Transport for London quarterly performance report

Quarter 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.

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 ended 31 March 2018 was published in July 2018.

Introduction

This is the second Quarterly Performance Report of the 2018/19 financial year and covers the period to 15 September 2018.

The good progress made in Q1 has continued, and in the first half of the year the net operating surplus is £121m better than budget. The reduction against last year reflects the fact that this financial year is the first with no operating grant from central government.

Passenger income overall remains slightly above budget, with continued upside in Tube ridership offsetting some downward movement in other divisions, including on buses. All divisions are reporting higher passenger income than last year, other than buses where income is flat. Other income is also marginally up on budget and significantly higher than last year as a result of higher commercial and road network compliance income.

Operating costs are £113m lower than budget, with additional savings being made over and above the significant cost reductions already assumed in the budget, although there are some timing differences that are expected to reverse during the year. The operating cost increase against last year largely reflects preparations for the opening of the Elizabeth line, while inflationary pressures across all areas have been offset by savings. We will remain focused on reducing operating costs, as we have for the last two years, while operating a safe and reliable transport service.

Key deliverables in the capital investment programme include completing construction of Highbury Corner bridge, and finalising preparatory works ahead of tunnelling for new escalators at Bank station.

Following the announcement by Crossrail Limited on 31 August of the delay in the opening of the central tunnel section, Crossrail Limited is working to establish any additional impact on funding from the revised schedule. Details of how we will manage the change will form part of the next revision of our Business Plan towards the end of the year.

We remain confident that this year we will achieve a net operating surplus compared to budget of more than £100m. This ensures we create additional resilience to deal with the challenging financial climate.

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

TRANSPORT FOR LONDON

- Underground
- Elizabeth line
- Buses
- Rail
- Streets
- Other operations
- Commercial Development
- Major projects

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

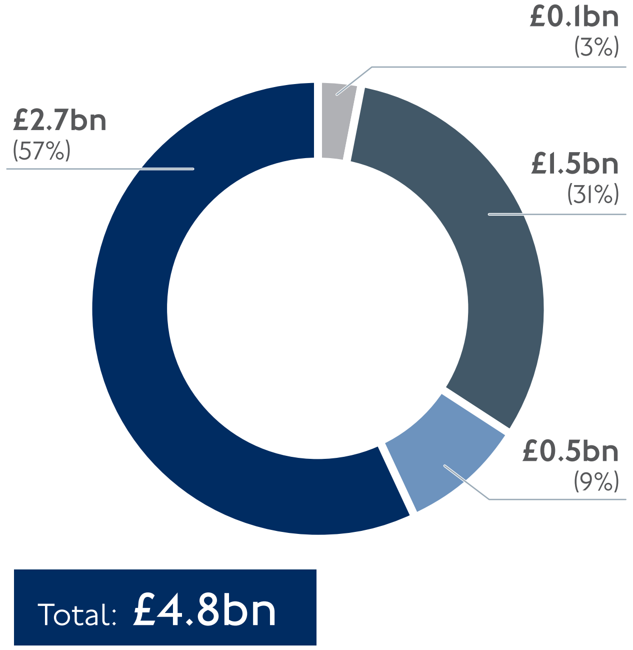
Grants £2.3bn

Use of borrowing, working capital and cash reserves £0.8bn

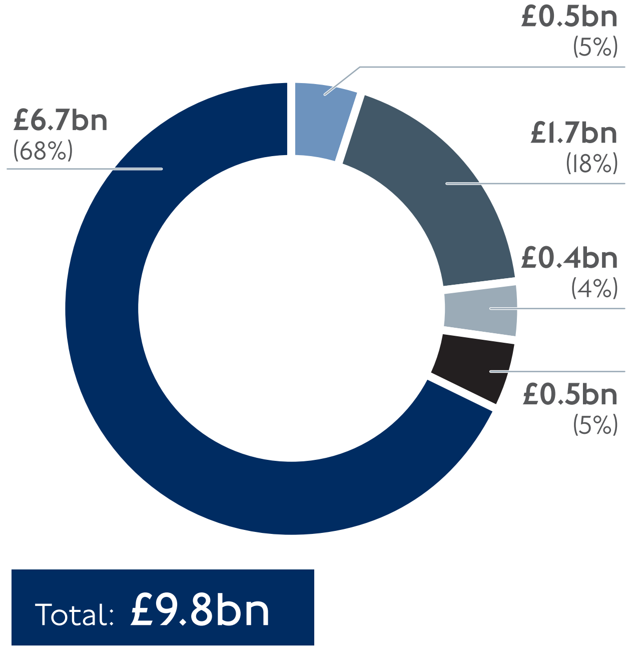
Other income £1.9bn

Passenger income £4.8bn

Total passenger income



Total costs



Financial summary

Performance in the year to date

Operating account

TfL Group (£m)	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Passenger income	2,171	2,157	14	2,133	38
Other operating income	368	365	3	322	46
Total operating income	**2,539**	**2,522**	**17**	**2,455**	**84**
General Grant	-	-	-	105	(105)
Business Rates Retention	417	417	-	376	41
Other revenue grants	29	38	(9)	26	3
Total income	**2,985**	**2,977**	**8**	**2,962**	**23**
Operating cost	(2,815)	(2,928)	113	(2,752)	(63)
Net operating surplus	**170**	**49**	**121**	**210**	**(40)**
Capital renewals	(179)	(230)	51	(233)	54
Net cost of operations before financing	**(9)**	**(181)**	**172**	**(23)**	**14**
Net financing costs	(205)	(216)	11	(194)	(11)
Net cost of operations	**(214)**	**(397)**	**183**	**(217)**	**3**

Capital account

TfL Group (£m)	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
New capital investment	(689)	(822)	133	(571)	(118)
Crossrail	(669)	(370)	(299)	(674)	5
Total capital expenditure	**(1,358)**	**(1,192)**	**(166)**	**(1,245)**	**(113)**
Financed by:					
Investment grant	429	429	-	422	7
Third-party contributions	18	22	(4)	38	(20)
Property and asset receipts	1	16	(15)	16	(15)
Borrowing	335	857	(522)	376	(41)
Crossrail funding sources	66	166	(100)	61	5
Other capital grants	78	96	(18)	88	(10)
Total	**927**	**1,586**	**(659)**	**1,001**	**(74)**
Net capital account	**(431)**	**394**	**(825)**	**(244)**	**(187)**

Cash flow summary

TfL Group (£m)	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Net cost of operations	(214)	(397)	183	(217)	3
Net capital account	(431)	394	(825)	(244)	(187)
Working capital movements	(79)	(271)	192	947	(1,026)
Increase/(decrease) in cash balances	**(724)**	**(274)**	**(450)**	**486**	**(1,210)**

Passenger journey analysis

TfL Group (£m)	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Number of passenger journeys (millions)	1,812	1,825	(13)	1,830	(17)
Average yield per passenger journey (£)	1.20	1.18	0.02	1.17	0.03
Operating cost per journey (£)	(1.55)	(1.60)	0.05	(1.50)	(0.05)

The year-to-date net operating surplus is £121m better than budget and the net cost of operations is £183m better, both indicating that we are on track to outperform our full-year target.

Total income for the first half of the year is £8m favourable to budget and £23m higher than last year. The trends reported at the end of the first quarter continue, with London Underground performing slightly better than budget, offset by lower income on buses.

Year-to-date operating costs are £113m lower than budget - £60m of this is from additional savings – on top of those already included in the 2018/19 budget – with our modernisation programme continuing to deliver cost savings across all areas of the business. A further £53m is from timing differences – principally from projects – that will be incurred later this year.

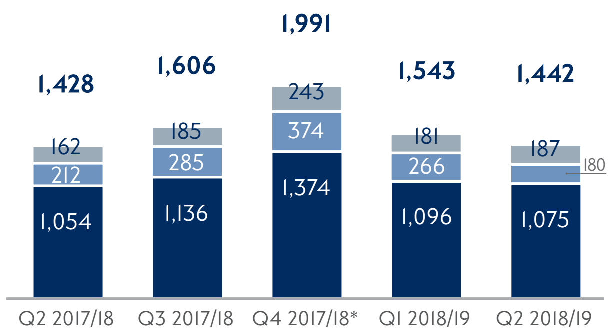
New capital investment is £133m lower than budget, mainly due to timing differences and deferrals to future years.

The timing of new borrowings has contributed to cash balances decreasing by £724m since the start of the year.

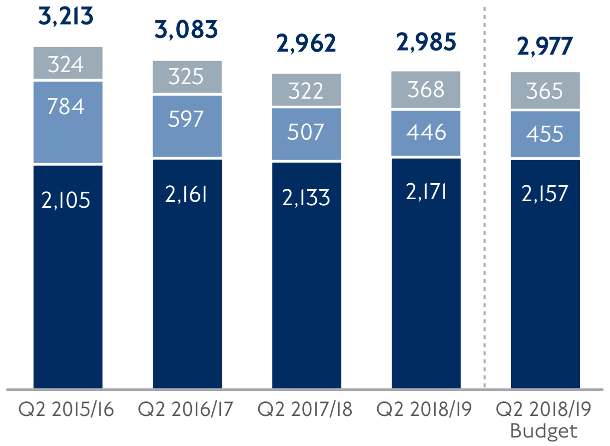
Financial trends

Total income

Quarterly (£m)



Year to date (£m)



- Passenger income
- Grants
- Other income

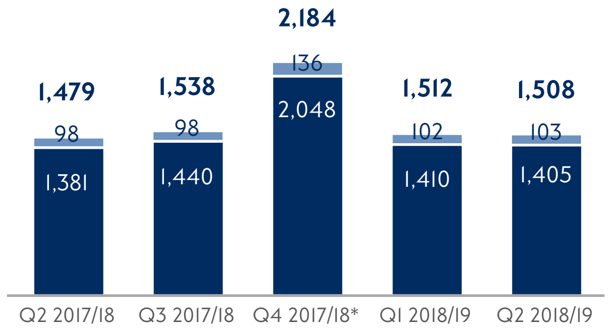
Total income £8m above budget

1% ▲ year on year

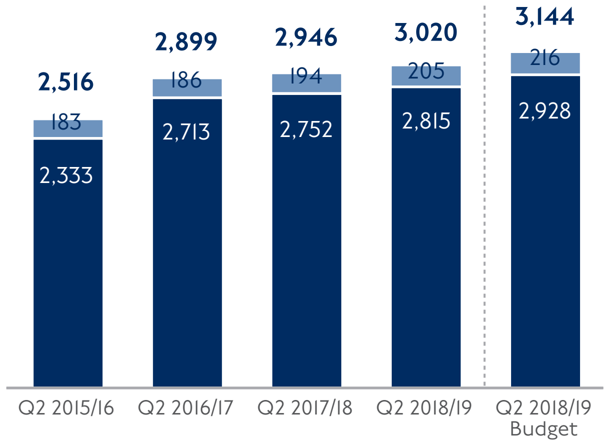
Overall income is slightly ahead of expectations. Higher passenger income from increased demand on London Underground is partially offset by lower bus income and some timing differences in the receipt of grant income.

Total cost

Quarterly (£m)



Year to date (£m)



- Operating costs
- Net financing costs

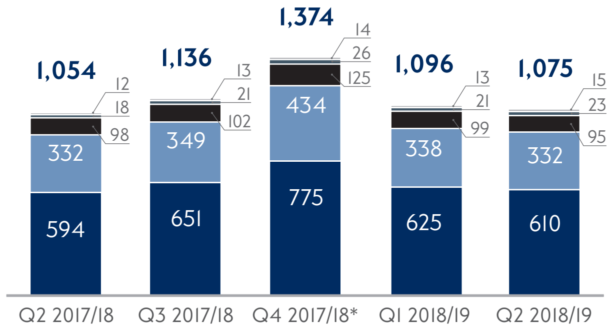
Operating costs £113m below budget

2% ▲ year on year

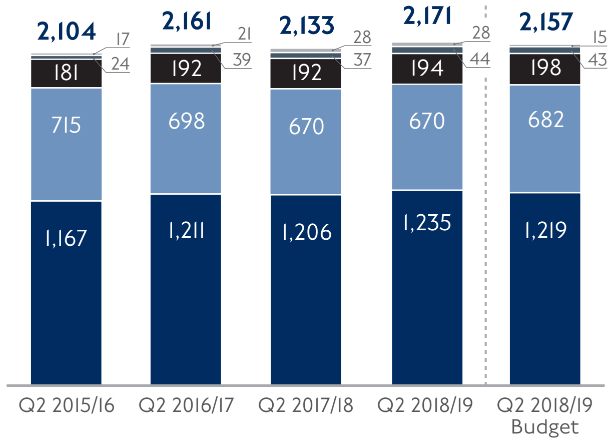
The year-on-year increase is due to non like-for-like spend, with the Elizabeth line accounting for £35m and the Investment Programme £15m. On a like-for-like basis, our costs remain in line with last year.

Total passenger income

Quarterly (£m)



Year to date (£m)



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

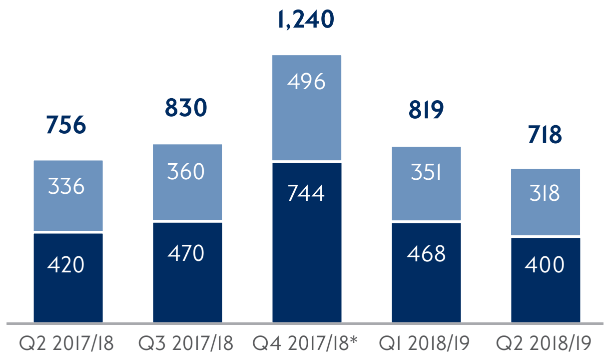
Passenger income £14m above budget

2% ▲ year on year

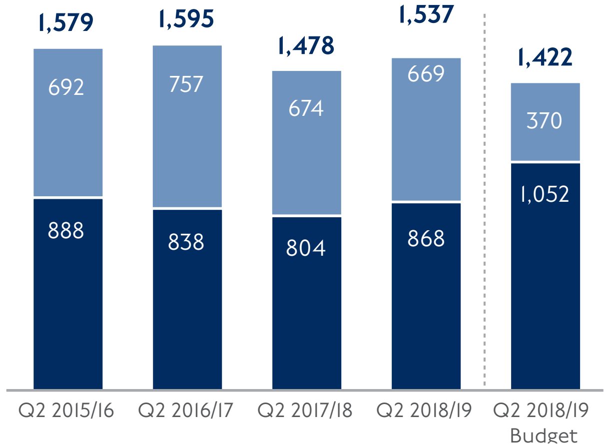
Passenger income compares well to 2017/18 - £38m higher in the year to date. Overall customer demand has started to increase for rail travel.

Total capital expenditure

Quarterly (£m)



Year to date (£m)



- Capital investment and renewals
- Crossrail

£2bn annual investment programme

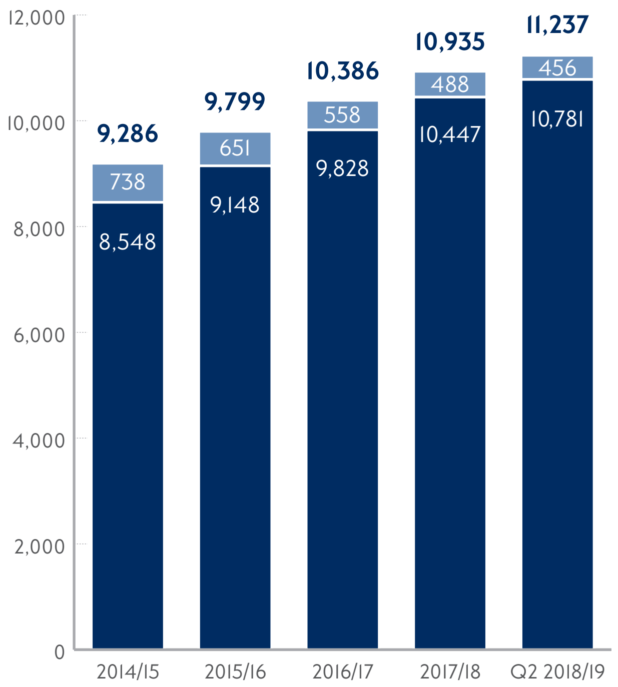
10% ▲ year on year

Victoria and Tottenham Court Road station upgrades are nearly complete and a major extension to Cycle Superhighway 6 opened in the quarter connecting Elephant & Castle to King's Cross.

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

Debt and cash

Total value of debt (£m)

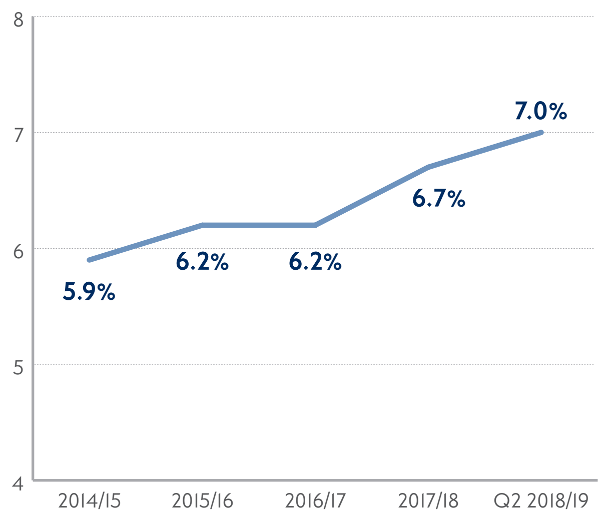


■ Borrowing ■ Finance leases

The incremental borrowing agreed with the Government for 2018/19 is £800m. At the end of Q2, £250m of long-term debt had been drawn down under existing facilities with Export Development Canada and the European Investment Bank, and £100m had been drawn down from the Public Works Loan Board. These drawdowns were partially offset by debt repayments of £14m.

The total nominal value of borrowing outstanding at the end of the quarter was £10,781m, of which £9,929m is long term.

Financing costs (% of total income)*



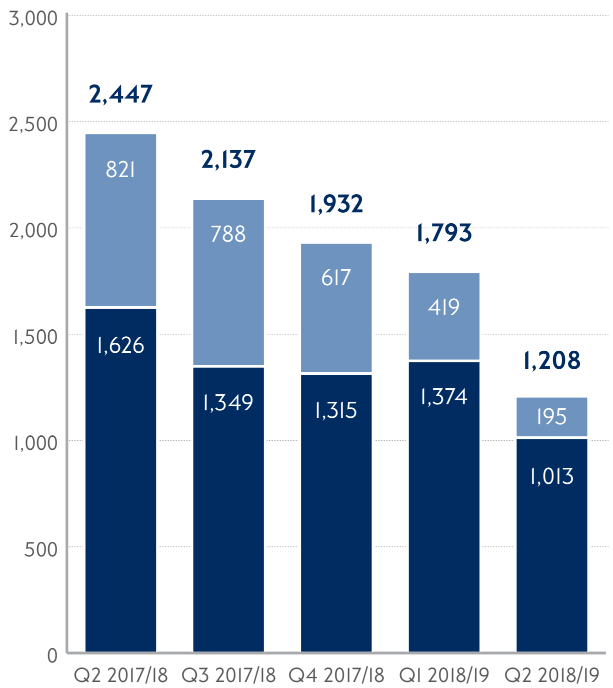
The ratio of financing costs to total income, including operating grants, helps TfL to monitor the affordability of its debt.

Financing costs and income (£m)

Year to date	Q2 2018/19	Q2 Budget	Variance
Interest income	5	5	-
Borrowing costs	(188)	(201)	13
PFIs/finance leases	(22)	(20)	(2)

* Financing costs include interest costs for borrowing and finance leases

Cash balances (£m)



■ TfL cash balances
■ Crossrail cash balances

Cash balances

Cash balances have decreased by £724m over the year to date to stand at £1,208m at the end of Q2. Of the total balance, £195m is ringfenced 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 the TfL Board. This level of cash reserves – 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 balances to fund the improvements outlined in our Business Plan and in our Budget.

£724m **37%▼**
Decrease in cash over the year to date

Credit ratings

We are rated by the three leading international rating agencies. On 5 September, Standard & Poor's placed our rating on CreditWatch negative, with the intention of resolving the CreditWatch within 90 days.

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

Passenger journeys

Year to date

1,812m total journeys | 1,825m budget | 1,830m prior year

London Underground
620m

1.2%▲ budget | 0.2%▲ prior year

Buses
1,013m

1.9%▼ budget | 1.9%▼ prior year

DLR
56m

1.7%▼ budget | 0.7%▼ prior year

London Overground
86m

1.4%▼ budget | 1.3%▼ prior year

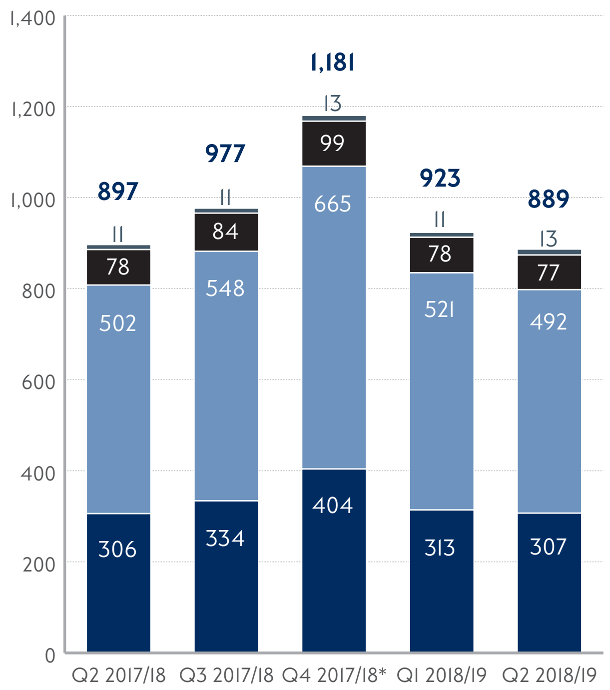
London Trams
13m

2.4%▼ budget | 0.6%▼ prior year

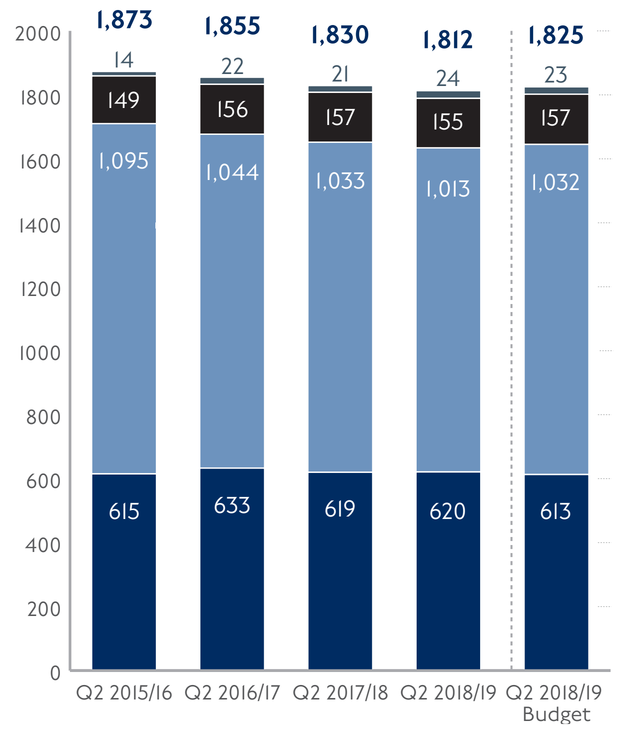
TfL Rail
24m

3.9%▲ budget | 16.4%▲ prior year

Quarterly (millions)



Year to date with Budget (millions)



■ London Underground ■ Buses ■ Rail ■ TfL Rail

London Underground passenger volumes were seven million better than budget and one million better than those in 2017/18. There have been a number of large scale events in London recently that have resulted in an improvement in passenger numbers. Overall customer demand has started to increase for rail travel in London and the South East, including national rail services.

Bus passenger journeys were 1.9 per cent lower than both budget and prior year. Initial analysis shows a reduction mainly occurring in off-peak journeys (evening and weekends), and further analysis into the factors of the decline in fare-paying journeys is currently being undertaken.

Rail passenger journeys are lower than budget, due mainly to the late cancellation of four days' strike action on DLR at the start of the year. Also, some delay in the introduction of increased capacity offered by new trains has reduced London Overground demand below budget.

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

Underground

London Underground

Financial summary

LU has benefited from customer demand and yield being marginally better than last year, while its modernisation programme continues to deliver savings.

London Underground (£m)	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Passenger income	1,235	1,219	16	1,206	29
Other operating income	10	7	3	12	(2)
Total operating income	**1,245**	**1,226**	**19**	**1,218**	**27**
Operating cost	(947)	(980)	33	(949)	2
Direct operating surplus	**298**	**246**	**52**	**269**	**29**
Indirect operating cost	(121)	(138)	17	(133)	12
Net operating surplus	**177**	**108**	**69**	**136**	**41**
Capital renewals	(114)	(138)	24	(137)	23
New capital investment	(19)	(37)	18	(17)	(2)
Total capital expenditure	**(133)**	**(175)**	**42**	**(154)**	**21**

Passenger income is £16m better than budget and £29m higher than last year. This reflects a small improvement in customer demand over last year and a marginal yield increase. Last year was adversely affected by the Parsons Green terror attacks and South West Trains major works at Waterloo, while this year we have seen a boost in demand, partly as a result of major events in London.

Direct operating costs are £33m favourable against budget and £2m favourable against last year. LU's modernisation programme continues to yield savings.

Capital expenditure is £42m under budget and £21m below the same period last year. Year to date, there is £13m of in-year re-profiling, mainly of fleet traction works and Acton redevelopment. A total of £24m of deferrals to future years include station works at Tottenham Hale, South Kensington, Knightsbridge and Finsbury Park; £6m of Camden track expenditure was accelerated into 2017/18.

Passenger journeys analysis

	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Number of passenger journeys (millions)	620	613	7	619	1
Average yield per passenger journey (£)	1.99	1.99	-	1.95	0.04
Operating cost per journey (£)	(1.72)	(1.82)	0.10	(1.75)	0.03

Passenger journeys

Demand is improving and is now running ahead of last year. Events including the RAF 100-year celebration boosted demand this year. Last year, demand was suppressed by the South West Trains Waterloo major works and the Parsons Green Terror incident.

Average yield per passenger journey

Underlying fare income per journey has improved compared with the equivalent period last year.

Operating cost per journey

Operating cost per journey is quite significantly below budget, and also below last year. The small increase in passenger journeys has assisted this, along with continued and careful management of costs, while maintaining high levels of reliability and safety.

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

Q2 YTD 2018/19 0.1% ▼

Q2 YTD 2017/18 0.6% ▼

Q2 YTD 2016/17 1.5% ▲

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 is on successfully introducing Elizabeth line services.

Elizabeth line (£m)	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Passenger income	44	43	1	37	7
Other operating income	14	23	(9)	2	12
Total operating income	**58**	**66**	**(8)**	**39**	**19**
Operating cost	(87)	(105)	18	(52)	(35)
Direct operating deficit	**(29)**	**(39)**	**10**	**(13)**	**(16)**
Indirect operating cost	(4)	(4)	–	(4)	–
Net operating deficit	**(33)**	**(43)**	**10**	**(17)**	**(16)**
New capital investment	(209)	(199)	(10)	(128)	(81)
Crossrail construction cost	(669)	(370)	(299)	(674)	5
Total capital expenditure	**(878)**	**(569)**	**(309)**	**(802)**	**(76)**

Passenger income is £1m higher than budget and £7m higher than last year, mainly driven by an increase in passenger journeys on the new Paddington to Heathrow service.

The £9m reduction in other operating income mainly relates to delayed central operating section (COS) regulatory access income (offset below) as well as third-party contributions now expected to be received in future periods. The year-on-year increase relates to third-party contributions and higher ticket sales commissions receivable.

Operating costs are £18m lower than budget, mainly due to delayed COS regulatory access charges (offset above), reduced COS costs and savings in train maintenance costs. Costs are higher than last year as we prepare for the opening of the Elizabeth line as well as additional costs for operating new services to Heathrow.

New capital investment is £10m higher than budget, mainly driven by the timing of rolling stock and Old Oak Common Depot works.

Passenger journeys analysis

	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Number of passenger journeys (millions)	24.0	23.1	0.9	20.7	3.4
Average yield per passenger journey (£)	1.83	1.86	(0.03)	1.79	0.04
Operating cost per journey (£)	(3.78)	(4.71)	0.93	(2.71)	(1.07)

Passenger journeys

Passenger demand is four per cent higher than budget and 16 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 1.6 per cent lower than budget. However, it is an increase year on year of 2.2 per cent.

Operating cost per journey

Operating cost per journey is 20 per cent lower than budget mainly due to cost savings associated with the delayed handover of the COS. The increase from last year is due to additional costs as we prepare for the opening of the Elizabeth line.

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

Q2 YTD 2018/19 15.4% ▲

Q2 YTD 2017/18 4.2% ▼

Q2 YTD 2016/17 3.3% ▼

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.

Buses

London Buses

Financial summary

Reduced passenger income has contributed to the net operating deficit being £6m higher than budget. Total operating costs are broadly flat year on year.

Buses (£m)	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Passenger income	670	682	(12)	670	-
Other operating income	6	5	1	6	-
Total operating income	**676**	**687**	**(11)**	**676**	**-**
Operating cost	(968)	(971)	3	(970)	2
Direct operating deficit	**(292)**	**(284)**	**(8)**	**(294)**	**2**
Indirect operating cost	(13)	(15)	2	(16)	3
Net operating deficit	**(305)**	**(299)**	**(6)**	**(310)**	**5**
Capital renewals	(1)	(4)	3	(4)	3
New capital investment	(10)	(26)	16	(13)	3
Total capital expenditure	**(11)**	**(30)**	**19**	**(17)**	**6**

Lower bus passenger income is primarily due to fewer fare-paying passenger journeys. Underlying year-on-year demand shows a 1.6 per cent decline, with the reduction primarily occurring to off-peak travel.

Direct operating cost is slightly better than budgeted and has marginally improved 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. These costs are being recognised as operating costs over the remaining life of the contracts.

Passenger journeys analysis

	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Number of passenger journeys (millions)	1,013	1,032	(19)	1,033	(20)
Average yield per passenger journey (£)	0.66	0.66	-	0.65	0.01
Operating cost per journey (£)	(0.97)	(0.96)	(0.01)	(0.95)	(0.2)

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 1.6 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 £0.013.

Operating cost per journey

Operating cost per journey is one per cent higher than budget and last year, primarily due to lower passenger journeys.

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

Q2 YTD 2018/19 1.6%▼

Q2 YTD 2017/18 0.3%▲

Q2 YTD 2016/17 3.8%▼

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 ahead of budget as a result of improved income and reduced investment programme spend.

Streets (£m)	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Passenger income	-	-	-	-	-
Other operating income	151	148	3	143	8
Total operating income	**151**	**148**	**3**	**143**	**8**
Operating cost	(204)	(219)	15	(195)	(9)
Direct operating deficit	**(53)**	**(71)**	**18**	**(52)**	**(1)**
Indirect operating cost	(31)	(33)	2	(31)	-
Net operating deficit	**(84)**	**(104)**	**20**	**(83)**	**(1)**
Capital renewals	(20)	(15)	(5)	(47)	27
New capital investment	(39)	(52)	13	(37)	(2)
Total capital expenditure	**(59)**	**(67)**	**8**	**(84)**	**25**

Income in the second quarter is up £3m against budget and £8m against 2017/18. Enforcement, compliance and cost recoveries account for the rise, more than offsetting reduced Congestion Charging income resulting from lower volumes of charge-paying vehicles entering the zone.

Operating costs are £15m better than budget, largely a result of Westminster City Council's alternative proposals on the pedestrianisation of Oxford Street. Nevertheless, funding for projects delivered by boroughs is overall higher than this time last year.

We have paused our programme of proactive capital renewals on highways assets, hence the drop compared to 2017/18. Total capital expenditure is running lower than budget, due in part to the capital element of our Oxford Street scheme being on hold.

Volume analysis

	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Congestion Charge volumes (thousands)	6,620	7,450	(830)	7,270	(650)
Congestion Charge and enforcement income (£m)	108.6	108.4	0.2	107.3	1.3
Traffic volumes – all London (index)	97.0	-	-	95.9	1.10
Cycling growth in CCZ*	13.0%	10.1%	-	8.4%	-

Cycling

A daily average of 573,277km, or around 188,000 journeys, was cycled in central London during Q2. Weather conditions can affect levels of cycling and this period was one of the driest and warmest on record. Analysis shows that levels of cycling increased on the Cycle Superhighway 3 east/west corridor, in particular along the Victoria Embankment.

Traffic flow

The pan-London traffic flow index stands at 97.0. This is one index point higher than the same quarter last year.

* Cycling data is based on calendar quarters rather than financial quarters i.e. Q2 is April to June and is the latest available data. It is presented as a percentage change from the previous year

Traffic flow (volume) year-on-year change

Q2 YTD 2018/19 1.1% ▲

Q2 YTD 2017/18 0.2% ▲

Q2 YTD 2016/17 1.0% ▼

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

Rail

DLR, London Overground and London Trams

Financial summary

Passenger journeys year to date are lower than planned, however total operating income is higher than the same period last year.

Rail (£m)	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Passenger income	194	198	(4)	192	2
Other operating income	13	8	5	2	11
Total operating income	**207**	**206**	**1**	**194**	**13**
Operating cost	(199)	(217)	18	(194)	(5)
Direct operating surplus/(deficit)	**8**	**(11)**	**19**	**-**	**8**
Indirect operating cost	(8)	(9)	1	(9)	1
Net operating surplus/(deficit)	**-**	**(20)**	**20**	**(9)**	**9**
Capital renewals	(12)	(23)	11	(11)	(1)
New capital investment	(13)	(30)	17	(17)	4
Total capital expenditure	**(25)**	**(53)**	**28**	**(28)**	**3**

Passenger income is £4m below budget, mainly due to passenger journeys on London Overground and DLR being lower than planned.

Other income is £5m above budget owing to London Overground receiving contractual payments from Bombardier for delayed delivery of trains.

Direct operating costs are £18m below budget due to lower performance payments to the London Overground operator, compensation from Network Rail for performance and possessions, and traction electricity savings.

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

Passenger journeys analysis

	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
London Overground					
Number of passenger journeys (millions)	85.8	87.0	(1.2)	87.9	(2.1)
Average yield per passenger journey (£)	1.22	1.22	-	1.16	0.06
Operating cost per journey (£)	(1.47)	(1.59)	0.12	(1.31)	(0.16)
DLR					
Number of passenger journeys (millions)	55.6	56.5	(1.0)	56.0	(0.4)
Average yield per passenger journey (£)	1.41	1.43	(0.01)	1.40	0.01
Operating cost per journey (£)	(1.00)	(1.08)	0.08	(1.11)	0.11
London Trams					
Number of passenger journeys (millions)	13.2	13.5	(0.3)	13.3	(0.1)
Average yield per passenger journey (£)	0.83	0.82	0.01	0.85	(0.02)
Operating cost per journey (£)	(1.21)	(1.18)	(0.03)	(1.16)	(0.05)

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

Q2 YTD 2018/19 1.1% ▼

Q2 YTD 2016/17 0.1% ▼

Q2 YTD 2017/18 2.8% ▲

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.

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)	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Passenger income	28	15	13	28	-
Other operating income	59	60	(1)	51	8
Total operating income	**87**	**75**	**12**	**79**	**8**
Operating cost	(115)	(107)	(8)	(91)	(24)
Direct operating deficit	**(28)**	**(32)**	**4**	**(12)**	**(16)**
Indirect operating cost	(18)	(20)	2	(19)	1
Net operating deficit	**(46)**	**(52)**	**6**	**(31)**	**(15)**
Capital renewals	(21)	(34)	13	(26)	5
New capital investment	(38)	(76)	38	(21)	(17)
Total capital expenditure	**(59)**	**(110)**	**51**	**(47)**	**(12)**

Passenger income variance is mostly due to the accounting treatment for Oyster deposits.

Capital renewals underspend is driven by in-year phasing in the cycle hire payment system, the renewal of bicycles and the deferral of spend into next year on infrastructure projects for Victoria Coach Station.

New capital investment is under budget following the re-profiling of the Emergency Services Network project whilst discussions continue with the Home Office to agree scope and timings.

Volume analysis

	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Santander Cycles					
Number of hires (millions)	6.0	5.8	0.2	5.6	0.4
Average income per hire (£)	1.24	1.26	(0.01)	1.28	(0.04)
Operating cost per hire (£)	(2.08)	(2.24)	0.16	(2.15)	0.07
Victoria Coach Station					
Number of coach departures (thousands)	106.0	113.5	(7.5)	113.5	(7.5)
Average income per departure (£)	36.26	38.64	(2.38)	36.79	(0.53)
Operating cost per departure (£)	(34.84)	(34.57)	(0.27)	(33.04)	(1.80)
London River Services					
Number of passenger journeys (millions)	6.1	6.0	0.1	5.9	0.2
Average income per journey (£)	0.23	0.29	(0.06)	0.28	(0.05)
Operating cost per journey (£)	(1.39)	(1.00)	(0.39)	(1.08)	(0.31)
London Dial-a-Ride					
Number of passenger journeys (thousands)	470.5	466.0	4.5	488.0	(17.5)
Operating cost per trip (£)	(46.64)	(48.75)	2.11	(48.79)	2.15
Taxi and Private Hire					
Number of private hire vehicle drivers	109,192	-	-	116,454	(7,262)
Taxi drivers	23,501	-	-	24,160	(659)
Total income (£m)	16.5	18.6	(2.1)	(11.90)	4.6
Total costs (£m)*	(15.6)	(16.2)	0.6	(11.60)	(4.0)
Emirates Air Line					
Number of passenger journeys (thousands)	742.7	900.8	(158.1)	813.0	(70.3)
Average yield per passenger journey (£)	4.48	4.94	(0.46)	4.18	0.30
Operating cost per journey (£)	(3.10)	(3.25)	0.16	(3.39)	0.29

* Operating costs exclude depreciation and the management fee, which are also charged to the licence fee

Commercial Development

Media, telecoms, property development and commercial property

Financial summary

Net operating surplus is higher due to underspending in facilities and accommodation projects.

Commercial Development (£m)	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Passenger income	-	-	-	-	-
Other operating income	115	114	1	106	9
Total operating income	**115**	**114**	**1**	**106**	**9**
Operating cost	(67)	(80)	13	(63)	(4)
Direct operating surplus	**48**	**34**	**14**	**43**	**5**
Indirect operating cost	(6)	(7)	1	(6)	-
Net operating surplus	**42**	**27**	**15**	**37**	**5**
New capital investment	(36)	(78)	42	(19)	(17)
Property receipts	1	16	(15)	16	(15)
Crossrail over site development	19	101	(82)	-	19
Net capital account	**(16)**	**39**	**(55)**	**(3)**	**(13)**

Operating income year on year shows a £9m increase as a result of higher rents and the sub-let of head office buildings.

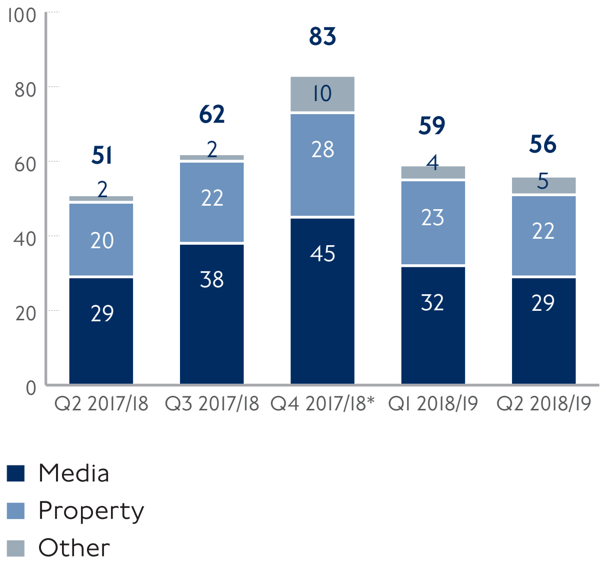
Operating expenditure is lower than budget due to office maintenance and projects being re-profiled, and unbudgeted rates refunds. Year-on-year spend is higher due to property costs, including rates.

New capital investment is significantly lower than budget mainly due to digital media roll-out along with a slower start on property investments, Crossrail over site development and phasing of works at 55 Broadway.

Capital receipts are lower due mainly to re-profiled disposals of Paddington and Hanover Square Crossrail sites, but these are expected to be delivered before the end of the year.

Media, property and other income (£m)

Quarterly



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

Advertising on the rail and bus shelters is in line with Q2 last year.

Property income has increased year-on-year, benefiting from favourable rent reviews and turnover rents.

Other income has increased year on year due to the sub-let of head office buildings.

Media

Working with Visa, we welcomed home Gareth Southgate and his team after the semi-final of the 2018 Russia FIFA World Cup. Signage on the platforms, in the ticket hall and outside the Piccadilly line station were renamed Gareth Southgate for 48 hours.

Making better use of our assets

Construction is expected to start later this year following the signing of a development agreement that will deliver office and retail space above Farringdon station's new Elizabeth line platforms.

Delivering homes on our land

At Blackhorse Road in Waltham Forest, we have submitted a planning application that will deliver 350 homes, 50 per cent of which will be affordable. The car park will be transformed to include 1,700sqm of new commercial space, and there will be improved pedestrian and cycling routes. We also released three car parks to market in the London Borough of Harrow, which will create 400 new affordable homes.

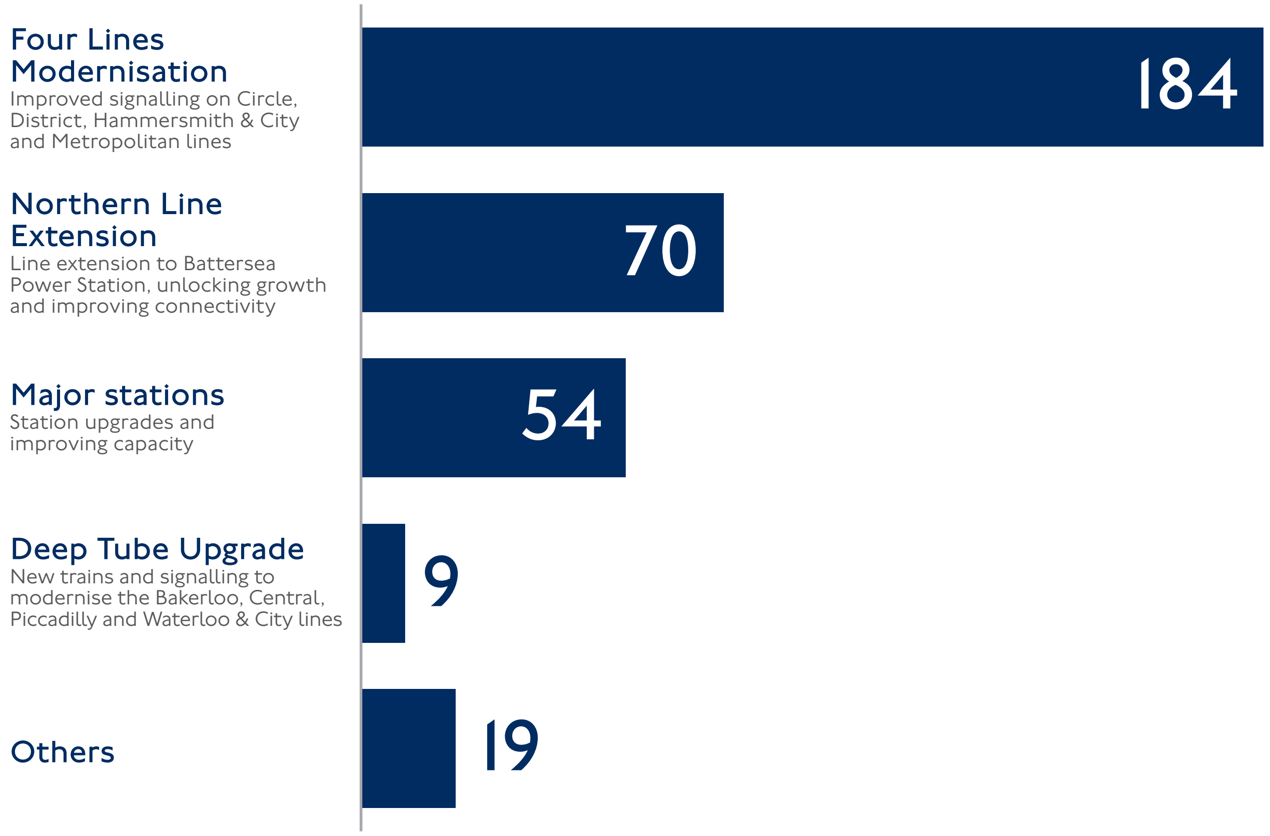
Major Projects

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)	Q2 YTD 2018/19	Budget YTD 2018/19	Variance	Q2 YTD 2017/18	Variance
Passenger income	-	-	-	-	-
Other operating income	-	-	-	-	-
Total operating income	**-**	**-**	**-**	**-**	**-**
Operating cost	(10)	(5)	(5)	(3)	(7)
Direct operating deficit	**(10)**	**(5)**	**(5)**	**(3)**	**(7)**
Indirect operating cost	(17)	(18)	1	(17)	-
Net operating deficit	**(27)**	**(23)**	**(4)**	**(20)**	**(7)**
Capital renewals	(11)	(16)	5	(8)	(3)
New capital investment	(325)	(324)	(1)	(319)	(6)
Total capital expenditure	**(336)**	**(340)**	**4**	**(327)**	**(9)**

Year-to-date capital spend by programme (£m)



Four Lines Modernisation

The new automatic train control signalling system will control train movements, allowing more frequent and reliable services. Train services will be using the new signalling system, between Hammersmith and Latimer Road, with go-live planned for November 2018.

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).

Northern Line Extension

Construction of the four new cross passages at Kennington station was completed to programme during the 16-week platform closure. Heavy civils construction works at Nine Elms station and platform works at Battersea station have been completed, including track installation in the tunnels between the two new stations.

Silvertown Tunnel

Negotiations continue with the Boroughs following the approval by the Secretary of State on 10 May of a Development Consent Order for the project. Preferred bidder selection is planned for May 2019.

Barking Riverside Extension

Contract tender returns have been evaluated and Best and Final Offer documentation has been issued to the tenderers.

Major stations

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

Appendices

TfL Group balance sheet

Balance sheet (£m)	15 Sept 2018	Q2 Budget	Variance	31 March 2018	Variance
Intangible assets	97	122	(25)	118	(21)
Property, plant and equipment	40,439	40,224	215	39,274	1,165
Investment property	537	537	-	537	-
Investment in associate entities	295	325	(30)	319	(24)
Long-term derivatives	15	12	3	12	3
Long-term finance lease receivables	26	42	(16)	17	9
Long-term debtors	51	25	26	28	23
Non current assets	**41,460**	**41,287**	**173**	**40,305**	**1,155**
Stocks	64	64	-	64	-
Short-term debtors	500	502	(2)	561	(61)
Assets held for sale	83	83	-	83	-
Short-term derivatives	5	6	(1)	6	(1)
Short-term finance lease receivables	11	11	-	8	3
Cash and short-term investments	1,208	1,658	(450)	1,932	(724)
Current assets	**1,871**	**2,324**	**(453)**	**2,654**	**(783)**
Short-term creditors	(2,320)	(2,124)	(196)	(2,348)	28
Short-term derivatives	(4)	-	(4)	(2)	(2)
Short-term borrowings	(851)	(846)	(5)	(846)	(5)
Short-term finance lease liabilities	(72)	(64)	(8)	(70)	(2)
Short-term provisions	(349)	(235)	(114)	(334)	(15)
Current liabilities	**(3,596)**	**(3,269)**	**(327)**	**(3,600)**	**4**
Long-term creditors	(60)	(70)	10	(66)	6
Long-term borrowings	(9,900)	(10,426)	526	(9,570)	(330)
Long-term finance lease liabilities	(384)	(392)	8	(418)	34
Long-term derivatives	(42)	(52)	10	(52)	10
Long-term provisions	(89)	(76)	(13)	(84)	(5)
Pension provision	(4,705)	(4,707)	2	(4,707)	2
Long-term liabilities	**(15,180)**	**(15,723)**	**543**	**(14,897)**	**(283)**
Total net assets	**24,555**	**24,619**	**(64)**	**24,462**	**93**
Capital and reserves					
Usable reserves	1,243	1,316	(73)	1,790	(547)
Unusable reserves	23,312	23,303	9	22,672	640
Total capital employed	**24,555**	**24,619**	**(64)**	**24,462**	**93**

Headcount

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

	31 March 2018 Actual	YTD net (leavers)/joiners	End of Q2 Actual
Underground	18,851	(242)	18,609
Elizabeth line	238	20	258
Buses	578	(107)	471
Rail	285	(3)	282
Streets	1,518	(193)	1,325
Other operations	1,400	(17)	1,383
Professional services*	3,850	27	3,877
Commercial Development	298	5	303
Crossrail	651	(124)	527
Major Projects Directorate	786	(172)	614
Total	**28,455**	**(806)**	**27,649**

TfL has embarked on a major programme of change, becoming leaner through merging functions, reducing management layers, broadening roles and increasing spans of control. As a result, headcount levels are down by 806 in the year and there has been a high level of movement across directorates as new teams and reporting lines are formed.

* 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 145 during the year to date.

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.

			Reduction since December 2015	
Date	Number of NPL	Weekly cost (£)	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)
15 September 2018	1,277	1,820,578	(1,815)	(3,428,425)

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

NPL by length of service

Length of service	31 March 2018 Actual	YTD net (leavers)/joiners	End of Q2 Actual
0-6 months	280	51	331
6-12 months	355	(150)	205
1-2 years	259	60	319
2-3 years	237	21	258
3-5 years	174	(70)	104
5+ years	117	(57)	60
Total	**1,422**	**(145)**	**1,277**

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 as much as possible.

November 2018

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