	96	37	39%	163	(30)	-18%



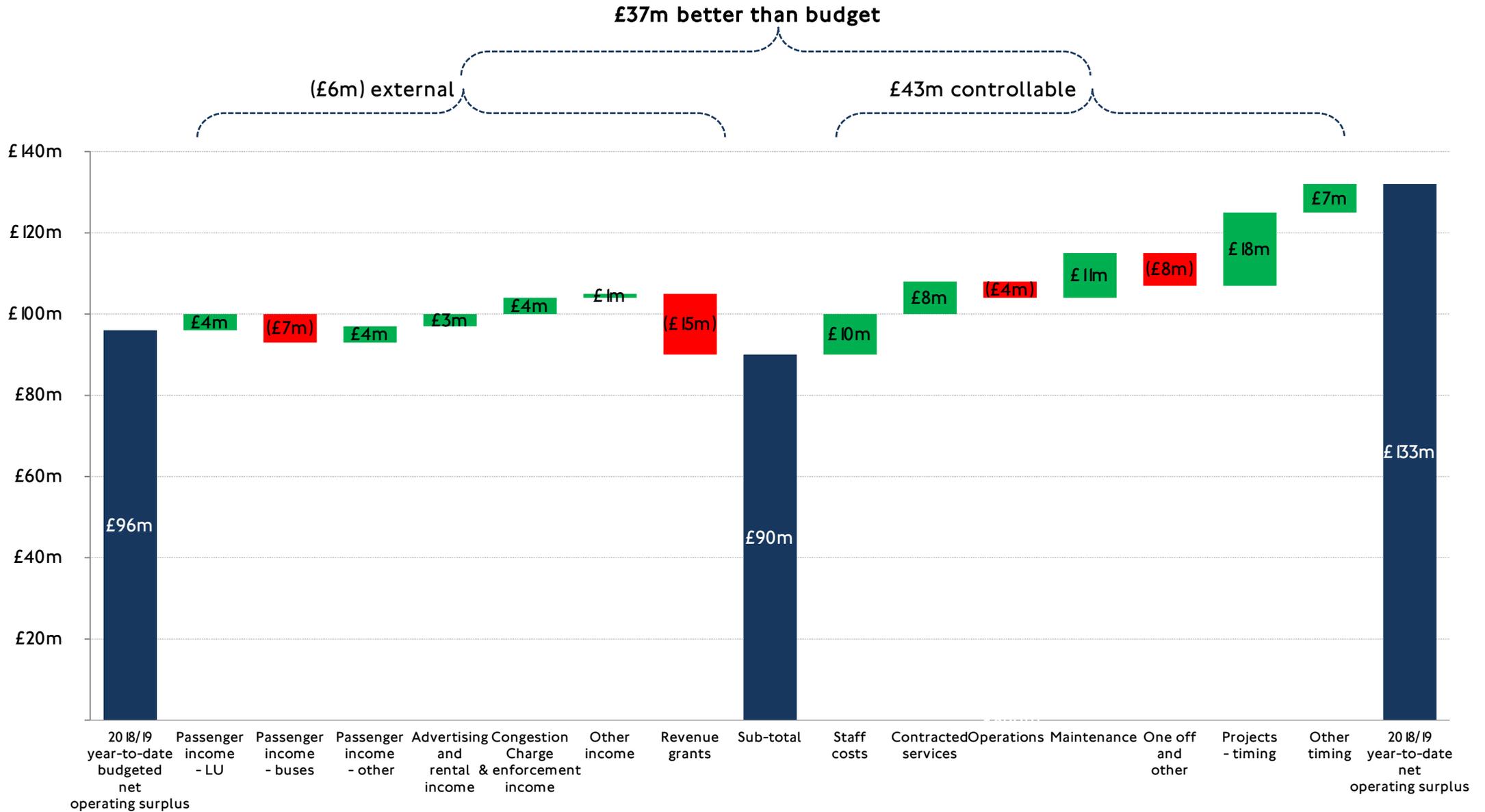
Total Income



Operating costs



Net operating surplus

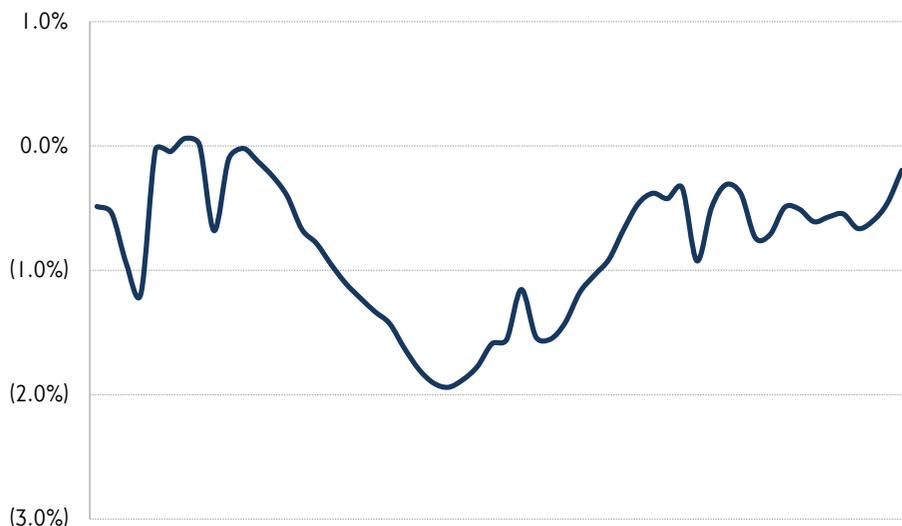


London Underground : delivering £2bn railway through robust cost controls

	Quarter I results, 2018/19				2017/18		
	Results	Budget	Variance to Budget	% variance to Budget	Last year results	Variance to last year	% variance to last year
Passenger income	625	621	4	1%	612	13	2%
Other operating income	5	5	-	0%	5	-	0%
Total operating income	630	626	4	1%	617	13	2%
Operating costs	(485)	(497)	12	-2%	(473)	(12)	3%
Direct operating surplus	145	129	16	12%	144	1	1%

LU underlying demand 12 week moving annual average

Underlying demand continues to improve and is almost flat at (0.2 %)

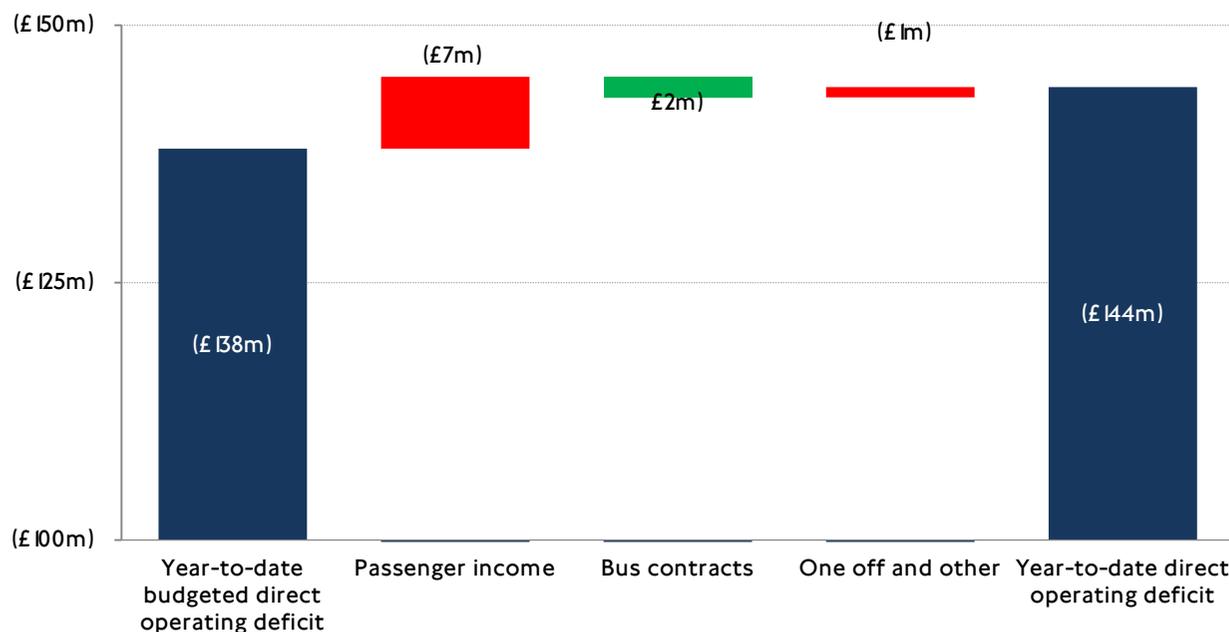
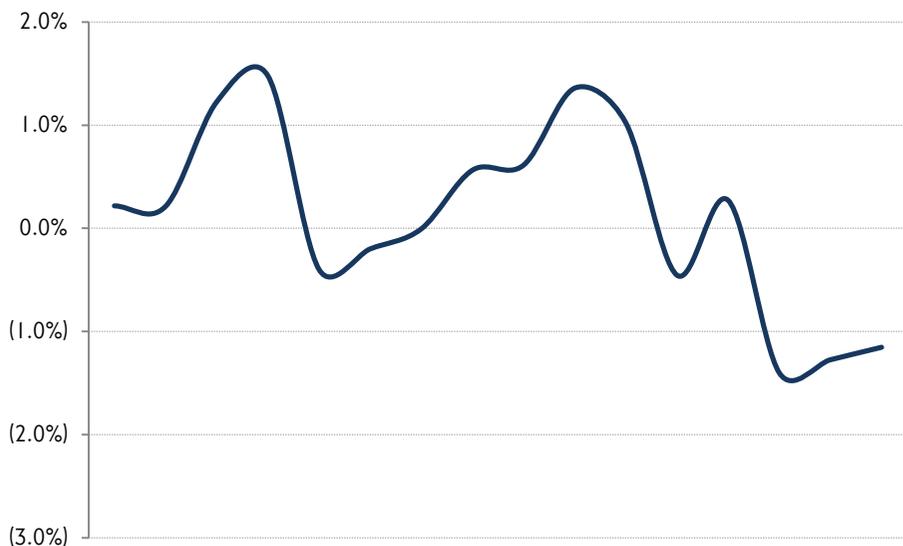


Buses: costs kept flat, challenge on passenger income

	Quarter I results, 2018/19				2017/18		
	Results	Budget	Variance to Budget	% variance to Budget	Last year results	Variance to last year	% variance to last year
Passenger income	338	345	(7)	-2%	338	-	0%
Other operating income	3	3	-	0%	3	-	0%
Total operating income	341	348	(7)	-2%	341	-	0%
Direct operating costs	(485)	(486)	1	0%	(483)	(2)	0%
Direct operating deficit	(144)	(138)	(6)	4%	(142)	(2)	1%

Buses underlying demand moving annual average

Underlying demand down 1.2% compared to Quarter I, 2017/18

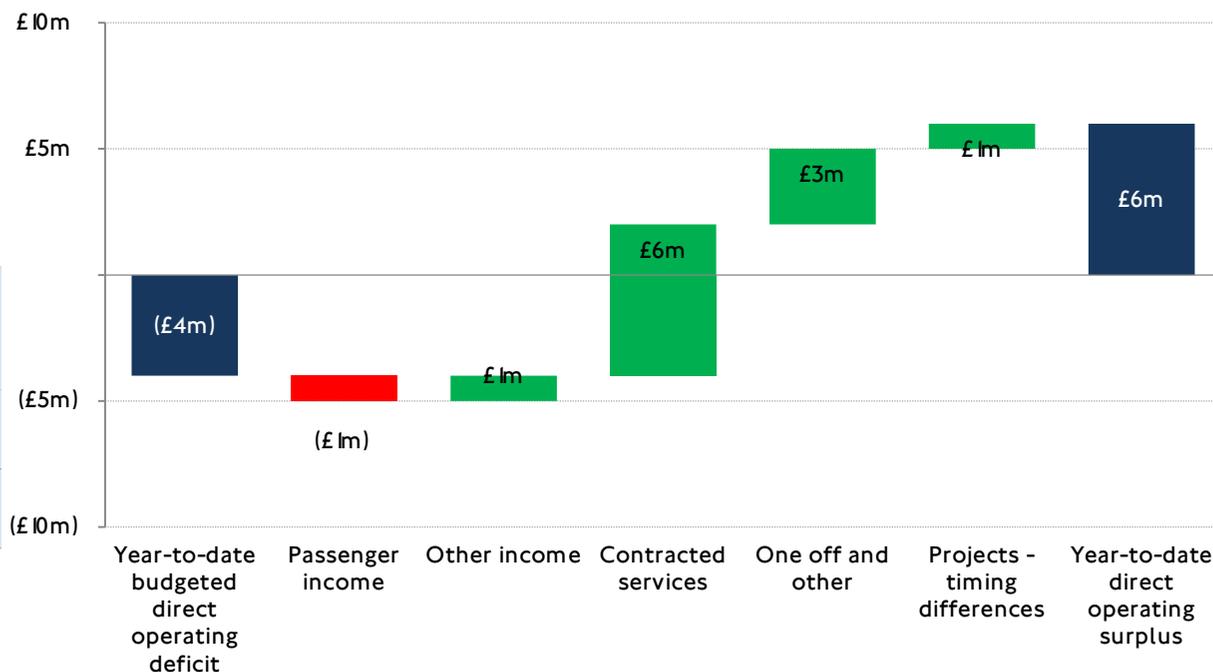


Rail services: surplus driven by one-off cost upside

	Quarter I results, 2018/19				2017/18		
	Results	Budget	Variance to Budget	% variance to Budget	Last year results	Variance to last year	% variance to last year
Passenger income	99	100	(1)	-1%	96	3	3%
Other operating income	5	4	1	25%	1	4	400%
Total operating income	104	104	-	0%	97	7	7%
Direct operating costs	(98)	(108)	10	-9%	(97)	(1)	1%
Direct operating surplus/ (deficit)	6	(4)	10	-250%	-	6	0%

Passenger volumes

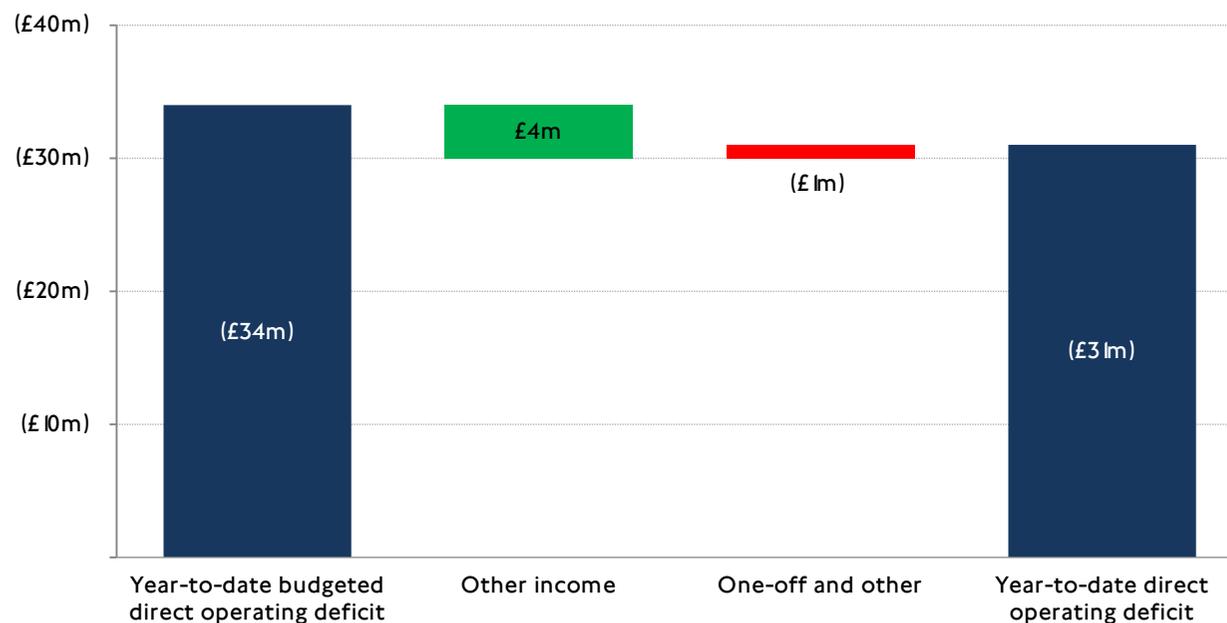
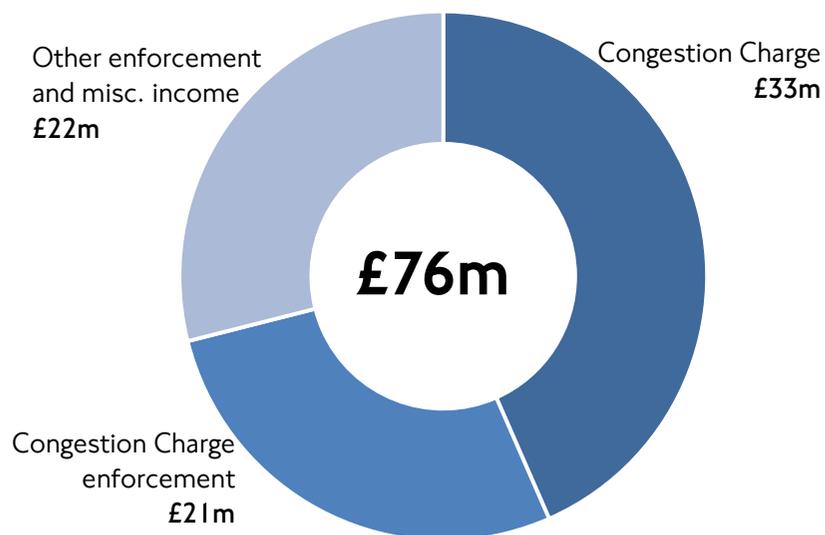
	Quarter I, 2018/19	Quarter I, 2017/18	Year-on-year change
London Overground	43.4	43.9	(0.5)
DLR	28.4	28.6	(0.2)



Streets: improved income, but challenging fundamentals

	Quarter I results, 2018/19				2017/18		
	Results	Budget	Variance to Budget	% variance to Budget	Last year results	Variance to last year	% variance to last year
Passenger income	-	-	-	0%	-	-	0%
Other operating income	76	72	4	6%	71	5	7%
Total operating income	76	72	4	6%	71	5	7%
Direct operating costs	(107)	(106)	(1)	1%	(93)	(14)	15%
Direct operating deficit	(31)	(34)	3	-9%	(22)	(9)	41%

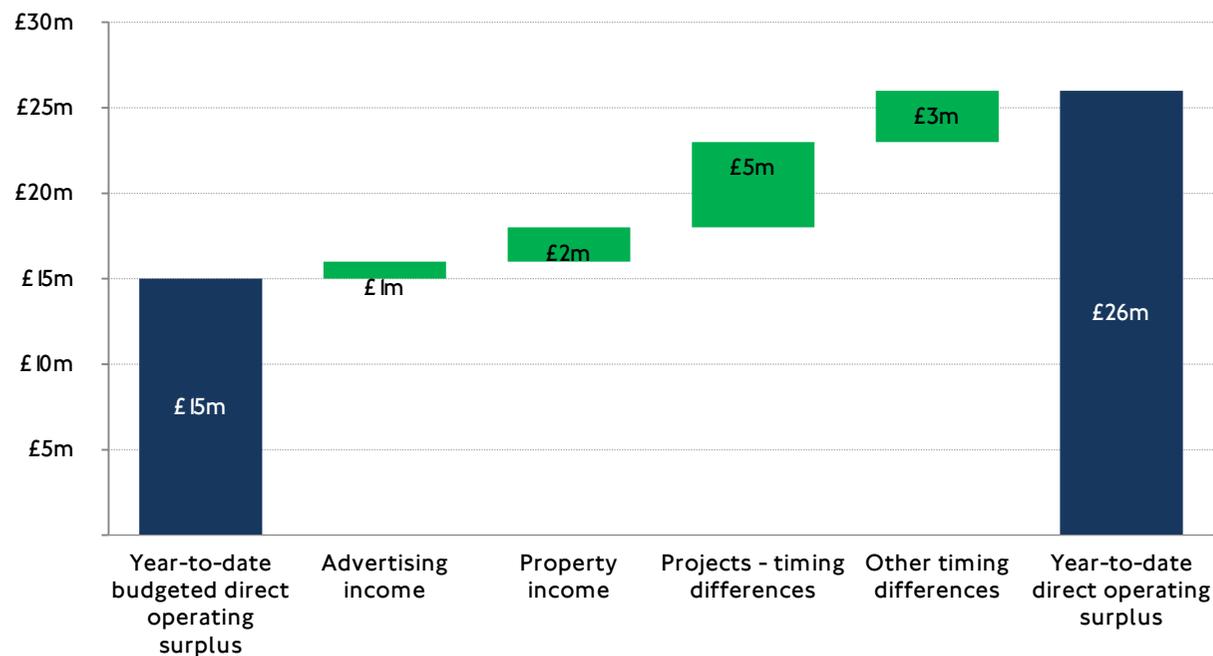
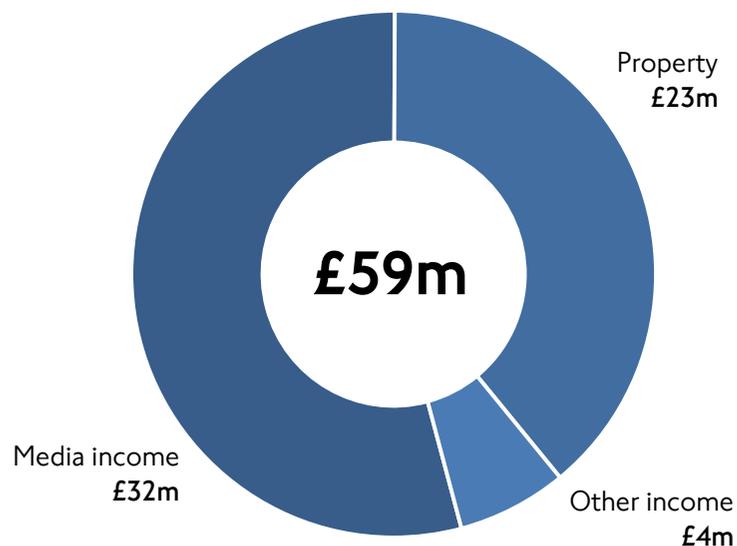
Income streams



Commercial development: income ahead of budget and underspend on costs

	Quarter I results, 2018/19				2017/18		
	Results	Budget	Variance to Budget	% variance to Budget	Last year results	Variance to last year	% variance to last year
Passenger income	-	-	-	0%	-	-	0%
Other operating income	59	56	3	5%	55	4	7%
Total operating income	59	56	3	5%	55	4	7%
Direct operating costs	(33)	(41)	8	-20%	(32)	(1)	3%
Direct operating surplus	26	15	11	73%	23	3	13%

Income streams



Performance against 2018/19 budget

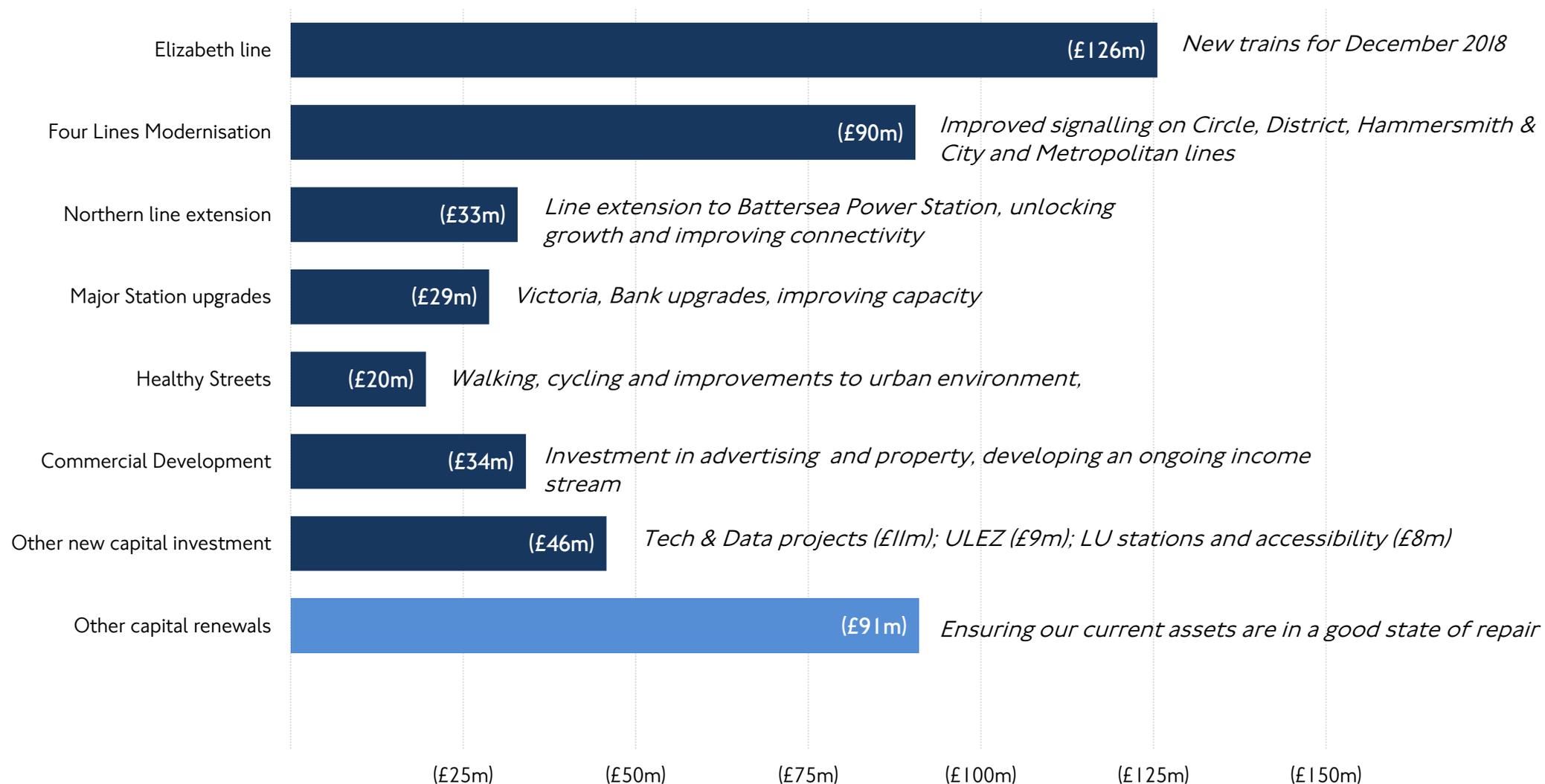
Key figures - Capital expenditure

	Quarter I results, 2018/19				2017/18		
	Results	Budget	Variance to Budget	% variance to Budget	Last year results	Variance to last year	% variance to last year
Capital renewals	(97)	(119)	22	-18%	(117)	20	-17%
New capital investment	(372)	(430)	58	-13%	(266)	(106)	40%
Crossrail	(351)	(223)	(128)	57%	(338)	(13)	4%
Total capital expenditure	(820)	(772)	(48)	6%	(721)	(99)	10%



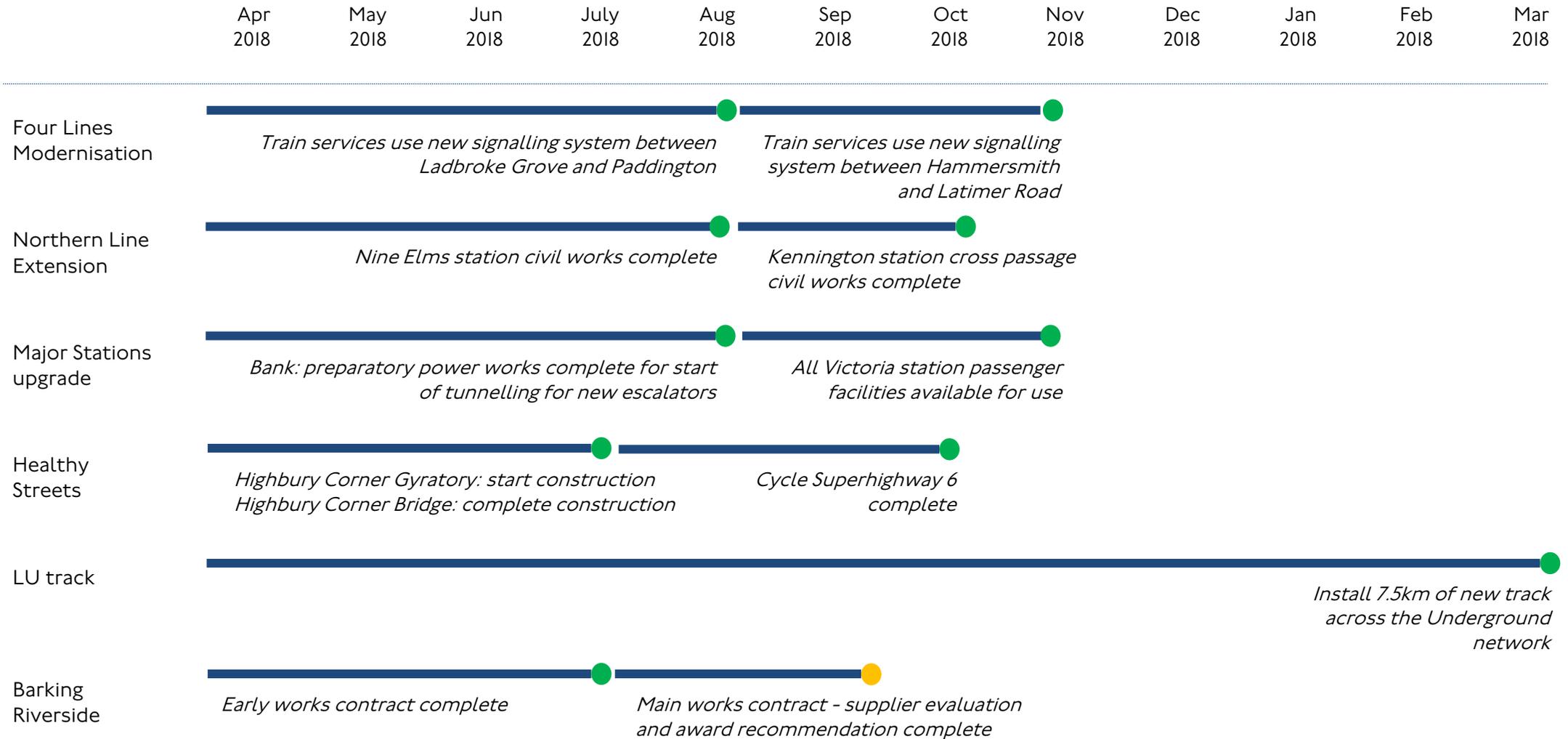
Capital expenditure (excl. Crossrail) – maintaining record levels of investment

Key investment in Quarter 1, 2018/19

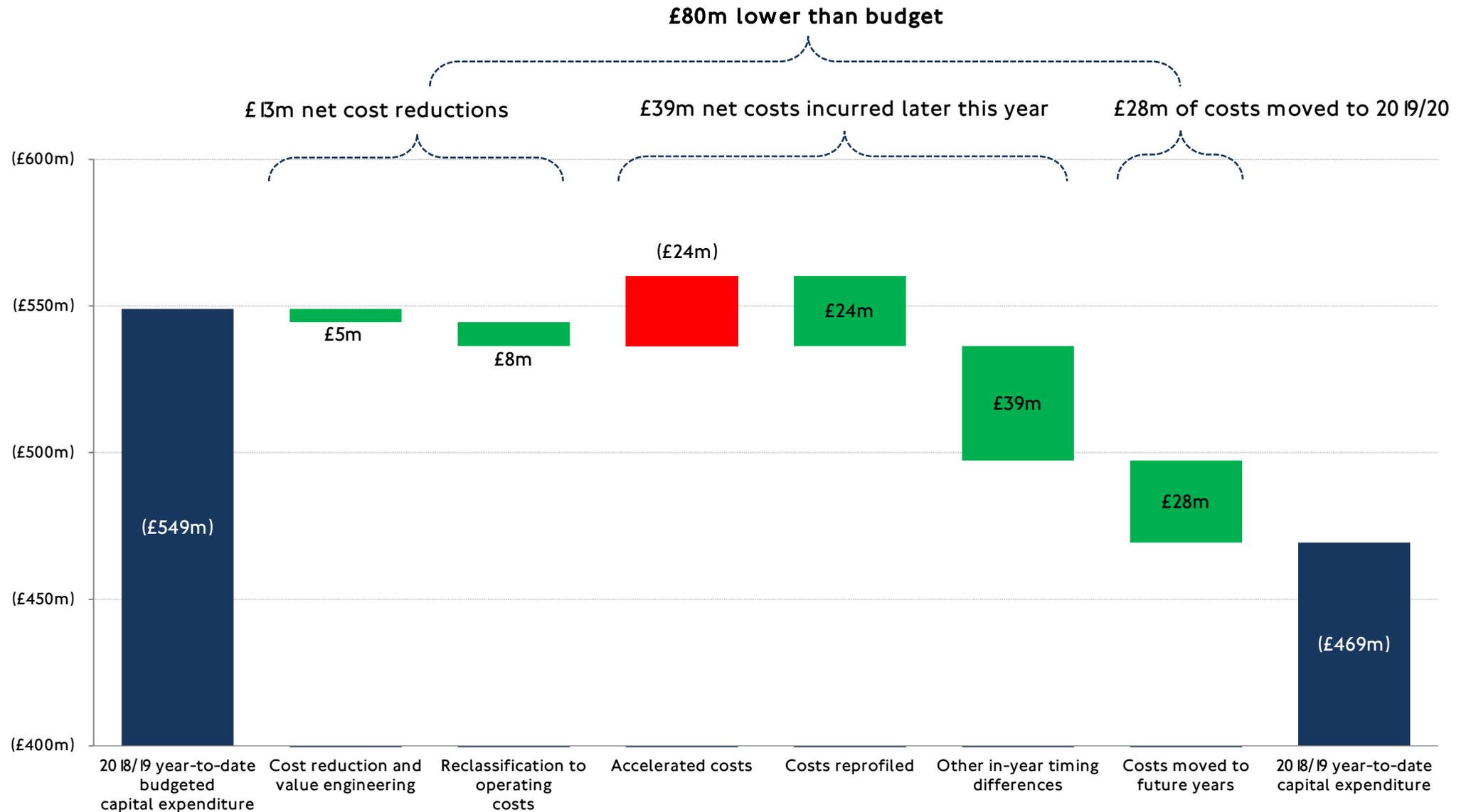


Capital expenditure (excl. Crossrail)

Key milestones this year: main projects remain on track



Capital expenditure (excl. Crossrail)



TfL cash balances (excl. Crossrail)

