

Date: 5 July 2017

Item: Review of 2016/17 Outturn and Accounts

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**This paper will be considered in public**

## **1 Summary**

- 1.1 The Finance Report sets out TfL's financial results against Budget for Period 13 and the 2016/17 financial year.

## **2 Recommendation**

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

## **3 Overview of 2016/17 against budget**

### **Operating Account**

- 3.1 The full year net operating surplus on the Operating Account was £520m, an increase of £48m (+10 per cent) against budget. Lower than budgeted passenger volumes suppressed fares income, but this was offset by lower operating costs across the business.

### **Operating Income**

- 3.2 Total operating income was £5,393m, £173m (-3 per cent) below the budgeted amount of £5,566m. This is mainly due to lower fares income (£167m), principally a result of lower than budgeted passenger volumes across all modes.
- 3.3 On the Underground fares revenues increased year-on-year reflecting increased passenger volumes and inflationary fares increases from 1 January 2016, but were £60m (-2 per cent) below budget. Reliability was below target during 2016/17. We are analysing the causes of this decline and the containment plans we have put in place are starting to show signs of improvement.
- 3.4 Bus fares income was affected by challenging conditions on the roads, resulting in fewer fare-paying passenger journeys and a fall in fares revenues from a budgeted £1,568m to a full-year actual of £1,474m. The fall in demand is largely due to falling bus speeds due to continued congestion caused by London's population growth and major highway and urban improvement schemes affecting journey times. Plans have been put in place to address this and to attract passengers back to bus travel.

### **Operating Costs**

- 3.5 Operating costs for the full year are £6,225m, which is £213m (-3 per cent) below budget. For the first time since TfL began in 2000, there has been a year-on-year reduction of £153m in our day-to-day operating costs. This represents the early results from the drive to reduce costs following a review of TfL's entire cost base in

2016 which identified more than 400 initiatives and some £4bn of potential cost savings in the five year period to 2021/22.

- 3.6 Initiatives that have started to deliver cost reductions in this financial year include the rationalisation of our IT projects, a reduction in management layers, reduced numbers of non-permanent labour, and a streamlined operating model.

### **Capital Account**

- 3.7 The level of capital works undertaken remained high reflecting the continued investment in Crossrail and new Tube infrastructure and rolling stock. The Capital Account shows a £136m (-4 per cent) underspend against budget in the full year. Much of this reduction is the result of a strong drive to optimise specifications and to engineer cost out of major projects.
- 3.8 On the Underground capital expenditure totalled £1,081m in 2016/17, including £540m of new capital investment.
- 3.9 Capital improvements included new, air-conditioned, walk-through S-Stock trains on the Circle, District, Hammersmith & City and Metropolitan lines. The introduction of these trains into service has now been completed, and the full fleet is in service. The S-Stock fleet is the largest single train fleet in the country with more than 1,400 carriages.
- 3.10 Upgrade work on the Victoria line has also been completed allowing the introduction of a service of 36 trains per hour in May this year. The new timetable makes the Victoria line one of the most intensive metro services in Europe.
- 3.11 On Northern line extension, the huge reinforced crossover box at the Battersea Power Station site is complete and 'Helen' and 'Amy', the two tunnel boring machines, have been launched from Battersea towards Kennington Park. About 300,000 tonnes of spoil, equivalent to 33,000 truck journeys, will be excavated from both tunnels and moved via river barges to a land reclamation site.
- 3.12 After seven years of work the new, modernised Tottenham Court Road station was fully opened with the new glass, north plaza entrance opening to the public before Christmas 2016. This will allow the station to serve the 200,000 customers expected to use it daily when the Elizabeth line opens in 2018. Step-free access was provided in February, making it the 71st step-free station on the network. Snagging and remedial works will continue until the summer to complete the construction works.
- 3.13 The first major element of the new Victoria station, the north ticket hall leading directly from street level in Cardinal Place to the Victoria line, opened to customers in January.
- 3.14 Lambeth North station re-opened in February following the planned replacement of the two lifts. The station closure also gave time to carry out significant works including new ticket gates and upgraded lighting.
- 3.15 The new Piccadilly line signalling control system, which improves the reliability of the line's signalling and allows staff to better monitor and manage the line, continues to operate successfully between Cockfosters and Earl's Court. We are currently installing the infrastructure to extend the system further west.

- 3.16 In the summer of 2016 a major track renewal programme was completed prior to the launch of Night Tube, and new track was delivered on the Heathrow branch of the Piccadilly line.
- 3.17 Within the Roads division, £246m was spent on capital works. Much of the expenditure has been on the annual programme of asset replacement and renewal, ensuring London's highways, traffic and bus infrastructure is maintained in a good state of repair. During the year, a number of large-scale renewal schemes have progressed including work on four road-over-rail bridges at Power Road, Ardleigh Green, Upper Holloway Road and Highbury Corner. A project to replace the Woolwich ferries has started as the current ferries approach the end of their useful economic life.
- 3.18 TfL's cycling programme remains a priority, with more significant investment this year. Further progress has been made on the network of Cycle Superhighways, in particular the new segregated East-West route. Implementation of the Central London Grid and Quietways programme has also continued. Schemes aimed primarily at improving safety at junctions for cyclists are being implemented, with key works completing at Archway Gyratory and Stockwell Cross.
- 3.19 Major activity to enhance traffic signals technology and associated communications infrastructure continued apace, including the completion of a project to digitise the capital's safety cameras.
- 3.20 Capital expenditure of £297m was incurred by Rail in 2016/17. Improvements continued at London Overground stations between Liverpool Street and Chingford, Cheshunt and Enfield Town and included the installation of new lights, CCTV, help points, ticket machines and gates.
- 3.21 A public inquiry into the Barking Riverside extension scheme, which will serve the development site at Barking Riverside, was held in October 2016. An extension of the Gospel Oak to Barking line, from its current terminus at Barking to a new station in the heart of Barking Riverside would be 4km in length and would include 1.5km of new track. The Secretary of State is expected to make a decision on our Transport and Works Act Order application later this year.
- 3.22 Ilford depot received the first Class 345 train in December 2016, and was joined in February by the first train that will carry passengers when the service launches. Both are now being tested on tracks in east London. The project remains on schedule to be fully completed in 2019.
- 3.23 During the year, £1,593m was spent on the Crossrail project. By the end of the year, the project reached 83 per cent completion; platforms were 97 per cent complete. Power and tunnel ventilation is now being installed, along with signalling and communication systems, and platform screen doors in the new Elizabeth line central stations.
- 3.24 The impressive pre-cast concrete ceilings at Liverpool Street and Farringdon stations are now complete and architectural finishing and escalator and lift installation have commenced. Work continued on integration including the introduction of the Crossrail Integration Facility, a state-of-the-art testing facility for the new fleet of Crossrail trains, along with signalling, testing, commissioning and handover plans to ensure

that the complex interfaces and integration risks can be managed across the entire length of the route.

- 3.25 Total capital expenditure within the Buses division of £95m in 2016/17 included £76m of capital investment as new buses were introduced into service.

### **Cash**

- 3.26 Total cash balances as at 31 March 2017 stood at £1,962m of which £510m is ring-fenced to deliver the Crossrail project.

- 3.27 Cash balances are £189m lower than budgeted, principally a result of unfavourable working capital movements driven by the deferral of the loan repayment from Network Rail (funds advanced to Network Rail Infrastructure Limited to provide interim financing for the construction of assets relating to the Crossrail project). In addition, TfL deferred £50m of planned borrowing until 2017/18.

### **Quarterly Performance Report**

- 3.28 Since the last Committee meeting the Quarterly Performance Report (QPR) for Quarter 4 has been published on TfL's website:  
(<https://tfl.gov.uk/corporate/publications-and-reports/quarterly-progress-reports>).

- 3.29 The QPR sets this year's financial performance in the context of the actual results in prior years.

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

Appendix 1: Finance Report – Period 13, 2016/17

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

None

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# Transport for London finance report

Period 13 2016/17

MAYOR OF LONDON



**TRANSPORT  
FOR LONDON**  
EVERY JOURNEY MATTERS

## 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 safer, modern and affordable for everyone. We play a central role in delivering the Mayor's strategy to improve air quality and public health and to make transport accessible to all.

Our operational responsibilities include London Underground, London Buses, Docklands Light Railway (DLR), 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. Where possible, we are using our land to provide thousands of new, affordable homes. Our own supply chain creates tens of thousands of jobs and apprenticeships across the country.

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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.

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## Management results

# Operating account

Period 13 – the four weeks ending 31 March 2017

(£m)	Period 13				Full Year			
	Actuals	Budget	Variance to budget	% variance to budget	Actuals	Budget	Variance to budget	% variance to budget
Fares income	342	377	(35)	-9%	4,694	4,861	(167)	-3%
Other operating income	61	61	-	0%	699	705	(6)	-1%
<b>Total operating income</b>	<b>403</b>	<b>438</b>	<b>(35)</b>	<b>-8%</b>	<b>5,393</b>	<b>5,566</b>	<b>(173)</b>	<b>-3%</b>
General grant	34	34	-	0%	447	447	-	0%
Business rates retention	68	68	-	0%	854	854	-	0%
Other revenue grants	7	13	(6)	-46%	51	43	8	19%
<b>Total income</b>	<b>512</b>	<b>553</b>	<b>(41)</b>	<b>-7%</b>	<b>6,745</b>	<b>6,910</b>	<b>(165)</b>	<b>-2%</b>
Operating cost	(532)	(530)	(2)	0%	(6,225)	(6,438)	213	-3%
<b>Net operating surplus</b>	<b>(20)</b>	<b>23</b>	<b>(43)</b>	<b>-187%</b>	<b>520</b>	<b>472</b>	<b>48</b>	<b>10%</b>
Depreciation and amortisation	(90)	(77)	(13)	17%	(1,087)	(987)	(100)	10%
<b>Net cost of operations before financing</b>	<b>(110)</b>	<b>(54)</b>	<b>(56)</b>	<b>104%</b>	<b>(567)</b>	<b>(515)</b>	<b>(52)</b>	<b>10%</b>
Net financing costs	(30)	(31)	1	-3%	(363)	(381)	18	-5%
<b>Net cost of transport operations</b>	<b>(140)</b>	<b>(85)</b>	<b>(55)</b>	<b>65%</b>	<b>(930)</b>	<b>(896)</b>	<b>(34)</b>	<b>4%</b>



## Income

Fares income in the year is £4,694m, an adverse variance of £167m (-3.4%) to budget. This is principally a result of lower passenger volumes with a lesser impact from reduced yield:

- London Underground (LU) fares income is £60m (-2.2%) adverse to budget over the full year, and £19m (-9.0%) worse in the period. The adverse variance in the period was principally a result of compensation payments to the train operating companies for reduced income share. Passenger volumes are 28 million (-2.0%) lower than budget in the year, and 2 million (-2.1%) lower in the period. LU fares yield averaged £1.94 in the year, which was slightly (-0.2%) under budget. Reduced yield accounted for £11m of the adverse variance
- Bus fares income is £95m (-6.0%) adverse to budget over the year and £8m (-6.6%) lower in the period. Passenger volumes are 76 million (-3.3%) below budget, and are 5 million (-2.8%) lower in the period. Average bus ticket yield is £0.65 in the year, £0.02 (-2.9%) lower than budget. This equates to some £28m
- London Overground fares income is £20m (-8.1%) lower than budgeted in the year. Volumes are 7 million (-3.5%) behind budget - accounting for £7m of the variance – as a result of slower recovery of volumes following the reopening of the Gospel Oak to Barking line and lower growth across the network. Yield was £0.06 (-4.8%) lower – accounting for £13m of the variance – primarily due to compensation

payments to the train operating companies for reduced income share. A revenue recovery programme for the London Overground is being initiated

## Costs

Operating costs in the year were £6,225m, £213m (-3.3%) under budget. The principal variances are a result of:

- Rephasing in LU of £68m of costs to future years, including Central line heavy overhaul train maintenance (£20m) - owing to fewer units overhauled - and other projects (£36m) including stations improvement works
- Cost reductions in Professional Services totalling £77m from lower staff costs (£25m), cancelled technology and data projects and lower supplier costs (£25m), and a further £12m from project savings across Finance, HR and Planning
- Cost reductions in Roads of £64m, including £16m from discontinued projects, £15m from lower maintenance costs as we manage asset condition down to the bottom of the target range and £9m from reprioritised behavioural change and transport planning initiatives. There were £18m of costs which were budgeted in operating costs but have been capitalised, primarily relating to Silvertown tunnel following increased certainty in the project delivery. There was £8m of costs in roads relating to projects delivered by London boroughs, which have been rephased to future years.

- Cost reductions in Buses of £34m, principally due to lower performance payments and higher deductions to operators (£16m) – a result of slightly worse performance than expected – and lower ticket commission paid (£6m) due to lower fares income. A further £2m of savings were from hybrid buses, where increased volumes have driven down costs. In addition, there were a further £3m of cost reductions from the removal of service reliability enhancements as road conditions have improved
- Cost reductions in Rail of £33m, principally from higher than anticipated LOROL – the London Overground operator – profit share in the final year of their contract (£9m) and lower contractor performance payments (£4m). A further £5m of costs was rephased
- Rescheduling of £10m of Crossrail 2 expenditure to next year awaiting the Government’s decision on the strategic business case
- Cost reductions and rephasing was partly offset by unbudgeted costs across TfL for the Transformation programme (£25m), principally from the exit programme and external consultancy costs

Depreciation and amortisation costs are £100m (10%) higher than the original budget, as the depreciation budget was incorrectly based on capital assets in use as at 31 December 2015 instead of 31 March 2016.

Financing costs are £18m (-4.7%) lower than budget, a result of delayed borrowing to reduce financing costs and the deferral of £50m of planned borrowing to next year.

# Capital account

(£m)	Period 13				Full Year			
	Actuals	Budget	Variance to budget	% variance to budget	Actuals	Budget	Variance to budget	% variance to budget
Capital renewals	(78)	(85)	7	-9%	(793)	(860)	67	-8%
New capital investment	(166)	(232)	66	-28%	(1,094)	(1,302)	208	-16%
Crossrail	(133)	(39)	(94)	241%	(1,593)	(1,454)	(139)	10%
<b>Total capital expenditure</b>	<b>(377)</b>	<b>(356)</b>	<b>(21)</b>	<b>6%</b>	<b>(3,479)</b>	<b>(3,616)</b>	<b>136</b>	<b>-4%</b>
<b>Financed by:</b>								
Investment grant	73	73	-	0%	944	944	-	0%
Third-party contributions	(12)	11	(23)	-209%	32	55	(23)	-42%
Property income	-	122	(122)	-100%	16	127	(111)	-87%
Crossrail funding sources	27	66	(39)	-59%	170	194	(24)	-12%
Other capital grants	14	18	(4)	-22%	154	168	(14)	-8%
<b>Total</b>	<b>102</b>	<b>290</b>	<b>(188)</b>	<b>-65%</b>	<b>1,316</b>	<b>1,488</b>	<b>(172)</b>	<b>-12%</b>
<b>Net capital account</b>	<b>(275)</b>	<b>(66)</b>	<b>(209)</b>	<b>316%</b>	<b>(2,163)</b>	<b>(2,128)</b>	<b>(36)</b>	<b>2%</b>

Total capital expenditure is £136m (-3.8%) lower than budget over the full year, principally a result of cost reductions and some project rephasing. The key variances are:

- Cost reductions in of £111m – £65m in Other operations and £46m in Roads – from discontinued initiatives included in the budget without delivery plans
- Rephasing of £85m in Commercial Development costs in other operations, including property development expenditure (£53m) and payments for the Earls Court Joint Venture (£22m)
- Rephasing in LU of £66m of costs, including expenditure on the upgrade

to the Circle, District, Hammersmith & City and Metropolitan lines (£39m) – to better align infrastructure and enabling works to contractor works – and delays to technology projects (£13m)

- Some £33m of cost reductions in LU, including discontinued technology projects (£20m) and the stations modernisation programme (£4m)
- Some rephasing on Roads of £24m, including £12m for cycling schemes, principally those to be delivered by the London boroughs. The delivery rate of London Boroughs has increased during the year. This rephasing variance was offset by the £18m of costs budgeted in operating costs that were capitalised

- Rail capital costs were £144m higher than budget. Crossrail construction costs were £139m higher than budget, a result of higher costs on Systemwide main works, stations and civils, in addition to delays in over-station development income of £56m. In addition, £65m of Crossrail train costs were recognised earlier than expected. A number of London Overground, DLR and Trams projects totalling £39m were rephased into future years, including the final elements of the capacity improvement programme, the Albert Business Port and capital renewal schemes. The delivery date for Albert Business Port remains unchanged. There were also cost reductions of £4m due to value management on scope and procurement efficiencies on West Anglia stations
- Capital expenditure on new buses (£26m) was brought forward from 2017/18 to secure a lower unit price; 201 buses have so far been delivered this year, against a budgeted 131. This expenditure is not included in the 2017/18 Budget.

# Headcount

Full-time equivalent (FTE) employees	End of 2015/16 actuals	PI-PI2 net (leavers)/ joiners	Period 13 net (leavers)/ joiners	Period 13 actuals	Period 13 budget	Variance to budget	% variance to budget
Underground	21,613	(1,440)	(51)	20,121	20,996	(875)	-4%
Rail	378	83	3	465	518	(54)	-10%
Buses	566	(19)	1	548	554	(6)	-1%
Roads	2,348	(246)	(5)	2,098	2,306	(209)	-9%
Other operations	945	216	5	1,166	1,046	120	12%
Professional services	4,381	(357)	(35)	3,988	4,617	(629)	-14%
Crossrail	983	(134)	(46)	803	792	11	1%
<b>Total FTEs</b>	<b>31,213</b>	<b>(1,897)</b>	<b>(128)</b>	<b>29,189</b>	<b>30,830</b>	<b>(1,641)</b>	<b>-5%</b>

Employee costs (£m)	Period 13				Full Year			
	Actuals	Budget	Variance to budget	% variance to budget	Actuals	Budget	Variance to budget	% variance to budget
Permanent	(155)	(158)	3	-2%	(1,845)	(1,912)	67	-4%
Non-permanent Labour (NPL)	(11)	(16)	5	-31%	(199)	(230)	31	-13%
<b>Total employee costs</b>	<b>(166)</b>	<b>(175)</b>	<b>8</b>	<b>-5%</b>	<b>(2,044)</b>	<b>(2,142)</b>	<b>98</b>	<b>-5%</b>

Headcount levels continue to reduce. Over the full year, headcount has reduced by 2,025, with a further 128 leavers in Period 13.

LU has reduced staff by 1,491 since the beginning of the year, with 580 of these due to the initial station modernisation programme. Following the stations review, we will recruit an additional 325 frontline employees by December 2017, with 60 already in place,

Other operations have seen an increase in staff this year, driven by the recruitment of 168 Taxi & Private Hire compliance officers. In total 250 officers will be recruited, with remaining roles recruited in 2017/18.

# Cash

## Cash flow summary

(£m)	Period I3				Full Year			
	Actuals	Budget	Variance to budget	% variance to budget	Actuals	Budget	Variance to budget	
Net cost of transport operations	(140)	(85)	(55)	65%	(930)	(896)	(34)	4%
Non-cash depreciation	90	77	13	17%	1,087	987	100	10%
Net capital expenditure	(275)	(66)	(209)	316%	(2,163)	(2,128)	(36)	2%
Borrowing	(43)	(42)	(1)	2%	682	732	(50)	-7%
Working capital movements	74	(65)	138	-214%	(28)	141	(168)	-120%
<b>(Decrease)/increase in cash balances</b>	<b>(295)</b>	<b>(181)</b>	<b>(113)</b>		<b>(1,352)</b>	<b>(1,164)</b>	<b>(189)</b>	

## Cash balances

(£m)	2016/17 opening cash	Prior period movements	Period I3 movements	Period I3 closing cash	Variance to budget
Crossrail sponsors' funding account	1,539	(893)	(136)	510	(276)
Other TfL cash balances	1,775	(165)	(159)	1,452	87
<b>Cash balances</b>	<b>3,314</b>	<b>(1,058)</b>	<b>(295)</b>	<b>1,962</b>	<b>(189)</b>

Cash balances are £1,962m at the end of the year, down £1,352m in the year. Over £0.5bn of this balance is held specifically for Crossrail construction.

The Group has received funding in advance of incurring costs and completing projects which is now being used to fund capital renewals and new capital investment across the transport network.

Cash balances are £189m lower than budgeted, principally a result of unfavourable working capital movements (£168m) driven by the deferral of the loan repayment from Network Rail (£312m). In addition, TfL has deferred £50m of planned borrowing until 2017/18.

# Balance sheet

## TfL Group balance sheet

£m	31 March 2017	31 March 2016	Movement	31 March 2017	Period 13 budget	Variance to budget
Intangible assets	140	123	17	140	103	37
Property, plant and equipment	36,839	34,402	2,437	36,839	37,065	(226)
Investment properties	558	518	40	558	518	40
Investment in associate entities	368	473	(105)	368	473	(105)
Long term derivatives	18	7	11	18	7	11
Long term debtors	29	692	(663)	29	60	(31)
<b>Long term assets</b>	<b>37,953</b>	<b>36,215</b>	<b>1,738</b>	<b>37,953</b>	<b>38,226</b>	<b>(273)</b>
Stocks	72	71	1	72	71	1
Short term debtors	1,821	1,262	559	1,821	1,523	298
Short term derivatives	12	5	7	12	5	7
Assets held for sale	15	0	15	15	0	15
Cash and short term investments	1,961	3,314	(1,353)	1,961	2,150	(189)
<b>Current assets</b>	<b>3,882</b>	<b>4,652</b>	<b>(770)</b>	<b>3,882</b>	<b>3,749</b>	<b>133</b>
Short term creditors	(2,147)	(2,188)	41	(2,147)	(2,084)	(63)
Short term derivatives	(4)	(21)	17	(4)	(21)	17
Short term borrowings	(1,106)	(832)	(274)	(1,106)	(832)	(274)
Short term lease liabilities	(77)	(94)	17	(77)	(75)	(2)
Short term provisions	(194)	(221)	27	(194)	(105)	(89)
<b>Current liabilities</b>	<b>(3,527)</b>	<b>(3,356)</b>	<b>(171)</b>	<b>(3,527)</b>	<b>(3,117)</b>	<b>(410)</b>
Long term creditors	(56)	(80)	24	(56)	(79)	23
Long term borrowings	(8,690)	(8,281)	(409)	(8,690)	(9,013)	323
Long term lease liabilities	(488)	(565)	77	(488)	(491)	3
Long term derivatives	(79)	(95)	16	(79)	(95)	16
Other provisions	(44)	(46)	2	(44)	(30)	(14)
Pension provision	(5,363)	(3,208)	(2,155)	(5,363)	(3,194)	(2,169)
<b>Long term liabilities</b>	<b>(14,720)</b>	<b>(12,275)</b>	<b>(2,445)</b>	<b>(14,720)</b>	<b>(12,902)</b>	<b>(1,818)</b>
<b>Total net assets</b>	<b>23,587</b>	<b>25,236</b>	<b>(1,649)</b>	<b>23,587</b>	<b>25,956</b>	<b>(2,369)</b>
<b>Capital and reserves</b>						
Usable reserves	1,851	3,233	(1,372)	1,861	2,150	(290)
Unusable reserves	21,726	22,003	(277)	21,726	23,806	(2,080)
<b>Total capital employed</b>	<b>23,587</b>	<b>25,236</b>	<b>(1,649)</b>	<b>23,587</b>	<b>25,956</b>	<b>(2,369)</b>

### Balance sheet movement vs budget

- Fixed Assets: £149m (-0.4%) lower. Mainly due to £136m lower capital expenditure, £100m higher than budget depreciation, £61m lower retirements, £42m revaluation increase, and £15m transfer to Assets Held for Sale
- Investment in associate entities: £105m (-22.2%) lower, representing TfL's share of post tax losses to 31 December 2016 in the Earls Court Partnership company
- Cash and short term investments: £189m (8.7%) lower, mainly owing to:
  - unfavourable working capital movements (£168m) driven by the deferral of the loan repayment from Network Rail (£312m)
  - deferral of £50m of planned borrowing until 2017/18
- Short term debtors: £320m higher than budget (11.0%), mainly due to the deferral of the second Network Rail loan repayment (£312m)
- Short term borrowings: £274m higher than budget (32.9%), mostly reflecting a £300m bond which has become repayable within one year
- Long term borrowings: £323m lower than budget (3.6%), mostly reflecting the deferral of £50m prudential borrowing until next year, and the bond which has become repayable within one year

### Balance sheet movement vs prior year end

- Fixed Assets: £2,494m (7.1%) higher. £3,522m acquisitions less £1,087m depreciation, £19m retirements, £42m revaluation uplift, and £15m transfer to Assets Held for Sale. Investment in associate entities: £63m (13.3 %) lower, representing TfL's share of post tax losses to 31 December 2016 in the Earl's Court Partnership company
- Long term debtors: £663m (95.8%) lower, principally owing to the reclassification of £657m of Network Rail loan debtor from long to short term
- Short term debtors: £216m (7.1%) higher, mainly as a result of the Network Rail loan reclassification above
- Short term borrowings: £274m (32.9%) higher, mainly reflecting a £300m bond which becomes repayable within one year
- Short term provisions: £27m (-12.1%) lower following payments to staff leaving under the stations modernisation programme, and reductions in Crossrail contractual claims and property provisions
- Long term borrowings: £409m (4.9%) higher, mainly as a result of £680m of new borrowings, offset by reclassification of £300m to short term for a bond which has become repayable within one year



# Appendices

## Appendix A: divisional tables

### London Underground

(£m)	Period 13				Full Year			
	Actuals	Budget	Variance to budget	% variance to budget	Actuals	Budget	Variance to budget	% variance to budget
Fares income	194	213	(19)	-9%	2,669	2,728	(60)	-2%
Other operating income	10	16	(5)	-34%	178	176	3	2%
<b>Total operating income</b>	<b>204</b>	<b>229</b>	<b>(25)</b>	<b>-11%</b>	<b>2,847</b>	<b>2,904</b>	<b>(57)</b>	<b>-2%</b>
Direct operating cost	(172)	(181)	9	-5%	(2,149)	(2,260)	111	-5%
Indirect operating cost	(49)	(35)	(13)	38%	(417)	(432)	15	-4%
<b>Net operating surplus/(deficit)</b>	<b>(16)</b>	<b>13</b>	<b>(29)</b>	<b>-231%</b>	<b>281</b>	<b>213</b>	<b>69</b>	<b>34%</b>
Depreciation	(53)	(49)	(4)	9%	(679)	(635)	(44)	7%
<b>Net cost of operations before financing</b>	<b>(70)</b>	<b>(36)</b>	<b>(33)</b>	<b>91%</b>	<b>(398)</b>	<b>(422)</b>	<b>24</b>	<b>-7%</b>
Capital renewals	(50)	(57)	7	-13%	(541)	(589)	49	-8%
New capital investment	(51)	(63)	12	-19%	(540)	(590)	50	-8%
<b>Net capital expenditure</b>	<b>(101)</b>	<b>(121)</b>	<b>20</b>	<b>-16%</b>	<b>(1,081)</b>	<b>(1,180)</b>	<b>99</b>	<b>-8%</b>

## Buses

(£m)	Period 13				Full Year			
	Actuals	Budget	Variance to budget	% variance to budget	Actuals	Budget	Variance to budget	% variance to budget
Fares income	111	119	(8)	-7%	1,474	1,568	(95)	-6%
Other operating income	5	4	2	45%	51	47	4	8%
<b>Total operating income</b>	<b>116</b>	<b>123</b>	<b>(6)</b>	<b>-5%</b>	<b>1,525</b>	<b>1,615</b>	<b>(91)</b>	<b>-6%</b>
Direct operating cost	(153)	(164)	11	-7%	(2,069)	(2,102)	34	-2%
Indirect operating cost	(10)	(7)	(3)	45%	(70)	(73)	4	-5%
<b>Net operating surplus/(deficit)</b>	<b>(46)</b>	<b>(48)</b>	<b>2</b>	<b>-4%</b>	<b>(614)</b>	<b>(560)</b>	<b>(54)</b>	<b>10%</b>
Depreciation	(4)	(3)	(1)	49%	(45)	(35)	(10)	27%
<b>Net cost of operations before financing</b>	<b>(51)</b>	<b>(51)</b>	<b>1</b>	<b>-1%</b>	<b>(659)</b>	<b>(596)</b>	<b>(63)</b>	<b>11%</b>
Capital renewals	(2)	(1)	(1)	74%	(19)	(16)	(3)	16%
New capital investment	(10)	(3)	(6)	186%	(76)	(52)	(25)	48%
<b>Net capital expenditure</b>	<b>(12)</b>	<b>(5)</b>	<b>(7)</b>	<b>157%</b>	<b>(95)</b>	<b>(68)</b>	<b>(27)</b>	<b>40%</b>

## Rail

(£m)	Period 13				Full Year			
	Actuals	Budget	Variance to budget	% variance to budget	Actuals	Budget	Variance to budget	% variance to budget
Fares income	34	42	(8)	-19%	503	531	(28)	-5%
Other operating income	3	3	0	5%	27	28	(1)	-3%
<b>Total operating Income</b>	<b>37</b>	<b>45</b>	<b>(8)</b>	<b>-18%</b>	<b>530</b>	<b>560</b>	<b>(29)</b>	<b>-5%</b>
Direct operating cost	(38)	(45)	6	-15%	(541)	(574)	33	-6%
Indirect operating cost	(4)	(3)	(1)	32%	(33)	(37)	4	-6%
<b>Net operating surplus/ (deficit)</b>	<b>(6)</b>	<b>(3)</b>	<b>(3)</b>	<b>78%</b>	<b>(44)</b>	<b>(51)</b>	<b>7</b>	<b>-11%</b>
Depreciation	(12)	(9)	(4)	44%	(132)	(112)	(20)	18%
<b>Net cost of operations before financing</b>	<b>(18)</b>	<b>(12)</b>	<b>(6)</b>	<b>53%</b>	<b>(176)</b>	<b>(164)</b>	<b>(12)</b>	<b>9%</b>
Capital renewals	(6)	(10)	4	-41%	(53)	(70)	17	-24%
New capital investment	(72)	(36)	(36)	102%	(244)	(222)	(22)	10%
Crossrail	(133)	(39)	(95)	245%	(1,593)	(1,454)	(139)	10%
<b>Net capital expenditure</b>	<b>(211)</b>	<b>(84)</b>	<b>(127)</b>	<b>151%</b>	<b>(1,890)</b>	<b>(1,746)</b>	<b>(144)</b>	<b>8%</b>

## Roads

(£m)	Period 13				Full Year			
	Actuals	Budget	Variance to budget	% variance to budget	Actuals	Budget	Variance to budget	% variance to budget
Fares income	(0)	(0)	(0)	0%	(0)	(0)	(0)	0%
Other operating income	26	27	(1)	-5%	327	339	(12)	-3%
<b>Total operating Income</b>	<b>26</b>	<b>27</b>	<b>(1)</b>	<b>-5%</b>	<b>328</b>	<b>339</b>	<b>(11)</b>	<b>-3%</b>
Direct operating cost	(70)	(71)	2	-2%	(641)	(705)	64	-9%
Indirect operating cost	(7)	(7)	(1)	12%	(78)	(88)	10	-9%
<b>Net operating surplus/ (deficit)</b>	<b>(51)</b>	<b>(51)</b>	<b>(1)</b>	<b>1%</b>	<b>(392)</b>	<b>(454)</b>	<b>58</b>	<b>-13%</b>
Depreciation	(12)	(10)	(2)	23%	(134)	(122)	(12)	10%
<b>Net cost of operations before financing</b>	<b>(63)</b>	<b>(60)</b>	<b>(3)</b>	<b>5%</b>	<b>(526)</b>	<b>(576)</b>	<b>50</b>	<b>-8%</b>
Capital renewals	(16)	(9)	(7)	78%	(138)	(132)	(6)	5%
New capital investment	(9)	(5)	(3)	62%	(108)	(107)	(1)	1%
<b>Net capital expenditure</b>	<b>(25)</b>	<b>(14)</b>	<b>(10)</b>	<b>72%</b>	<b>(246)</b>	<b>(239)</b>	<b>(7)</b>	<b>3%</b>

## Other Operations

(£m)	Period 13				Full Year			
	Actuals	Budget	Variance to budget	% variance to budget	Actuals	Budget	Variance to budget	% variance to budget
Fares income	3	3	0	10%	48	33	15	49%
Other operating income	18	12	5	42%	116	115	1	1%
<b>Total operating income</b>	<b>21</b>	<b>15</b>	<b>5</b>	<b>35%</b>	<b>164</b>	<b>147</b>	<b>17</b>	<b>10%</b>
Direct operating cost	(28)	(16)	(11)	69%	(213)	(151)	(60)	40%
Indirect operating cost	(1)	(1)	(0)	10%	(14)	(16)	2	-9%
<b>Net operating surplus/ (deficit)</b>	<b>(8)</b>	<b>(2)</b>	<b>(6)</b>	<b>293%</b>	<b>(63)</b>	<b>(20)</b>	<b>(44)</b>	<b>223%</b>
Depreciation	(9)	(6)	(2)	37%	(97)	(82)	(15)	18%
<b>Net cost of operations before financing</b>	<b>(17)</b>	<b>(8)</b>	<b>(8)</b>	<b>98%</b>	<b>(161)</b>	<b>(102)</b>	<b>(59)</b>	<b>58%</b>
Capital renewals	(4)	(8)	4	-52%	(42)	(53)	11	-20%
New capital investment	(25)	(124)	100	-80%	(124)	(330)	206	-62%
<b>Net capital expenditure</b>	<b>(28)</b>	<b>(132)</b>	<b>104</b>	<b>-78%</b>	<b>(166)</b>	<b>(383)</b>	<b>217</b>	<b>-57%</b>

## Appendix B: Passenger journeys, fares, and yield

### Fares income

(£m)	Period I3				Full Year			
	Actuals	Budget	Variance to budget	% Variance to budget	Actuals	Budget	Variance to budget	% Variance to budget
London Underground	194	213	(19)	-9%	2,669	2,728	(60)	-2%
TfL Rail	6	7	(1)	-16%	83	89	(6)	-6%
DLR	13	13	0	1%	167	168	(1)	-1%
London Overground	13	20	(7)	-35%	222	241	(20)	-8%
London Trams	2	2	(0)	-5%	26	26	(0)	-2%
Emirates Air Line	0	0	(0)	-24%	6	8	(2)	-21%
Buses	111	119	(8)	-7%	1,474	1,568	(95)	-6%
Oyster write off and deposits	3	3	0	10%	49	33	16	49%
<b>Total fares</b>	<b>342</b>	<b>377</b>	<b>(35)</b>	<b>-9%</b>	<b>4,694</b>	<b>4,861</b>	<b>(167)</b>	<b>-3%</b>

### Passenger journeys

Million	Period I3				Full Year			
	Actuals	Budget	Variance to budget	% Variance to budget	Actuals	Budget	Variance to budget	% Variance to budget
London Underground	106	108	(2)	-2.1%	1,378	1,406	(28)	-2.0%
TfL Rail	4	4	(0)	-10.2%	48	49	(1)	-2.5%
DLR	9	10	(0)	-3.6%	122	127	(5)	-3.7%
London Overground	15	16	(1)	-4.0%	189	196	(7)	-3.8%
London Trams	2	2	(0)	-0.8%	30	31	(1)	-4.3%
Emirates Air Line	0	0	(0)	-10.2%	1	2	(0)	-16.7%
Buses	178	183	(5)	-2.8%	2,262	2,338	(76)	-3.3%
<b>Total passengers</b>	<b>315</b>	<b>324</b>	<b>(9)</b>	<b>-2.7%</b>	<b>4,029</b>	<b>4,148</b>	<b>(119)</b>	<b>-2.9%</b>

## Fares yield

(£ per journey)	Period 13				Full Year			
	Actuals	Budget	Variance to budget	% Variance to budget	Actuals	Budget	Variance to budget	% Variance to budget
London Underground	106	108	(2)	-2.1%	1,378	1,406	(28)	-2.0%
TfL Rail	4	4	(0)	-10.2%	48	49	(1)	-2.5%
DLR	9	10	(0)	-3.6%	122	127	(5)	-3.7%
London Overground	15	16	(1)	-4.0%	189	196	(7)	-3.8%
London Trams	2	2	(0)	-0.8%	30	31	(1)	-4.3%
Emirates Air Line	0	0	(0)	-10.2%	1	2	(0)	-16.7%
Buses	178	183	(5)	-2.8%	2,262	2,338	(76)	-3.3%
<b>Total Passengers</b>	<b>315</b>	<b>324</b>	<b>(9)</b>	<b>-2.7%</b>	<b>4,029</b>	<b>4,148</b>	<b>(119)</b>	<b>-2.9%</b>



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