Transport for London quarterly performance report

Quarter 3 2022/23
(18 September – 10 December 2022)

MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Contents

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 ending 31 March 2022 was published in September 2022.

Introduction

We are on track to deliver our Revised Budget that sets us on the path to financial sustainability and meet our funding conditions

On 7 December 2022, the TfL Board approved our four-year 2023 Business Plan – our first in three years. The 2023 Business Plan shows how we will support London's economic recovery and keep our city moving. This means we can achieve our vision to be the city's strong, green heartbeat and deliver the goals of the Mayor's Transport Strategy. We will do this while continuing our path to operational financial sustainability by 2023/24.

Our Q3 performance is measured against the 2022/23 Revised Budget, which is the first year of our Business Plan. We are on track to deliver our budget, setting us on the path to financial sustainability and meeting our funding conditions.

Total revenue is broadly in line with the Revised Budget. Journeys continue to recover, with latest journeys at 84 per cent of pre-pandemic levels and passenger income £778m higher than last year.

Operating costs are £23m lower than Revised Budget, mainly from reducing and changing the timing of maintenance costs, as well as some one-off upsides. Our core operating costs remain close to the Revised Budget.

Capital renewals are two per cent lower than the Revised Budget. We are actively managing our renewals programme to deliver the higher level of renewals of £635m set by the funding settlement. New capital investment is close to budget and includes additional spend on Healthy Streets, with the inclusion of active travel as per the Government funding agreement.

We are rebuilding our finances while mitigating against several external headwinds. Our latest forecasts suggest the economic and Inflationary pressures may continue for a sustained period. The main risk this creates is on passenger income, which is protected by the funding settlement to March 2024. Inflationary pressures on the TfL cost base, include energy and third-party operator costs. Our current forecast is that higher inflation will drive at least £300m of extra cost into our operating expenditure for 2023/24.

Savings targets are stretching, with a target of £204m incremental recurring savings by the end of 2023/24, following the funding agreement with Government. Our focus on value for money puts us on path to achieve financial sustainability and build a strong, green heartbeat for London.

Rachel McLean
Chief Finance Officer

Direct journeys through the capital available seven days a week

Business at a glance

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

How we report on our business

Underground
London Underground

Elizabeth line
Previously operated as TfL Rail

Buses, streets and other operations
London Buses, Transport for London Road Network, London Dial-a-Ride, London River Services, Santander Cycles, Victoria Coach Station and IFS Cloud Cable Car

Rail
DLR, London Overground and London Trams

Property development
Our commercial and residential estate and building portfolio operating as TTL Properties Limited (TTLP)

Facts and figures

996 trains on our network

580km of highway that we operate

761km of Rail and London Underground routes

8,800 buses on our network

6,400 traffic signal sites that we operate

Revised Budget at a glance

Grants £1.9bn

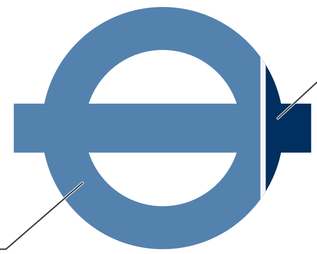
Government Support £0.9bn

Other income £1.9bn

Passenger income £4.3bn

Crossrail funding £0.3bn

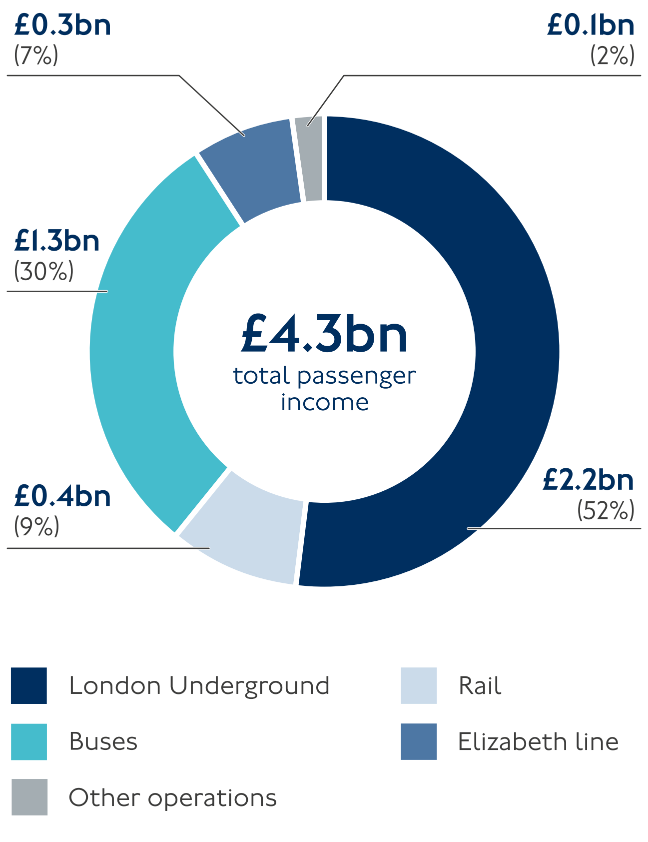
Sources of funds
£9.3bn



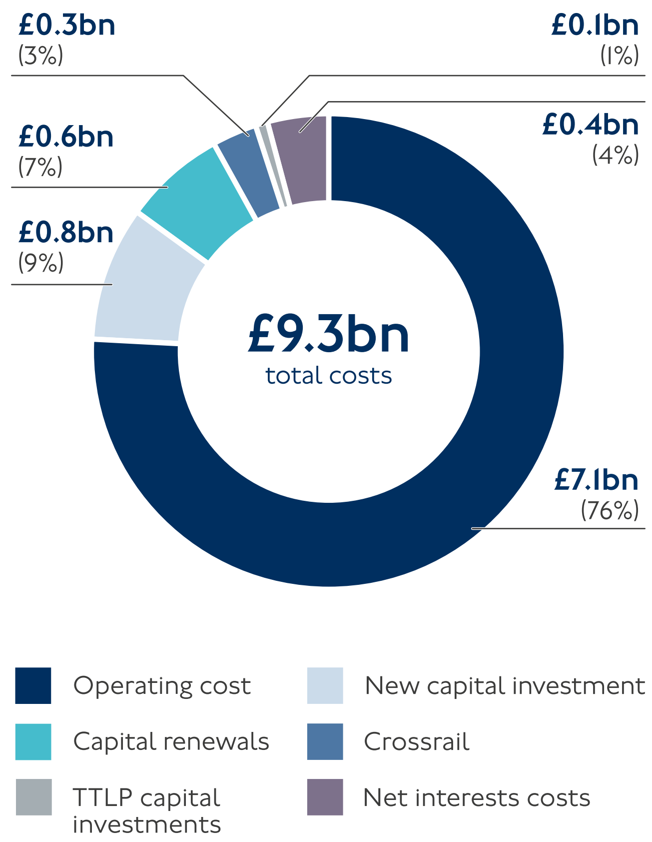
87%
spent on running and operating the network every day

13%
spent on renewing and improving the network through one of the largest capital investment programmes in Europe

Total passenger income



Total costs



Financial summary

Our performance in the year to date

Income statement

TfL Group (£m)	Q3 2022/23 Actual	Q3 Revised Budget	Variance	Q3 2021/22 Actual	Variance
Passenger income	2,904	2,883	21	2,126	778
Other operating income	1,064	1,051	13	735	329
Business rates retention	1,290	1,290	-	1,288	2
Other revenue grants	722	774	(52)	1,595	(873)
Revenue	**5,980**	**5,998**	**(18)**	**5,744**	**236**
Operating cost	(4,825)	(4,848)	23	(4,455)	(370)
Operating surplus before interest and renewals	**1,155**	**1,150**	**5**	**1,289**	**(134)**
Capital renewals	(380)	(386)	6	(310)	(70)
Operating surplus before interest	**775**	**764**	**11**	**979**	**(204)**
Net interest costs	(295)	(294)	(1)	(309)	14
Operating surplus	**480**	**470**	**10**	**670**	**(190)**
Operating deficit (excluding extraordinary revenue grant)	(187)	(252)	65	(874)	687

Capital expenditure

TfL Group (£m)	Q3 2022/23 Actual	Q3 Revised Budget	Variance	Q3 2021/22 Actual	Variance
Capital renewals	(380)	(386)	6	(310)	(70)
New capital investment	(508)	(513)	5	(515)	7
Total TfL capital expenditure	**(888)**	**(899)**	**11**	**(825)**	**(63)**
Crossrail	(172)	(181)	9	(438)	266
TTLP	(39)	(70)	31	(21)	(18)
Total capital expenditure	**(1,099)**	**(1,150)**	**51**	**(1,284)**	**185**

Cash flow statement

TfL Group (£m)	Q3 2022/23 Actual	Q3 Revised Budget	Variance	Q3 2021/22 Actual	Variance
Operating surplus before interest and renewals	**1,155**	**1,150**	**5**	**1,289**	**(134)**
Less TTLP, LTIG and LTM	(20)	(18)	(2)	(19)	(1)
Net cash generated by TfL operating activities	**1,135**	**1,132**	**3**	**1,270**	**(135)**
Cash flows from investing activities					
Capital renewals	(380)	(386)	6	(310)	(70)
New capital investment	(508)	(513)	5	(515)	7
Ring-fenced capital funding	49	53	(4)	67	(18)
Working capital movements	114	108	6	(274)	388
Net cash utilised by investing activities	**(725)**	**(738)**	**13**	**(1,032)**	**307**
Free cash flow	**410**	**394**	**16**	**238**	**172**
Cash flows from financing activities					
Net interest paid	(295)	(294)	(1)	(309)	14
Existing debt maturing	(634)	(634)	-	(305)	(329)
New long-term debt issued	554	554	-	334	220
Short-term borrowing net change	(286)	(121)	(165)	45	(331)
Net cash generated from financing activities	**(661)**	**(495)**	**(166)**	**(235)**	**(426)**
Net (decrease)/increase in cash	**(251)**	**(101)**	**(150)**	**3**	**(254)**

The Business Plan included an updated forecast for 2022/23 and a forward look from 2023/24 to 2025/26. Given the material difference between the funding assumptions in the original budget for 2022/23 and the actual Government funding settlement agreed on 30 August 2022, this forecast will replace the budget and will serve as a new reporting baseline for the remainder of the 2022/23 financial year.

Total revenue is within one per cent of budget and £236m higher than last year. Passenger journeys have continued to recover and were at 84 per cent of pre-pandemic levels at the end of the quarter. The increase in passenger income is offset by a reduction in the amount of revenue true up we will receive from the Government.

Other operating income is £13m higher than the Revised Budget, driven by upsides in Road User Charging income. Ultra Low Emission Zone (ULEZ) enforcement income is £6m favourable due to a higher number of contraventions but this is offset by increasing bad debt, exacerbated by significantly worse payment rates than budgeted.

Other revenue grants are £52m lower than budget, mainly due to the Department for Transport (DfT) revenue true up – ticket receipts are higher than the DfT scenario this quarter from receipt of quarterly borough contributions for concession fares.

Total operating costs are £4,825m in the year to date, £23m lower than the Revised Budget, mainly driven by lower core costs.

Total TfL capital expenditure (excluding Crossrail construction and TTLP) is £888m in the year to date, £11m lower than the Revised Budget. We will continue to look for acceleration opportunities and make the case to the DfT to carry forward any underspend. The run rate of spend is increasing, but an increase of 40-50 per cent is required over the remainder of the year to hit the Revised Budget and capital envelope target.

We have generated positive free cash flow in the year to date, although this has been down to the Government revenue grant and the timing of capital funding versus expenditure. This has meant we have reduced our debt, by not refinancing all our maturing debt, to minimise interest costs and avoid breaching the £1.2bn cash mechanism in the funding settlement.

Additional spend for active travel was included in Revised Budget

TfL Group balance sheet

TfL Group (£m)	10 December 2022	31 March 2022	Movement
Intangible assets	252	257	(5)
Property, plant and equipment	44,260	43,792	468
Right-of-use assets	2,110	2,210	(100)
Investment property	1,714	1,713	1
Investment in joint ventures and associated undertakings	269	245	24
Derivative financial instruments	39	13	26
Finance lease receivables	18	23	(5)
Debtors	64	72	(8)
Long-term assets	**48,726**	**48,325**	**401**
Inventories	80	58	22
Debtors	602	524	78
Assets held for sale	150	161	(11)
Derivative financial instruments	3	1	2
Finance lease receivables	9	14	(5)
Cash and investments	1,171	1,409	(238)
Current assets	**2,015**	**2,167**	**(152)**
Creditors	(1,995)	(1,847)	(148)
Borrowings	(629)	(1,423)	794
Right-of-use lease liabilities	(324)	(334)	10
PFI liabilities	(13)	(11)	(2)
Other financing liabilities	(6)	(6)	-
Derivative financial instruments	(5)	(7)	2
Provisions	(107)	(99)	(8)
Current liabilities	**(3,079)**	**(3,727)**	**648**
Net current liabilities	**(1,064)**	**(1,560)**	**496**

TfL Group (£m)	10 December 2022	31 March 2022	Movement
Creditors	(97)	(82)	(15)
Borrowings	(11,968)	(11,543)	(425)
Right-of-use lease liabilities	(2,054)	(2,102)	48
PFI liabilities	(81)	(91)	10
Other financing liabilities	(117)	(122)	5
Derivative financial instruments	(11)	(14)	3
Deferred tax liabilities	(375)	(375)	-
Provisions	(81)	(87)	6
Retirement benefit obligation	(3,198)	(3,202)	4
Long-term liabilities	**(17,982)**	**(17,618)**	**(364)**
Net assets	**29,680**	**29,147**	**533**
Reserves			
Usable reserves	(923)	(681)	(242)
Unusable reserves	(28,757)	(28,466)	(291)
Total reserves	**(29,680)**	**(29,147)**	**(533)**

In the year to date, the main movements on the balance sheet are:

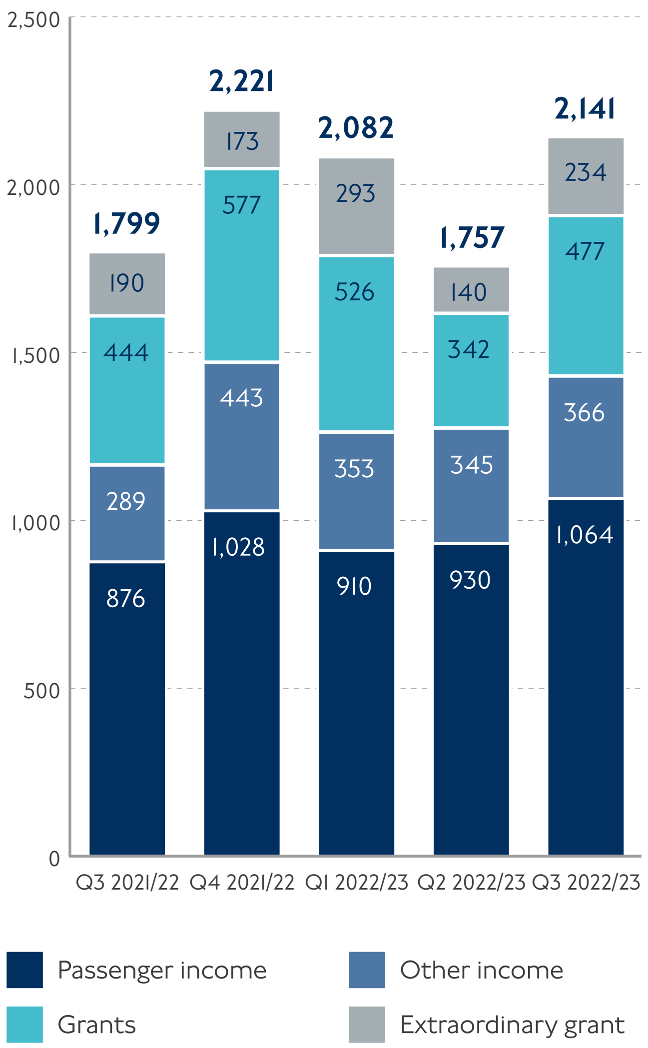
- Long-term assets: £401m increase – largely driven by expenditure on Crossrail, Bank station capacity and the Piccadilly line upgrade
- Current assets: £152m decrease. A fall in cash balances of £238m is offset by a £78m increase in debtors and a £22m increase to the level of stock driven by the Fleet Heavy Overhaul Programmes across the Central, Piccadilly, Waterloo and City, Jubilee, and Bakerloo lines
- Current liabilities: £648m decrease – mainly due to the early refinancing of bond maturity, offset by an increase in short-term creditors
- Long-term liabilities: £364m increase – mainly due to the early refinancing of bond maturity. The net movement in borrowings (long and short-term) is a reduction of £369m. TfL has a portfolio of debt that matures at different dates in the future. Long-term borrowing matures in a period greater than 12 months away

Financial trends

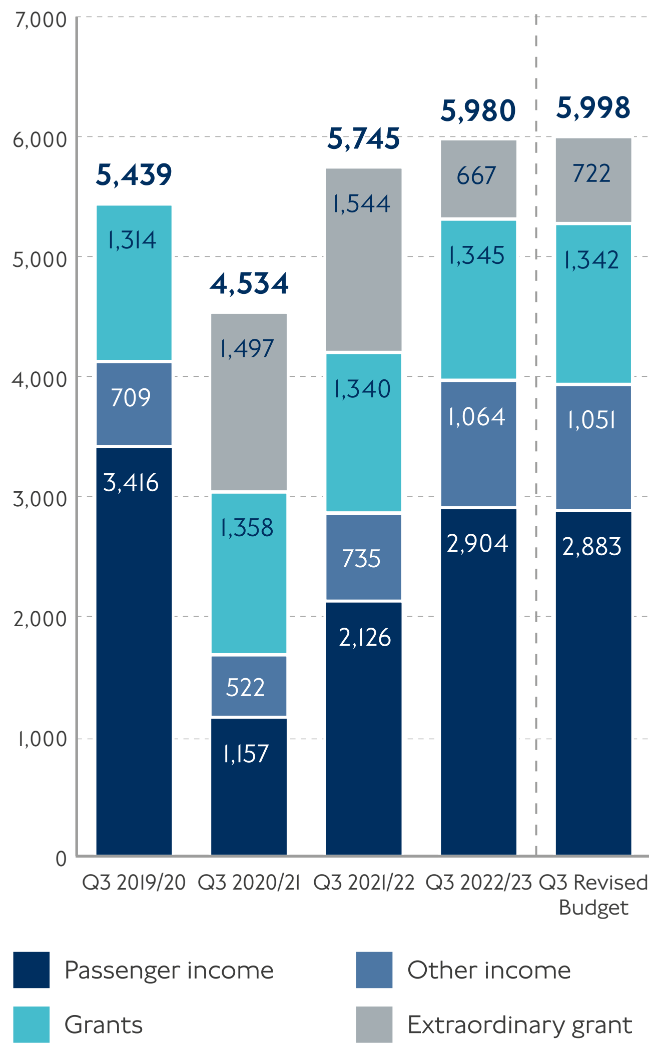
Our overall trends in the short and long term

Total revenue (including extraordinary grant from Government)

Quarterly (£m)*

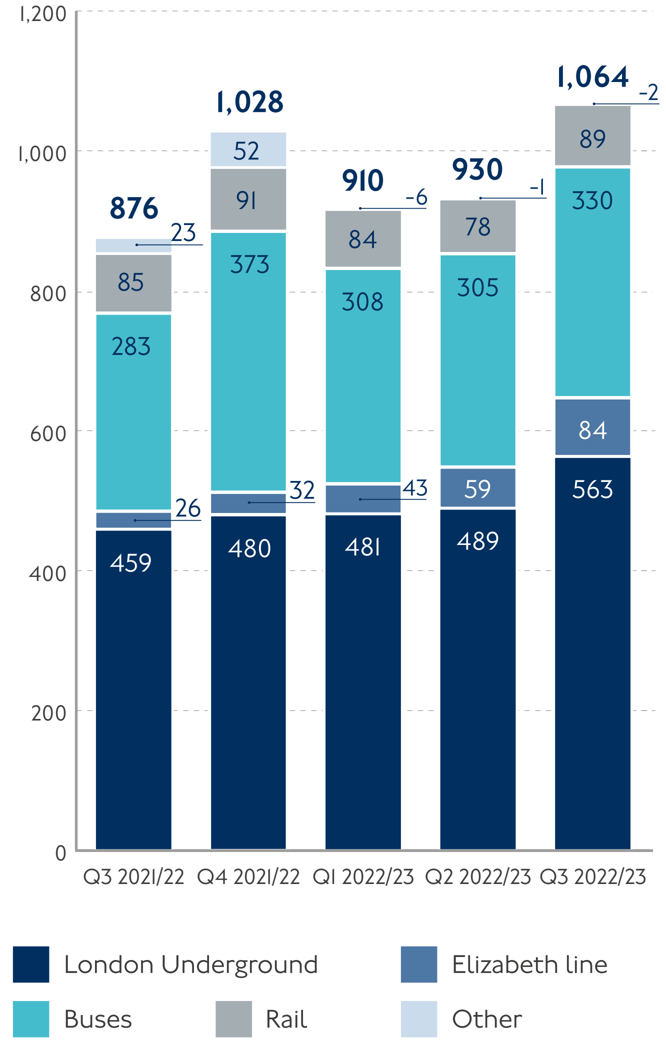


Year to date (£m)

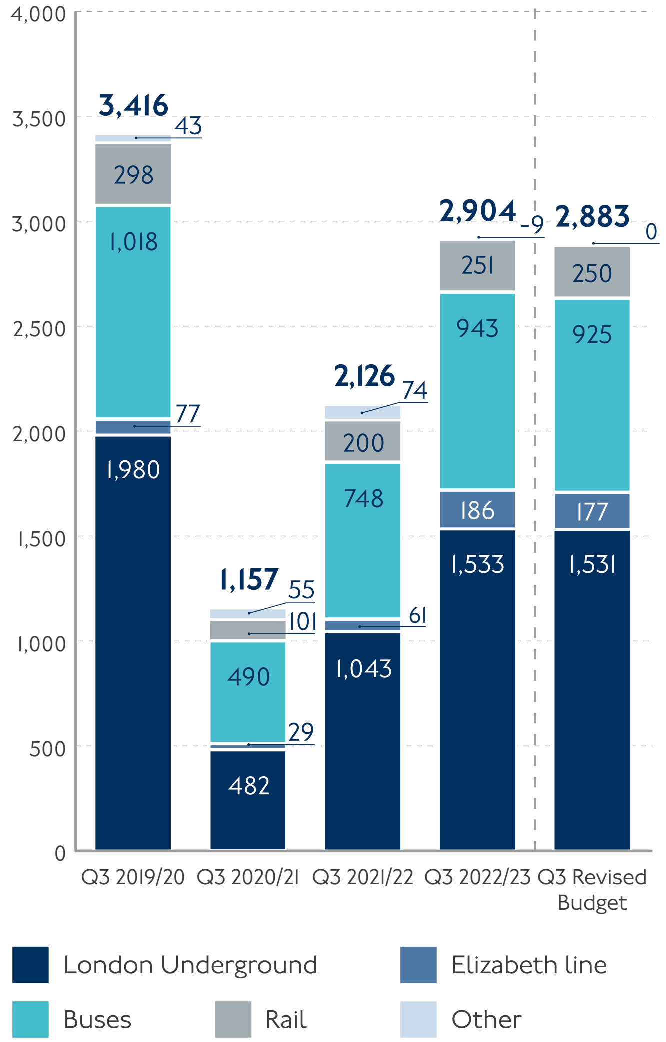


Total passenger income

Quarterly (£m)*



Year to date (£m)



Year-to-date total revenue £18m below Revised Budget

4%▲ year on year

Ticket receipts are higher than the DfT scenario this quarter because of the timing of receipt of borough contributions for concession fares compared to the phasing of the DfT scenario. The increased passenger income is offset by a reduction in extraordinary grant.

Year-to-date passenger income £21m above Revised Budget

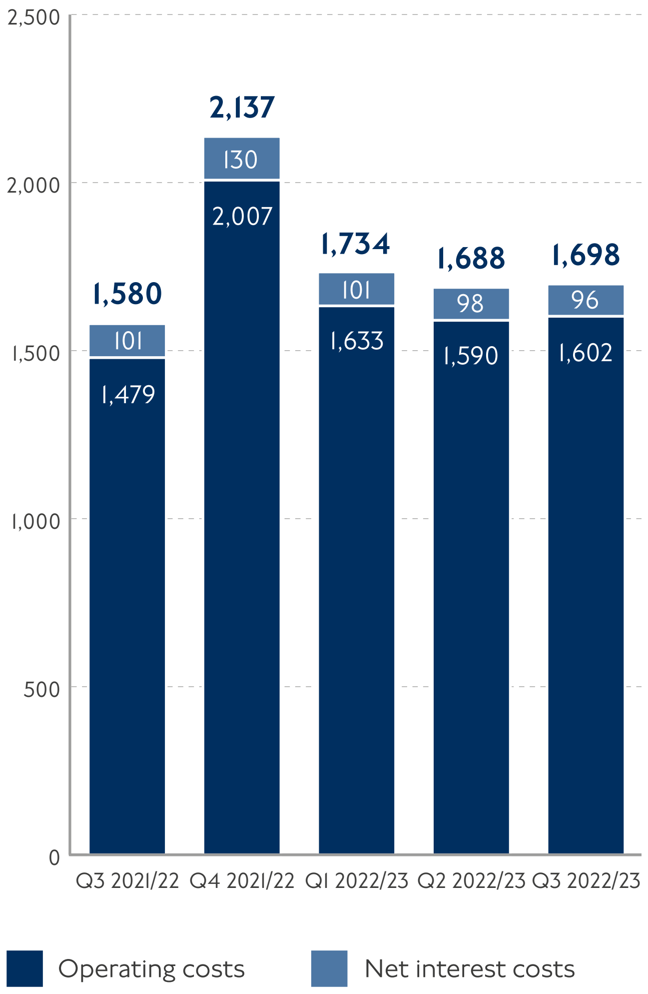
37%▲ year on year

Passenger income has continued to increase this quarter across all areas. There were several industrial action events this quarter, but the impact on TfL demand and income was relatively small. Demand is currently at 84 per cent of pre-pandemic levels compared to 68 per cent last year.

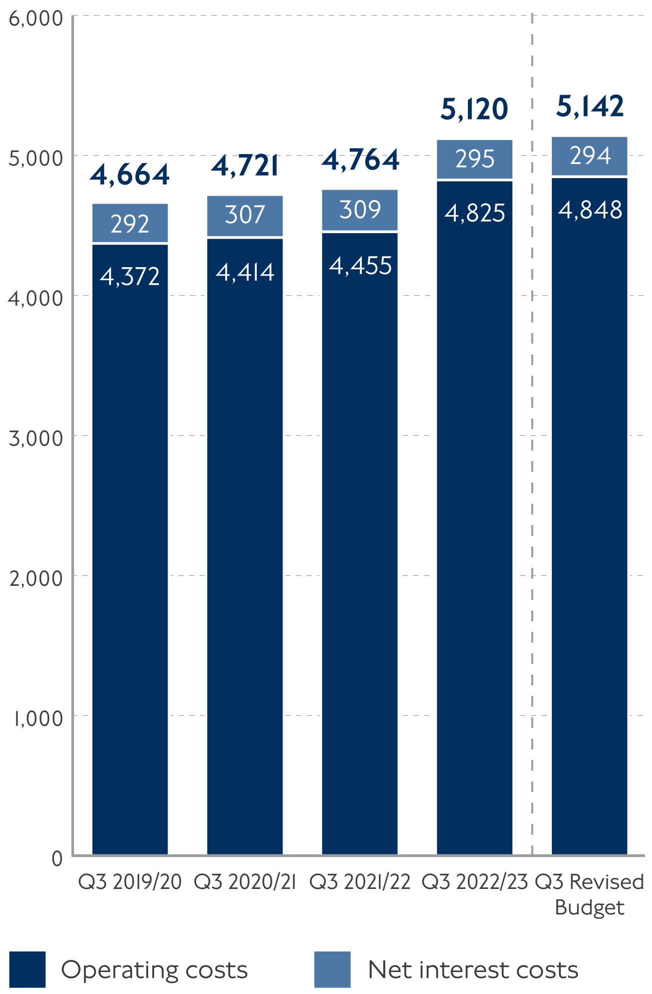
* Q4 is longer than Q1 to Q3 (16 weeks and one day vs 12 weeks)

Total cost

Quarterly (£m)*

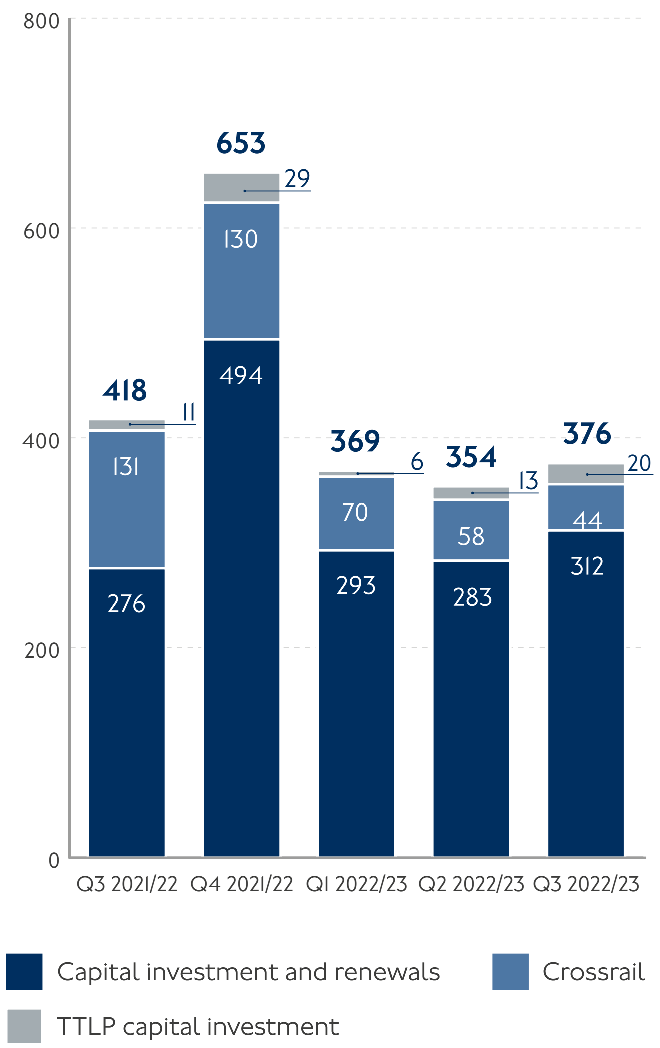


Year to date (£m)

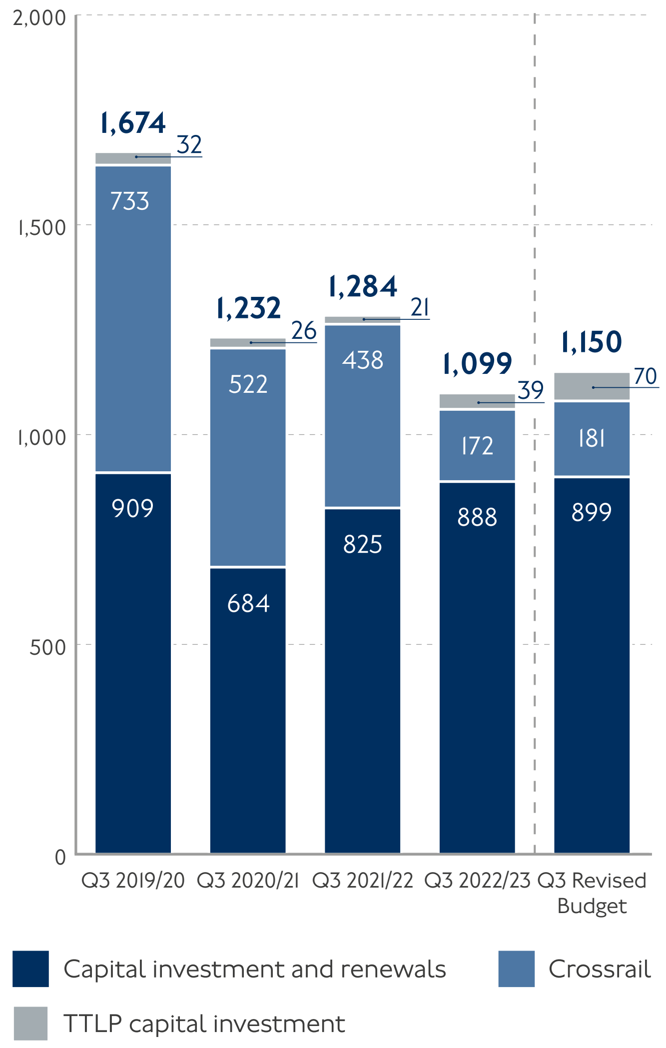


Total capital expenditure (including Crossrail)

Quarterly (£m)*



Year to date (£m)



Year-to-date operating costs £23m below Revised Budget

7%▲ year on year

Operating costs are £370m higher than last year as a result of new services such as the Elizabeth line and Northern Line Extension. Core operating costs are £22m lower than budget, mainly due to continuous cost savings and lower maintenance costs.

£51m below budget

14%▼ year on year

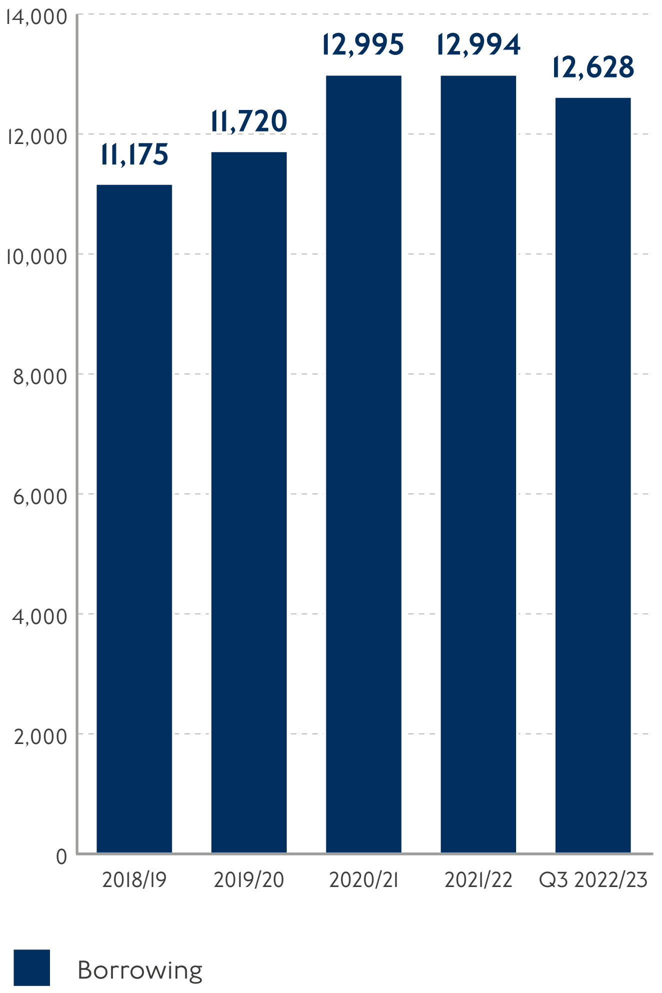
Total capital expenditure is lower than budget, mainly due to project slippage and deferrals largely because of factors outside our control. The Revised Budget is forecast to deliver very close to the capital envelope set by the funding settlement over the full year.

* Q4 is longer than Q1 to Q3 (16 weeks and one day vs 12 weeks)

Debt and cash

Our borrowing and cash balances

Total nominal borrowing (£m)



Borrowing update

There was a decrease of £366m in the level of our outstanding borrowing from the start of the year to Quarter 3. This is due to a reduction in our outstanding Commercial Paper balance. In September we refinanced maturing Public Works Loan Board (PWLB) and European Investment Bank loans, with a loan from the PWLB.

Credit ratings

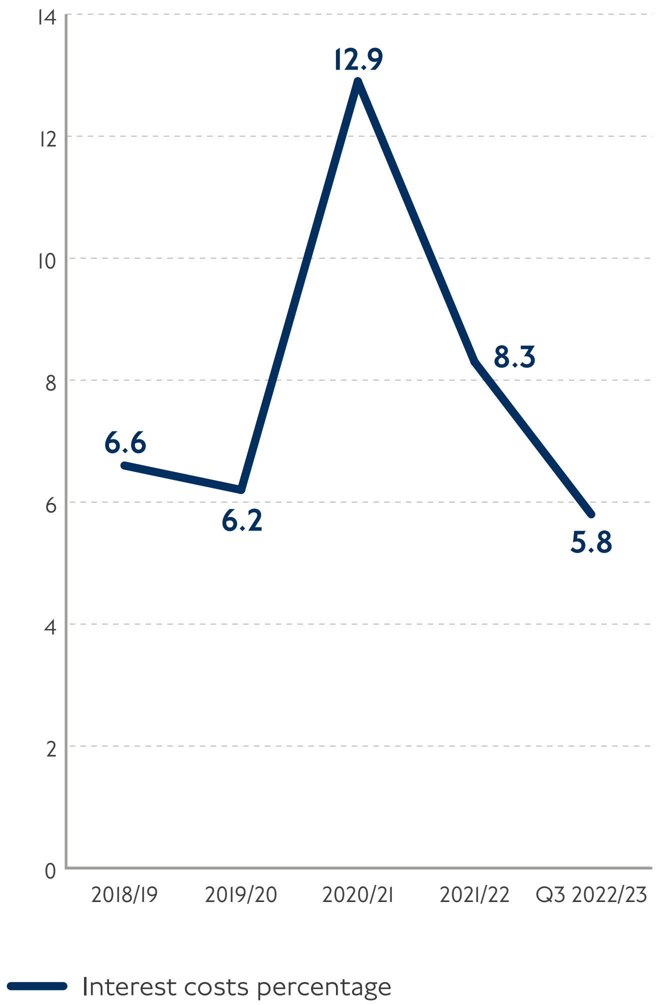
We are rated by three leading international credit rating agencies. There have been no changes to our credit ratings during Quarter 3. On 26 October 2022, Moody's affirmed TfL's credit rating at Baa1 and its outlook as stable.

Following Quarter 3, on 26 January, Fitch Ratings upgraded TfL's long-term credit rating from A+ to AA-. This reflects our improving financial profile, and Fitch Ratings' assessment of the link between TfL and the Government. Fitch Ratings have assigned a negative outlook, which reflects the negative outlook they have assigned to the Government's credit rating.

Credit ratings on 26 January 2023

Agency	Long-term rating	Short-term rating
Moody's	Baa1 stable outlook	P-2
S&P Global Ratings	A+ stable outlook	A-1
Fitch Ratings	AA- negative outlook	F1+

Interest costs (% of total income)*



* Interest costs include interest costs for borrowing and other financing liabilities

Interest costs (£m)

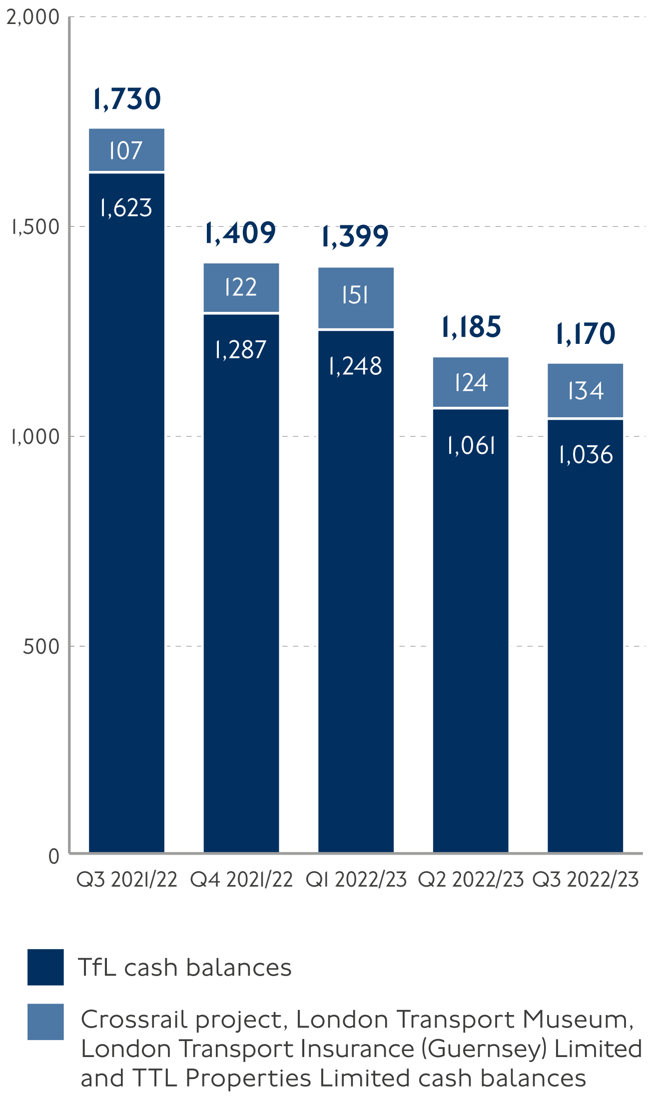
Q3 2022/23	(310)
2021/22	(442)
2020/21	(446)
2019/20	(429)
2018/19	(439)

The ratio of interest costs to total income, (excluding extraordinary grant) helps us to monitor the affordability of our debt. The ratio has reduced during 2021/22 and 2022/23, as our total income has improved significantly as we have come out of the coronavirus pandemic.

Interest costs and income (£m)

Year to date	Q3 2022/23 Actual	Q3 Revised Budget	Variance
Interest income	15	14	1
Interest costs	(310)	(308)	(2)

Cash balances (£m)



Cash balances at the end of Quarter 3 were £1,170m. Of the total cash balance, £134m was held for the Crossrail project, London Transport Museum (LTM), London Transport Insurance (Guernsey) Limited (LTIG) and TTLP. Our cash position reflects £4.9bn received from the Government as part of the extraordinary financing and funding packages since the start of the coronavirus pandemic.

We continue to balance the requirements of our liquidity policy and the latest funding settlement letter with the Government, by aiming to have, on average, up to or around £1.2bn of cash and liquid investments held by the TfL Group (excluding specified subsidiaries Crossrail Limited, LTIG, LTM and TTLP).

TfL cash balances are currently below our regular liquidity policy of £1.2bn as a minimum due to the funding settlement condition. However, the funding settlement protects TfL from passenger demand risks.

Preserving liquidity by maintaining a minimum cash balance is crucial to our financial resilience. Statutory restrictions around prudent borrowing constrain our ability to access funding and financing from external sources to preserve our liquidity. Therefore, our cash reserves ensure we can deal with a range of short and longer-term uncertainties, and provide assurance to our lenders, suppliers and credit rating agencies that we can meet our commitments.

Our current liabilities (those falling due within 12 months) outweigh our current assets. Of these, cash is the only truly liquid element. While our long-term assets outweigh our short-term liabilities, the former is mainly property, plant and equipment. This is largely fixed infrastructure or specialist assets that would not be convertible into cash, even over a longer-term horizon, to meet our long-term liabilities when they fall due. The balance sheet structure shows the importance of an appropriate level of cash to ensure we can meet our liabilities.

London Transport Museum attracts visitors from around the world

Passenger journeys

Our performance based on passenger numbers

Q3 year to date: 2022/23

2,252m total journeys

2,246m Revised Budget

2,787m pre-pandemic baseline (2018/19)

London Underground

738m | 0.1%▼ Revised Budget | 81% of pre-pandemic baseline

London Buses

1,237m | 0.1%▲ Revised Budget | 81% of pre-pandemic baseline

DLR

64m | 0.3%▲ Revised Budget | 75% of pre-pandemic baseline

London Overground

111m | 1.1%▲ Revised Budget | 92% of pre-pandemic baseline

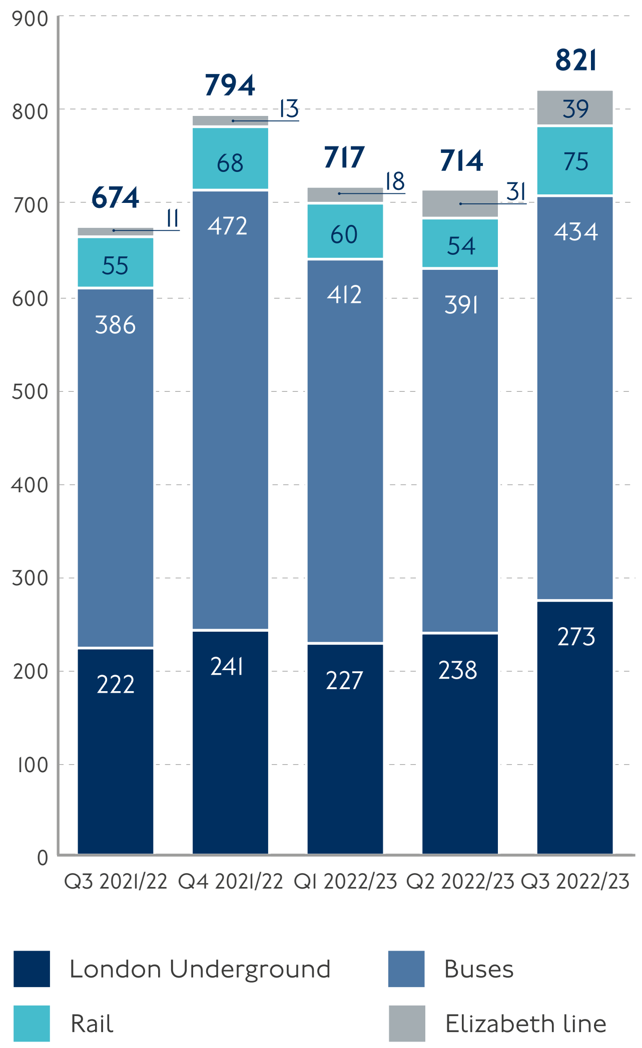
London Trams

14m | 2.4%▼ Revised Budget | 68% of pre-pandemic baseline

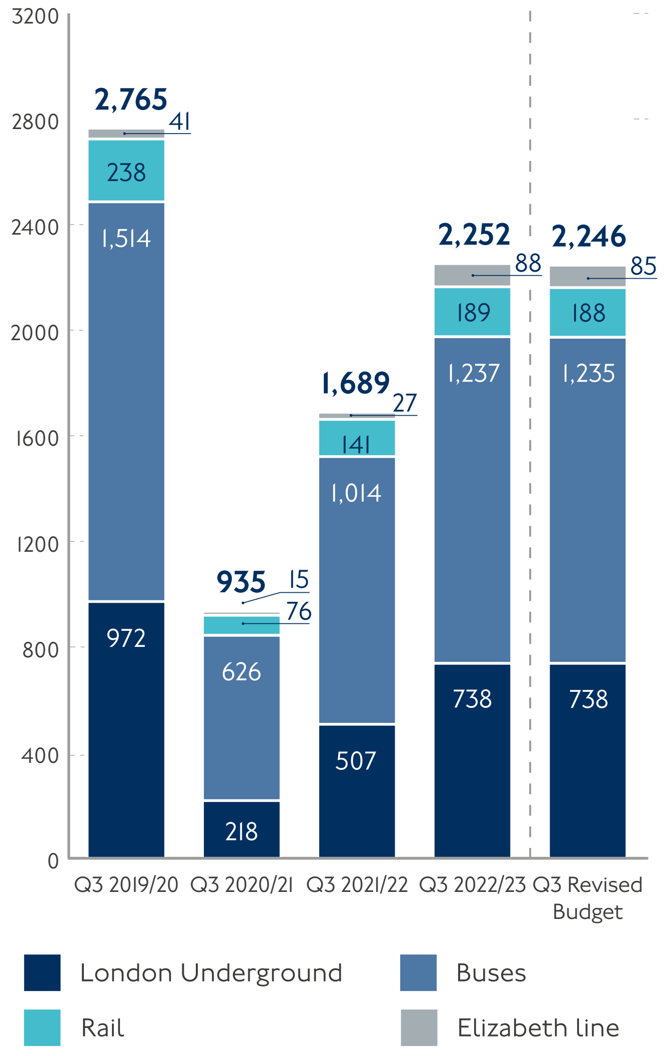
Elizabeth line

88m | 4.3%▲ Revised Budget | 261% of pre-pandemic baseline

Quarterly (millions)*



Year to date with Revised Budget (millions)

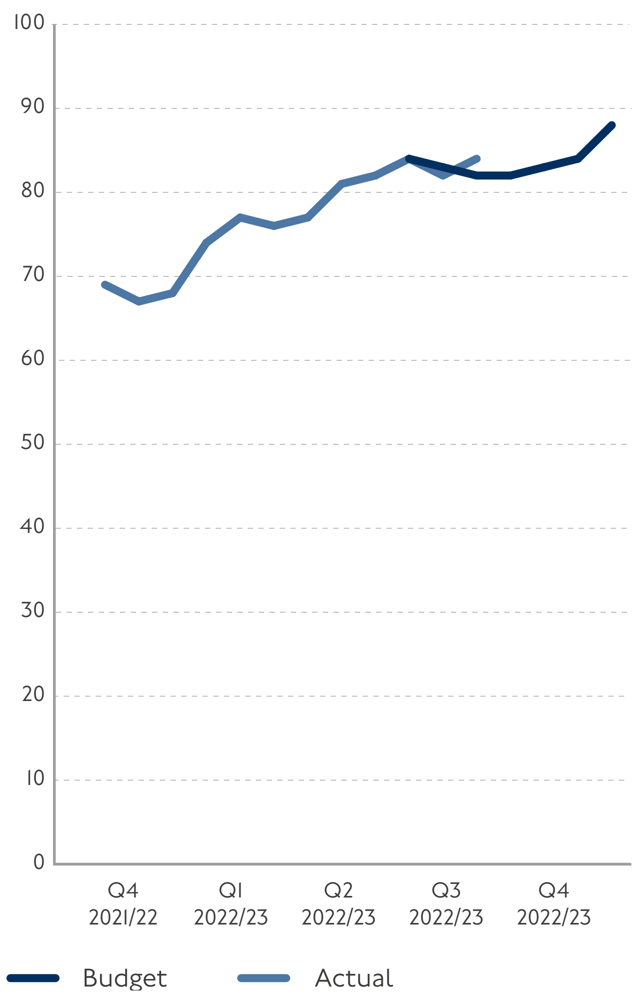


Passenger journeys across the network continue to increase, as we see demand climbing back to almost pre-pandemic levels. We have seen strong growth in demand this quarter despite several days of industrial action events, which had a relatively small impact on journeys across our network.

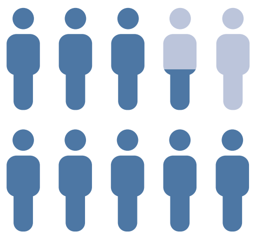
* Q4 is longer than Q1 to Q3 (16 weeks and one day vs 12 weeks)

Passenger demand recovery

Percentage of journeys compared to pre-coronavirus baseline
(TfL)



Passenger journeys were 84 per cent of pre-pandemic levels compared to a target of 82 per cent. London Underground and bus demand are both now at 81 per cent of pre-pandemic levels. The increase in ridership levels further demonstrates that customers are increasingly confident travelling around our easily accessible network.



Passenger journeys are
84%
of pre-coronavirus pandemic levels

Bus demand is at 81 per cent, which exceeds last year's 72 per cent

Underground

Next phase of vital upgrade of Bank station completes, with the opening of a new interchange route between the Northern line and DLR

Financial summary

Underground (£m)	Q3 2022/23 Actual	Q3 Revised Budget	Variance	Q3 2021/22 Actual	Variance
Passenger income	1,533	1,531	2	1,043	490
Other operating income	22	19	3	15	7
Revenue	**1,555**	**1,550**	**5**	**1,058**	**497**
Operating cost	(1,442)	(1,445)	3	(1,378)	(64)
Net contribution	**113**	**105**	**8**	**(320)**	**433**
Indirect costs	(270)	(276)	6	(230)	(40)
Net interest costs	(191)	(190)	(1)	(196)	5
Capital renewals	(221)	(223)	2	(192)	(29)
Operating deficit	**(569)**	**(584)**	**15**	**(938)**	**369**
New capital investment	(333)	(329)	(4)	(325)	(8)

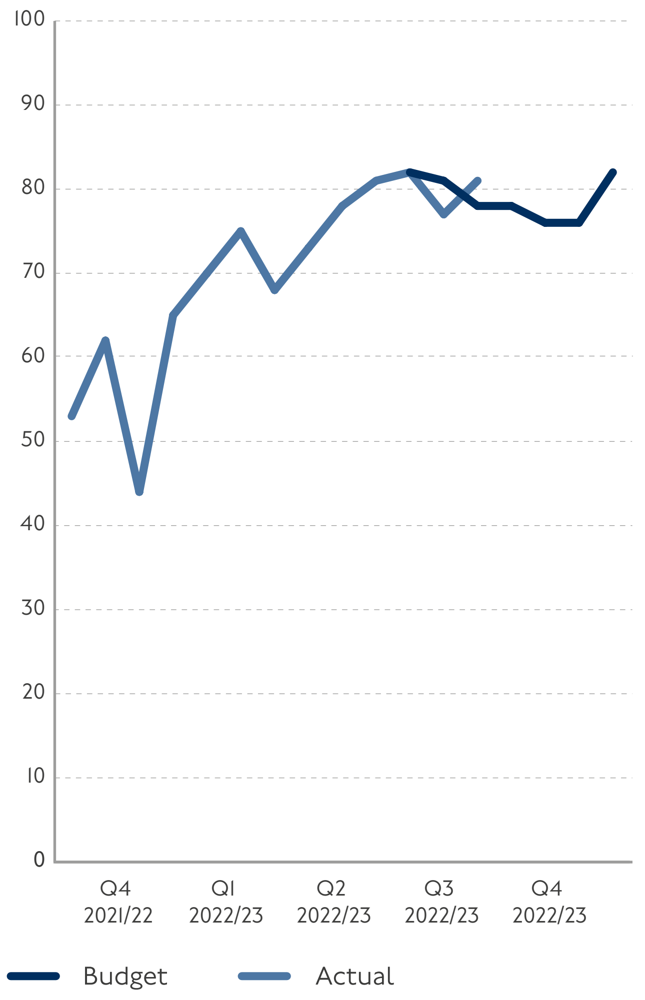
Passenger income is £2m higher than budget due to higher than budgeted demand, as well as better than expected yield.

Direct operating costs are £3m lower than budget, largely because of lower maintenance costs and other minor savings.

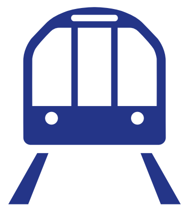
Capital expenditure is £2m higher than budget, mainly due to acceleration spend on a number of projects.

The completion of the major upgrade of Bank Tube station moved a step closer with the opening of a new interchange route between the Northern line and DLR. The three new escalators now take customers between the new Northern line and the DLR concourse and platforms. This new interchange route makes moving around the station quicker and easier for customers, with journey times up to nine minutes faster as a result. Around 40 per cent of customers using Bank station are changing between lines, these improvements mark another step towards a modern, accessible station in the heart of the city.

Percentage of journeys compared to pre-coronavirus baseline (Underground



Year-to-date demand of 738m journeys represents 81 per cent of pre-pandemic levels, and is on target with the Revised Budget, despite having been impacted by industrial action.



Tube journeys at the end of Quarter 3 are

81%

of pre-coronavirus pandemic demand levels

Elizabeth line

Six months on from the opening of the Elizabeth line and businesses in and around the new stations are hailing its transformative effect

Financial summary

Elizabeth line (£m)	Q3 2022/23 Actual	Q3 Revised Budget	Variance	Q3 2021/22 Actual	Variance
Passenger income	186	177	9	61	125
Other operating income	13	12	1	10	3
Revenue	**199**	**189**	**10**	**71**	**128**
Operating costs	(322)	(321)	(1)	(282)	(40)
Net contribution	**(123)**	**(132)**	**9**	**(211)**	**88**
Indirect operating cost	(10)	(12)	2	(6)	(4)
Net interest costs	(60)	(60)	-	(66)	6
Capital renewals	(1)	(1)	-	(1)	-
Operating deficit	**(194)**	**(205)**	**11**	**(284)**	**90**
New capital investment	1	(1)	2	(9)	10
Crossrail construction costs	(172)	(181)	9	(438)	266
Total capital expenditure	**(171)**	**(182)**	**11**	**(447)**	**276**

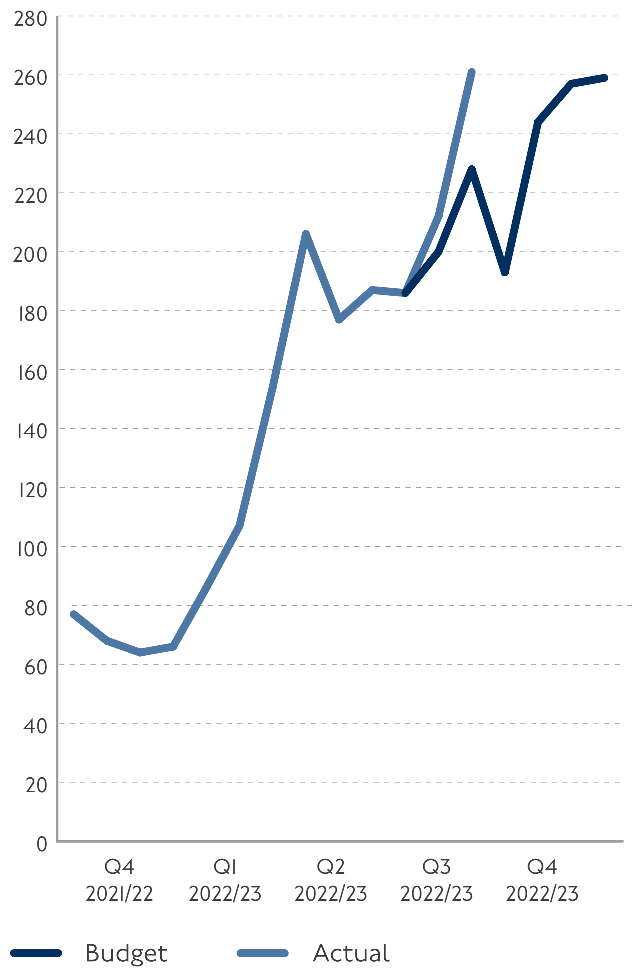
Passenger income is £9m better than budget, driven by three million more passenger journeys than expected. The new service has transformed the way that we travel by dramatically improving transport links and reducing journey times.

Capital expenditure is £2m lower than budget mainly due to delay on new projects. This has been re-phased to 2023/24.

The next stage of the transformational Elizabeth line saw lines from Reading, Heathrow, and Shenfield connected with the central tunnels. The new through routes have opened up, direct journeys across the capital and out to Heathrow Airport and the home counties, connecting jobs, homes, leisure, international travel and driving economic recovery.

Customers can now use the line seven days a week following the start of Sunday services through central London. This will make journeys quicker, easier, more comfortable and bring a huge boost to our city – including encouraging people to make the most of the capital and help support businesses.

Percentage of journeys compared to pre-coronavirus baseline (Elizabeth line)



Since the through operation of the Elizabeth line into central London opened, passenger numbers on the Elizabeth line have exceeded pre-pandemic levels when only part of the line was open (operated as TfL Rail). Demand has been consistently higher than budget and now regularly exceeds two million journeys per week.

Elizabeth line journeys at the end of Quarter 3 are

261%

of pre-coronavirus pandemic demand levels

Buses, streets and other operations

TfL launches more digital walking routes as part of new plan to boost leisure walking

Financial summary

Buses, streets and other operations (£m)	Q3 2022/23 Actual	Q3 Revised Budget	Variance	Q3 2021/22 Actual	Variance
Passenger income	949	932	17	753	196
Other operating income	758	752	6	512	246
Revenue	**1,707**	**1,684**	**23**	**1,265**	**442**
Operating costs	(2,113)	(2,113)	-	(1,956)	(157)
Net contribution	**(406)**	**(429)**	**23**	**(691)**	**285**
Indirect operating cost	(49)	(48)	(1)	(27)	(22)
Net interest costs	(18)	(18)	-	(19)	1
Capital renewals	(103)	(105)	2	(77)	(26)
Operating deficit	**(576)**	**(600)**	**24**	**(814)**	**238**
New capital investment	(93)	(95)	2	(83)	(10)

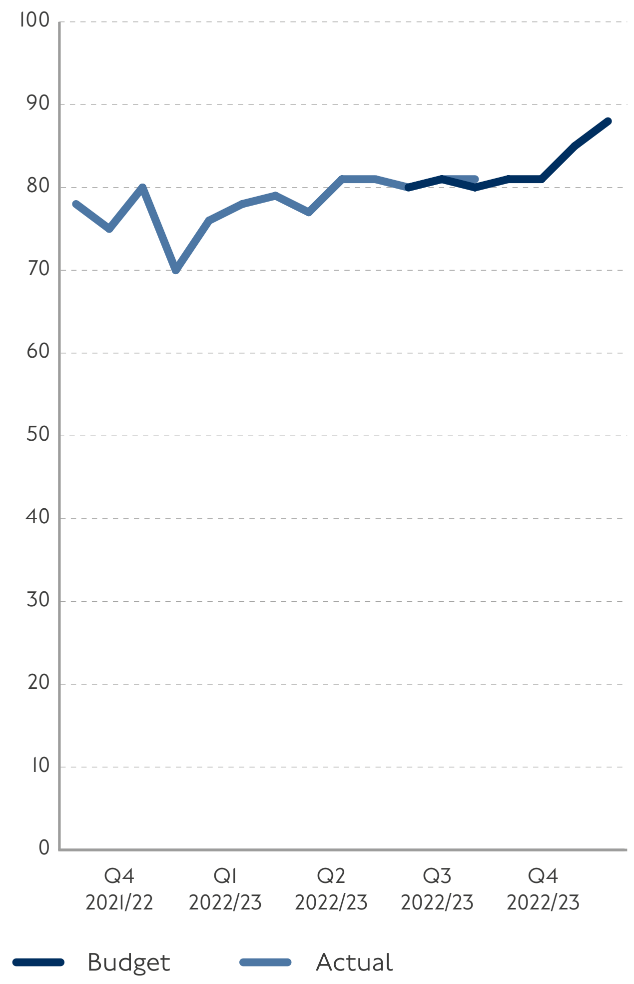
Passenger income is £17m higher than budget, mainly driven by better-than-expected yield and higher fare paying passenger journeys.

Other operating income is £6m higher than budget largely due to increased enforcement income because of a higher number of contraventions. This is offset by increasing bad debt.

Capital expenditure is £4m lower than budget driven by the rephasing of renewals projects.

Percentage of journeys compared to pre-coronavirus baseline

(Buses)



Bus ridership is now 81 per cent of pre-pandemic levels, with 434 million passenger journeys made this quarter, despite being impacted by several days of bus industrial action and lower operated kilometres. Bus demand is 1.2 billion year to date and on track with the Revised Budget.

Bus journeys at the end of Quarter 3 are

81%

of pre-coronavirus pandemic demand levels

Volume analysis

	Q3 2022/23 Actual	Q3 Revised Budget	Variance	Q3 2021/22 Actual	Variance
Congestion Charge volumes (thousands)	11,996	11,164	(832)	14,152	(2,156)
Congestion Charge and enforcement income (£m)	260.1	259.5	0.6	300.8	(40.7)
ULEZ volumes (thousands)	9,685	9,763	(78)	3,897	5,787
ULEZ charge and enforcement income (£m)	348.6	344.4	4.2	76.8	271.8

Cycling

There were 2.1 million hires in Quarter 3, a reduction of 24 per cent compared to the same quarter last year. This was due to an upgrade to the back-office system at the end of Quarter 2, which subsequently resulted in some customers unable to hire along with adverse weather in the quarter that also resulted in lower-than-expected hires.

E-bikes were introduced to the scheme at the beginning of Quarter 3 and have proved very popular. More than 110,000 e-bike hires have been made so far, and on average they are being ridden 4.5 times each per day.

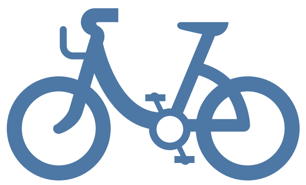
Traffic flow

Traffic flows across London are 2.4 per cent lower than they were last year. Flows are down by 0.4 per cent from last quarter, 88.3 per cent compared to 88.7 per cent in Quarter 2.

Fleet of

14,000

cycles based at more than 780 docking stations



Traffic flow (volume) year-on-year change

2.4%▼

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

Volume analysis

	Q3 2022/23 year-to-date actual	Q3 2021/22 year-to-date actual	Variance
Santander Cycles			
Number of hires (millions)	8.7	8.9	(0.2)
Victoria Coach Station			
Number of coach departures (thousands)	125.4	77.0	48.4
London River Services			
Number of passenger journeys (millions)	6.8	4.1	2.7
London Dial-a-Ride			
Number of passenger journeys (thousands)	352.5	249.1	103.4
Taxi and private hire			
Number of private hire vehicle drivers	97,989	101,430	(3,441)
Taxi drivers	18,611	19,888	(1,277)
IFS Cloud Cable Car			
Number of passenger journeys (thousands)	1,145.5	1,059.9	85.6

Rail

Signal testing on the DLR network has begun in preparation for the arrival of the new trains

Financial summary

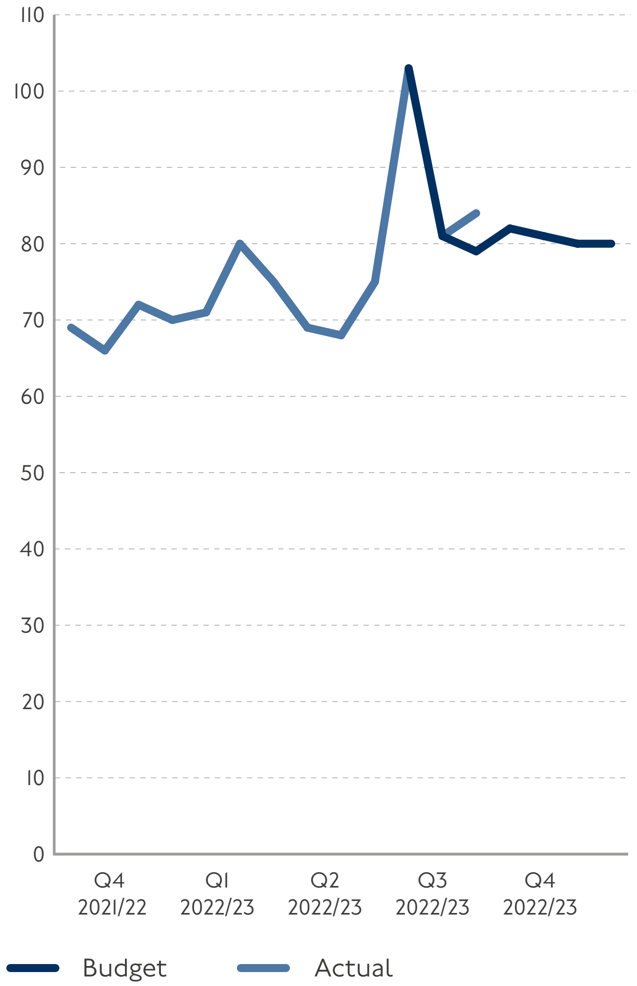
Rail (£m)	Q3 2022/23 Actual	Q3 Revised Budget	Variance	Q3 2021/22 Actual	Variance
Passenger income	251	250	1	200	51
Other operating income	15	13	2	14	1
Revenue	**266**	**263**	**3**	**214**	**52**
Operating costs	(377)	(384)	7	(327)	(50)
Net contribution	**(111)**	**(121)**	**10**	**(113)**	**2**
Indirect operating costs	(17)	(17)	-	(10)	(7)
Net interest costs	(25)	(25)	-	(28)	3
Capital renewals	(28)	(29)	1	(25)	(3)
Operating deficit	**(181)**	**(192)**	**11**	**(176)**	**(5)**
New capital investment	(76)	(78)	2	(85)	9

Total revenue is £3m above budget. £1m of the revenue relates to passenger income, which is higher due to higher fare paying demand on London Overground and DLR services. Other operating income is higher than expected, partly due to network rail compensation relating to industrial action.

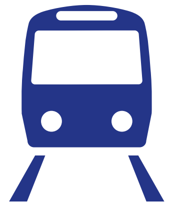
Direct operating costs are £7m below budget, of which £3m relates to a lower provision for a commercial dispute and £2m due to lower than budgeted performance payments from network rail for track access.

Capital expenditure is £3m lower than budget, a slight reduction across renewals projects following slow mobilisation and supplier negotiation.

Percentage of journeys compared to pre-coronavirus baseline
(Rail)

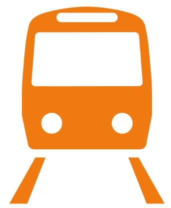


At the end of Quarter 3, Rail journeys – including London Overground, DLR and Trams – were 84 per cent of pre-pandemic levels. Demand this quarter was impacted by a number of industrial action events mostly on the London Overground.



Rail journeys at the end of Quarter 3 are
84%
of pre-coronavirus pandemic demand levels

DLR journeys at the end of Quarter 3 are
75%
of pre-coronavirus pandemic demand levels



London Overground journeys at the end of Quarter 3 are
92%
of pre-coronavirus pandemic demand levels

London Trams journeys at the end of Quarter 3 are
68%
of pre-coronavirus pandemic demand levels

Property development

To move London forward with thriving, connected places

Financial summary

Property development (£m)	Q3 2022/23 Actual	Q3 Revised Budget	Variance	Q3 2021/22 Actual	Variance
Other operating income	57	56	1	50	7
Direct operating costs	(35)	(36)	1	(32)	(3)
Net contribution	**22**	**20**	**2**	**18**	**4**
Indirect operating cost	(6)	(5)	(1)	(4)	(2)
Operating surplus	**16**	**15**	**1**	**14**	**2**
New capital investment	(39)	(69)	30	(21)	(18)
Property receipts	26	36	(10)	51	(25)
Net capital expenditure	**(13)**	**(33)**	**20**	**30**	**(43)**

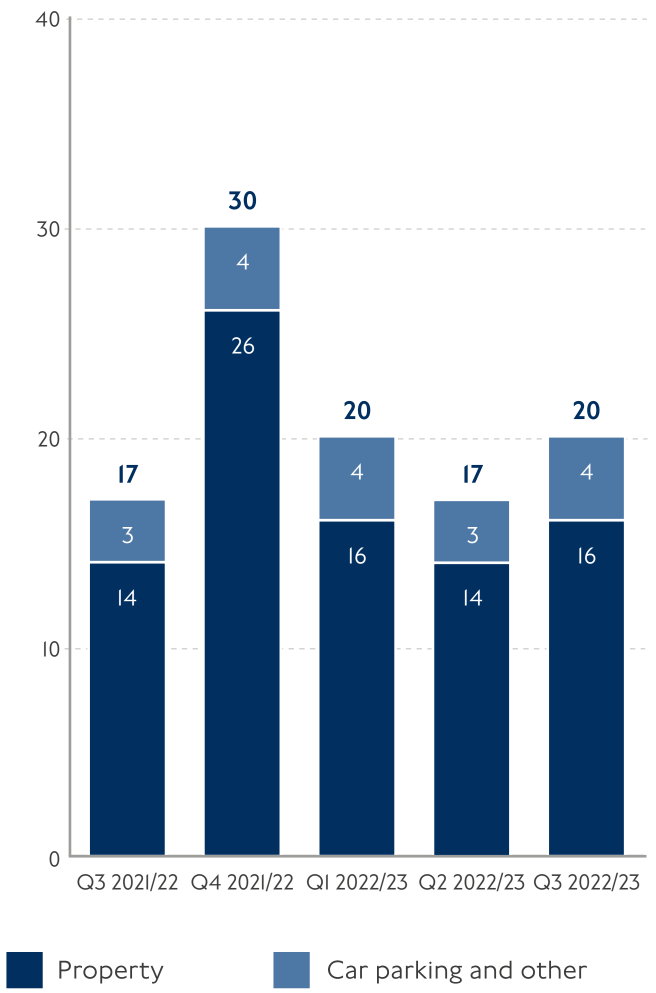
Net contribution is £2m higher than the Revised Budget, income is higher due to continued strong performance from car parks. Direct operating costs are lower due to some activities being rephased to later this year and next year.

New capital investment is £30m lower than budget. This is mainly driven by the rephasing of a land swap at Southwark station to next quarter. There is also lower spend across the asset management portfolio caused by procurement delays.

Property receipts are £10m lower than budget, mainly due to the rephasing of Southwark station over-site development project, which offsets the expenditure above. This is currently expected to complete next quarter.

Quarter 4 property income, shown in the graph opposite, includes a number of exceptional items, these being the invoicing of a number of years back rent to a tenant of £6m plus a year and accounting adjustment to do with covid support given to tenants during the year of £4m.

Property income (£m)
Quarterly*



Our work to create new homes across London continued at pace with approvals for more than 900 homes across two sites in Quarter 3.

The first approval came in Hounslow where our plans for 348 new affordable homes next to Hounslow West station were given the go-ahead by Hounslow Council. The 1.5-hectare development includes improvements to the public realm and Tube station. The new homes, delivered across four buildings, will be a mixture of one, two, three and four-bedroom properties, providing options for all types of households. They will be a mixture of shared ownership, which offers an affordable route into homeownership, and London Affordable Rent, the level of which is set by the Mayor and is substantially below open market rents, helping to provide low-cost rented homes to support low-income households.

Our second approval on 7 December 2022 was for 523 homes at Armourer's Court, above the eastern end of the new Elizabeth line station in Woolwich. The proposals, brought forward by our partner Berkley Homes, added to the existing permission improving the design with new public space, new pedestrian routes, and increasing the amount of affordable housing on site to a minimum of 35 per cent. The proposals will help support Woolwich town centre with new commercial space and new public realm improvements, such as a public courtyard and new pedestrian route.

* Q4 is longer than Q1 to Q3 (16 weeks and one day vs 12 weeks)

Capital expenditure

Our capital programme is in line with the funding settlement envelope agreed with Government

Financial summary

Capital renewals and new capital investment (£m)	Q3 2022/23 Actual	Q3 Revised Budget	Variance	Q3 2021/22 Actual	Variance
Rolling stock and signalling replacement	**(309)**	**(301)**	**(8)**	**(243)**	**(66)**
Piccadilly line upgrade	(157)	(152)	(5)	(98)	(59)
Four lines modernisation	(82)	(83)	1	(90)	8
DLR rolling stock replacement	(64)	(64)	-	(50)	(14)
Other	(6)	(2)	(4)	(5)	(1)
Capital enhancements					
Bank station upgrade	(49)	(50)	1	(40)	(9)
Silvertown Tunnel	(11)	(10)	(1)	(8)	(3)
Elephant & Castle station capacity	(6)	(6)	-	(2)	(4)
Barking Riverside	(3)	(4)	1	(26)	23
Northern Line Extension	-	-	-	(48)	48
Healthy streets	(42)	(42)	-	(29)	(13)
Air quality and environment	(33)	(35)	2	(31)	(2)
Other enhancements	(55)	(65)	10	(88)	33
Total new capital investment	**(508)**	**(513)**	**5**	**(515)**	**7**
Renewals	(380)	(386)	6	(310)	(70)
Crossrail project	(172)	(181)	9	(438)	266
TTLP	(39)	(70)	31	(21)	(18)
Total capital expenditure	**(1,099)**	**(1,150)**	**51**	**(1,284)**	**185**

Total TfL capital expenditure, excluding Crossrail construction and TTLP, is £888m in the year to date, which is £11m lower than budget. We are currently forecasting to be marginally under the capital envelope for 2022/23. Although the opportunities for further acceleration are diminishing, we continue to explore any options for value-for-money accelerations. We will also prepare the case to the Government for a carry forward, as allowed under the funding settlement, but this is not guaranteed.

Four Lines Modernisation

Since commissioning signal migration area five in March 2022, the underlying system performance has generally been good. A revenue software uplift was successfully rolled out in November 2022 to address a safety issue identified. This enables the temporary mitigation measures to be removed.

We are planning to introduce signal migration area six (Stepney Green to Becontree) and signal migration area seven (Dagenham Heathway to Upminster) in early 2023. This will complete the rollout of communications-based train control on the Hammersmith & City line and connect the first depot to the network.

Design and installation of trackside signalling assets continues on the Uxbridge and Amersham branches of the Metropolitan line beyond Preston Road.

The procurement is in progress for the planned upgrades to the heavy lifting shed at Neasden depot and the new staff accommodation block. When complete in 2024, this facility will enable the planned overhaul of Metropolitan line trains.

Piccadilly line rolling stock

Enabling works have started at Northfields and Cockfosters depots to prepare for the major upgrades and provide maintenance facilities for the new trains. Extensive vegetation clearance and ground works have been carried out at Cockfosters to allow construction of a new wheel lathe facility, which forms the first stage of construction at this site.

In December, Siemens completed the manufacture of the second in type key motor car shell for the first new Piccadilly line train. This keeps us on target for the first train to be fully formed and ready to start testing from summer 2023.

In September, we awarded Arcadis the contract for the lighting main upgrade concept design work. This will enable them to produce seven separate concept designs and then the project will progress to tender for design and build works.

Barking Riverside

Since Monday 18 July, the new extension between Gospel Oak and Barking Riverside has been running a good service.

Asset handover to Network Rail is progressing with track and signals being the last main asset groups still to be transferred to Network Rail. The transfer of station assets has also begun with London Overground.

Bank station upgrade

Bank station will see its capacity increase by 40 per cent when upgrade work finishes early next year. The capacity upgrades are alongside additional upgrades that will improve the passenger flows and overall experience. Improvements include step free access to the Northern line, improved access to DLR platforms, two new moving walkways, 12 new escalators and two new lifts. There will also be more direct routes within the station and a new station entrance on Cannon Street.

The new interchange routes between the Northern line, Central line and DLR have now been successfully brought into use. These new interchanges include six new escalators and two new 100m moving walkways, which significantly improve journey times for our customers by up to nine minutes between the lines.

DLR rolling stock and systems integration

The manufacture of the new rolling stock in Spain is continuing to plan with seven trains completed and on their test track to run checks before delivery of the first train to Beckton in January 2023, continuing their two months ahead of target performance. We anticipate completing the manufacture of 12 trains by the end of the 2022/23 financial year. Signal testing on the DLR network has begun in preparation for the arrival of the new trains in January 2023.

At Beckton, critical works to complete the changeover of the signalling power supplies on the northern sidings works and to install new transformer rectifiers in the sub-station were successfully completed in line with the revised programme.

Contracts have been awarded for the maintenance facility building, and additional southern sidings, as well as the contract for the design and build for a second entrance at Blackwall Station, which is essential for unlocking the full fleet roll out.

Silvertown Tunnel

Good progress continues the issuing of notices for permanent land acquisition, with these planned to be completed by the end of the 2022/23 financial year.

The start of tunnelling began at the end of August, which was a significant milestone and a huge step forward for this project. By mid-December, the tunnel boring machine had completed the southbound section under the Thames and continues under the historic industrial sections of land in North Greenwich, before reaching the rotation chamber.

Enabling works continue within the rotation chamber where the tunnel boring machine will be turned, and on the retrieval chamber from which it will be extracted following the completion of tunnelling.

Passengers have access to six new escalators at Bank station

Headcount

Our people provide a vital service for London

Full-time equivalents, including non-permanent labour

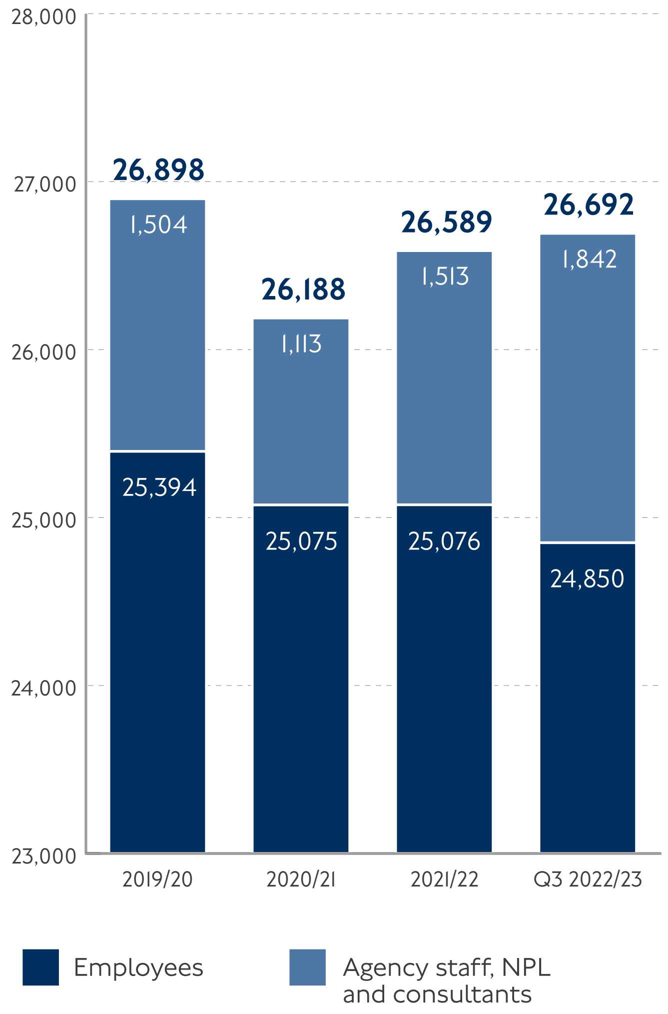
	31 March 2022 Actual	Year-to-date net (leavers)/joiners	10 December 2022 Actual
Underground	16,462	(169)	16,293
Elizabeth line	342	22	364
Buses, streets and other operations	2,355	35	2,390
Rail	279	(2)	277
Property development	199	10	209
Capital directorate	2,469	7	2,476
Professional services*	4,483	201	4,684
TfL total	**26,589**	**103**	**26,692**
Crossrail	444	(200)	244
Total	**27,033**	**(97)**	**26,936**

The figure for total TfL full-time equivalent roles is 26,936 at the end of Quarter 3, 97 lower than at the start of the year.

The increase in Professional services includes 39 new graduates and the remainder relate to temporary labour to assist with projects in Technology and data and temporary labour requirements in Taxi and private hire, Business services and Procurement.

The 169 full-time equivalent reduction in Underground is mainly due to continued delays to planned recruitment within customer services in Customer operations.

Headcount trends since 2019/20



TfL staff levels are now 206 lower than pre-pandemic levels and are down from the end of last year, mainly driven by lower permanent headcount.

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

Appendix

Comprehensive Income and Expenditure (CI&E) Statement

(£m)	Q3 2022/23 year-to-date actual		
	Gross income	Gross expenditure	Net income/ (expenditure)
Operating segment			
Underground	1,555	(1,712)	(157)
Elizabeth line	199	(332)	(133)
Buses, streets and other operations	1,707	(2,162)	(455)
Rail	266	(394)	(128)
Property development	22	(6)	16
Corporate overhead	219	(219)	-
Net operating deficit before financing and renewals	**3,968**	**(4,825)**	**(857)**
Depreciation and amortisation			(963)
Less IFRS 16 lease payments included in operating deficit			254
Central items			14
Net cost of services			**(1,552)**
Other net operating expenditure			9
Financing and investment income			17
Financing and investment expenditure			(352)
Grant income			2,373
Surplus on provision of services before tax			**495**
Taxation income			-
Surplus on provision of services after tax			**495**
Movement in fair value of derivative financial instruments			-
Total Group Comprehensive Income and Expenditure			**495**

Detailed reconciliation of net cost of operations per the Operating Account to the CI&E Statement

(£m)	Q3 2022/23 year-to-date actual	
Net surplus of operations after extraordinary grant		**480**
Adjustments between management and statutory reports:		
Add amounts included in the CI&E Statement not reported in the Operating Account		
Depreciation and amortisation	(963)	
Interest payable on lease and PFI liabilities	(50)	
Amounts capitalised into qualifying assets	11	
Capital grant income	829	
Other net operating expenditure	23	
		(150)
Less amounts included in the Operating Account but excluded from the CI&E Statement		
Cash payments under PFI and lease arrangements	254	
Capital renewals	380	
		634
Amounts subject to differing account treatment between the Operating Account and the CI&E Statement		
Grant income	(469)	
		(469)
Group surplus after tax per the CI&E Statement		**495**

Full year Revised Budget

The first year of our Business Plan, approved by the TfL Board in December 2022, forms our Revised Budget for 2022/23

Income statement

(£m)	2022/23 Revised Budget	2022/23 Original Budget	Variance	2021/22 Actual	Variance
Passenger income	4,306	4,300	6	3,154	1,152
Other operating income	1,474	1,378	96	1,178	296
Business Rates Retention	1,819	1,819	-	1,844	(25)
Other revenue grants	1,024	1,291	(267)	1,789	(765)
Revenue	**8,623**	**8,788**	**(165)**	**7,965**	**658**
Operating costs	(7,109)	(7,203)	94	(6,462)	(647)
Operating surplus before interest and renewals	**1,514**	**1,585**	**(71)**	**1,503**	**11**
Capital renewals	(635)	(603)	(32)	(551)	(84)
Operating surplus before interest	**879**	**982**	**(103)**	**952**	**(73)**
Net Interest costs	(417)	(426)	9	(439)	22
Operating surplus	**462**	**556**	**(94)**	**513**	**(51)**
Operating deficit (excluding extraordinary revenue grant)	(403)	(675)	272	(1,204)	801

Our Business Plan included an updated forecast for the 2022/23 financial year. This update reflects the changes to our budget required by the funding agreement with Government that the Board approved on 30 August 2022. Given the material difference between the funding assumptions in the original budget for 2022/23 and the actual Government funding settlement agreed on 30 August, this forecast replaces the budget and serves as a new reporting baseline for the remainder of the 2022/23 financial year.

The Revised Budget reflects risks and opportunities that have crystallised in the year to date, including headwinds from ULEZ bad debt and inflation, upsides from lower pension deficit payments, and latest passenger journey trends.

Our cash position worsened by £83m compared to our original budget as before we were building cash reserves to increase resilience as we end Government revenue support. Current funding settlement conditions require us to maintain average cash reserves at £1.2bn and ensures the delivery of key capital renewals and investment until March 2024.

Cash flow statement

(£m)	2022/23 Revised Budget	2022/23 Original Budget	Variance	2021/22 Actual	Variance
Operating surplus before interest and renewals	**1,514**	**1,585**	**(71)**	**1,503**	**11**
Less TTLP, LTIG and LTM	(40)	(37)	(3)	(22)	(18)
Net cash generated by TfL operating activities	**1,474**	**1,548**	**(74)**	**1,481**	**(7)**
Cashflows from investing activities					
Capital renewals	(635)	(603)	(32)	(551)	(84)
New capital investment	(832)	(801)	(31)	(818)	(14)
Ring fenced capital funding	120	161	(41)	247	(127)
Working capital movements	240	154	86	(253)	493
Net cash utilised by investing activities	**(1,107)**	**(1,089)**	**(18)**	**(1,375)**	**268**
Free cash flow	**367**	**459**	**(92)**	**106**	**261**
Cashflows from financing activities					
Net interest	(417)	(426)	9	(439)	22
Debt repayment	(35)	(35)	-	-	(35)
New TfL borrowing	35	35	-	-	35
Net cash generated by financing activities	**(417)**	**(426)**	**9**	**(439)**	**22**
Net (decrease)/increase in cash	**(50)**	**33**	**(83)**	**(333)**	**283**

About us

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' and helping to create a safer, 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 by walking, cycling or using public transport by 2041. To make this a reality, we prioritise sustainability, health and the quality of people's experience in everything we do.

We run most of London's public transport services, including the London Underground, London Buses, the DLR, London Overground, Elizabeth line, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the IFS Cloud Cable Car. The experience, reliability and accessibility of these services is fundamental to Londoners' quality of life.

We manage the city's red route strategic roads and, through collaboration with the London boroughs, we are helping to 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, improve air quality, revitalise town centres, boost businesses and connect communities. As part of this, our expanded Ultra Low Emission Zone and fleets of increasingly environmentally friendly and zero-emission buses are helping to tackle London's toxic air.

During the pandemic, we took a huge range of measures to ensure people were safe while travelling. This included extensive cleaning regimes across the public transport network and working with London's boroughs to introduce the Streetspace for London programme, which provided wider pavements and cycle lanes for people to walk and cycle safely and maintain social distancing. London's recovery is vital to the UK's recovery as life returns to normal. We want to ensure London avoids a car-led recovery and we continue to reassure people the capital and our transport network is safe and ready for them.

We have constructed many of London's most significant infrastructure projects in recent years, using transport to unlock much needed economic growth. This includes major projects like the extension of the Northern line to Battersea Power Station and Nine Elms in south London, as well as our work at Barking Riverside and the Bank station upgrade.

Working with the Government, we opened the Elizabeth line in time for Queen Elizabeth II's Jubilee. This transformational new railway adds 10 per cent to central London's rail capacity and supports the delivery of high-density, mixed-use developments, which are planned around active and sustainable travel to ensure 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 using information, 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. By working together, we can create a better city as London's recovery from the pandemic continues.

February 2023
tfl.gov.uk

PUB23_001