

Finance Committee

Date: 4 July 2018

Item: Finance Report – Period 2, 2018/19

This paper will be considered in public

1 Summary

1.1 The Finance Report sets out TfL's financial results for Period 2, 2018/19 – the year-to-date period ending 26 May 2018.

2 Recommendation

2.1 **The Committee is asked to note the Finance Report.**

3 Financial Reporting to the Board and Committees

Finance Report – Period 2, 2018/19

- 3.1 In response to feedback from a number of stakeholders the Finance Report has been changed. The objective is to provide this information in a consistent and transparent way so that the progress and financial performance of the business become much clearer.
- 3.2 Year-to-date performance is shown against budget, as well as year on year and focuses on four key areas of our financial performance: the operating account, the capital account, cash balances and passenger journeys.
- 3.3 The year-to-date net operating surplus is £24m better than budget, reflecting solid progress against our plans for the year.
- 3.4 Total year-to-date income is as budgeted at £1,030m. Passenger journeys are broadly as expected – LU journeys are 0.4 per cent above budget but are offset by Bus passenger journeys being (2.8 per cent) below budget.
- 3.5 Compared to the prior year total income is (£6m) lower, reflecting the cut in General Grant (£35m year to date). This has been offset by higher other operating income from specialist advertising deals and higher Road Network compliance income.
- 3.6 Passenger income compares well to 2017/18 - £9m higher in the year-to-date. New TfL Rail services between Heathrow and Paddington were introduced on 20 May 2018 and the passenger numbers, so far, have been in line with our expectations.
- 3.7 Year-to-date operating costs are (£24m) lower than budget as we continue to make further savings and capitalise on commercial opportunities.

- 3.8 New capital investment and capital renewals are (£70m) lower than budget in the year-to-date; this is mainly due to timing differences. Strategic planning has meant some projects were brought forward into 2017/18 causing an underspend against budget this year; whilst some others will now incur spend later in the year.
- 3.9 The focus on the Elizabeth line remains for opening in December 2018. Construction and fit-out of the new stations and tunnels is well advanced and from this summer, Crossrail limited will begin handing the completed infrastructure over to us for operational testing.
- 3.10 Cash balances stand at £1,838m, which is £107m higher than budget, driven by savings in the operating account and lower capital expenditure.

Quarterly Performance Report – Quarter 4, 2017/18

- 3.11 Since the last Committee meeting, the Quarterly Performance Report for Quarter 4 has been published online. This report shows TfL's provisional results for year ended 31 March 2018. The report can be viewed at:

<https://tfl.gov.uk/corporate/publications-and-reports/quarterly-progress-reports>

- 3.12 The Quarterly Performance Report compares Quarter 4 full-year results with those of the last five quarters and last five years.

List of appendices to this report:

Appendix 1: Finance Report – Period 2, 2018/19

List of Background Papers:

None

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Transport for London finance report

Period 2 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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TfL's draft unaudited **Statement of Accounts** for the year ending 31 March 2018 was published in May 2018.

All figures within the financial tables have been rounded to the nearest million.

Operating account

Period 2 year to date – 01 April to 26 May 2018

(£m)	Year to date				Year on year		
	Actuals	Budget	Variance to budget	% variance to budget	2017/18 actuals	Variance	% variance
Passenger income	732	732	-	0%	723	9	1%
Other operating income	119	114	5	4%	104	15	14%
Total operating income	851	846	5	1%	827	24	3%
General grant	-	-	-	0%	35	(35)	-100%
Business rates retention	170	170	-	0%	154	16	10%
Other revenue grants	9	14	(5)	-36%	8	1	-13%
Total income	1,030	1,030	-	0%	1,024	6	1%
Operating costs	(945)	(969)	24	-2%	(919)	(26)	3%
Net operating surplus	85	61	24	39%	105	(20)	-19%
Capital renewals	(66)	(86)	20	-23%	(69)	3	-4%
Net cost of operations before financing	19	(25)	44	-176%	36	(17)	-47%
Net financing costs	(69)	(70)	1	-1%	(65)	(4)	6%
Net cost of operations	(50)	(95)	45	-47%	(29)	(21)	72%

Year-to-date net operating surplus £24m better than budget

- Passenger income is in line with budget, with passenger journey numbers broadly in line with expectations
- Higher commercial income from specialist advertising deals and increased Road Network Compliance income have led to other operating income being ahead of budget

- Operating costs are two per cent below budget: £9m represents underlying cost savings and £15m results from timing differences, with the spend forecast to be incurred at a later date
- Compared to 2017/18, the net operating surplus is £20m lower, reflecting the loss of the general grant from government

Capital account

(£m)	Year to date				Year on year		
	Actuals	Budget	Variance to budget	% variance to budget	2017/18 actuals	Variance	% variance
New capital investment	(250)	(300)	50	-17%	(185)	(65)	35%
Crossrail	(227)	(150)	(77)	51%	(234)	7	-3%
Total capital expenditure	(477)	(450)	(27)	6%	(419)	(58)	14%
Financed by:							
Investment grant	176	176	-	0%	173	3	2%
Third-party contributions	7	7	-	0%	4	3	75%
Property receipts	-	7	(7)	-100%	-	-	0%
Borrowing	234	235	(1)	0%	150	84	56%
Crossrail funding sources	29	67	(38)	-57%	22	7	32%
Other capital grants	26	22	4	18%	31	(5)	-16%
Total	472	514	(42)	-8%	380	92	24%
Net capital account	(5)	64	(69)	-108%	(39)	34	-87%

New capital investment and capital renewals are £70m lower than budget

- Budgeted in 2018/19, but spend accelerated into 2017/18: strategic decisions made to incur spend earlier than budgeted for LU Camden track works (£7m) and Elizabeth line Old Oak Common depot works (£9m)
- Re-profiling (£49m in year): project controls and framework currently being reviewed to ensure earlier visibility of slippage and to ensure the portfolio is back in line with expectations

- Major Projects: tunnelling is complete on Northern line extension; entering final stages of Victoria and Tottenham Court Road station upgrades; and focusing on signal upgrades
- The Elizabeth line remains on course to open in December 2018. Construction and fit-out of the new stations and tunnels is well advanced

Cash

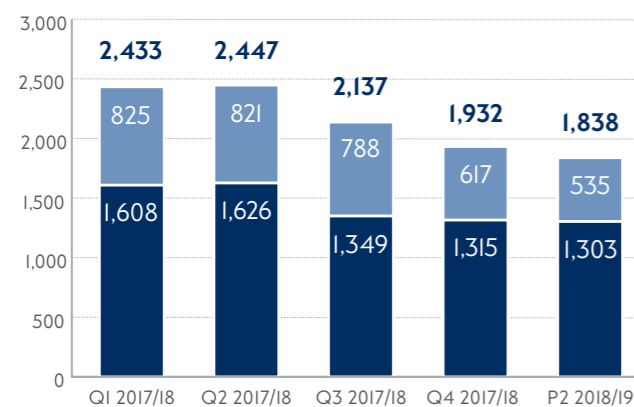
Cash flow summary

(£m)	Year to date			
	Actuals	Budget	Variance	% variance
Net cost of operations	(50)	(95)	45	-47%
Net capital account	(5)	64	(69)	-108%
Working capital movements	(39)	(169)	130	-77%
Decrease in cash balances	(94)	(200)	107	

Cash balances

(£m)	2018/19 opening cash	YTD movement	Period 2 closing cash	Budget closing cash	Variance to budget
TfL cash balances	1,315	(12)	1,303	1,195	108
Crossrail cash balances	617	(82)	535	536	(1)
Total	1,932	(94)	1,838	1,731	107

Cash balances (£m)



■ TfL cash balances ■ Crossrail cash balances

- Cash balances are £1,838m – £94m lower than at the start of the year
- Working capital movements are £130m less than budget: higher capital works accruals (£112m) as we prepare for the opening of the Elizabeth line are offset by higher prepayments, including business rates levy (£33m)

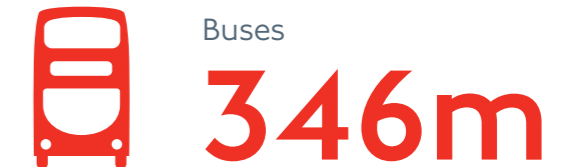
Passenger journeys

Year to date

614m total number of journeys



0.4%▲ budget
0.6%▼ prior year



2.8%▼ budget
2.5%▼ prior year



3.3%▼ budget
0.9%▼ prior year



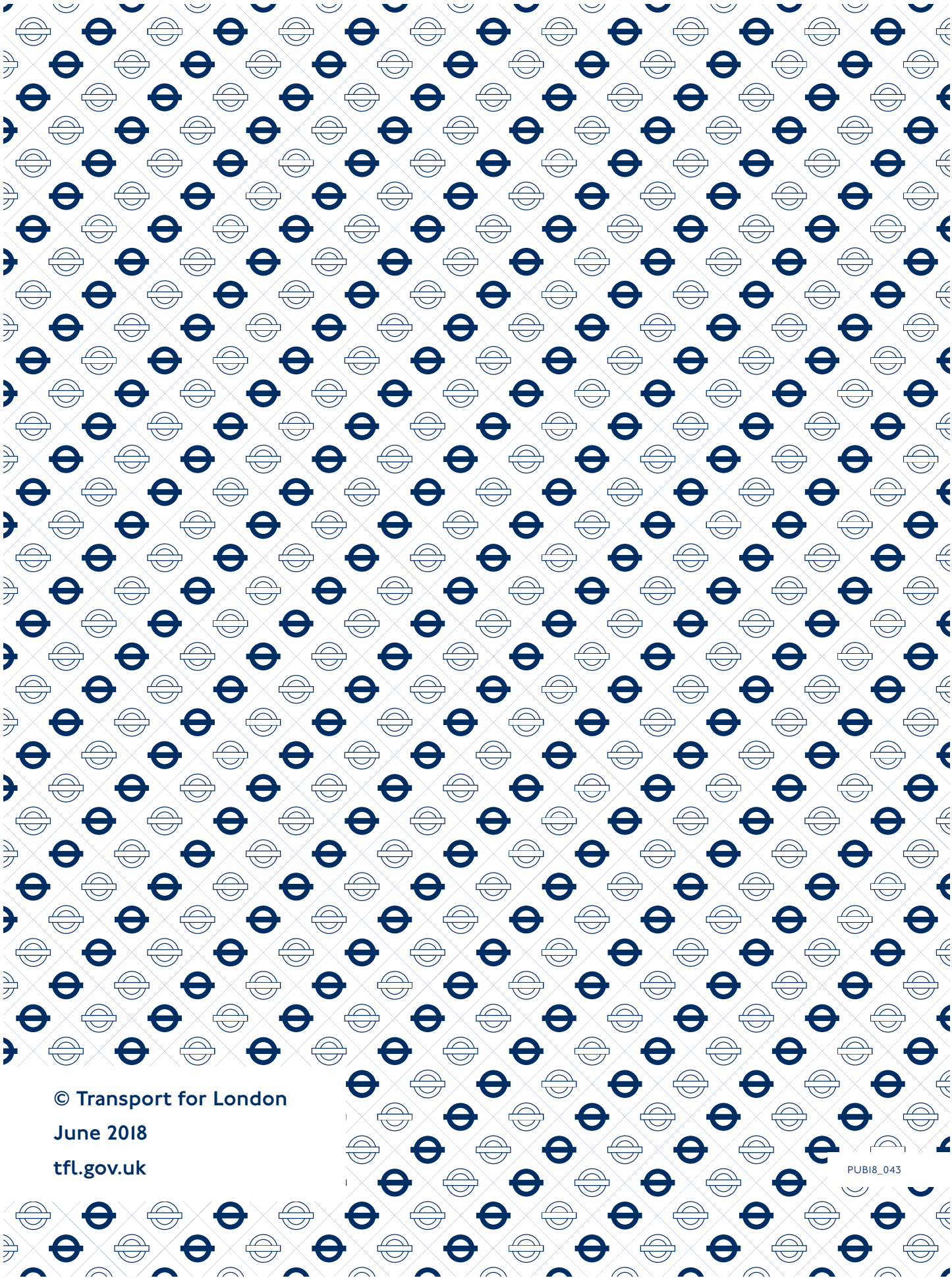
1.5%▼ budget
1.5%▼ prior year



5.7%▼ budget
2.6%▼ prior year



0.5%▲ budget
9.3%▲ prior year



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