

## Finance Committee

**Date:** 13 October 2016

**Item:** Finance Report

---

**This paper will be considered in public**

### **1 Summary**

- 1.1 The Finance Report sets out TfL's financial results for Period 5, 2016/17 – the four weeks ending 22 August 2016. These results were presented to the Board on 22 September 2016 and are included here again to offer the Committee an opportunity for a more detailed review.

### **2 Recommendation**

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

### **3 Financial Reporting to the Board and Committees**

#### **Finance Report**

- 3.1 In response to feedback from a number of stakeholders, the way financial and operational performance is reported to the Board and Committees has been completely refreshed. Previously the Board and the Finance and Policy Committee had received a quarterly report on financial performance which, depending when meetings fell in the quarterly cycle, did not necessarily provide the latest available financial information. From now on, the Finance Report will include the latest available management results which, for this meeting, are the results for Period 5.

#### **List of appendices to this report:**

Appendix 1: Finance Report – Period 5, 2016/17

#### **List of Background Papers:**

None

Contact Officer: Ian Nunn, Chief Finance Officer  
Number: 020 3054 8941  
Email: [IanNunn@tfl.gov.uk](mailto:IanNunn@tfl.gov.uk)

# Transport for London finance report

Period 5 2016/17



## About Transport for London (TfL)

Part of the Greater London Authority family of organisations led by Mayor of London Sadiq Khan, we are the integrated transport authority responsible for delivering the Mayor's strategy and commitments on transport.

As a core element in the Mayor's overall plan for London, our purpose is to keep London moving, working and growing, and to make life in our city better. We reinvest all of our income to run and improve London's transport services and to make it more modern and affordable for everyone.

Our operational responsibilities include London Underground, London Buses, Docklands Light Railway, London Overground, TfL Rail, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the Emirates Air Line.

On the roads, we regulate taxis and the private hire trade, run the Congestion Charging scheme, manage the city's 580km red route network, operate all of the Capital's 6,300 traffic signals and work to ensure a safe environment for all road users.

We are delivering one of the world's largest programmes of transport capital investment, which is building the Elizabeth line, modernising Tube services and stations, transforming the road network and making it safer, especially for more vulnerable road users, such as pedestrians and cyclists.

We work hard to make journeys easier through effective use of technology and data. We provide modern ways to pay through Oyster and contactless payment cards and provide information in a wide range of formats to help people move around London.

Real-time travel information is provided directly by us and through third party organisations, which use the data we make openly and freely available to power apps and other services.

We listen to, and act upon, feedback and complaints to constantly improve our services and work with communities, representative groups, businesses and many other stakeholders to shape transport provision in London.

Improving and expanding transport in London is central to driving economic growth, jobs and housing throughout the United Kingdom. Under the Mayor's housing strategy, we are using our surplus land to provide thousands of new, affordable homes. Our own supply chain creates tens of thousands of jobs and apprenticeships across the country.

# Contents

---

4    **Operating account**

---

6    **Capital account**

---

7    **Headcount**

---

8    **Cash**

---

9    **Balance sheet**

---

---

The financial information included in the report is unaudited and does not constitute TfL's statutory accounts. TfL's last audited **Statement of Accounts** for the year ended 31 March 2016 was published on 28 July 2016.

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

---

## Management results

# Operating account

### Period 5 – the four weeks ending 22 August 2016

(£m)	Period 5				Year to date			
	Period 5 Actual	Period 5 Budget	Period Variance	Period Variance	YTD Actual	YTD Budget	YTD Variance	YTD Variance
Fares income	346	357	(11)	-3%	1,816	1,849	(33)	-2%
Other operating income	54	52	2	3%	265	265	(0)	0%
<b>Total operating income</b>	<b>400</b>	<b>409</b>	<b>(9)</b>	<b>-2%</b>	<b>2,081</b>	<b>2,114</b>	<b>(33)</b>	<b>-2%</b>
General grant	34	34	0	0%	172	172	(0)	0%
Business rates retention	0	0	0	0%	308	308	(0)	0%
Other revenue grants	2	3	(1)	-22%	12	12	(0)	0%
<b>Total income</b>	<b>436</b>	<b>446</b>	<b>(10)</b>	<b>-2%</b>	<b>2,572</b>	<b>2,606</b>	<b>(34)</b>	<b>-1%</b>
Operating cost	(474)	(491)	17	4%	(2,388)	(2,414)	26	1%
<b>Net operating surplus/(deficit)</b>	<b>(38)</b>	<b>(46)</b>	<b>7</b>	<b>-16%</b>	<b>185</b>	<b>192</b>	<b>(8)</b>	<b>-4%</b>
Depreciation and amortisation	(78)	(71)	(7)	-10%	(391)	(355)	(36)	-10%
<b>Net cost of operations before financing</b>	<b>(116)</b>	<b>(117)</b>	<b>0</b>	<b>0%</b>	<b>(207)</b>	<b>(163)</b>	<b>(43)</b>	<b>27%</b>
Net financing costs	(24)	(29)	6	19%	(134)	(144)	10	7%
<b>Net cost of transport operations</b>	<b>(140)</b>	<b>(146)</b>	<b>6</b>	<b>4%</b>	<b>(341)</b>	<b>(308)</b>	<b>(33)</b>	<b>-11%</b>

### Income

- London Underground (LU) fares income (£1,019m) is £20m (1.9 per cent) lower than Budget in the year to date with lower than budgeted passenger volumes – down 4.6 million (-0.9 per cent) and reduced average yield – down 2.2p (1.1 per cent). These adverse variances on volume and yield account respectively for £9m and £11m. The variance on yield is driven by Stratford rezoning (creation of new Zone 2/3) and increased 60+ Oyster usage
- Fares income from buses (£585m) in the year to date, is £13m lower than Budget with total passenger volumes some 27.3 million (-3.0 per cent) below Budget. Fare paying journeys are 18 million (-2.9 per cent) less than Budget. Volumes have been slow to recover following the increased congestion as London's population grows and from the impact of major highway construction and urban improvement schemes
- Total passenger journeys are 35.1 million (-2.2 per cent) adverse to Budget in the year to date

## Passenger journeys

Million	Period 5					Year to date			
	Actuals	Year-on-year variance		Variance to Budget		Year-on-year variance		Variance to Budget	
LU	100.6	6.0	6.3%	(2.0)	-2.0%	16.2	3.1%	(4.6)	-0.9%
TfL Rail	3.6	(0.1)	-2.3%	0.1	3.5%	7.5	67.7%	0.6	3.5%
Buses	155.3	(7.0)	-4.3%	(6.4)	-4.0%	(41.0)	-4.5%	(27.3)	-3.0%
London Overground	13.7	(0.4)	-3.1%	(0.6)	-4.0%	(1.8)	-2.4%	(2.8)	-3.7%
DLR	9.0	0.1	0.8%	(0.5)	-5.2%	1.3	2.9%	(0.7)	-1.5%
Trams	1.8	(0.0)	-1.8%	(0.5)	-22.0%	1.1	10.8%	(0.3)	-2.3%
Emirates Air Line (EAL)	0.2	(0.0)	-5.4%	(0.0)	-11.1%	(0.1)	-9.4%	(0.1)	-14.1%
<b>Total passenger journeys</b>	<b>284.1</b>	<b>(1.5)</b>	<b>-0.5%</b>	<b>(9.9)</b>	<b>-3.4%</b>	<b>(16.7)</b>	<b>-1.1%</b>	<b>(35.1)</b>	<b>-2.2%</b>

## Costs

There is a favourable variance in operating costs compared with Budget of some £26m (1.0 per cent) at the end of Period 5 as the drive to reduce cost in all areas of the business has begun to take effect:

- Employee costs are £17m (2.1 per cent) lower than Budget – split between permanent employees £13m and Non-Permanent Labour (NPL) £4m
- LU has reduced the cost of heavy overhaul train maintenance by £7m
- Projects in Customer, Communications and Technology have been cancelled or deferred, totalling £7m
- Bus contract costs are £5m lower than Budget as a result of reduced performance payments under the Quality Incentive Contract scheme

- Lower passenger volumes have also led to reduced variable costs of sales including lower debit/credit card fees, reduced contact centre volume and lower compensation payments to the Train Operating Companies

Depreciation and amortisation costs are £36m (-10 per cent) higher than Budget as a result of the Budget being prepared on the basis of the December 2015 balance sheet, rather than the year-end balance sheet.

Financing costs are £10m (7 per cent) lower than Budget as a result of the decision to delay taking out any further borrowing this year until as late as possible to save interest costs.

# Capital account

(£m)	Period 5				Year to date			
	Period 5 Actual	Period 5 Budget	Period Variance	Period Variance	YTD Actual	YTD Budget	YTD Variance	YTD Variance
Capital renewals	(54)	(60)	6	10%	(301)	(310)	9	3%
New capital investment	(74)	(83)	9	10%	(385)	(426)	41	10%
Crossrail	(126)	(124)	(2)	-2%	(644)	(658)	14	2%
<b>Total capital expenditure</b>	<b>(255)</b>	<b>(267)</b>	<b>12</b>	<b>5%</b>	<b>(1,330)</b>	<b>(1,395)</b>	<b>64</b>	<b>5%</b>
<b>Financed by:</b>								
Investment grant	73	73	(0)	0%	363	363	(0)	0%
Third-party contributions	3	3	(0)	-11%	16	15	1	9%
Property income	(0)	1	(1)	-100%	(0)	1	(1)	-102%
Crossrail funding sources	8	11	(3)	-24%	46	53	(7)	-13%
Other capital grants	16	13	4	28%	66	63	3	5%
<b>Total</b>	<b>100</b>	<b>100</b>	<b>0</b>	<b>0%</b>	<b>491</b>	<b>494</b>	<b>(3)</b>	<b>-1%</b>
<b>Net capital account</b>	<b>(155)</b>	<b>(168)</b>	<b>12</b>	<b>7%</b>	<b>(839)</b>	<b>(900)</b>	<b>61</b>	<b>7%</b>

Capital expenditure is £64m (5 per cent) lower than Budgeted, principally as a result of the rephasing of and some minor delays in capital projects:

- The station improvement programme in TfL Rail (£10m)
- The rephasing on upgrading the Circle, District, Hammersmith & City and Metropolitan lines to align with the contractor programme (£11m)
- Slippage on borough cycling schemes (£11m)

- Some delays on the Jubilee, and Northern line upgrades (£8m)
- The Commercial Development programme, including £8m on property development, £11m from delays on the introduction of new advertising screens at Canary Wharf, and later than anticipated investment in the Arches portfolio and the creation of new retail space

Capital expenditure on new buses was £8m more than Budget.

# Headcount

Full-time equivalent (FTE) employees	End of 2015/16 actuals	PI-P4 Net (leavers)/ joiners	Period 5 Net (leavers)/ joiners	Period 5 Actual	Period 5 Budget	Variance to Budget
London Underground	21,685	(847)	(119)	20,720	21,283	(563)
Surface Transport	4,165	(22)	(49)	4,094	4,269	(175)
Professional Services	4,215	(209)	(68)	3,938	4,360	(423)
Commercial Development	165	9	3	177	197	(20)
Crossrail	983	(63)	6	926	964	(38)
<b>Total FTEs</b>	<b>31,213</b>	<b>(1,132)</b>	<b>(227)</b>	<b>29,855</b>	<b>31,073</b>	<b>(1,219)</b>
Permanent	26,937	(606)	(64)	26,267	27,149	(882)
NPL	3,294	(464)	(169)	2,661	2,960	(299)
Crossrail	983	(63)	6	926	964	(38)
<b>Total FTEs</b>	<b>31,213</b>	<b>(1,132)</b>	<b>(227)</b>	<b>29,855</b>	<b>31,073</b>	<b>(1,219)</b>

Employee costs (£m)	Period 5				Year to date			
	Period 5 Actual	Period 5 Budget	Period Variance	Period Variance	YTD Actual	YTD Budget	YTD Variance	YTD Variance
Permanent	(138)	(144)	6	-4.2%	(717)	(730)	13	-1.8%
Non-Permanent Labour (NPL)	(15)	(18)	2	-13.1%	(91)	(95)	4	-4.4%
<b>Total employee costs</b>	<b>(153)</b>	<b>(162)</b>	<b>8</b>	<b>-5.2%</b>	<b>(808)</b>	<b>(825)</b>	<b>17</b>	<b>-2.1%</b>

Headcount has reduced by 1,359 since the beginning of the year.

- Some 600 employees have left the business following the Fit for the Future Stations programme
- The drive to reduce reliance on NPL has led to a reduction of 633 (19 per cent) heads since the beginning of the year
- Employee costs (including NPL) are now £17m lower than Budget in the year to date

# Cash

## Cash flow summary

(£m)	Period 5				Year to date			
	Period 5 Actual	Period 5 Budget	Period Variance	Period Variance	YTD Actual	YTD Budget	YTD Variance	YTD Variance
Net cost of transport operations	(140)	(146)	6	4%	(341)	(308)	(33)	-11%
Non-cash depreciation	78	71	7	10%	391	355	36	10%
Net capital expenditure	(155)	(168)	12	7%	(839)	(900)	61	7%
Borrowing	1	0	1	914%	2	684	(682)	-100%
Working capital movements	(37)	(72)	35	49%	(243)	(249)	6	3%
<b>(Decrease)/increase in cash balances</b>	<b>(253)</b>	<b>(314)</b>	<b>61</b>		<b>(1,029)</b>	<b>(417)</b>	<b>(612)</b>	

## Cash balances

(£m)	2016/17 opening cash	Prior period movements	Period 5 movement	Period 5 closing cash	Variance to Budget
Crossrail sponsors' funding account	1,539	(429)	(145)	965	50
Other TfL cash balances	1,776	(347)	(108)	1,321	(662)
Cash balances	3,314	(776)	(253)	2,285	(612)

- Year-to-date actual and Budgeted working capital movements include Crossrail payments to Network Rail (£227m actual: £201m Budget) which have been advanced as a short term loan
- Cash balances are £2,285m at the end of Period 5, down £1,029m in the year as the borrowing taken out in advance to finance the capital investment programme is drawn down
- Cash balances are £612m below Budget as planned borrowing of approximately £700m has been postponed to later in the year following the Brexit vote. This has also resulted in a significant saving in debt service (financing) costs

# Balance sheet

## TfL Group balance sheet

£m	22 August 2016	31 March 2016	Movement	22 August 2016	Period 5 Budget	Variance
Intangible assets	119	123	(4)	119	112	7
Property, plant and equipment	35,353	34,402	951	35,353	35,467	(114)
Investment properties	518	518	(0)	518	518	(0)
Investment in associate entities	410	473	(63)	410	473	(63)
Long term derivatives	14	7	7	14	7	7
Long term debtors	293	692	(399)	293	35	258
<b>Non current assets</b>	<b>36,707</b>	<b>36,215</b>	<b>492</b>	<b>36,707</b>	<b>36,612</b>	<b>95</b>
Stocks	74	71	3	74	71	3
Short term debtors	1,776	1,262	514	1,776	2,024	(248)
Short term derivatives	13	5	8	13	5	8
Cash and short term investments	2,285	3,314	(1,029)	2,285	2,897	(612)
<b>Current assets</b>	<b>4,148</b>	<b>4,652</b>	<b>(504)</b>	<b>4,148</b>	<b>4,997</b>	<b>(849)</b>
Short term creditors	(2,115)	(2,188)	73	(2,115)	(2,143)	28
Short term derivatives	(30)	(21)	(9)	(30)	(21)	(9)
Short term borrowings	(833)	(832)	(1)	(833)	(832)	(1)
Short term lease liabilities	(73)	(94)	21	(73)	(61)	(12)
Short term provisions	(172)	(221)	49	(172)	(143)	(29)
<b>Current liabilities</b>	<b>(3,223)</b>	<b>(3,356)</b>	<b>133</b>	<b>(3,223)</b>	<b>(3,200)</b>	<b>(23)</b>
Long term creditors	(75)	(80)	5	(75)	(80)	5
Long term borrowings	(8,282)	(8,281)	(1)	(8,282)	(8,965)	683
Long term lease liabilities	(553)	(565)	12	(553)	(545)	(8)
Long term derivatives	(106)	(95)	(11)	(106)	(95)	(11)
Other provisions	(49)	(46)	(3)	(49)	(42)	(7)
Pension provision	(3,207)	(3,208)	1	(3,207)	(3,203)	(4)
<b>Long term liabilities</b>	<b>(12,272)</b>	<b>(12,275)</b>	<b>3</b>	<b>(12,272)</b>	<b>(12,930)</b>	<b>658</b>
<b>Total net assets</b>	<b>25,360</b>	<b>25,236</b>	<b>124</b>	<b>25,360</b>	<b>25,479</b>	<b>(119)</b>
<b>Capital and reserves</b>						
Usable reserves	2,433	3,233	(800)	2,433	2,593	(160)
Unusable reserves	22,927	22,003	924	22,927	22,886	41
<b>Total capital employed</b>	<b>25,360</b>	<b>25,236</b>	<b>124</b>	<b>25,360</b>	<b>25,479</b>	<b>(119)</b>

### Balance sheet movement vs Budget

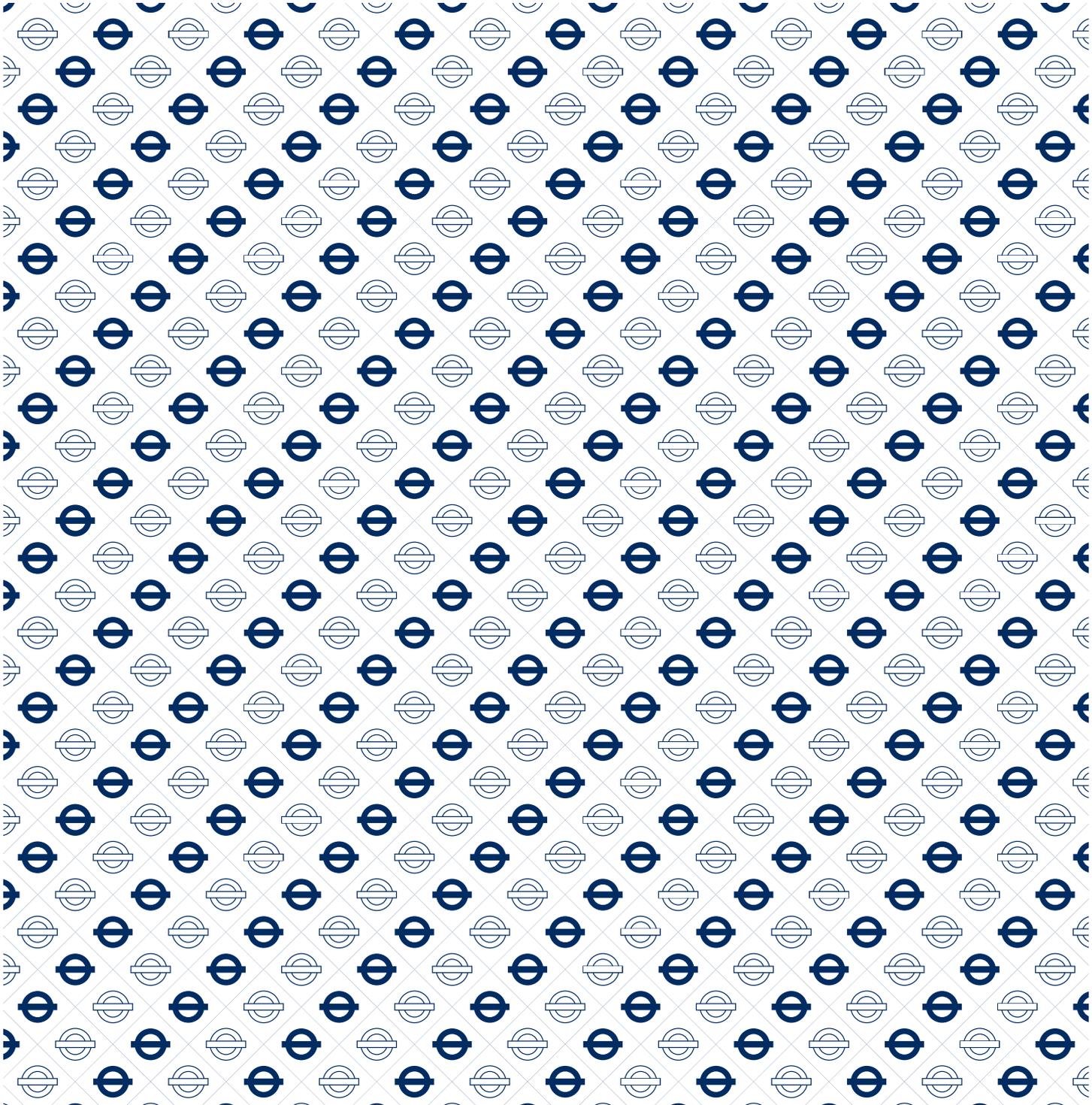
- Property, plant and equipment: £114m (0.3 per cent) lower. £76m lower capitalisation (lower project expenditure) and £38m higher than Budgeted depreciation
- Investment in associate entities: £63m (13.3 per cent) lower representing TfL's 37 per cent share of post tax losses to 30 June 2016 in the Earls Court Partnership Company
- Long term debtors: £258m (737.1 per cent) higher principally owing to Crossrail's Budget reflecting the Network Rail loan as a short term debtor
- Short term debtors: £248m (12.3 per cent) lower – offset of above
- Cash and short term investments: £612m (21.1 per cent) lower, mainly owing to:
  - £683m of prudential borrowings Budgeted for, but not taken, by close of Period 5. This is a timing difference that will reverse later in the year
  - £26m higher loan to Network Rail as part of the Crossrail project
  - £2m lower than Budgeted grant income
  - £67m lower operating activity
  - £32m of working capital movements

- Long term borrowings: £683m as a result of prudential borrowing being delayed until later in the year

### Balance sheet movement vs prior year end

- Property, plant and equipment: £951m (2.8 per cent) higher – £1,345m acquisitions less £394m depreciation
- Investment in associate entities: £63m (13.3 per cent) lower, representing TfL's 37 per cent share of post tax losses to 30 June 2016 in the Earls Court Partnership Company
- Long term debtors: £399m (57.7 per cent) lower principally owing to the reclassification of £395m of Network Rail loan debtor from long to short term
- Short term debtors – £514m (40.7 per cent) higher as a result of reclassification above; additional £226m Network Rail loan in year offset by £107m lower other short term debtors (of which, trade debtors £43m and capital debtors £39m)





© Transport for London  
Windsor House  
42–50 Victoria Street  
London SW1H 0LT

September 2016

[tfl.gov.uk](http://tfl.gov.uk)

PUB16\_021

