Transport for London quarterly performance report

Quarter 2 2020/21
(28 June – 19 September 2020)

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 2020 was published in August 2020.

Introduction

Since the outbreak of the pandemic, we have put all our efforts into making sure we provide London with the vital transport services it needs so people are able to make essential journeys and, as restrictions eased, reconnect with their friends, families and the city. Throughout the second quarter, our focus has been on recovery and on restarting activities in a safe and phased way.

In July, the TfL Board approved our Revised Budget, which superseded the Emergency Budget set earlier in the year. While that was an interim position to minimise cash outflow as we negotiated on funding support with Government, the Revised Budget reflects the arrangement for the first half of the year. It also updated for other changes such as services resuming to near-normal levels much earlier than expected; the restart of projects including the focus on social distancing and strategic cycling schemes; actions to meet the conditions of the Government agreement; and updated assumptions on journey, travel and revenue trends.

Our Q2 results, covering the period 1 April to 19 September 2020, are measured against the Revised Budget and show we are performing well against it. The deficit on our day-to-day cost of operations, factoring in Government support, stands at £828m, which is around £180m better than expected. However, it is still £700m worse than last year.

That deficit is due to the devastating impact of the pandemic on our passenger income – journeys on the Tube at the end of Q2 were around 60 per cent lower than this time last year, and on buses, 40 per cent. From the lowest point in April and May, journey growth had shown an improving trend through late spring and summer. But this started to slow, and more recently has stalled, since the Government's advice in September to work from home. With national lockdown restrictions now in place, we expect to see the effects of this start to filter through.

On expenditure, we tightened cost control, used the Government's furlough scheme and made considerable savings to manage our financial position. This has helped both to keep operating costs on track with the Revised Budget and to manage additional costs as a result of the virus, such as those due to enhanced cleaning and personal protective equipment.

We also reprioritised our investment programme, which is contingent on Government funding, based on safety and business criticality, alignment to organisational, Mayoral and Government priorities, and affordability. Our capital spend is in line with the Revised Budget, but at 30 per cent lower than last year it reflects the earlier pausing of works. In the last quarter, we have ramped up spend on renewals, and new capital investment is continuing at a steady pace as projects restarted in recent months progress against challenging targets.

Since the end of Q2, we have secured funding from Government for the second half of 2020/21, forecast to be around £1.8bn.

As we go into Q3, we will continue to prioritise safety, keep costs under control, and ensure we meet the conditions set out by Government as part of the agreement.

The future is uncertain but keeping the network running is vital for both the recovery of London and the UK. Thank you to everyone at TfL and our contractors for the work you have done already and continue to do every day.

Simon Kilonback
Chief Finance Officer

Tony King
Group Finance Director

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
Currently operating 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 Emirates Air Line

Rail
DLR, London Overground and London Trams

Major projects
Responsible for our largest and most complex projects

Property development
Our commercial and residential estate and building portfolio

Media
Advertising estate and digital marketing infrastructure

Facts and figures

979 Trains on the TfL network

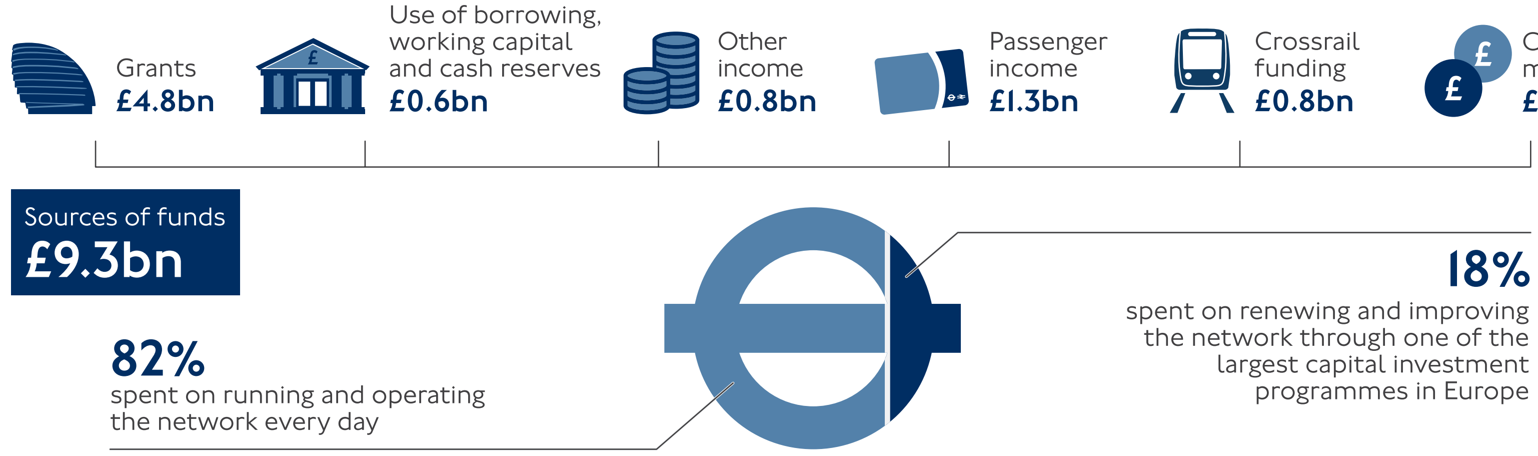
580km TfL-operated highways

755km TfL-operated Rail and London Underground routes

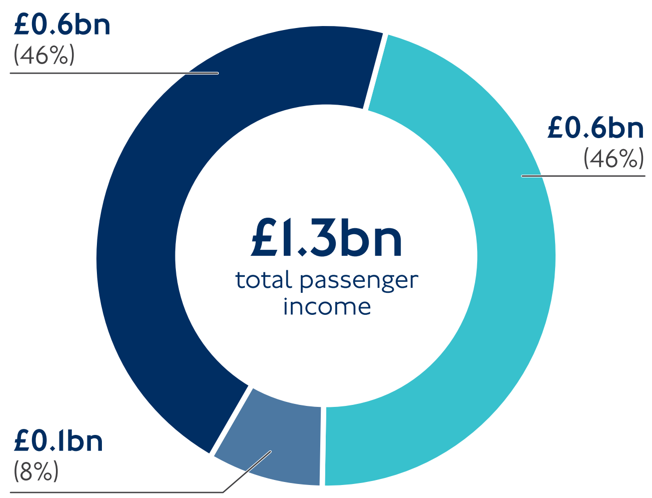
9,330 Buses on the TfL network

6,300 Traffic signals operated by TfL

2020/21 Revised Budget at a glance

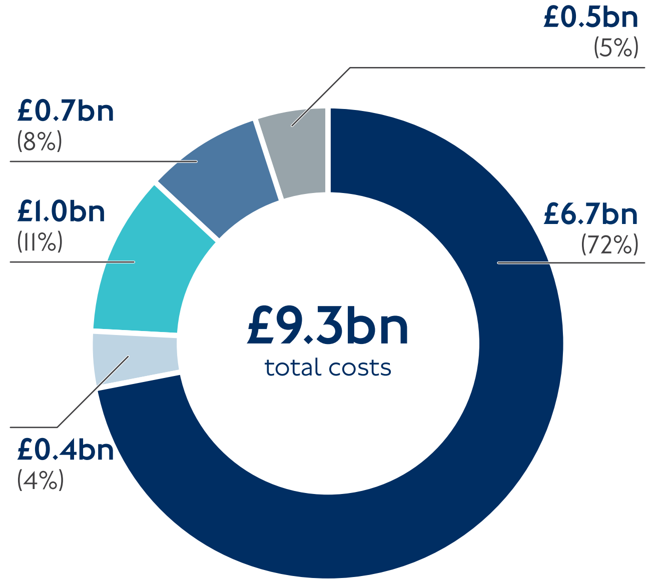


Total passenger income



London Underground
Rail
Buses

Total costs



Operating cost
Capital renewals
Crossrail
New capital investment
Net financing

Financial summary

Performance in the year to date

Operating account

TfL Group (£m)	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
Passenger income	672	589	83	2,220	(1,548)
Other operating income	311	292	19	453	(142)
Total operating income	**983**	**881**	**102**	**2,673**	**(1,690)**
Business Rates Retention	426	426	-	420	6
Furlough grant	56	40	16	-	56
Other revenue grants	9	6	3	39	(30)
Total income	**1,474**	**1,353**	**121**	**3,132**	**(1,658)**
Operating cost	(2,887)	(2,945)	58	(2,884)	(3)
Net operating (deficit)/surplus	**(1,413)**	**(1,592)**	**179**	**248**	**(1,661)**
Net financing costs	(212)	(212)	-	(205)	(7)
Net (cost)/surplus of operations before renewals	**(1,625)**	**(1,804)**	**179**	**43**	**(1,668)**
Capital renewals	(116)	(120)	4	(170)	54
Net cost of operations	**(1,741)**	**(1,924)**	**183**	**(127)**	**(1,614)**
Extraordinary grant	913	913	-	-	913
Net cost of operations after Extraordinary grant	**(828)**	**(1,011)**	**183**	**(127)**	**(701)**

Capital account

TfL Group (£m)	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
New capital investment	(310)	(324)	14	(466)	156
Crossrail	(342)	(319)	(23)	(488)	146
Total capital expenditure	**(652)**	**(643)**	**(9)**	**(954)**	**302**
Financed by:					
Investment grant	400	400	-	393	7
Property and asset receipts	6	10	(4)	141	(135)
Borrowing (TfL)	422	421	1	30	392
Borrowing (Crossrail)	299	336	(37)	-	299
Crossrail funding sources	67	69	(2)	443	(376)
Other capital grants	60	55	5	84	(24)
Total	**1,254**	**1,291**	**(37)**	**1,091**	**163**
Net capital account	**602**	**648**	**(46)**	**137**	**465**

Since the start of the coronavirus pandemic, we have seen a significant decline in income, with passenger income – 70 per cent of our total income to fund day-to-day operations – lower by around £80m per week in late March 2020.

On 15 May 2020, the Department for Transport agreed a support package of £1.6bn with TfL, covering the first half of this year, enabling the transport network to operate effectively and support the wider recovery of both London and the UK. Following this agreement, we produced an Emergency Budget, which was then updated with the Revised Budget in July 2020. The Revised Budget updated some of our Emergency Budget assumptions, with services returning to normal much earlier than previously assumed and the earlier restart of projects, as well as the focus on social distancing and strategic cycling schemes, and revised journey, travel and revenue assumptions.

In the year to date, the net cost of operations before Government support – our day-to-day deficit, including capital renewals to maintain assets in a good state of repair, as well as financing costs – was £1,741m, £1,614m worse than last year. The variance to last year is predominantly driven by lower income, with passenger income £1,548m down, and other operating income – including Congestion Charge, ULEZ, advertising and property revenue – £142m lower. Operating costs are in line with last year, despite having absorbed £106m of new coronavirus-related costs (including personal protective equipment, cleaning, and bus driver protective screens) and inflationary pressures.

Passenger journeys have seen growth in the quarter, but remain very low: total Q2 journeys were more than double those seen in Q1, but only 40 per cent of what they were in Q2 2019/20. At the end of Q2, LU journeys were 63 per cent down on last year, with buses 41 per cent lower. The outlook for this year remains uncertain: journey growth plateaued towards the end of the quarter, and we have seen trends reverse following the Government's advice to work from home if possible. London entered Tier 2 restrictions in October, and from 5 November, England is under further restrictions. We expect journeys to reduce.

On the capital account, new capital investment is £156m lower than the Q2 year to date last year, with non-safety-critical projects halted during the height of the pandemic. We have restarted most projects and spend is now beginning to ramp up.

Cash flow summary

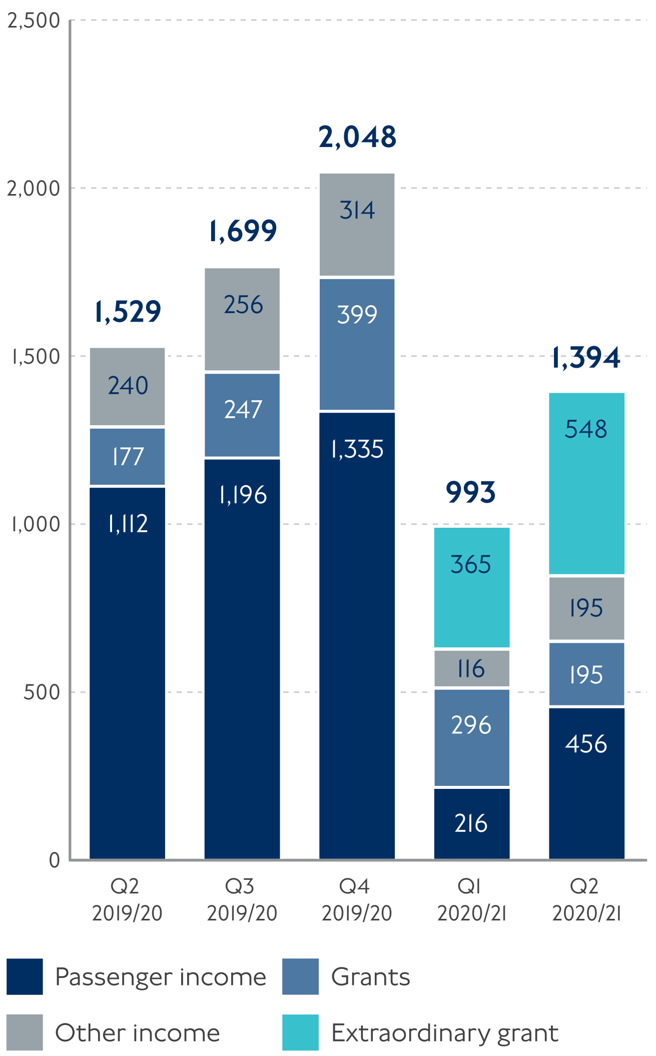
TfL Group (£m)	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
Net cost of operations	(828)	(1,011)	183	(127)	(701)
Net capital account	602	648	(46)	137	465
Working capital movements	(262)	(252)	(10)	(14)	(248)
Decrease in cash balances	**(488)**	**(615)**	**127**	**(4)**	**(484)**

Cash balances in the year to date are £127m higher than the Revised Budget. The favourable variance is largely owing to increased passenger income and improvements in underlying core costs, with upsides across most areas.

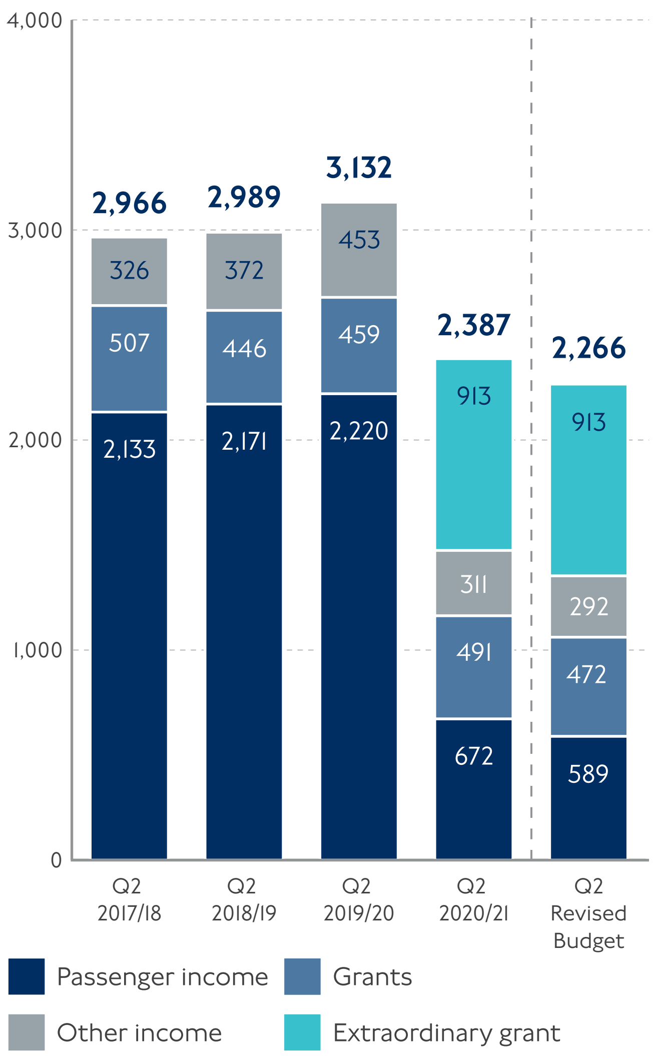
Working capital balances have decreased by £262m in the year to date, mainly owing to the impact of coronavirus. Creditors have reduced by £102m, reflecting the drop in capital expenditure and lower receipts in advance from ticket sales. Short-term debtors have increased by £91m as we await income from the furlough scheme and the settlement of a supplier contract.

Financial trends

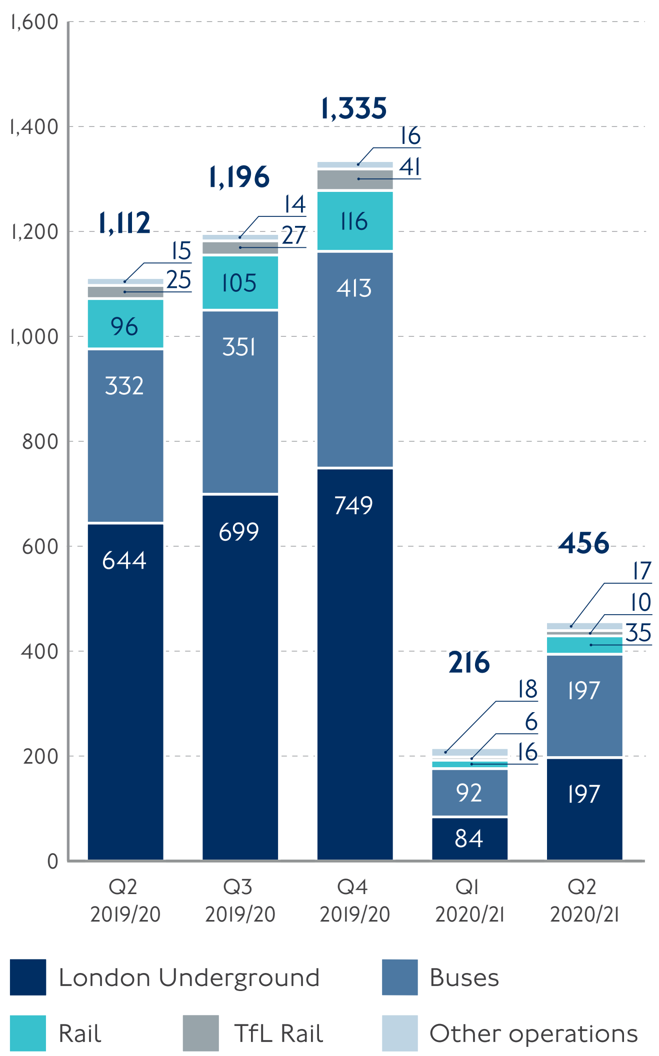
Total income
Quarterly (£m)*



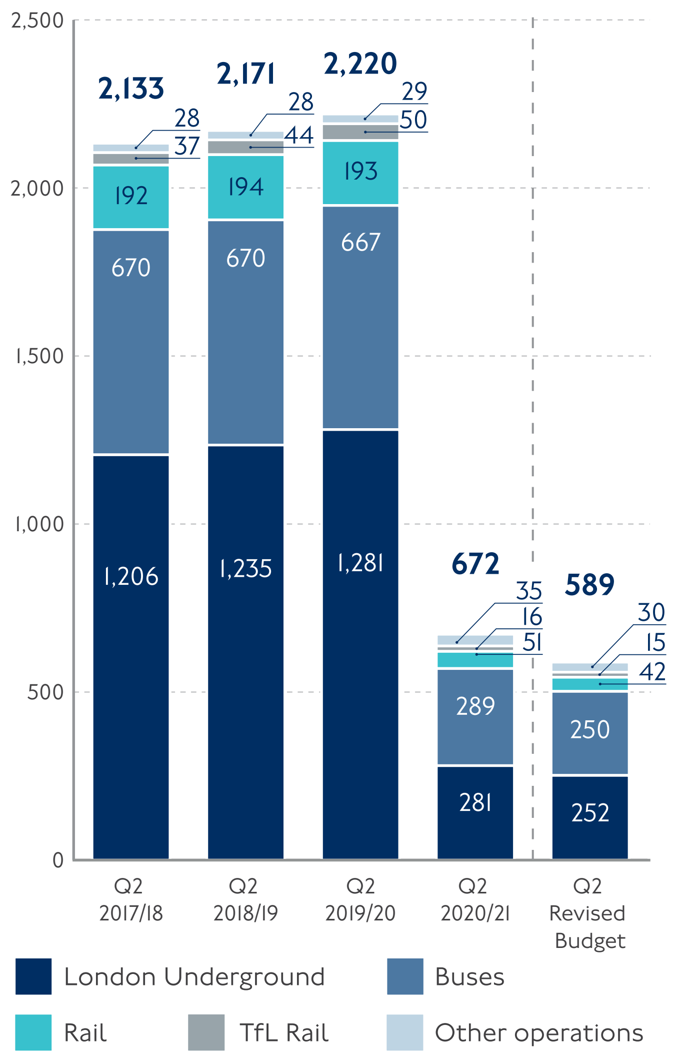
Year to date (£m)



Total passenger income
Quarterly (£m)*



Year to date (£m)



£121m above Revised Budget

24%▼ year on year

Total income is £121m higher than the Revised Budget, mainly due to the continued increase in passenger income (£83m). We have also benefited from the temporary introduction of extended charging hours and charge increase for the Congestion Charge.

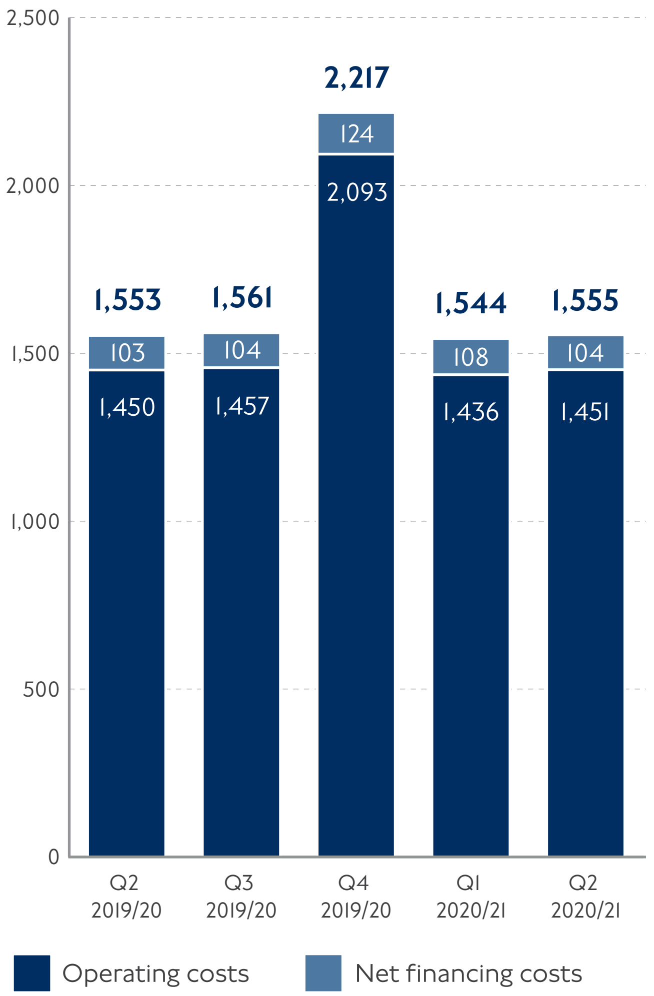
£83m above Revised Budget

70%▼ year on year

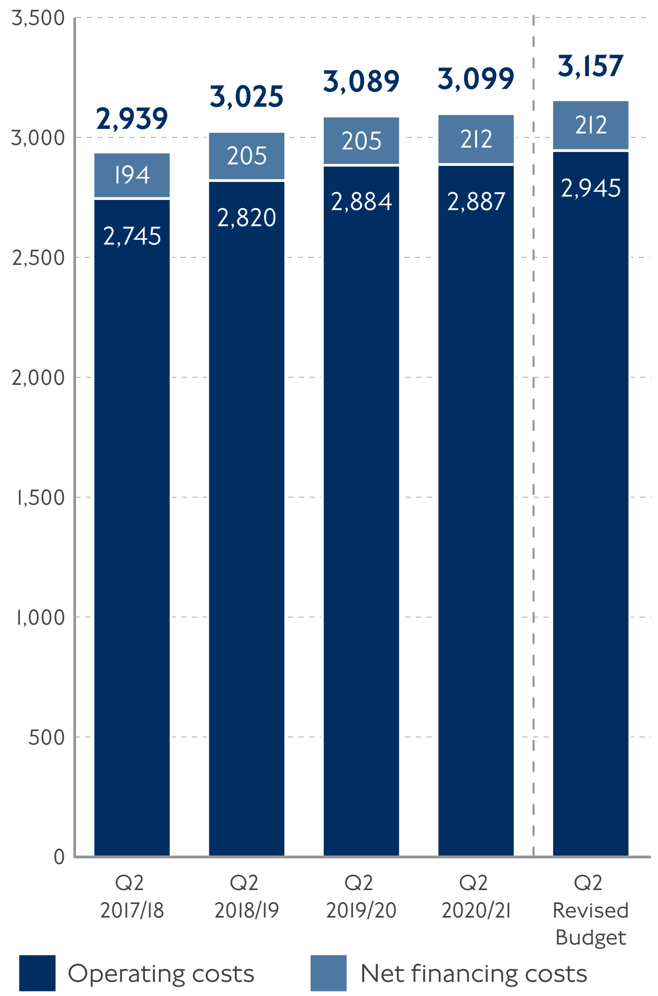
Passenger journeys and income remain significantly down on last year, with weekly income £45m lower compared to last year. There has been an improvement across all services, but journeys started to plateau in the last weeks of Q2 following the Government's advice that people should work from home if they can.

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

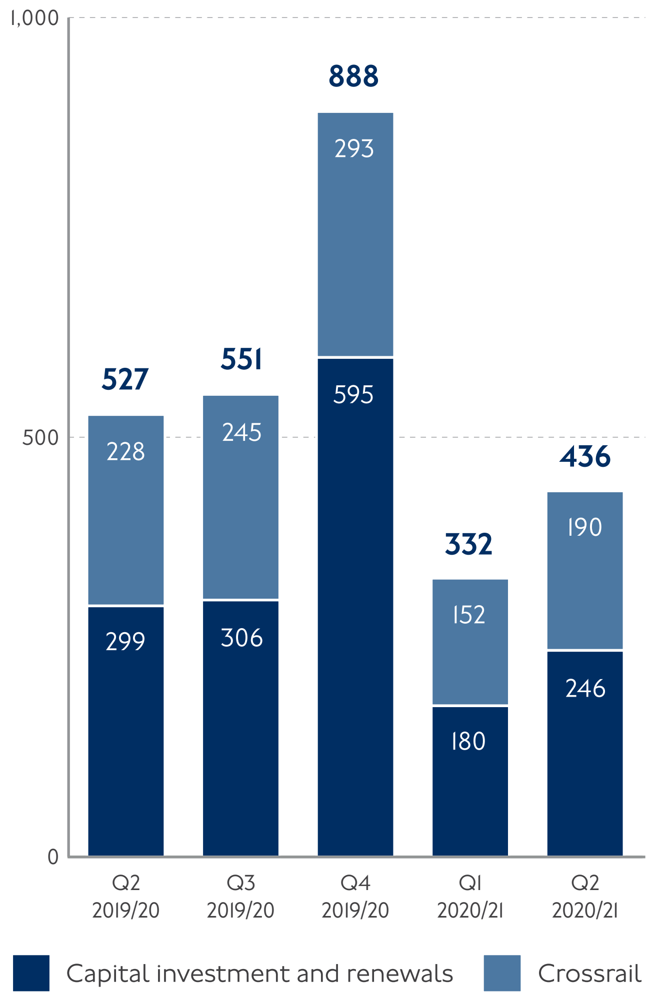
Total cost
Quarterly (£m)*



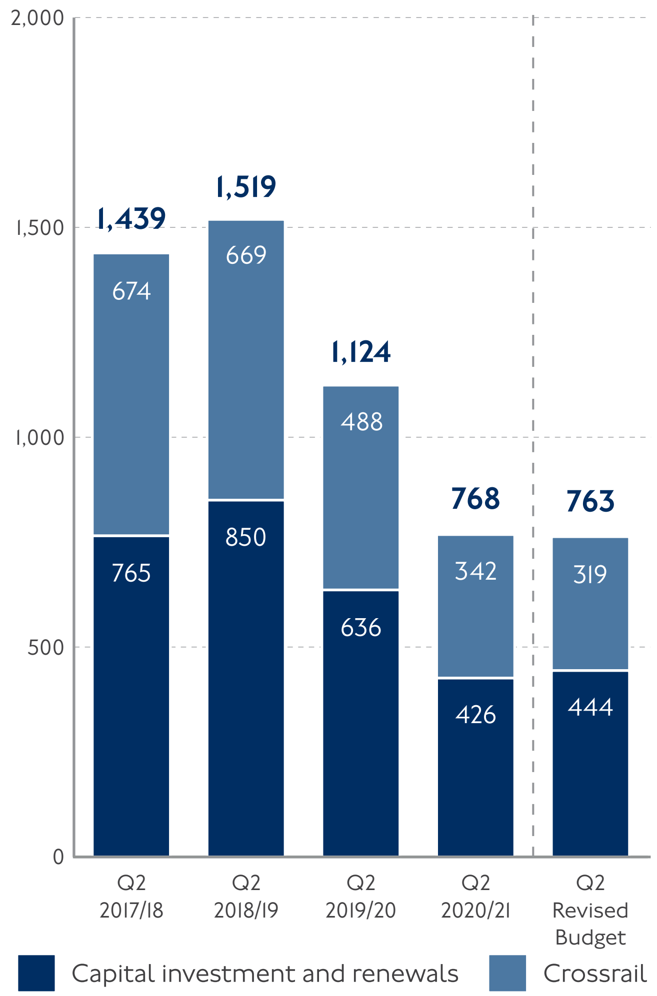
Year to date (£m)



Total capital expenditure (including Crossrail)
Quarterly (£m)*



Year to date (£m)



£58m below Revised Budget

0% year on year

Operating costs are £58m lower than the Revised Budget, driven by lower core costs – from an earlier-than-expected one-off supplier settlement and other savings – and lower investment costs.

£18m below Revised Budget

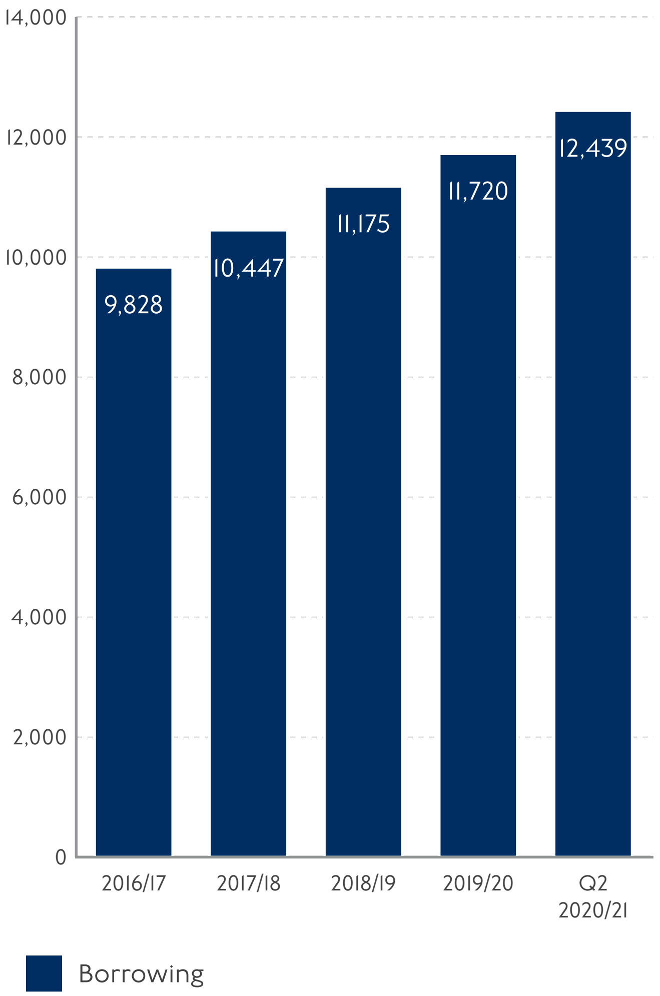
32%▼ year on year

Total capital expenditure is close to the Revised Budget, but significantly down on last year as we have paused some projects. We will be reviewing our capital programme based on affordability and our commitments as part of the new H2 funding deal with Government.

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

Debt and cash

Total nominal borrowing (£m)

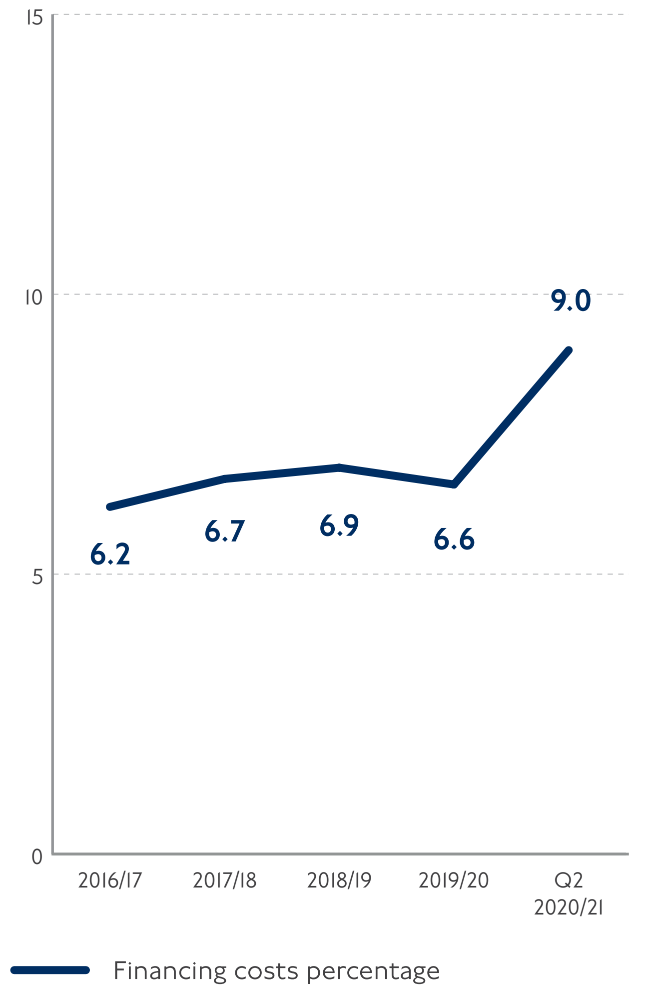


Borrowing update

At the end of Q2, our borrowing had increased by £719m in the year to date. Our Revised Budget assumes that our borrowing will increase by a total of £1,350m during 2020/21, consisting of £600m incremental borrowing and £750m borrowing for the Crossrail project. This is in line with the maximum amount that could be borrowed under the extraordinary funding and financing package agreed with Government on 14 May 2020.

During Q2, we borrowed from the Public Works Loan Board as agreed under the extraordinary funding and financing package, and continued to draw down on our Crossrail-related loan facility with the Department for Transport. The total nominal value of borrowing outstanding at the end of Q2 was £12,439m.

Financing costs (% of total income)*



The ratio of financing costs to total income, including operating grants, helps us to monitor the affordability of our debt. The impact of the coronavirus pandemic has significantly reduced our income, resulting in a higher ratio of financing costs to total income for Q2 compared to previous years.

Financing costs and income (£m)

Year to date	Q2 2020/21	Q2 Revised Budget	Variance
Interest income	3	2	1
Financing costs	(215)	(214)	(1)

Credit ratings

We are rated by the three leading international credit rating agencies. There were no changes to our credit ratings during Q2. However, following Q2, Moody's downgraded our long-term credit rating from Aa3 to A1 and assigned a negative outlook on 21 October 2020, concluding the rating under review for downgrade initiated by Moody's on 2 June 2020.

Long-term credit ratings as at 21 October 2020

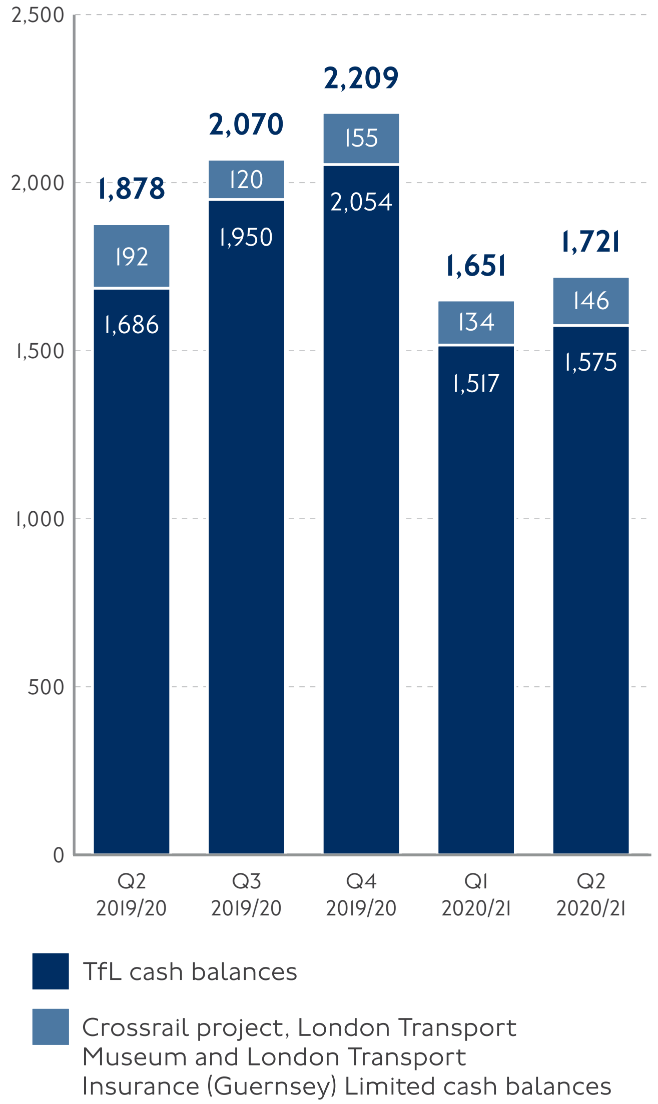
Moody's	A1 negative outlook
Standard & Poor's	A+ negative outlook
Fitch Ratings	A+ stable outlook

Financing costs during the period covered by the above graph are as follows (in £m):

Q2 2020/21	(215)
2019/20	(456)
2018/19	(467)
2017/18	(437)
2016/17	(423)

* Financing costs include interest costs for borrowing, finance leases and other financing liabilities

Cash balances (£m)



£488m 22%▼

decrease in cash over the year to date

Cash balances at the end of Q2 were £1,721m, a decrease of £488m since the end of 2019/20, driven by the impact of the coronavirus pandemic. Of the total cash balance, £146m is held for the Crossrail project, London Transport Museum and London Transport Insurance (Guernsey) Limited. Our cash position reflects £1,335m of funding and financing from Government as part of the H1 agreement. Without this support we are losing, on average, £300m of cash per period (a period lasts four weeks).

Our liquidity policy requires us to maintain cash reserves equivalent to at least 60 days' worth of forecast annual operating expenditure (currently around £1.2bn). During Q2, our cash reserves remained above this minimum level. The extraordinary funding and financing package agreed with the Government in May 2020 also assumes we will retain usable cash reserves (that is, cash and liquid investments held by the TfL Group (excluding ring-fenced subsidiaries Crossrail Limited, London Transport Insurance (Guernsey) Limited and London Transport Museum Limited)) of £1.2bn.

Passenger journeys

Q2 year to date: 2020/21

509m total journeys

423m Revised Budget

1,796m prior year

London Underground

113m 13.8%▲ Revised Budget 82.0%▼ prior year

London Buses

347m 20.1%▲ Revised Budget 64.9%▼ prior year

DLR

16m 38.0%▲ Revised Budget 71.9%▼ prior year

London Overground

20m 34.1%▲ Revised Budget 75.7%▼ prior year

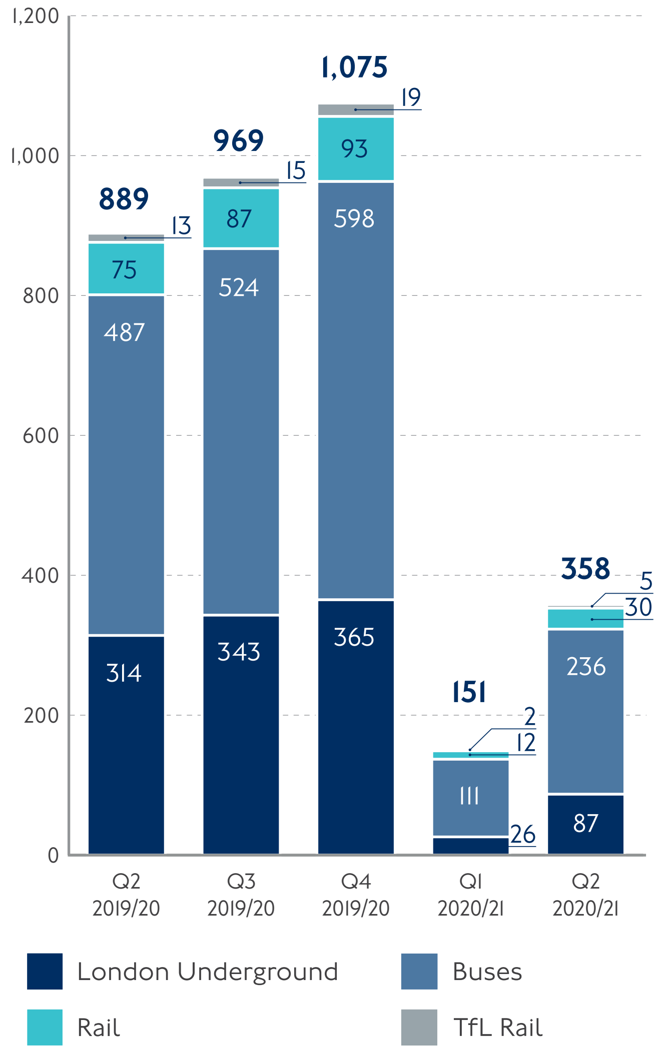
London Trams

5m 77.3%▲ Revised Budget 55.5%▼ prior year

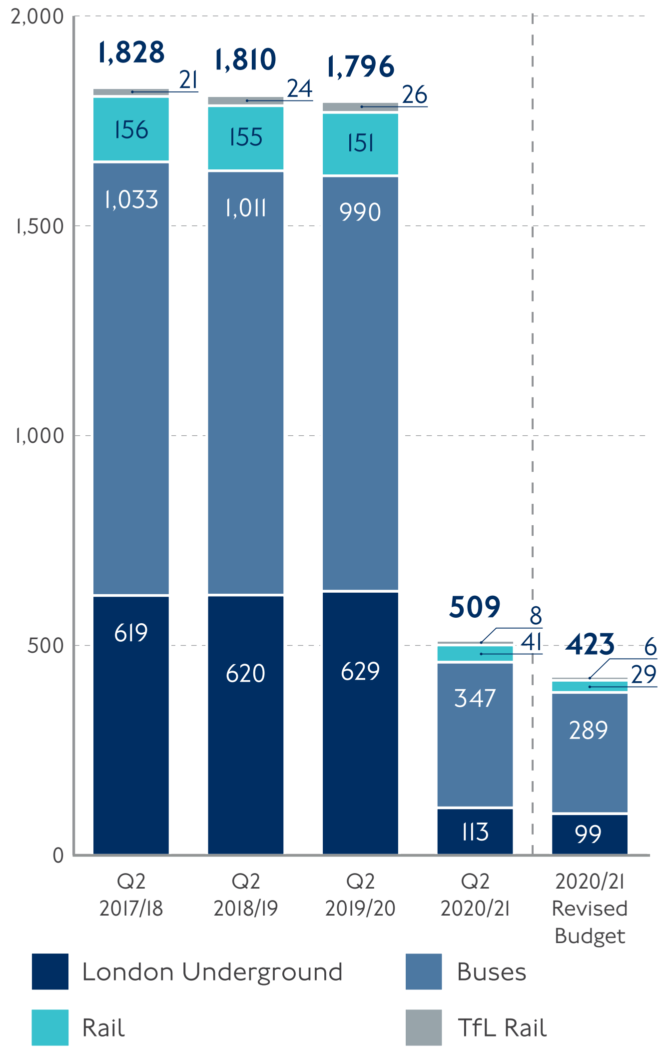
TfL Rail

8m 30.5%▲ Revised Budget 68.3%▼ prior year

Quarterly (millions)*



Year to date (millions)



There has been a continued improvement in journey growth, particularly in terms of Tube journeys from London suburban areas. City of London Tube journeys remain low, at slightly more than 20 per cent of pre-pandemic levels, however. Total Tube journeys in the year to date are 82 per cent lower than last year and bus journeys are 65 per cent lower than last year.

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

Underground

Financial summary

Passenger demand is recovering faster than expected on London Underground.

London Underground (£m)	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
Passenger income	281	252	29	1,281	(1,000)
Other operating income	7	10	(3)	19	(12)
Total operating income	**288**	**262**	**26**	**1,300**	**(1,012)**
Government furlough grant	36	23	13	-	36
Total income	**324**	**285**	**39**	**1,300**	**(976)**
Direct operating cost	(932)	(976)	44	(921)	(11)
Direct (deficit)/surplus	**(608)**	**(691)**	**83**	**379**	**(987)**
Indirect operating cost	(106)	(120)	14	(131)	25
Net operating (deficit)/surplus before financing and capital renewals	**(714)**	**(811)**	**97**	**248**	**(962)**
Net financing costs	(135)	(135)	-	(130)	(5)
Capital renewals	(65)	(64)	(1)	(119)	54
Net cost of operations	**(914)**	**(1,010)**	**96**	**(1)**	**(913)**
New capital investment	(12)	(14)	2	(23)	11

Passenger income is £29m higher than the Revised Budget due to demand recovering faster than expected, but is £1bn lower than last year. Income has been further increased by £13m due to the continued and more extensive use of the Government's furlough scheme.

Direct operating costs are £44m lower than the Revised Budget, primarily owing to an earlier-than-expected one-off supplier settlement. In addition, there has been a reduction in consultancy and customer experience spend, together with the favourable timing of both project spend and coronavirus-related costs.

Capital expenditure is broadly in line with the Revised Budget.

Passenger journeys analysis

	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
Number of passenger journeys (millions)	113	99	14	629	(516)

Passenger journeys

Year-to-date passenger journeys are 14 million higher than the Revised Budget, with the easing of Government restrictions earlier than expected. The impact of coronavirus has meant that year-to-date journey numbers are 516 million down on last year.

At the end of Q2, passenger journeys were 63 per cent lower than last year.

Passenger journeys year-on-year change at end of Q2 (%)

Elizabeth line

Financial summary

The focus is on successfully introducing Elizabeth line services.

Elizabeth line (£m)	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
Passenger income	16	15	1	50	(34)
Other operating income	3	5	(2)	5	(2)
Total operating income	**19**	**20**	**(1)**	**55**	**(36)**
Government furlough grant	1	1	-	-	1
Total income	**20**	**21**	**(1)**	**55**	**(35)**
Direct operating cost	(143)	(146)	3	(155)	12
Direct operating deficit	**(123)**	**(125)**	**2**	**(100)**	**(23)**
Indirect operating cost	(3)	(6)	3	(3)	-
Net operating deficit before financing	**(126)**	**(131)**	**5**	**(103)**	**(23)**
Net financing costs	(42)	(42)		(41)	(1)
Net cost of operations	**(168)**	**(173)**	**5**	**(144)**	**(24)**
New capital investment	(13)	(13)	-	(9)	(4)
Crossrail construction costs	(342)	(319)	(23)	(488)	146
Total capital expenditure	**(355)**	**(332)**	**(23)**	**(497)**	**142**

Total operating income is below the Revised Budget owing to the timing of third-party funding, which is offset by increased passenger income.

Direct operating costs are £3m lower than the Revised Budget owing to savings in maintenance, the rolling stock lease and staff costs.

Crossrail has increased efforts to complete the outstanding construction and assurance activities for trial running. This was supported by a six-week construction blockade, which came to an end on 17 September. The construction blockade was very successful, with a high level of productivity achieved and a major programme of works delivered across the central section routeway by the supply chain. The blockade helped to recover significant time lost due to the temporary pause in construction works as a result of coronavirus earlier this year.

Passenger journeys analysis

	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
Number of passenger journeys (millions)	8.3	6.3	2.0	26.1	(17.8)

Passenger journeys

Year-to-date passenger journeys are two million higher than the Revised Budget as a result of the Government restrictions being eased sooner than expected. There was a 17.8 million decrease on last year in the year to date due to the impact of coronavirus.

At the end of Q2, passenger journeys were 50 per cent lower than last year.

Passenger journeys year-on-year change at end of Q2 (%)

Q2 2020/21

50%▼

Buses, streets and other operations

Financial summary

Increases in the scope and level of the Congestion Charge have resulted in higher income.

Buses, streets and other operations (£m)	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
Passenger income	289	250	39	670	(381)
Other operating income	211	188	23	254	(43)
Total operating income	**500**	**438**	**62**	**924**	**(424)**
Government furlough grant	9	7	2	-	9
Total income	**509**	**445**	**64**	**924**	**(415)**
Direct operating cost	(1,257)	(1,242)	(15)	(1,251)	(6)
Direct operating deficit	**(748)**	**(797)**	**49**	**(327)**	**(421)**
Indirect operating cost	(43)	(43)	-	(43)	-
Net operating deficit before financing and capital renewals	**(791)**	**(840)**	**49**	**(370)**	**(421)**
Net financing costs	(20)	(20)	-	(19)	(1)
Capital renewals	(31)	(34)	3	(15)	(16)
Net cost of operations	**(842)**	**(894)**	**52**	**(404)**	**(438)**
New capital investment	(49)	(52)	3	(63)	14

Passenger income is £39m favourable to the Revised Budget, of which £37m is owing to bus demand being at 59 per cent of the prior year compared to the forecast of 39 per cent.

The £23m increase in other operating income is mainly owing to Congestion Charging volumes being higher than forecast, where we have temporarily introduced weekend charging, and increased the cost to £15. Enforcement income is higher due to increased penalty charge notice volumes as vehicle owners adapt to the new hours and days.

Direct operating cost is £15m higher than the Revised Budget. This is primarily owing to higher service levels and performance payments to bus operators and costs associated with school bus service enhancement.

Capital expenditure is £6m lower than the Revised Budget. This is driven by reduced levels of reactive capital renewals on our roads, and the rescheduling of works later into the financial year.

Passenger journeys analysis

Buses	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
Number of passenger journeys (millions)	347	289	58	990	(643)

Passenger journeys

Total year-to-date passenger journeys are 58 million higher than the Revised Budget as demand is returning to the network faster than previously assumed. Passenger journeys are 65 per cent lower in the year to date than the previous year owing to the impact of coronavirus.

At the end of Q2, passenger journeys were 41 per cent lower than last year.

Passenger journeys year-on-year change at end of Q2 (%)

Q2 2020/21

41%▼

Volume analysis

	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
Congestion Charge volumes (thousands)	6,185	5,574	611	7,400	(1,215)
Congestion Charge and enforcement income (£m)	121.9	114.0	7.9	119.1	2.8
Traffic volumes - all London (index)	89.2	-	-	97.0	(7.8)
Cycling growth in CCZ (%)	-	-	-	10.1%	-

Cycling

The central London counts were cancelled due to the lockdown. We resumed the counts from July, so will continue to report them as usual next quarter.

This year, Santander Cycles has played an even more critical role by keeping London moving during the coronavirus pandemic. The number of cycle journeys made during Q2 was 5.9m, up from 5.6m in Q2 2019/20.

Traffic flow

London-wide flows are down by 8.1 per cent, a significant drop on last year, but represent a recovery from the previous quarter, which reported the lowest flows in five years. Flows in central London were at 50.4 per cent (34.9 per cent in Q1), inner London at 85.6 per cent (66.5 per cent in Q1), and outer London at 91.1 per cent (71.4 per cent in Q1).

Traffic flow (volume) year-on-year change

Q2 2020/21 — 8.1% ▼

Q2 2019/20 — 0.1% ▲

Q2 2018/19 — 1.1% ▲

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

Rail

Financial summary

Year-to-date passenger journeys are higher than assumed in the Revised Budget

Rail (£m)	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
Passenger income	51	42	9	193	(142)
Other operating income	2	2	-	14	(12)
Total operating income	**53**	**44**	**9**	**207**	**(154)**
Direct operating cost	(213)	(224)	11	(214)	1
Direct operating deficit	**(160)**	**(180)**	**20**	**(7)**	**(153)**
Indirect operating cost	(7)	(7)	-	(7)	-
Net operating deficit before financing and capital renewals	**(167)**	**(187)**	**20**	**(14)**	**(153)**
Net financing costs	(13)	(13)	-	(13)	-
Capital renewals	(14)	(14)	-	(18)	4
Net cost of operations	**(194)**	**(214)**	**20**	**(45)**	**(149)**
New capital investment	(7)	(10)	3	(21)	14

Passenger income is £9m higher than the Revised Budget owing to improved recovery of demand across the rail network.

Direct operating costs are £11m below the Revised Budget, owing to lease interest rebates and slower delivery of new London Overground trains. In addition, there have been savings on maintenance spend, and on DLR contracts.

New capital investment is £3m below the Revised Budget owing to the rescheduling of projects.

Passenger journeys analysis

	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
London Overground					
Number of passenger journeys (millions)	20.2	15.1	5.1	83.1	(62.9)
DLR					
Number of passenger journeys (millions)	15.6	11.3	4.3	55.4	(39.8)
London Trams					
Number of passenger journeys (millions)	5.5	3.1	2.4	12.3	(6.8)

Passenger journeys

At the end of Q2, passenger journeys across Rail were 53 per cent lower than last year.

Passenger journeys year-on-year change at end of Q2 (%)

Q2 2020/21

53%▼

Major projects

Financial summary
Major projects is responsible for our largest and most complex projects. It comprises line upgrades, network extensions and major stations.

Major projects (£m)	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
Other operating income	4	3	1	1	3
Government furlough grant	2	1	1	-	2
Total income	**6**	**4**	**2**	**1**	**5**
Direct operating cost	(30)	(30)	-	(5)	(25)
Direct operating deficit	**(24)**	**(26)**	**2**	**(4)**	**(20)**
Indirect operating cost	(12)	(11)	(1)	(14)	2
Net operating deficit before capital renewals	**(36)**	**(37)**	**1**	**(18)**	**(18)**
Capital renewals	(1)	(2)	1	(11)	10
Net cost of operations	**(37)**	**(39)**	**2**	**(29)**	**(8)**
New capital investment	**(197)**	**(201)**	**4**	**(288)**	**91**

After a period of Safe Stop of major projects, worksites have now safely restarted. We continue to assess the impacts of the site Safe Stop and new ways of working on our project delivery schedules and costs.

A series of deep dive reviews across our major projects took place in September 2020 to assess and address the impact of the coronavirus pandemic and future plans. These reviews have not only provided an update on the effect of the pandemic and related programme issues, but have also drawn on pre-pandemic matters relevant to our programmes. The output of the reviews will be reflected in the Q2 Investment Programme Report.

Four Lines Modernisation

Work progresses in support of ongoing reliability improvements, and re-planned software releases continue to help enable the next signalling migration area to go live. The coronavirus pandemic resulted in the suspension of District line operator training for the new Communication-Based Train Control system. While this is being restarted, the availability of qualified operators to support the service remains a risk. This may result in a further delay of the planned go-live date.

In response to the ongoing financial challenge, several measures have been implemented in the modernisation programme to minimise expenditure. These include staff furlough, as well as challenging the scope of the works, and rephasing as necessary.

Piccadilly line rolling stock

Feedback has been returned to Siemens to update the preliminary detailed designs of the new trains ahead of the final submission. In Q2, the One Person Operation CCTV design-and-build contract was awarded to AD Comms Panasonic after a competitive procurement process.

The year-to-date overspend reflects the re-alignment of the rolling stock schedule from Siemens.

Northern Line Extension

At Battersea, tiling in the ticket hall is ahead of programme, with 80 per cent now complete, and at Kennington, external brickwork cladding, ventilation, power and landscaping works continue. In response to social distancing requirements, additional welfare cabins have been delivered to Nine Elms.

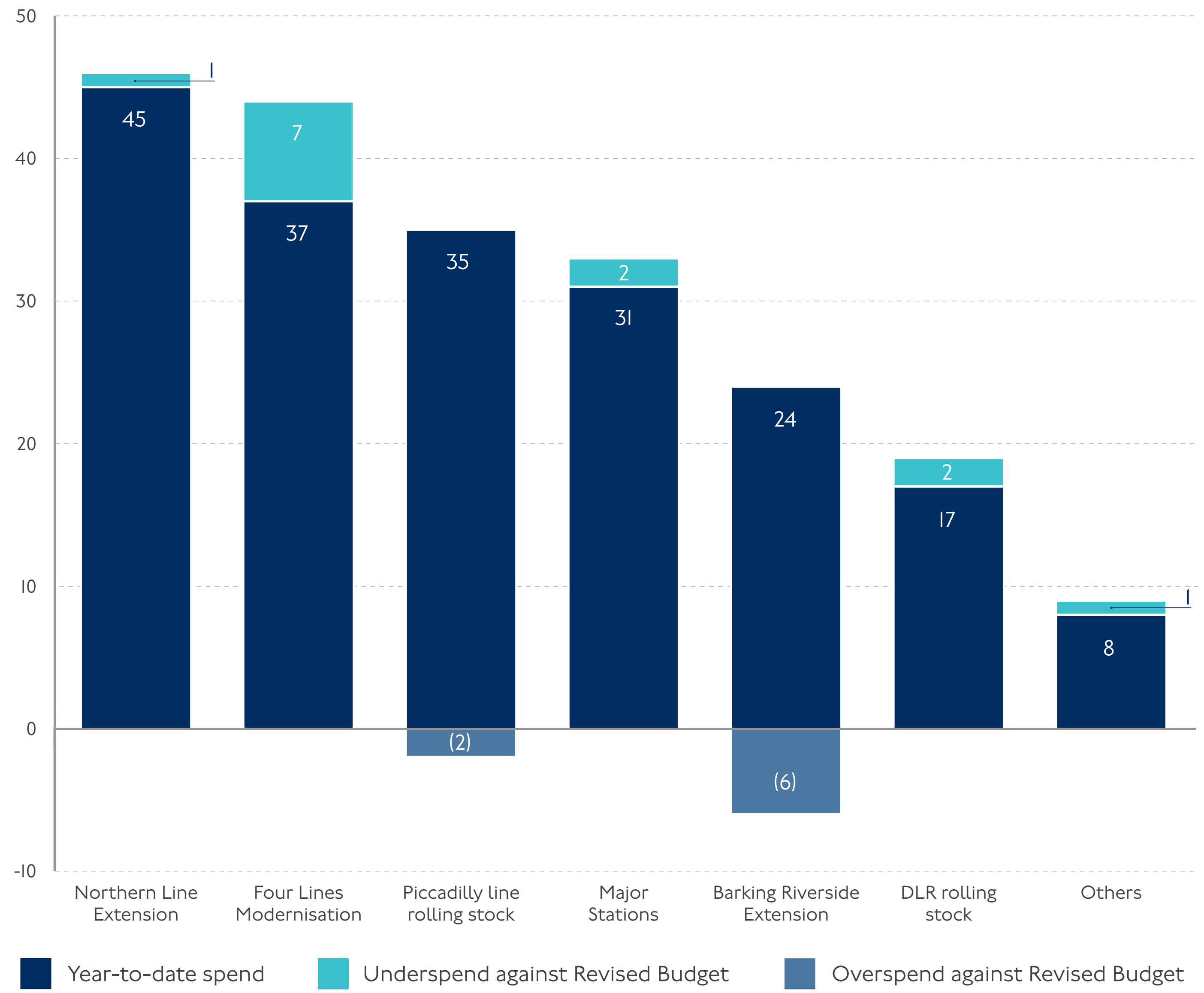
Barking Riverside Extension

Year-to-date overspend has been driven by increased productivity since remobilisation on 3 June. There has also been an increase in haulage and material requirements to support additional possessions this year. This quarter, the strategic milestone of Thames Water sludge main diversion at Pier 14 was achieved, while at Barking Riverside station the main steelwork is now complete, and platform canopy steelworks are in progress.

Major Stations

At Bank station, the off-site manufacture of escalators and dampers has continued. DLR tunnelling works have been completed on time.

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



Property development

Financial summary

Property development (£m)	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
Other operating income	17	12	5	45	(28)
Direct operating cost	(17)	(16)	(1)	(12)	(5)
Direct operating (deficit)/surplus	**-**	**(4)**	**4**	**33**	**(33)**
Indirect operating cost	(4)	(5)	1	(3)	(1)
Net (cost)/surplus of operations	**(4)**	**(9)**	**5**	**30**	**(34)**
New capital investment	(13)	(16)	3	(26)	13
Property receipts	5	-	5	141	(136)
Crossrail over-site development	1	10	(9)	-	1
Net capital expenditure	**(7)**	**(6)**	**(1)**	**115**	**(122)**

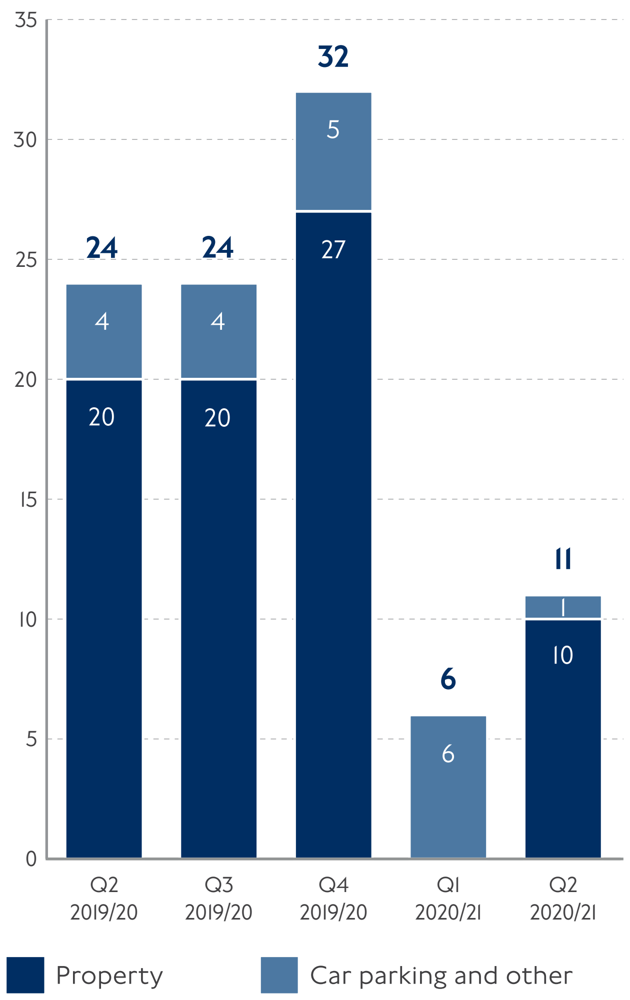
Other operating income is £5m higher than the Revised Budget. This is owing to lower than expected rent credits issued to tenants to support them through the coronavirus pandemic.

Overall direct operating costs are in line with the Revised Budget, owing to lower payroll costs being offset by an increase in our provision for bad debts.

The net property receipts and Crossrail over-site development income is £4m lower than the Revised Budget owing to the delayed disposal of the Crossrail site at Bloomfield Street, with £9m now expected later in the year. This is partially offset by the unbudgeted income of £5m for the Knightsbridge station development received this quarter.

New capital investment is £3m lower than the Revised Budget, owing to joint venture equity contributions at Earls Court being required later than budgeted for.

Property income (£m)
Quarterly*



In the last quarter, we launched sales of the first homes at Blackhorse Road alongside our partners Barratt London. It is the first of more than 50 sites we are transforming into thousands of new homes, shops, offices and public spaces.

One of our largest sites is at Earls Court, where we are making good progress with our partner Delancey. Together, we have appointed Hawkins Brown and Studio Egret West to create a new mixed-use master plan for the site, which will create a sustainable, community-focused and vibrant neighbourhood.

As part of the Mayor's 'Small Sites, Small Builders' programme, we have been granted planning consent for 18 homes on two different sites. We have also released a further five small sites, which collectively have the potential to deliver more than 80 new homes.

We remain focused on delivering the homes that London desperately needs, and despite the coronavirus pandemic continue to submit applications, and engage with communities across the Capital.

We have secured planning permission for a site in our Build to Rent partnership with Grainger plc. Known as Connected Living London, this proposal at Southall will provide 460 well-designed, quality homes for rent and help create a more welcoming area. Connected Living London submitted three more sites in the last quarter, providing 817 homes altogether, 40 per cent of which will be affordable.

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

Media

Financial summary

As passenger numbers increase, advertising income is starting to rise.

Media (£m)	Q2 2020/21	Q2 Revised Budget	Variance	Q2 2019/20	Variance
Other operating income	8	9	(1)	65	(57)
Direct operating cost	(1)	(1)	-	(2)	1
Direct operating surplus	**7**	**8**	**(1)**	**63**	**(56)**
Indirect operating cost	(1)	(1)	-	(1)	-
Net surplus of operations	**6**	**7**	**(1)**	**62**	**(56)**
New capital investment	7	4	3	(4)	11

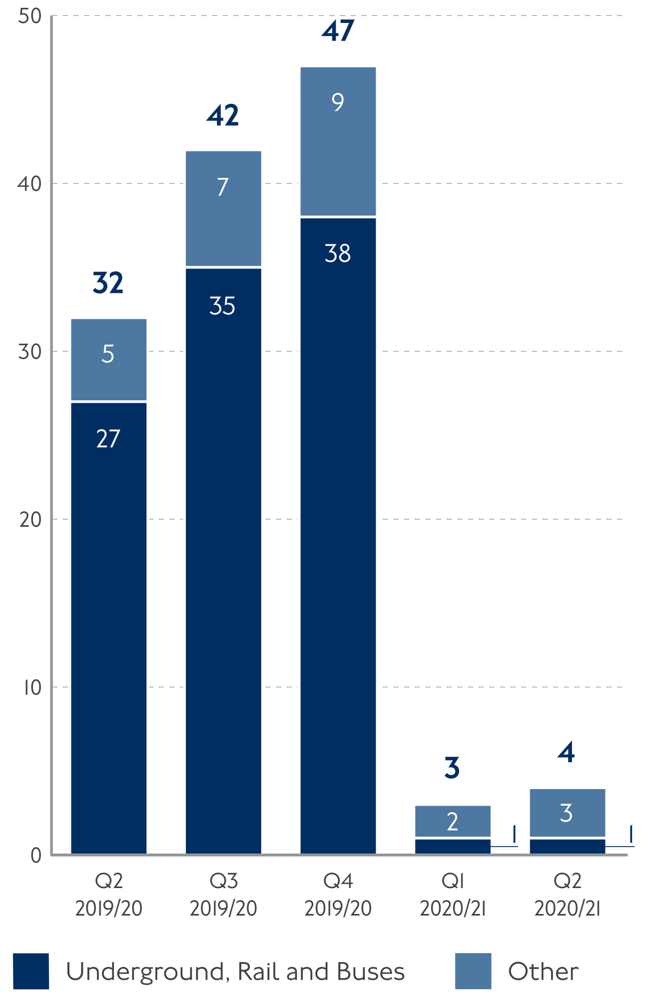
Operating income is lower than the Revised Budget, and around 90 per cent lower than last year. Revenue streams are dependent on passengers returning to the network and therefore remain uncertain. Income is expected to increase as audiences start to return to the network and our media partners adapt to the changing advertising environment.

Within new capital investment, there have been delays in expenditure on advertising assets at Crossrail stations due to limited access. This has resulted in a £3m underspend against Revised Budget.

With capital income relating to the Rail and Underground investment programme being in line with the Revised Budget, net income has increased to £7m. We are working to resolve Crossrail access issues, and expect to spend in line with Revised Budget levels by the end of the year.

Advertising income (£m)

Quarterly*



Media income in Q2 continues to be impacted by coronavirus as brands react to the economic uncertainty by cancelling advertising or reducing advertising spend. This, coupled with significantly reduced advertising audiences across the network, means that advertising income is down by approximately 90 per cent from the same quarter last year.

While we have started to see audiences return, leading to an upward trajectory in our advertising income, there remains a high degree of uncertainty around future income as lockdown measures start to be reintroduced. We will continue to work closely with our advertising partners to ensure that we are in a position to support the return of brands to our network and rebuild our revenue streams as soon as possible.

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

Appendices

TfL Group balance sheet

(£m)	19 September 2020	31 March 2020	Variance
Intangible assets	117	119	(2)
Property, plant and equipment	42,457	42,093	364
Right-of-use assets	2,348	2,310	38
Investment property	1,430	1,430	-
Equity accounted investment in associated undertakings	204	202	2
Long-term derivative financial instruments	-	1	(1)
Long-term finance lease receivables	37	37	-
Long-term debtors	103	97	6
Long-term assets	**46,696**	**46,289**	**412**
Inventories	67	59	8
Short-term debtors	604	513	91
Assets held for sale	113	113	-
Short-term derivative financial instruments	5	3	2
Short-term finance lease receivables	16	16	-
Cash and short-term investments	1,721	2,209	(488)
Current assets	**2,526**	**2,913**	**(387)**
Short-term creditors	(2,043)	(2,128)	85
Short-term borrowings and overdrafts	(882)	(937)	55
Short-term right-of-use lease liabilities	(318)	(299)	(19)
Short-term other finance lease liabilities	(20)	(19)	(1)
Short-term PFI lease liabilities	(10)	(14)	4
Other short-term financing liabilities	(4)	(4)	-
Short-term derivative financial instruments	(3)	(26)	23
Short-term provisions	(161)	(193)	32
Current liabilities	**(3,441)**	**(3,620)**	**179**

(£m)	19 September 2020	31 March 2020	Variance
Long-term creditors	(44)	(61)	17
Long-term borrowings	(11,528)	(10,752)	(776)
Long-term right-of-use lease liabilities	(1,960)	(1,888)	(72)
Long-term other finance lease liabilities	(202)	(211)	9
Long-term PFI lease liabilities	(107)	(112)	5
Other long-term financing liabilities	(134)	(132)	(2)
Long-term derivative financial instruments	(56)	(63)	7
Long-term deferred tax liabilities	(243)	(243)	-
Long-term provisions	(57)	(58)	1
Retirement benefit obligation	(4,098)	(4,101)	3
Long-term liabilities	**(18,429)**	**(17,621)**	**(808)**
Net assets	**27,352**	**27,961**	**(609)**
Reserves			
Usable reserves	(1,203)	(1,604)	401
Unusable reserves	(26,149)	(26,357)	208
Total reserves	**(27,352)**	**(27,961)**	**609**

Headcount

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

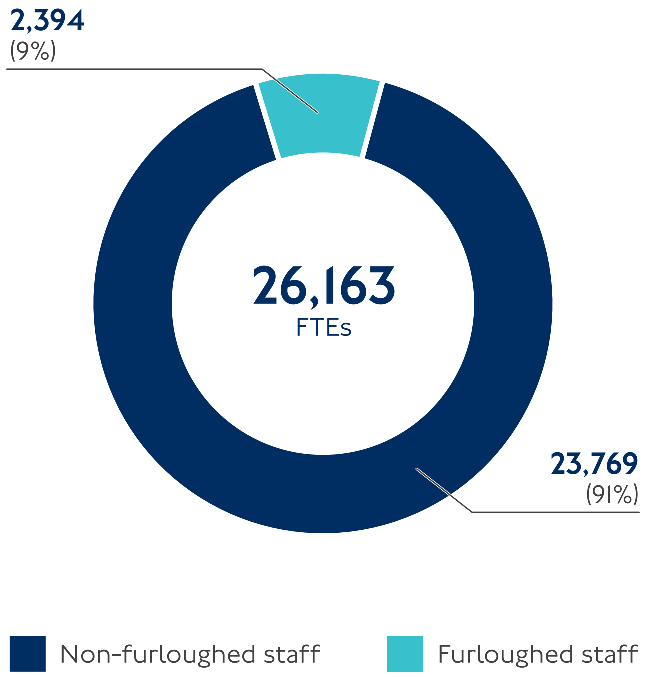
	31 March 2020 Actual	YTD net (leavers)/joiners	End of Q2 Actual
Underground	18,381	(292)	18,089
Elizabeth line	263	8	271
Buses, streets and other operations	2,664	(113)	2,551
Rail	271	3	274
Property development	198	0	198
Facilities & estates	152	(9)	143
Professional services*	4,267	(229)	4,038
Media	28	(2)	26
Major projects	674	(101)	573
TfL total	**26,898**	**(735)**	**26,163**
Crossrail	704	(51)	653
Total	**27,602**	**(786)**	**26,816**

At the start of the pandemic, we established a recruitment freeze for non-critical roles. This has resulted in staff reductions of 735 FTE this year, with almost 500 of these roles from agency and NPL staff. NPL and agency staff numbers are now 34 per cent lower than at the end of 2019/20.

We have continued to use the Government's Job Retention Scheme and furloughed 2,394 employees at end of Q2, down from a peak of around 7,000 at the start of the year.

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

TfL furloughed staff as a proportion of total FTEs, end Q2 2020/21



Non-permanent labour

It is important that we continue to make use of the flexibility offered by non-permanent labour (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 limit our ability to hire talent in areas where skills are scarce.

Reduction since December 2015

Date	Number of NPL	Weekly cost (£)	Reduction in number of NPL	Weekly saving (£)
15 December 2015	3,092	5,249,002		
31 March 2018	1,422	1,874,029	1,670	3,374,973
31 March 2019	1,192	1,688,494	1,900	3,560,508
31 March 2020	1,327	1,527,251	1,765	3,721,751
19 September 2020	871	1,223,352	2,221	4,025,650

The weekly cost assumes seven hours a day and five days a week worked.

NPL by length of service

Length of service	31 March 2020 Actual	YTD net (leavers)/ joiners	End of Q2 Actual
0-6 months	339	(263)	76
6-12 months	335	(123)	212
1-2 years	243	23	266
2-3 years	152	(65)	87
3-5 years	138	15	123
5+ years	120	(13)	107
Total	**1,327**	**(456)**	**871**

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

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' 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, TfL Rail, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the Emirates Air Line. The quality and accessibility of these services is fundamental to Londoners' quality of life. By improving and expanding public transport and making more stations step free, we can make people's lives easier and increase the appeal of sustainable travel over private car use.

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, the Ultra Low Emission Zone scheme and more environmentally friendly bus fleets are helping to tackle London's toxic air.

During the coronavirus pandemic we have taken a huge range of measures to ensure the safety of the public. This includes enhanced cleaning using hospital-grade cleaning substances that kill viruses and bacteria on contact, alongside regular cleaning of touch points, such as poles and doors, and introducing more than 1,000 hand sanitiser points across the public transport network.

Working with London's boroughs we have also introduced Streetspace for London, a temporary infrastructure programme providing wider pavements and cycle lanes so people can walk and cycle safely and maintain social distancing.

At the same time, we are constructing many of London's most significant infrastructure projects, using transport to unlock much needed economic growth. We are working with partners on major projects like the extension of the Northern line to Battersea, Barking Riverside and the Bank station upgrade.

Working with Government, we are in the final phases of completing the Elizabeth line which, when open, will add 10 per cent to central 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 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.

By working together, we can create a better city as London recovers from the pandemic and moves forward.

November 2020
tfl.gov.uk

PUB20_039