Transport for London quarterly performance report

Quarter 3 2020/21
(19 September – 12 December 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

The third quarter of the financial year is usually one where the darker, shorter days, are lit up by festive cheer. There's a buzz in the city and people are out having a good time, shopping for presents and seeing their friends and families. It was certainly different this time – a harder one for many as we played our part by staying at home and rethinking our journeys. Restrictions on travel became tighter over the period, with only small windows where things felt closer to 'normal'. Throughout the third quarter, our focus has been on keeping our services running and our operations safe, while responding to the changes in Government advice.

On 9 December 2020, our Board approved an updated TfL Budget, which our financial performance will be measured against for the remainder of 2020/21. This was our submission to the GLA Budget process and supersedes the Revised Budget approved in July. This Budget includes up to £1.8bn of funding and is in line with the Government financing agreement covering the six months from 31 October to 31 March 2021. It was updated for the latest assumptions on revenue and demand, and includes £160m of net savings we committed to making as part of the new agreement for the second half of the year.

Our Q3 results show we are on track against budget. The deficit on our day-to-day cost of operations, factoring in the Government support, stands at £1bn, which is around £30m better than expected. This is still £890m worse than last year driven by passenger demand reductions.

Passenger demand remains significantly lower than last year, with passenger income around £2.3bn, or 70 per cent, lower. At the end of the quarter, journeys on the Tube were 66 per cent down on last year and bus journeys 44 per cent lower. Journey levels have reduced further since the end of the quarter, following London entering Tier 4 and then a new national lock down from early January 2021, the outlook for the rest of the year remains uncertain. The financial risk on this is mitigated through our funding agreement with Government for the second half of the year, as we will receive revenue funding, to an agreed level, for income losses. We continue to keep our costs low through tight cost controls, non-critical role recruitment freeze, deferral of non-safety or priority critical renewals work and investment, and progressing our long-term savings programme. This includes London Underground supply chain savings, savings from bus contracts, as well as one-off savings from lower network costs during the first national lockdown at the start of the pandemic. By lowering our core operating costs, we have partially offset the additional cost pressures related to the coronavirus pandemic such as enhanced cleaning, Personal Protective Equipment (PPE) and social distancing measures.

The Capital account budget includes the savings in the investment programme we made to meet the additional £160m savings target for the funding support for the second half of the year. This included a review across the investment programme for deliverability, sequencing, efficiencies and scope of major projects. Overall, our spend on capital renewals and new capital investment is significantly below last year's levels with almost 25 per cent lower spend.

With the actions we have taken and the funding support from the Government, we have been able to preserve our cash position so we can meet our financial obligations and continue to operate. As we go into Q4, we are working with the Government and the GLA on a funding and financing package for 2021/22, along with a longer-term funding solution offering a stable and sustainable way forward as proposed in our Financial Sustainability Plan, which we published on 15 January.

We are firmly focused on achieving the best outcome for London. We have a vital role to play in delivering a green recovery for London and the UK. A massive thank you to all our people for the work you do to keep the city moving in these challenging times.

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

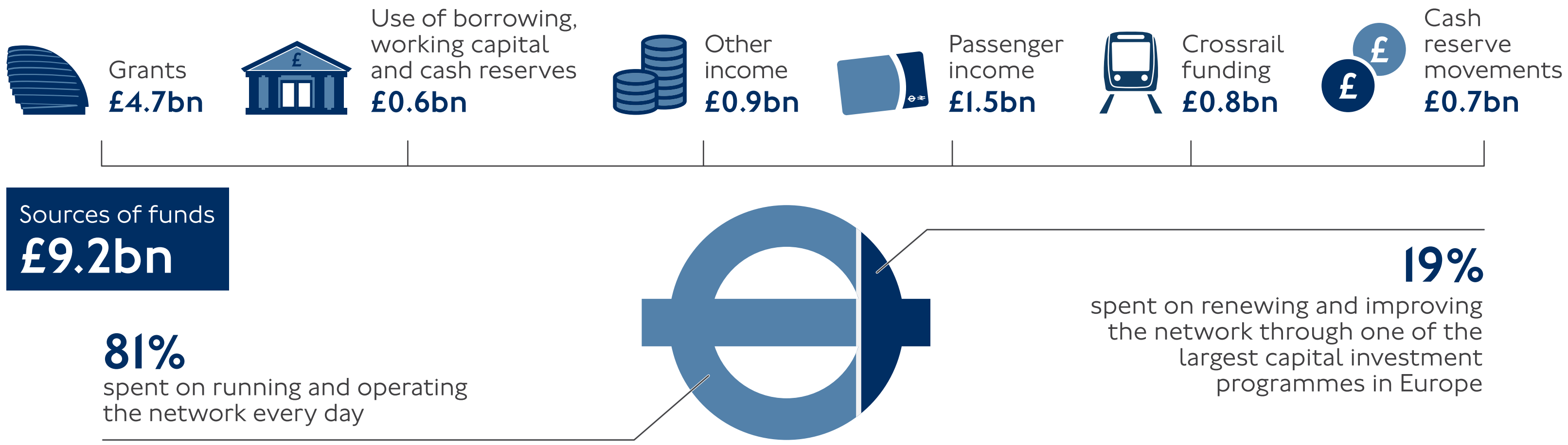
580km TfL-operated highways

755km TfL-operated Rail and London Underground routes

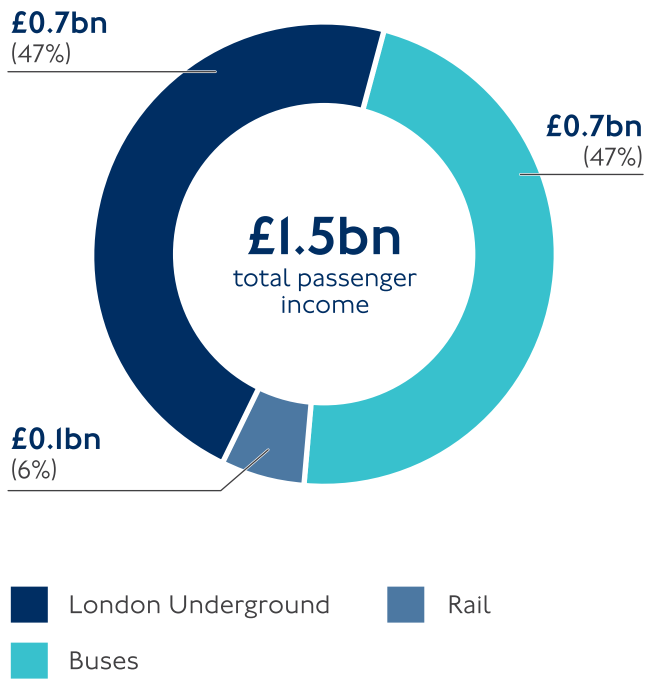
9,330 Buses on the TfL network

6,300 Traffic signals operated by TfL

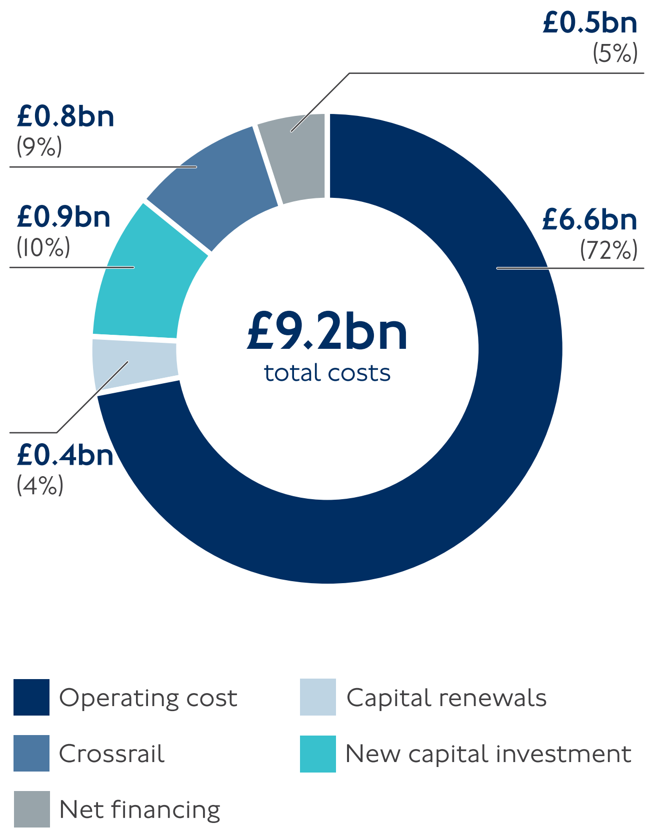
2020/21 TfL (GLA) Budget at a glance



Total passenger income



Total costs



Financial summary

Performance in the year to date

Operating account

TfL Group (£m)	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
Passenger income	1,157	1,049	108	3,416	(2,259)
Other operating income	522	531	(9)	709	(187)
Total operating income	**1,679**	**1,580**	**99**	**4,125**	**(2,446)**
Business Rates Retention	659	659	-	649	10
Furlough grant	58	60	(2)	-	58
Other revenue grants	22	20	2	58	(36)
Total income	**2,418**	**2,319**	**99**	**4,832**	**(2,414)**
Operating cost	(4,398)	(4,427)	29	(4,340)	(58)
Net operating (deficit)/surplus	**(1,980)**	**(2,108)**	**128**	**492**	**(2,472)**
Net financing costs	(318)	(318)	-	(309)	(9)
Net (cost)/surplus of operations before financing	**(2,298)**	**(2,426)**	**128**	**183**	**(2,481)**
Capital renewals	(202)	(213)	11	(293)	91
Net cost of operations	**(2,500)**	**(2,639)**	**139**	**(110)**	**(2,390)**
Extraordinary grant	1,497	1,606	(109)	-	1,497
Net cost of operations after Extraordinary grant	**(1,003)**	**(1,033)**	**30**	**(110)**	**(893)**

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. The dramatic drop in revenue has required ongoing support from the Government. In May 2020 we agreed a support package of £1.6bn, to cover the first half of the year, 2020/21 (April to October 2020). At the end of October 2020, we finalised a new funding agreement to cover the second half of the year. This new agreement provides a level of base funding, as well as passenger income top up to an agreed level. In addition, TfL has committed to meeting a number of conditions, including making £160m of net savings in the second half of the year compared to the Revised Budget, investing in Streetspace for London, and producing a management plan to achieve financial sustainability in the medium to long term (the Financial Sustainability Plan).

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 £2,390m higher than last year. This variance is driven by lower income, with passenger income 66 per cent down, and other operating income – including Congestion Charge, Ultra Low Emission Zone (ULEZ), advertising and property revenue – 26 per cent lower. Through our savings programme, recruitment controls, even stronger financial oversight, and from lower network costs at the start of the pandemic, we have kept operating costs low. After adjusting for new coronavirus-related costs (including PPE, cleaning, and bus driver protective screens), costs are almost £80m lower than last year.

Passenger journeys saw limited growth in the quarter, with total Q3 journeys down 540 million (56 per cent) on last year. At the end of the quarter, London Underground journeys were 66 per cent down on last year and bus journeys 44 per cent lower. The outlook for this year remains uncertain as since the end of Q3 we have seen London enter Tier 4 restrictions in December, and the new national lock down from early January 2021. The financial risk from lower journeys has been mitigated in the funding agreement for the second half of the year with the Government, where we will receive revenue top up (up to an agreed level) for income losses.

Total capital expenditure (including capital renewals and new capital investment) is £27m lower than Budget, mainly driven by a slower than expected ramp up in London Underground renewals, as well as lower spend on property development projects.

Capital account

TfL Group (£m)	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
New capital investment	(513)	(529)	16	(648)	135
Crossrail	(522)	(537)	15	(733)	211
Total capital expenditure	**(1,035)**	**(1,066)**	**31**	**(1,381)**	**346**
Financed by:					
Investment grant	619	619	-	607	12
Property and asset receipts	8	52	(44)	150	(142)
Borrowing (TfL)	507	507	-	269	238
Borrowing (Crossrail)	473	484	(11)	-	473
Crossrail funding sources	68	68	-	607	(539)
Other capital grants	100	94	6	127	(27)
Total	**1,775**	**1,824**	**(49)**	**1,760**	**15**
Net capital account	**740**	**758**	**(18)**	**379**	**361**

Cash flow summary

TfL Group (£m)	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
Net cost of operations	(1,003)	(1,033)	30	(110)	(893)
Net capital account	740	758	(18)	379	361
Working capital movements	(139)	(225)	86	(82)	(57)
(Decrease)/increase in cash balances	**(402)**	**(500)**	**98**	**187**	**(589)**

TfL cash balances (excluding balances committed to Crossrail construction) are £1,662m at the end of the quarter, £392m lower than at the end of last year. Our cash position has stabilised following the agreements with Government and we expect balances to remain above our minimum cash balance requirement of £1.2bn for the remainder of the year.

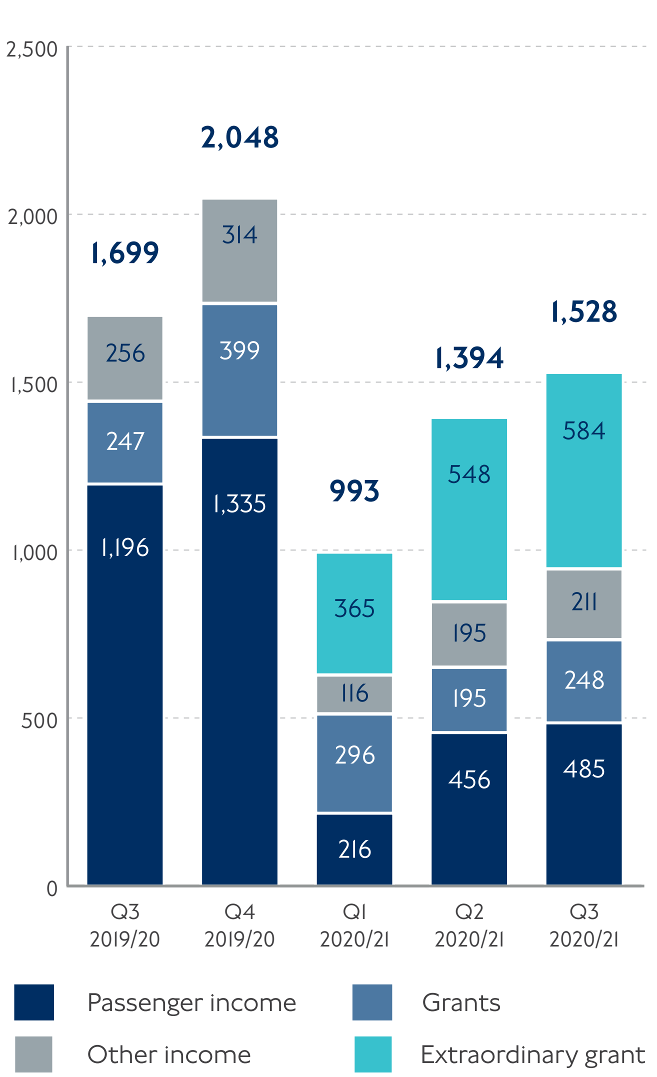
Total cash balances at the end of Q3 are £98m higher than the budget, with much of the increase driven by favourable working capital movements.

Working capital balances have decreased by £139m since the start of the year, mainly owing to the impact of the coronavirus pandemic. Creditors have reduced by £50m, reflecting a drop in capital expenditure and lower receipts in advance from ticket sales.

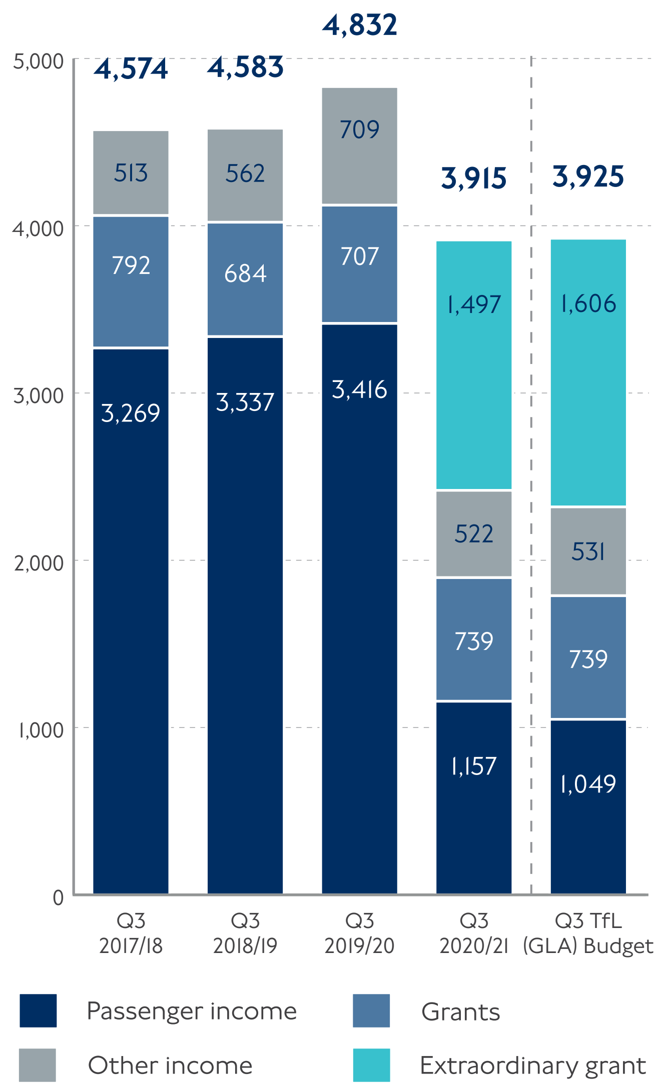
Financial trends

Total income

Quarterly (£m)*

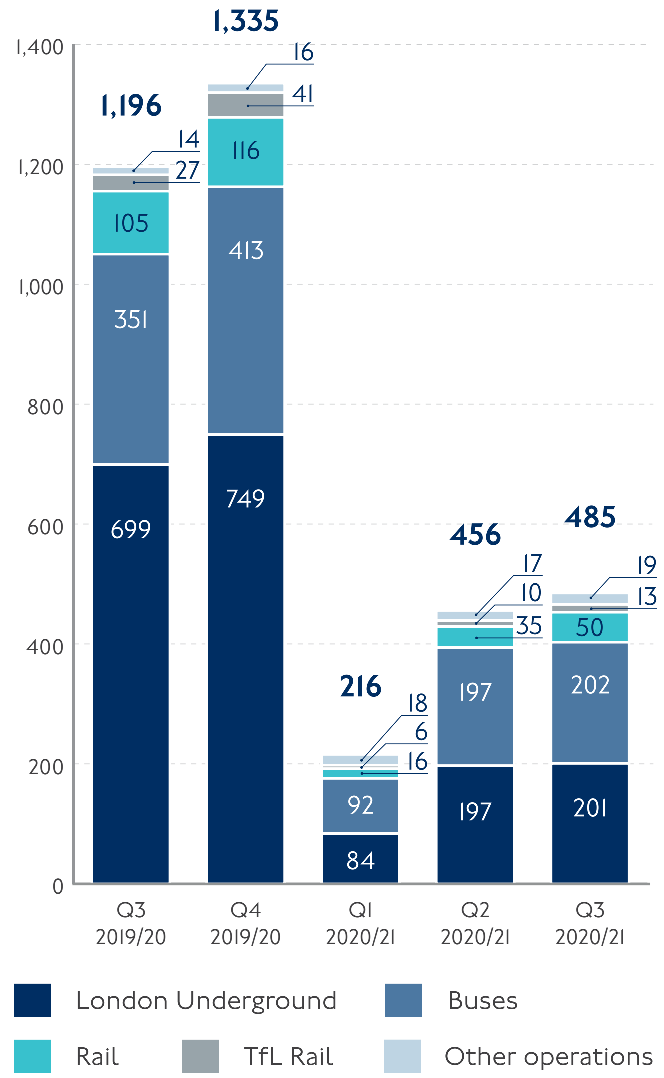


Year to date (£m)

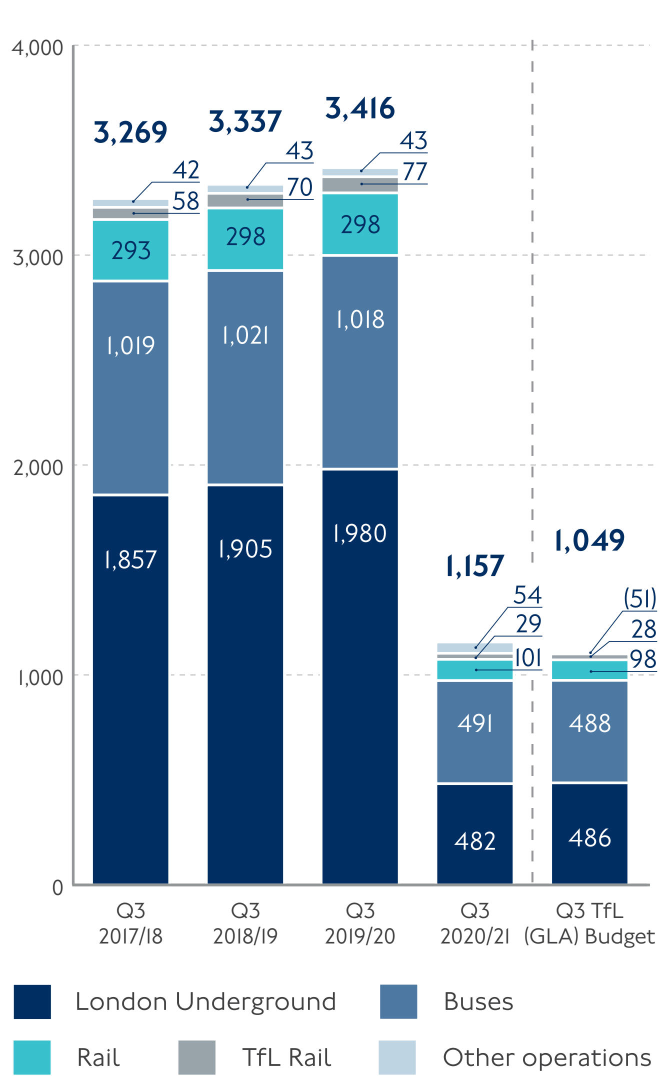


Total passenger income

Quarterly (£m)*



Year to date (£m)



Total income £10m below budget

19%▼ year on year

In the year to date, passenger income is £108m higher than the budget, which is offset by a £109m reduction in the amount of extraordinary grant required. Congestion charge volumes were down in the November national lockdown contributing to other operating income being £9m below the budget.

Passenger income £108m above budget

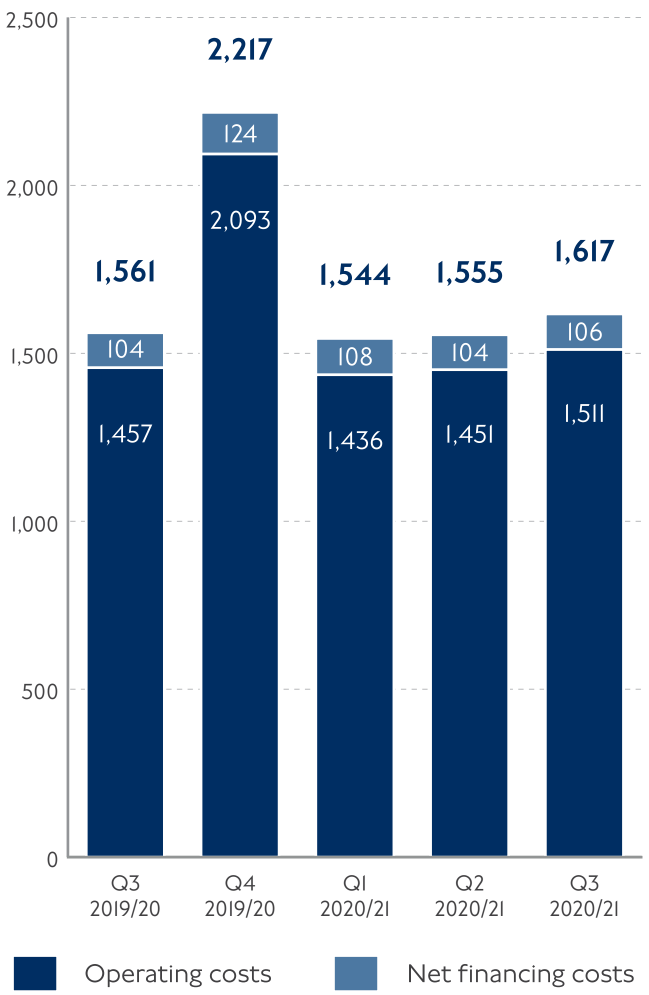
66%▼ year on year

Demand has been recovering despite the November lockdown, resulting in a higher than expected growth in passenger income. However, with London entering a third lockdown in January, demand is expected to reduce. At the end of January London Underground passenger journeys are around 15 per cent of last year and bus journeys are around 31 per cent.

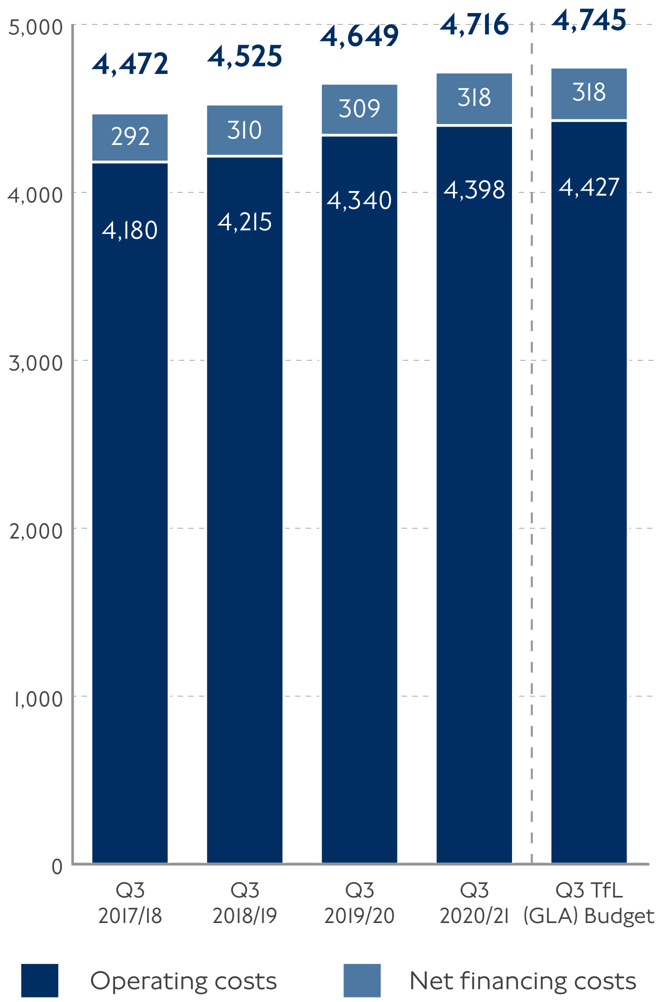
* Q4 is longer than quarters 1 to 3 (16 weeks and one day vs 12 weeks)

Total cost

Quarterly (£m)*

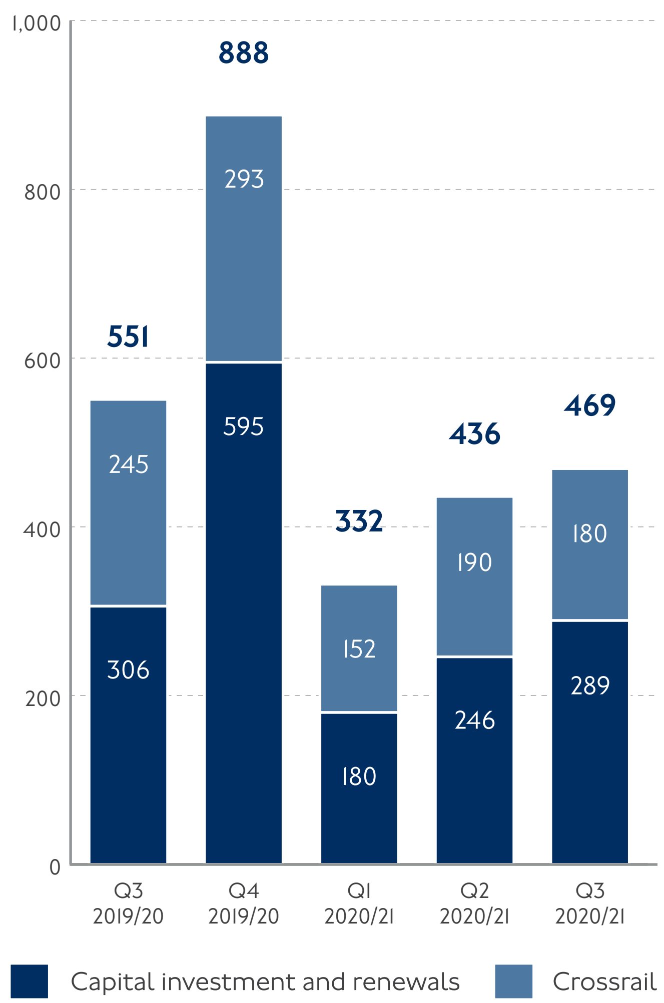


Year to date (£m)

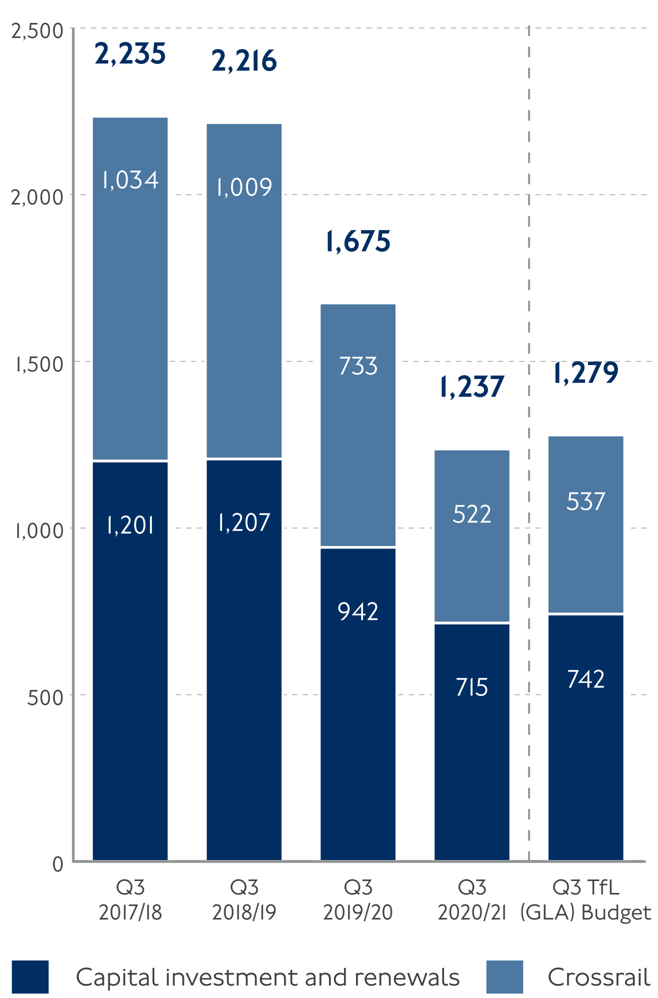


Total capital expenditure (including Crossrail)

Quarterly (£m)*



Year to date (£m)



Operating costs £29m below budget

1%▲ year on year

After adjusting for new coronavirus pandemic-related costs, operating costs are around £80m lower than last year, driven by our savings programme and lower network costs earlier in the year.

£42m below budget

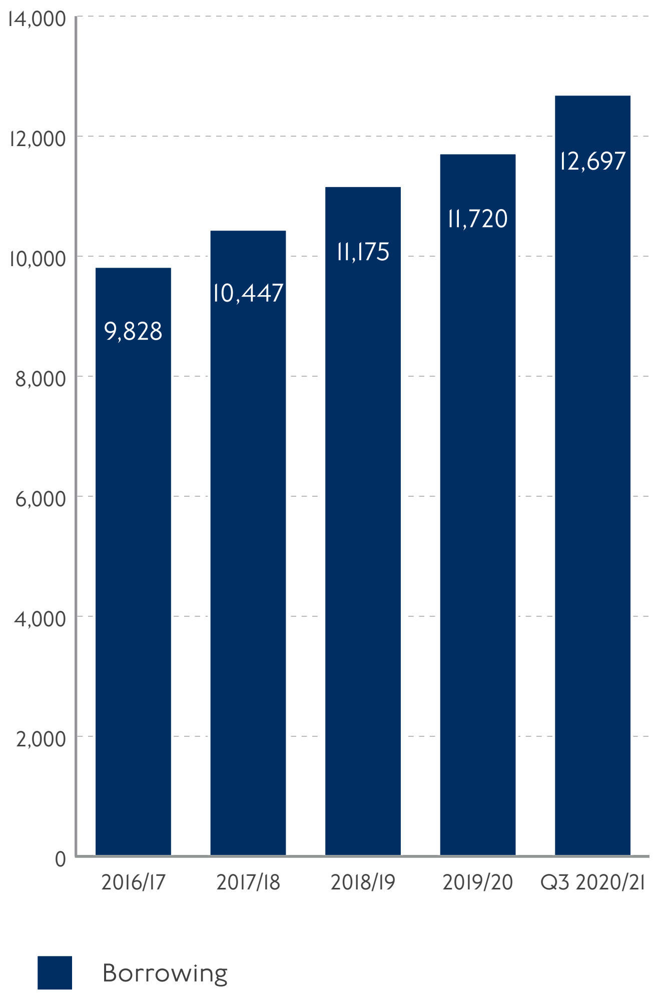
26%▼ year on year

Year to date capital expenditure (excluding Crossrail) is £27m lower than the budget, driven by slower ramp up in capital renewals and lower property investment spend. TfL capital expenditure is over £225m lower than this time last year, reflecting the Safe Stop of non-critical projects and planned deferrals.

* Q4 is longer than quarters 1 to 3 (16 weeks and one day vs 12 weeks)

Debt and cash

Total nominal borrowing (£m)



Borrowing update

At the end of Q3, our borrowing had increased by £977m in the year to date. The budget assumes that our borrowing will increase by a total of £1,352m during 2020/21, consisting of £602m incremental core borrowing and £750m borrowing for the Crossrail project. This is consistent with the extraordinary funding and financing packages agreed with the Government on 14 May 2020 and 31 October 2020.

During Q3, we borrowed from the Public Works Loan Board as agreed under the first 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 Q3 was £12,697m.

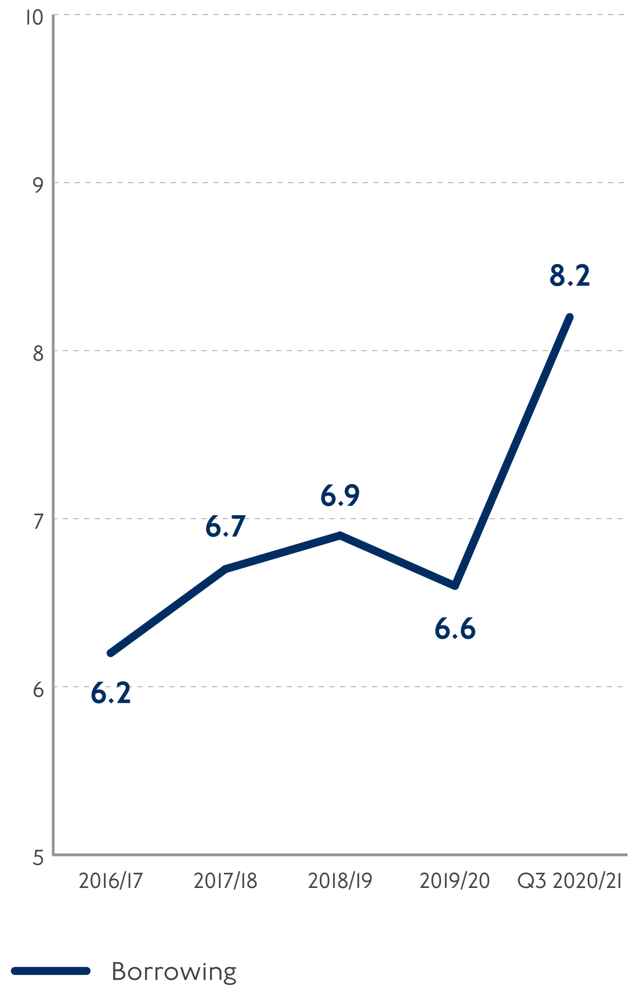
Credit ratings

We are rated by the three leading international credit rating agencies. On 21 October 2020, Moody's downgraded our long-term credit rating from Aa3 to A1 and assigned a negative outlook, concluding the rating under review for downgrade initiated by Moody's on 2 June 2020.

Long-term credit ratings as at the end of Q3

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

Financing costs (% of total income)*



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

Q3 2020/21	(322)
2019/20	(456)
2018/19	(467)
2017/18	(437)
2016/17	(423)

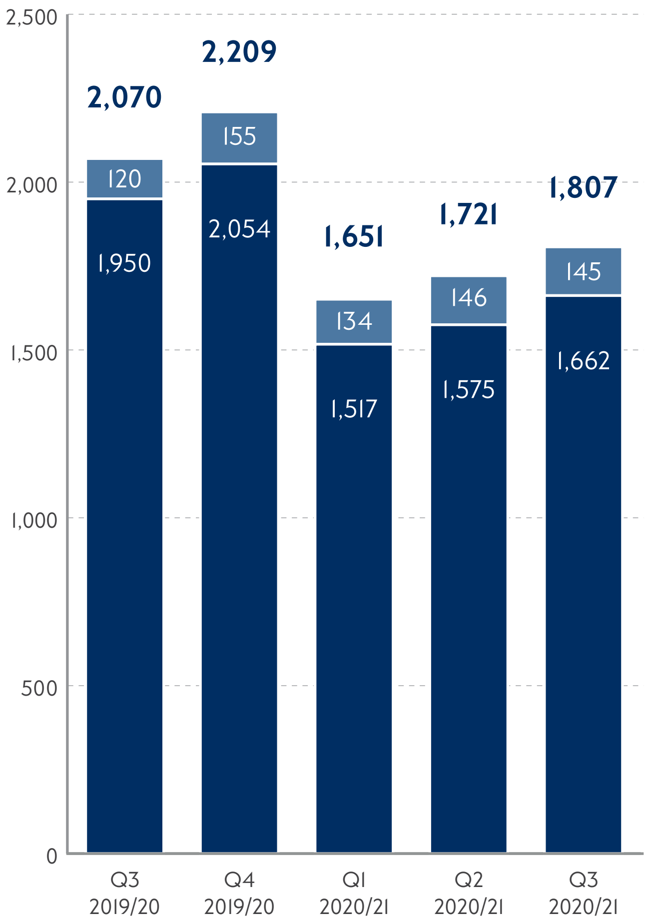
* Financing costs include interest costs for borrowing, finance leases and other financing liabilities

The ratio of financing costs to total income, including operating and extraordinary 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 Q3, compared to previous years.

Financing costs and income (£m)

Year to date	Q3 2020/21	Q3 TfL (GLA) Budget	Variance
Interest income	4	4	-
Financing costs	(322)	(322)	-

Cash balances (£m)



- TfL cash balances
- Crossrail project, London Transport Museum and London Transport Insurance (Guernsey) Limited cash balances

£402m

18%▼ in cash over the year to date

Cash balances at the end of Q3 were £1,807m, a decrease of £402m since the end of 2019/20, driven by the impact of the coronavirus pandemic. Of the total cash balance, £145m is held for the Crossrail project, London Transport Museum and London Transport Insurance (Guernsey) Limited. Our cash position reflects £2.1bn of funding and financing received from the Government as part of the extraordinary financing and funding packages.

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 Q3, our cash reserves remained above this minimum level. The extraordinary funding and financing packages agreed with the Government have also assumed that we will retain usable cash reserves (that is, cash and liquid investments held by the TfL Group (excluding specified subsidiaries; Crossrail Limited, London Transport Insurance (Guernsey) Limited and London Transport Museum Limited)) of £1.2bn.

Passenger journeys

Q3 year to date: 2020/21

935m	906m	2,765m
total journeys	TfL (GLA) Budget	prior year

London Underground

218m — 3.7%▲ TfL (GLA) Budget — 77.5%▼ prior year

London Buses

626m — 2.9%▲ TfL (GLA) Budget — 58.6%▼ prior year

DLR

28m — 6.2%▲ TfL (GLA) Budget — 66.8%▼ prior year

London Overground

39m — 3.5%▼ TfL (GLA) Budget — 70.9%▼ prior year

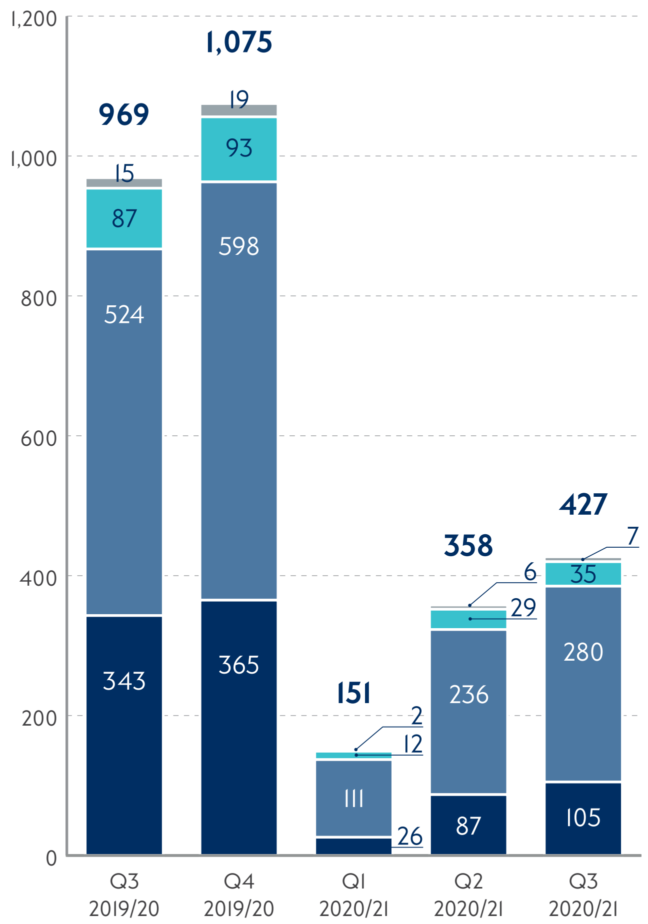
London Trams

9m — 2.7%▼ TfL (GLA) Budget — 55.7%▼ prior year

TfL Rail

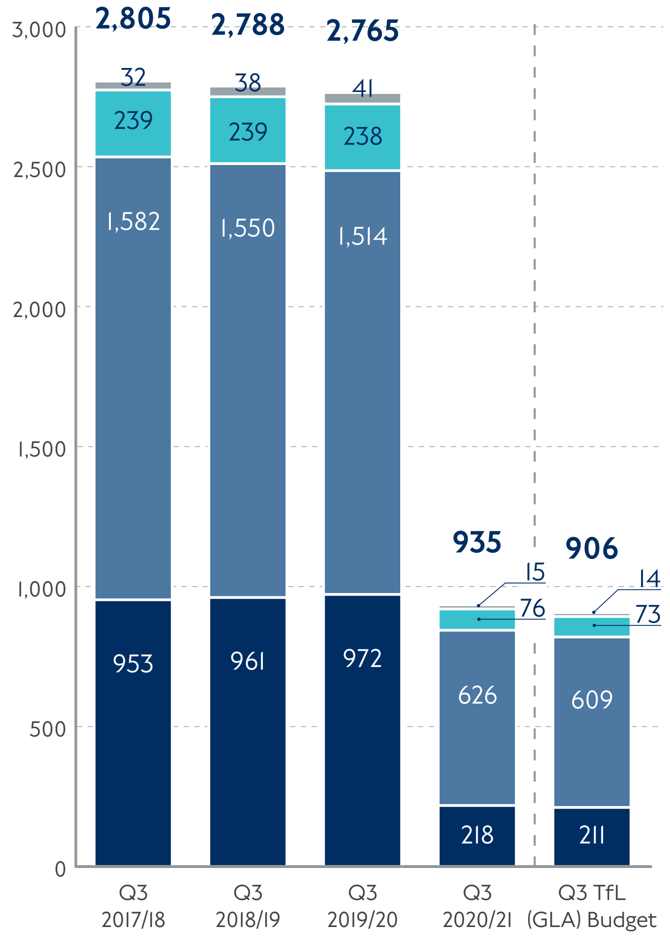
15m — 5.5%▼ TfL (GLA) Budget — 63.3%▼ prior year

Quarterly (millions)*



London Underground | Buses | Rail | TfL Rail

Year to date with Budget (millions)



London Underground | Buses | Rail | TfL Rail

Passenger journeys saw limited growth in the quarter, with quarter-on-quarter growth of 70 million (20 per cent). The final two weeks of Q3 saw demand increasing as the November national lockdown ended. However, the outlook for this year remains uncertain following the new January national lockdown. At the end of January London Underground journeys are around 15 per cent of last year and bus journeys are 31 per cent lower.

* Q4 is longer than quarters 1 to 3 (16 weeks and one day vs 12 weeks)

Underground

Financial summary

Passenger demand is significantly down on last year, owing to the coronavirus pandemic.

Underground (£m)	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
Passenger income	482	486	(4)	1,980	(1,498)
Other operating income	11	11	-	23	(12)
Total operating income	**493**	**497**	**(4)**	**2,003**	**(1,510)**
Government furlough grant	38	39	(1)	-	38
Total income	**531**	**536**	**(5)**	**2,003**	**(1,472)**
Direct operating cost	(1,405)	(1,413)	8	(1,365)	(40)
Direct (deficit)/surplus	**(874)**	**(877)**	**3**	**638**	**(1,512)**
Indirect operating cost	(188)	(272)	84	(195)	7
Net operating (deficit)/surplus before financing and capital renewals	**(1,062)**	**(1,149)**	**87**	**443**	**(1,505)**
Net financing costs	(202)	(202)	-	(196)	(6)
Capital renewals	(106)	(117)	11	(207)	101
Net (cost)/surplus of operations	**(1,370)**	**(1,468)**	**98**	**40**	**(1,410)**
New capital investment	(21)	(23)	2	(33)	12

Passenger income is £4m lower than the budget but is almost £1.5bn lower than last year. At the end of Q3, Tube journeys were 66 per cent lower than the same time last year. The Government's furlough scheme has been used during the year, which has increased total income by £38m.

Continued cost control and savings have helped keep costs down and in the year to date, direct operating costs are £8m lower than budget. Core operating costs are over £30m lower than last year. Overall operating costs are £40m higher than last year, owing to £82m of additional costs from the coronavirus pandemic (PPE, new cleaning regimes, social distancing as well as stranded labour costs).

Capital expenditure is £13m lower than the budget. The underspend is owing to the timing of track and accessibility works, and slippage on capital programmes.

Year-to-date passenger journeys analysis

	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
Number of passenger journeys (millions)	218	211	7	972	(754)

Passenger journeys

There were seven million more passenger journeys than expected in the budget, owing to the easing of Government restrictions earlier than predicted. The impact of the coronavirus pandemic has meant that year-to-date journey numbers are 754 million down on last year.

Passenger journeys year-on-year change at the end of Q3 (%)

66%▼

Elizabeth line

Financial summary

The focus is on successfully introducing Elizabeth line services.

Elizabeth line (£m)	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
Passenger income	29	28	1	77	(48)
Other operating income	5	4	1	7	(2)
Total operating income	**34**	**32**	**2**	**84**	**(50)**
Government furlough grant	1	1	-	-	1
Total income	**35**	**33**	**2**	**84**	**(49)**
Direct operating cost	(222)	(223)	1	(237)	15
Direct operating deficit	**(187)**	**(190)**	**3**	**(153)**	**(34)**
Indirect operating cost	(5)	(6)	1	(5)	-
Net operating deficit before financing	**(192)**	**(196)**	**4**	**(158)**	**(34)**
Net financing costs	(63)	(63)	-	(61)	(2)
Net cost of operations	**(255)**	**(259)**	**4**	**(219)**	**(36)**
New capital investment	(22)	(22)	-	(13)	(9)
Crossrail construction costs	(522)	(537)	15	(733)	211
Total capital expenditure	**(544)**	**(559)**	**15**	**(746)**	**202**

The increase in passenger journeys has resulted in passenger income being £1m higher than the budget.

Direct operating costs are broadly in line with the budget. The £1m underspend is owing to lower maintenance costs, lower staff costs and rolling stock interest credits, which is offset by higher concession costs.

Crossrail has now completed much of the central section infrastructure and fit-out is nearing completion at many stations.

During December, full handover of the shafts and portals to TfL was completed, which is an important and vital step towards entering intensive operational testing. Farringdon is our most advanced central London station with construction work at the station now substantially complete and Paddington is expected to be the next station to start the testing and commissioning phase.

Year-to-date passenger journeys analysis

	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
Number of passenger journeys (millions)	14.9	14.2	0.7	40.7	(25.8)

Passenger journeys

Passenger journeys are 0.7m higher than the budget as a result of the Government restrictions being eased sooner than expected. There was a 25.8 million decrease on last year, due to the impact of the coronavirus pandemic.

Passenger journeys year-on-year change at the end of Q3 (%)

Q3 2020/21

60%▼

Buses, streets and other operations

Financial summary

Buses, streets and other operations (£m)	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
Passenger income	491	488	3	1,022	(531)
Other operating income	358	369	(11)	391	(33)
Total operating income	**849**	**857**	**(8)**	**1,413**	**(564)**
Government furlough grant	9	9	-	-	9
Total income	**858**	**866**	**(8)**	**1,413**	**(555)**
Direct operating cost	(1,914)	(1,930)	16	(1,901)	(13)
Direct operating deficit	**(1,056)**	**(1,064)**	**8**	**(488)**	**(568)**
Indirect operating cost	(70)	(84)	14	(69)	(1)
Net operating deficit before financing and capital renewals	**(1,126)**	**(1,148)**	**22**	**(557)**	**(569)**
Net financing costs	(30)	(30)	-	(29)	(1)
Capital renewals	(60)	(57)	(3)	(32)	(28)
Net cost of operations	**(1,216)**	**(1,235)**	**19**	**(618)**	**(598)**
New capital investment	(81)	(83)	2	(97)	16

Passenger income is £3m higher than the budget, despite an earlier than expected second lockdown in November. Bus demand remained higher at 51 per cent of the previous year compared to 41 per cent in the budget.

Other operating income is £11m lower than the budget, mainly owing to the earlier than expected November lockdown, which reduced traffic volumes and the number of Penalty Charge Notices issued, reducing both charging and enforcement income.

Direct operating costs are £16m lower than the budget. This is primarily owing to a lower bad debt provision due to reduced Road User Charging income, purchase of more cost effective solutions for bus driver cabin improvements and lower performance payments for Q1 and Q2.

Capital expenditure is £1m higher than the budget owing to the acceleration of our asset renewals works, including traffic signals, Holland Park roundabout and Great West Road offset by slower Hydrogen Bus delivery profile.

Year-to-date passenger journeys analysis

Buses	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
Number of passenger journeys (millions)	626	609	17	1,514	(888)

Passenger journeys

Total passenger journeys are 17 million higher than the budget as demand has returned to the network faster than previously assumed. Passenger journeys are 59 per cent or 888 million lower than the previous year owing to the impact of the coronavirus pandemic, which has significantly reduced passenger demand.

Passenger journeys year-on-year change at the end of Q3 (%)

Q3 2020/21

44%▼

Year-to-date volume analysis

	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
Congestion Charge volumes (thousands)	10,501	9,667	834.0	11,402	(901)
Congestion Charge and enforcement income (£m)	217.3	197.9	19.4	180.3	37.0

Cycling

The central London counts were cancelled during both March and November national lockdowns, affecting financial quarters 1 and 3. However, they were completed in quarter 2 (July to September), where the average daily kilometres cycled was 453,019. This is 24 per cent lower than the same quarter last year.

However, Santander Cycles usage has seen an increase, with 8.2 million hires in the year to date, compared with 7.8 million last year.

Traffic flow

London-wide traffic flows are down by 9.5 per cent, compared to last year. Traffic flows in central London were at 50.8 per cent (50.4 per cent in Q2); inner London at 83.3 per cent (86.6 per cent in Q2), and outer London at 90.2 per cent (91.1 per cent in Q2).

Traffic flow (volume) year-on-year change (%)

Q3 2020/21

9.5%▼

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

Year-to-date volume analysis

	Q3 2020/21	Q3 2019/20	Variance
Santander Cycles			
Number of hires (millions)	8.2	7.8	0.4
Victoria Coach Station			
Number of coach departures (thousands)	35.3	155.5	(120.2)
London River Services			
Number of passenger journeys (millions)	1.5	7.9	(6.4)
London Dial-a-Ride			
Number of passenger journeys (thousands)	103.4	662.4	(559.0)
Taxi and Private Hire			
Number of private hire vehicle drivers	108,012	108,513	(501)
Taxi drivers	21,286	22,724	(1,438)
Emirates Air Line			
Number of passenger journeys (thousands)	267.4	979.2	(711.8)

Rail

Financial summary

Rail (£m)	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
Passenger income	101	98	3	298	(197)
Other operating income	4	4	-	19	(15)
Total operating income	**105**	**102**	**3**	**317**	**(212)**
Direct operating cost	(324)	(324)	-	(321)	(3)
Direct operating surplus	**(219)**	**(222)**	**3**	**(4)**	**(215)**
Indirect operating cost	(11)	(12)	1	(11)	-
Net operating surplus before financing and capital renewals	**(230)**	**(234)**	**4**	**(15)**	**(215)**
Net financing costs	(19)	(19)	-	(19)	-
Capital renewals	(21)	(24)	3	(28)	7
Net cost of operations	**(270)**	**(277)**	**7**	**(62)**	**(208)**
New capital investment	(15)	(15)	-	(25)	10

Passenger income is £3m higher than the budget, despite an earlier than expected second lockdown in November. The higher passenger income is mainly driven by London Overground and DLR journey demand.

Year-to-date passenger journeys analysis

	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
London Overground					
Number of passenger journeys (millions)	38.9	37.6	1.3	133.9	(95.0)
DLR					
Number of passenger journeys (millions)	28.1	26.5	1.6	84.8	(56.7)
London Trams					
Number of passenger journeys (millions)	8.5	8.7	(0.2)	19.2	(10.7)

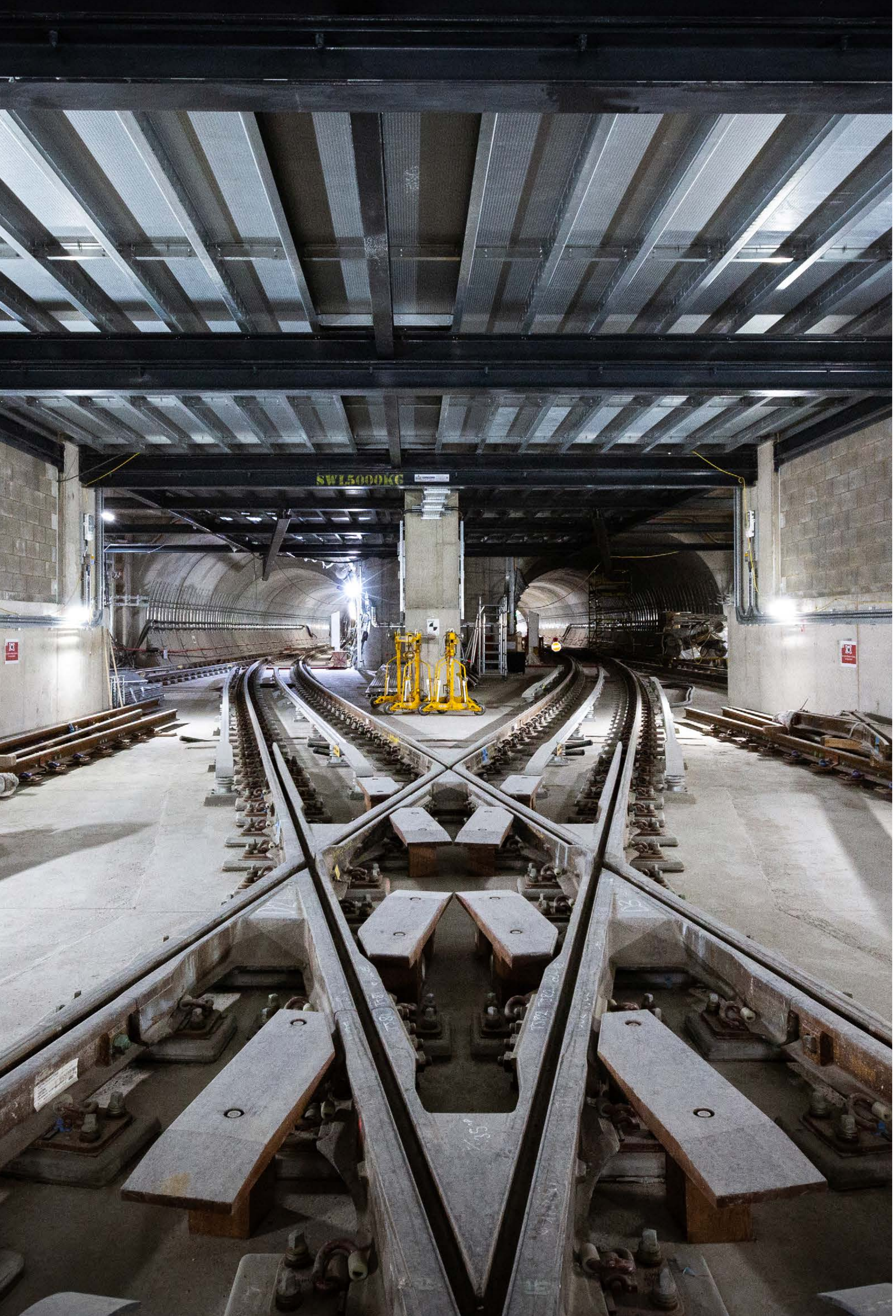
Passenger journeys

At the end of Q3, passenger journeys across Rail were just over 50 per cent of last year, but have seen a slight deterioration since.

Passenger journeys year-on-year change at the end of Q3 (%)

Q3 2020/21

56%▼



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)	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
Other operating income	5	6	(1)	15	(10)
Government furlough grant	2	3	(1)	-	2
Total income	**7**	**9**	**(2)**	**15**	**(8)**
Direct operating cost	(33)	(34)	1	(7)	(26)
Direct operating (deficit)/surplus	**(26)**	**(25)**	**(1)**	**8**	**(34)**
Indirect operating cost	(21)	(24)	3	(23)	2
Net operating deficit	**(47)**	**(49)**	**2**	**(15)**	**(32)**
Capital renewals	(2)	(1)	(1)	(15)	13
Net cost of operations	**(49)**	**(50)**	**1**	**(30)**	**(19)**
New capital investment	(319)	(320)	1	(388)	69

Northern Line Extension

On 25 October, we successfully completed high voltage energisation to the switch rooms, allowing us to start commissioning key systems and dynamic systems testing later this year.

The Northern line train cab simulators have been upgraded to include the extension ahead of programme, which will enable train operators to familiarise themselves with the route, in preparation for trial operations.

Four Lines Modernisation

Following a review in September 2020 assessing and challenging costs and schedules, the western branches of the District line will not be re-signalled. This means sections of the District line south of Fulham Broadway and west of Barons Court will remain under the existing signalling.

Journey times in these sections will remain unchanged, however, we can still increase frequencies to up to 16 trains per hour, as originally planned. We will continue to assess whether we can convert this signalling in the future. The other elements of the project will progress as planned.

Piccadilly Line Rolling Stock

Good progress was made in the design for the new Piccadilly line trains in close collaboration with train supplier, Siemens. We have a plan to minimise the impacts of the coronavirus pandemic on the programme and remain on target to complete the final design in March 2021.

Bank Station Upgrade

All tunnelling excavation works are now complete, apart from the two 'tie-ins' between the new and existing Northern line southbound running tunnels, which will be excavated during the Bank blockade. Good progress is being made on the remaining civil works, due to be completed late January.

Barking Riverside

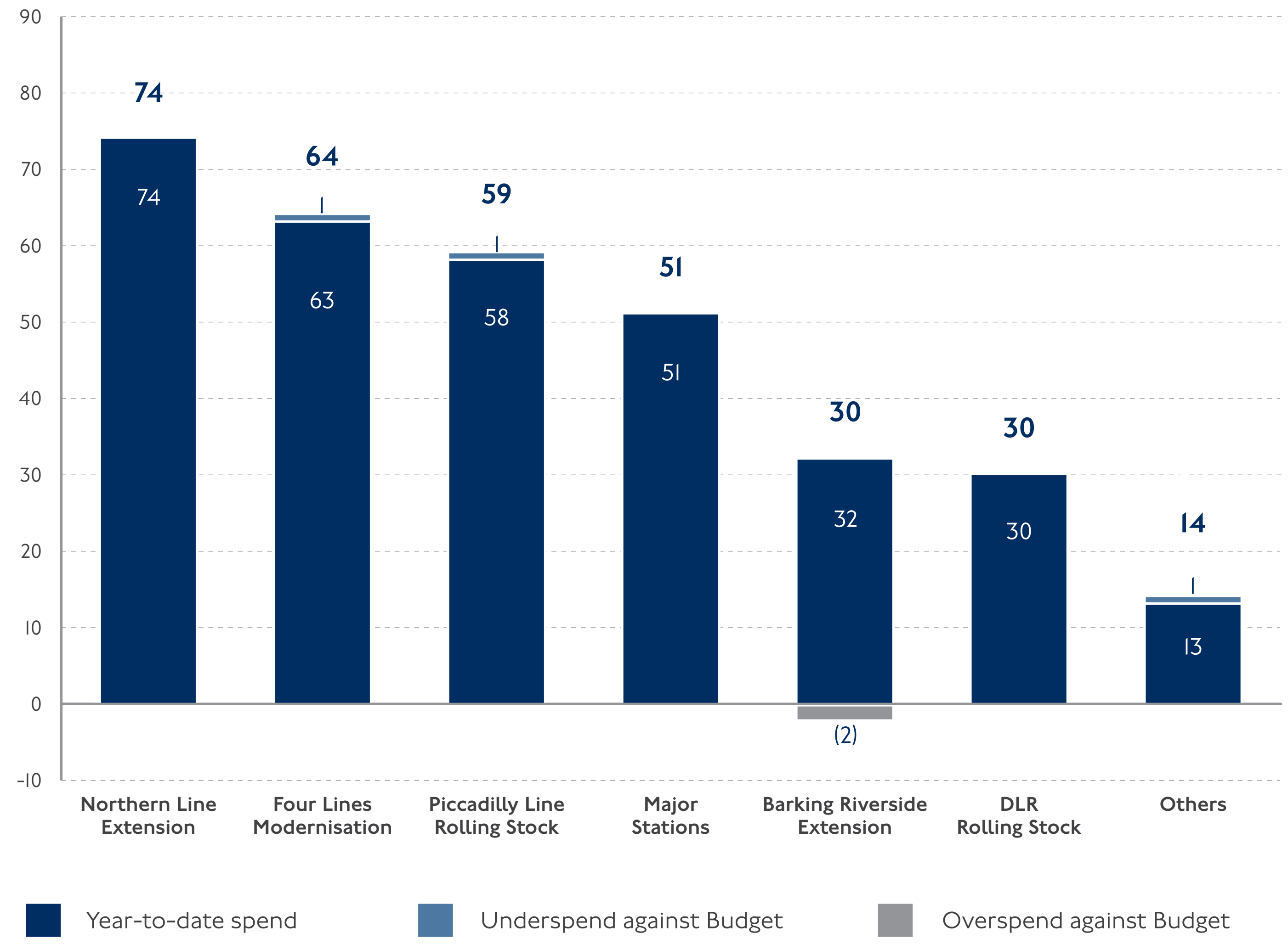
We have completed the Thames Water sludge main diversion at Pier 14, which enabled the piling works to be completed in this area. In October, we completed all the piling activities, 1,195 piles, which was a key milestone for the project.

Some uncertainties remain, which mean the estimated service start date is now forecast for autumn 2022. The team is working through the detail to give greater programme confidence.

DLR Rolling Stock and Systems Integration

The contract for supplying the next generation of DLR trains by Construcciones y Auxiliar de Ferrocarriles has started, with final designs almost complete. A life-sized mock-up of the train has been delivered to the UK and we have had several stakeholder and customer reviews. The final design for the Thales signalling has been accepted by the project team.

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



Property

Financial summary

Property (£m)	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
Other operating income	31	29	2	69	(38)
Direct operating cost	(27)	(25)	(2)	(20)	(7)
Direct operating surplus	**4**	**4**	**-**	**49**	**(45)**
Indirect operating cost	(5)	(6)	1	(6)	1
Net (cost)/surplus of operations	**(1)**	**(2)**	**1**	**43**	**(44)**
New capital investment	(26)	(33)	7	(33)	7
Property receipts	6	11	(5)	149	(143)
Crossrail over-site development	2	41	(39)	2	-
Net capital expenditure	**(18)**	**19**	**(37)**	**118**	**(136)**

Other operating income is £2m higher than the budget. This is owing to lower than expected rent credits issued to tenants to support them through the coronavirus pandemic.

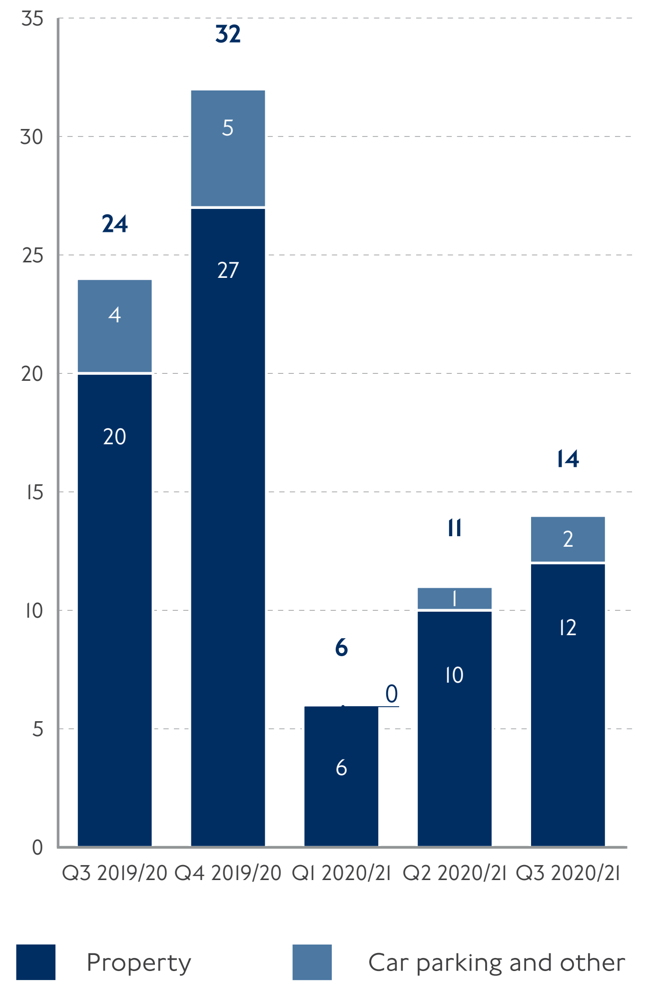
Direct operating costs are £2m higher than the budget, primarily owing to an increase in our bad debt provision.

Property receipts and Crossrail over-site development income are £44m lower than the budget. Income for Bloomfield Street and Charterhouse Square is expected later this year and for 65 Davies Street in 2021/22.

New capital investment is £7m lower than the budget primarily owing to joint venture equity contributions for Kidbrooke being delayed and the rephasing of in-station retail and portfolio refurbishment projects, as well as delayed costs relating to the disposal of 65 Davies Street.

Property income (£m)

Quarterly*



* Q4 is longer than quarters 1 to 3 (16 weeks and one day vs 12 weeks)

We saw a number of successes at planning committees this quarter as part of our programme to build thousands of new homes, shops, offices and public spaces across London.

Our plans near Wembley Park station, were approved by Brent Council. We will be transforming the 0.7 hectare car park into 454 homes, 40 per cent of which will be affordable. We are delivering new green spaces and play areas along with improved walking and cycling facilities for the local community and residents, as well as new office space for our own staff.

Along with our partnership with Grainger plc, we secured planning consent for a scheme at Montford Place, in Kennington. The site, which is currently a Northern Line Extension worksite, will provide 139 new rental homes, of which 40 per cent will be affordable. It will also deliver more than 2,700 square metres of new light industrial space set out across an attractive mews. The development has been designed to include environmentally sustainable elements throughout, such as solar panels and biodiverse roof design.

Sales continued of our new homes in partnership with Barratt London at Blackhorse View – opposite Blackhorse Road Tube station. The homes include studio, one, two and three-bedroom homes, ready for people to move into by autumn 2021.

Media

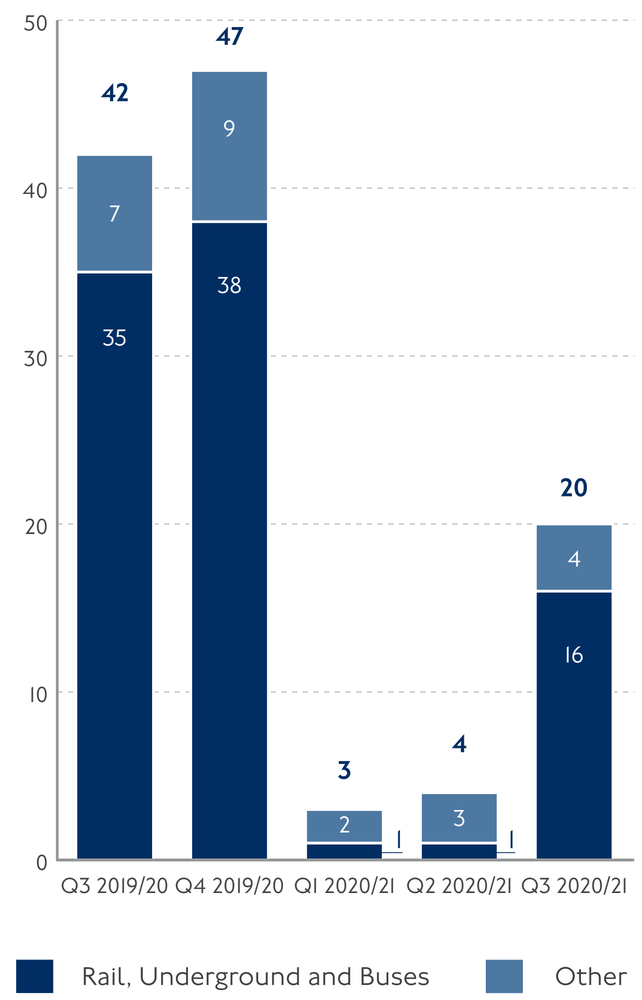
Financial summary

As passenger numbers increased, advertising income started to rise.

Media (£m)	Q3 2020/21	Q3 TfL (GLA) Budget	Variance	Q3 2019/20	Variance
Other operating income	27	22	5	107	(80)
Direct operating cost	(2)	(2)	-	(2)	-
Direct operating surplus	**25**	**20**	**5**	**105**	**(80)**
Indirect operating cost	(1)	(1)	-	(1)	-
Net surplus of operations	**24**	**19**	**5**	**104**	**(80)**
New capital investment	9	8	1	(4)	13

Operating income is £5m higher than the budget, which is largely due to additional income from the bus shelter advertising contract, plus some additional income from sponsorship. Income is around 75 per cent lower than last year as revenue streams are dependent on passengers returning to the network and therefore remain uncertain.

Advertising income (£m)
Quarterly*



* Q4 is longer than quarters 1 to 3 (16 weeks and one day vs 12 weeks)

Media income in Q3 continues to be impacted by the coronavirus pandemic 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 50 per cent from the same quarter last year.

However, Q3 has seen an uplift in media income compared to Q1 and Q2. This is predominantly from the Rail, Underground and Buses advertising estates, which have shown some signs of recovery. Further lockdown restrictions mean that there continues to be a high degree of uncertainty around future income. We will continue to work closely with our advertising partners to ensure that we are able to support the return of brands to our network and rebuild our revenue streams as soon as possible.

Appendices

TfL Group balance sheet

Balance Sheet (£m)	12 December 2020	31 March 2020	Variance
Intangible assets	115	119	(4)
Property, plant and equipment	42,739	42,093	646
Right-of-use assets	2,314	2,310	4
Investment property	1,430	1,430	-
Equity accounted investment in associated undertakings	210	202	8
Long-term derivative financial instruments	-	1	(1)
Long-term finance lease receivables	26	37	(11)
Long-term debtors	99	97	2
Long-term assets	**46,933**	**46,289**	**646**
Inventories	62	59	3
Short-term debtors	532	513	19
Assets held for sale	113	113	-
Short-term derivative financial instruments	4	3	1
Short-term finance lease receivables	15	16	(1)
Cash and short-term investments	1,807	2,209	(402)
Current assets	**2,533**	**2,913**	**(380)**
Short-term creditors	(2,087)	(2,128)	41
Short-term borrowings and overdrafts	(1,142)	(937)	(205)
Short-term right-of-use lease liabilities	(311)	(299)	(12)
Short-term other finance lease liabilities	(20)	(19)	(1)
Short-term PFI lease liabilities	(11)	(14)	3
Other short-term financing liabilities	(4)	(4)	-
Short-term derivative financial instruments	(4)	(26)	22
Short-term provisions	(136)	(193)	57
Current liabilities	**(3,715)**	**(3,620)**	**(95)**

Balance Sheet (£m)	12 December 2020	31 March 2020	Variance
Long-term creditors	(49)	(61)	12
Long-term borrowings	(11,527)	(10,752)	(775)
Long-term right-of-use lease liabilities	(1,960)	(1,888)	(72)
Long-term other finance lease liabilities	(197)	(211)	14
Long-term PFI lease liabilities	(105)	(112)	7
Other long-term financing liabilities	(132)	(132)	-
Long-term derivative financial instruments	(52)	(63)	11
Long-term deferred tax liabilities	(243)	(243)	-
Long-term provisions	(78)	(58)	(20)
Retirement benefit obligation	(4,097)	(4,101)	4
Long-term liabilities	**(18,440)**	**(17,621)**	**(819)**
Net assets	**27,311**	**27,961**	**(650)**
Reserves			
Usable reserves	(1,204)	(1,604)	400
Unusable reserves	(26,107)	(26,357)	250
Total reserves	**(27,311)**	**(27,961)**	**650**

Headcount

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

	31 March 2020 Actual	YTD net (leavers)/joiners	End of Q3 Actual
Underground	18,381	(383)	17,998
Elizabeth line	263	21	284
Buses, streets and other operations	2,664	(106)	2,558
Rail	271	11	282
Property development	198	(2)	196
Facilities & estates	152	(10)	142
Professional services*	4,267	(256)	4,011
Media	28	(1)	27
Major projects	674	(97)	577
TfL total	**26,898**	**(824)**	**26,074**
Crossrail	704	(60)	644
Total	**27,602**	**(884)**	**26,718**

At the start of the pandemic, we established a recruitment freeze for non-critical roles. This has resulted in staff reductions of 824 FTE this year, with more than half 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.

During the year we have used the Government's Job Retention Scheme and have received a total of £58m. We have now stopped furloughing workers.

* 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.

Non-permanent labour

It is important that we continue to make use of the flexibility offered by NPL staff, 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 since December 2015	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	3,560,709
31 March 2020	1,327	1,527,251	1,765	3,721,751
12 December 2020	879	1,246,964	2,213	4,002,038

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 Q3 Actual
0-6 months	339	(217)	122
6-12 months	335	(172)	163
1-2 years	243	35	278
2-3 years	152	(71)	81
3-5 years	138	(14)	124
5+ years	120	(9)	111
Total	**1,327**	**(448)**	**879**

There remain a large number of NPL 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.

February 2021

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