AGENDA ITEM 4

TRANSPORT FOR LONDON

FINANCE COMMITTEE

SUBJECT: **TfL OPERATIONAL AND FINANCIAL REPORT – SECOND QUARTER 2008/09**

DATE: **20 NOVEMBER 2008**

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1 PURPOSE AND DECISION REQUIRED

1.1 The Operations and Financial report for the second quarter of 2008/09 (22 June 2008 – 13 September 2009) is attached to inform the TfL Finance Committee of Transport for London's performance.

2 RECOMMENDATION

2.1 The Committee is asked to NOTE the contents of this report.

3 CONTACT

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Operational and Financial Report

Second Quarter, 2008/09

The operating year 2008/09 comprises four quarters. Quarter one to three each cover three operating periods of four weeks. Quarter four covers four operating periods of four weeks. The dates are as follows:

Quarter one:	1 April 2008 - 21 June 2008	(Operating periods 1-3)
Quarter two:	22 June 2008 - 13 September 2008	(Operating periods 4-6)
Quarter three:	14 September - 6 December 2008	(Operating periods 7-9)
Quarter four:	7 December 2008 - 31 March 2009	(Operating periods 10-13)

This report details the operational and financial performance for quarter two, 22 June 2008 – 13 September 2008, and covers operating periods four to six.

Operational and Financial Performance Report

Second Quarter, 2008/09 (22 June 2008 – 13 September 2008)

Performance Summary

Quarter two continued to build upon the passenger growth of 2007/08. 787 million passengers travelled on the Transport for London (TfL) network during quarter two 2008/09, 3.7 per cent more than last year.

London Underground: Demand for Underground services continued to grow as passengers made 249 million journeys, 2.5 per cent more than quarter two of last year but 1.0 million fewer than target. 96.3 per cent of scheduled services were operated, 1.2 percentage points higher than target and excess journey time was 1 minute better than target. In the final 4-week period of the quarter, total excess journey time fell to 5.9 minutes, the best performance for over 10 years.

London Buses: Bus passengers made 515 million journeys in the quarter, 20.7 million more than the previous year and 0.7 million more than target. 97.4 per cent of scheduled bus services were operated in quarter two, 0.4 percentage points lower than target. Excess wait time at 1 minute was in line with target.

Docklands Light Railway (DLR): DLR passengers made 15 million journeys, 1.0 million fewer than target largely due to the blockades and weekend closures. 97.3 per cent of trains were on time, 1.3 percentage points better than target.

Customer Service: The TfL group customer satisfaction score for quarter 2 was 81, which was 2.3 points higher than target and 1.2 points higher than last year. This resulted from a 3 point improvement in the score for London Buses and London Underground successfully maintaining the high score achieved in quarter one.

Financial performance: At quarter two, TfL operating income was £10 million lower than budget and TfL operating expenditure was £41 million lower than budget in the year to date. Capital expenditure (after overprogramming and third party reimbursements) was £95 million lower than budget in the year to date.

Staff numbers: TfL employed 21,878 full time equivalent (FTE) staff at the end of the second quarter, 223 fewer than budget but 49 more than last quarter. At the end of quarter two, there were 6,339 Metronet employees, 457 fewer than budget. These are additional to the TfL headcount.

Performance Summary – Performance Indicators

2008/09 Key Performance Indicator	Unit	Quarter 2 Actual	Quarter 2 Target	Quarter 2 Var	Quarter 2 PY	Full Year Forecast	Full Year Target	Full Year Var	Full Year PY
Service Demand									
Passenger Journeys - TfL Group (excl London Overground)	m	786.6	787.6	(1.0)	758.8	3,424.2	3,456.7	(32.5)	3,345.7
Passenger Journeys - LU	m	249.0	250.0	(1.0)	242.9	1,087.4	1,120.0	(32.6)	1,072.5
Passenger Journeys - Buses	m	514.6	513.9	0.7	493.9	2,234.1	2,233.8	0.3	2,176.1
Passenger Journeys - DLR	m	15.1	16.1	(1.0)	14.9	71.1	71.1	-	66.6
Total Trips - Dial a Ride	'000s	271.4	317.4	(46.0)	256.7	1,200.0	1,400.0	(200.0)	1,127.4
Cycle usage on TLRN (Index Mar 2000 = 100)	Index	233.1	229.7	3.4	217.9	205.0	205.0	-	190.8
Service Provision (Supply)									
% Scheduled Services Operated - LU	%	96.3	95.1	1.2	93.3	95.5	95.1	0.4	94.8
Train Kilometres Operated - LU	m	16.5	16.3	0.2	16.2	70.6	70.2	0.4	70.5
% Scheduled Services Operated - Buses	%	97.4	97.7	(0.4)	97.7	97.4	97.6	(0.2)	97.5
Bus Kilometres Operated - Buses	m	110.5	109.6	1.0	107.9	479.0	474.4	4.6	468.2
% Scheduled Services Operated - DLR	%	99.4	98.0	1.4	99.4	98.0	98.0	-	99.1
Train Kilometres Operated - DLR	'000s	848.0	1,037.0	(189.0)	1,058.2	4,042.0	4,493.6	(451.6)	4,442.9
No. of Taxi Drivers Licensed - PCO	'000s	24.8	24.7	0.1	24.5	24.7	24.7	-	24.7
No. of Private Hire Drivers Licensed - PCO	'000s	52.3	46.0	6.3	43.4	52.0	46.7	5.3	48.3
Reliability									
Excess Journey Time (Weighted) - LU	Mins	6.4	7.5	(1.0)	7.9	No forecast	7.5	-	7.8
Excess Wait Time, High Freq Routes - Buses	Mins	1.0	1.0	-	1.0	1.1	1.1	(0.0)	1.1
On Time Performance - DLR	%	97.3	96.0	1.3	97.9	96.0	96.0	-	97.3
On Time Performance (PPM Moving Annual Average) - LO	%	92.1	91.7	0.4	Not available	91.7	91.7	-	Not available
Customer Satisfaction									
Overall Customer Satisfaction - TfL Group	Score	80.6	78.3	2.3	79.4	No forecast	78.3	-	78.8
Overall Customer Satisfaction - LU	Score	79	78	1	77	No forecast	78	-	77
Overall Customer Satisfaction - Buses	Score	81	78	3	80	No forecast	78	-	79
Overall Customer Satisfaction - DLR	Score	89.5	90.0	(0.5)	97.9	90.0	90.0	-	97.5
Overall Customer Satisfaction - London Overground	Score	75	73	2	Not available	No forecast	73	-	Not available
People									
Number of Staff - TfL Group (excl Metronet)	FTE	21,878	22,101	(223)	21,427	22,326	22,030	296	21,848
No of Temporary Contractors - TfL Group (excl Metronet)	FTE	1,507	1,142	365	1,502	1,242	1,111	131	1,459
Number of staff - Metronet	No of staff	6,339	6,796	(457)	n/a	6,833	6,770	63	n/a
Numer of Temporary Contractors - Metronet	No of staff	1,418	1,712	(294)	n/a	1,686	1,547	139	n/a
KPIs excluding Metronet									
No of Temporary Contractors - TfL Group over 12 months service	FTE	494	511	(17)	564	477	467	10	482
No of days sickness absence per employee: TfL Group	Days	4.4	4.6	(0.3)	4.6	11.2	10.2	1.0	10.3
Women Staff - TfL Group	%	24.7	24.4	0.2	23.8	25.0	24.9	0.1	24.3
BAME Staff - TfL Group	%	34.6	29.0	5.6	34.0	34.5	29.0	5.5	34.4
Disabled Staff - TfL Group	%	6.2	6.7	(0.5)	6.9	6.4	6.7	(0.3)	6.4
Women Staff in Senior Mgt - TfL Group	%	21.0	21.2	(0.2)	21.5	20.6	21.9	(1.3)	21.2
BAME Staff in Senior Mgt - TfL Group	%	11.7	13.0	(1.3)	12.1	13.7	13.8	(0.1)	12.2
Disabled Staff in Senior Mgt - TfL Group	%	5.0	4.9	0.1	4.3	4.9	5.2	(0.3)	4.4

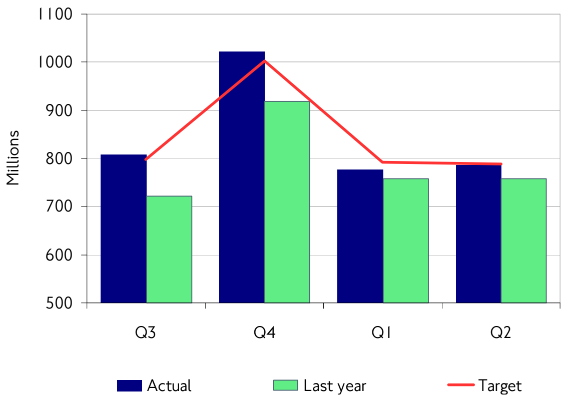
GREEN: better than or equal to target; AMBER : within 5% of target; RED : 5% or more worse than target

Notes:
Tables may be subject to rounding errors.
FTE = Full Time Equivalents

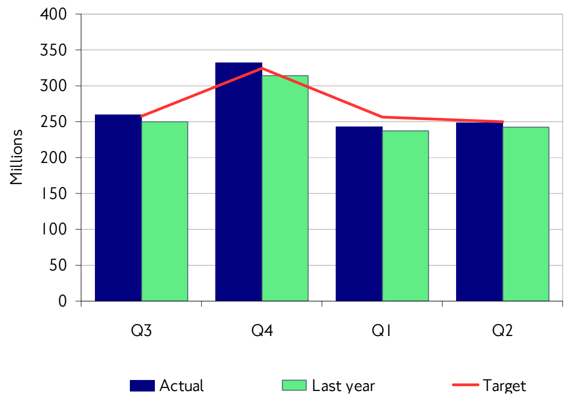
+ Due to the reporting process and nature of road traffic accident data the latest data available is for May 2008.

1.0 Following on from record levels of demand in 2007/08, the number of journeys made by passengers across the TfL network continues to grow in 2008/09. In quarter two, passengers made 786.6 million journeys, 27.9 million (3.7 per cent) more than last year although 1.0 million (0.1 per cent) fewer than target. This total does not include passenger numbers for London Overground, which are being validated for reporting later in the year.

Total Passenger Journeys – Transport for London (excluding London Overground)

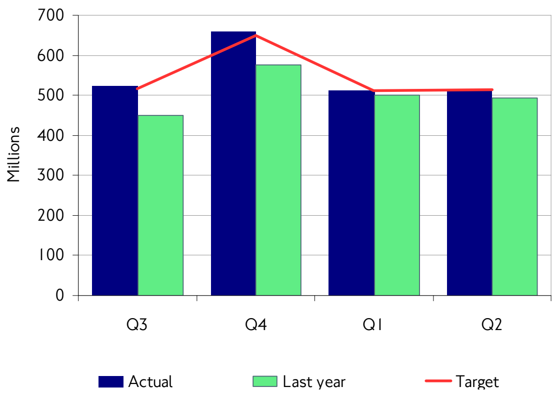


Passenger Journeys – London Underground

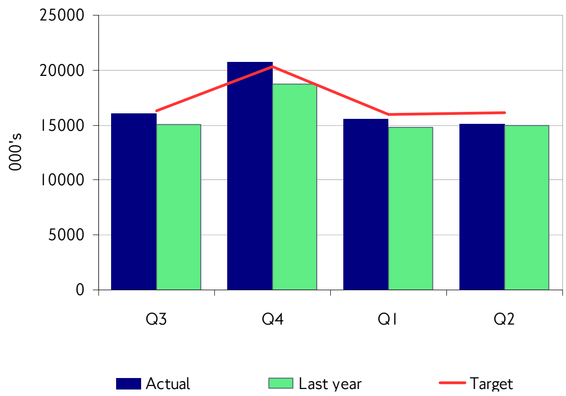


1.1 Service demand on the Underground continued at a record level. In quarter two, Underground passengers made 249.0 million journeys, an increase of 6.1 million journeys, or 2.5 per cent, compared to the second quarter of 2007/08. This was just 1.0 million or 0.4 per cent fewer journeys than target. In the year to date, passengers made 492.2 million journeys. This represented an increase of 12.8 million journeys compared to last year but 14.6 million journeys fewer than target.

Passenger Journeys – London Buses



Passenger Journeys – Docklands Light Rail



1.2 Demand for bus services is also increasing. Bus passengers made 514.6 million journeys in the quarter. This represented an increase of 20.7 million journeys, or 4.2 per cent, compared to 2007/08 and 0.7 million (or 0.1 per cent) more than target. In the year to date bus passengers made 32.1 million journeys. This was 3.2 per cent more than last year and was in line with target.

1.3 In quarter two, DLR passengers made 15.1 million journeys, 0.2 million or 1.2 per cent more than last year. DLR passengers made 1.0 million or 6.3 per cent fewer journeys than target due to the recent blockades and weekend line closures for engineering works on the Bank to Lewisham line, which were not included in the budget. DLR passengers made 30.6 million journeys in the year to date. This was 1.5 million journeys or 4.6 per cent less than target but 0.9 million more journeys (3.1 per cent) more than last year.

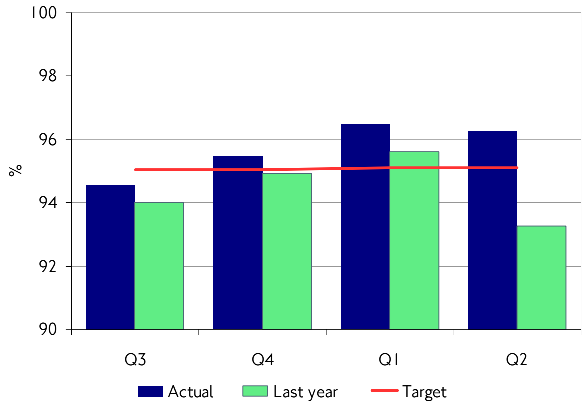
1.4 Cycling on the Transport for London Road Network (TLRN) exceeded the index target by 8 index points. Quarterly targets vary over the year due to seasonal factors (including weather conditions). The highest target indices are found in quarters 1 and 2 due to the spring/summer conditions and longer hours of daylight.

Fare Trends

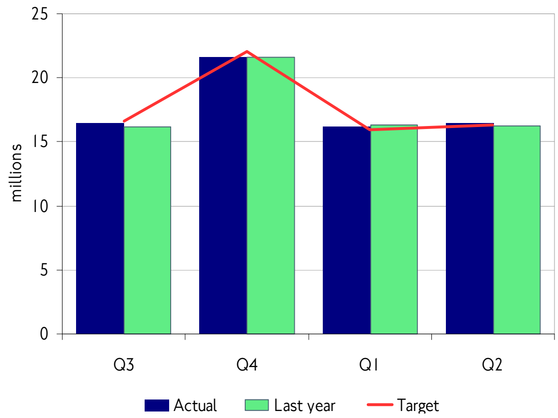
1.5 At the end of quarter two, 3.0 per cent of Underground passenger journeys were cash fares, down from 3.5 per cent in quarter two last year. Oyster pay-as-you-go (PAYG) journeys comprised 32.0 per cent of all Underground journeys compared to 25.8 per cent a year ago.

1.6 On the bus network, cash single fares accounted for 1.7 per cent of all journeys (1.8 per cent including roadside ticket machines) compared to 2.1 per cent (excluding roadside ticket machines) in quarter two 2007/08. Oyster PAYG fares comprised 18.6 per cent of all bus journeys (15.9 per cent last year).

Scheduled Services Operated – London Underground

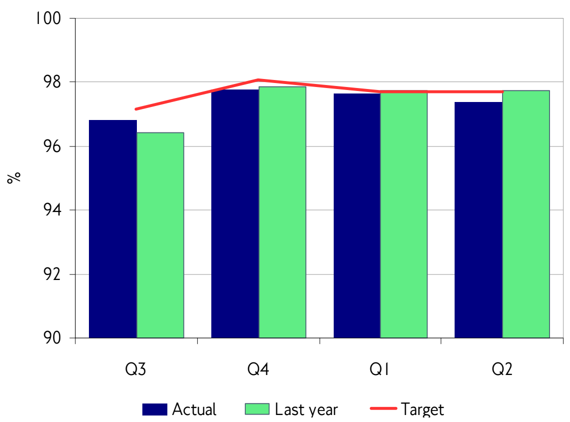


Train Kilometres Operated – London Underground

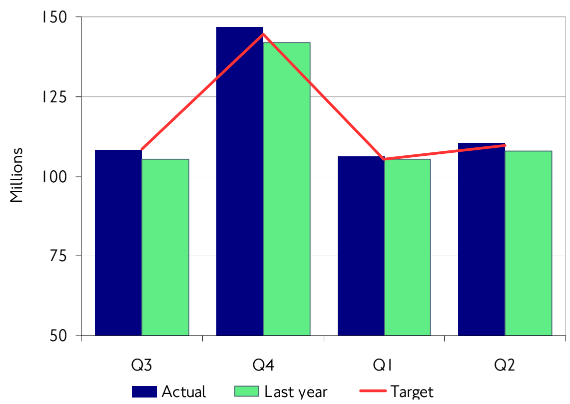


2.0 96.3 per cent of scheduled services were operated on the Underground in quarter two. This was 1.2 percentage points higher than target and 3.0 percentage points better than in the second quarter of last year when performance was depressed by industrial action by Metronet staff. The Victoria and Northern lines were the best performing lines in the quarter, respectively operating 98.5 per cent and 98.2 per cent of their scheduled services. Both of these lines have benefited from marked reductions in lost customer hours due to asset failures. Only two lines recorded shortfalls against their targets; the Circle and Hammersmith & City lines continued to suffer stock and staff shortages while the Waterloo & City has frequently lost several round trips per day due to late running. The current 5 train service is better than under the 4 train (in peak) timetable but it has proved too tight and does not allow enough time for recovery when a train is running late due to crowding issues. A new timetable, being introduced in January, is expected to improve performance on this line. In the year to date, 96.4 per cent of scheduled services were operated on the Underground. This was 1.3 percentage points higher than target and 2.0 percentage points more than last year. The strong network performance is reflected in the number of train kilometres operated which, at 16.5 million in the quarter, were 0.2 million above budget and 0.3 million higher than in quarter two of last year. In the year to date, 32.6 million kilometres were operated. This was 0.4 million more than target, but 0.1 million less than last year.

Scheduled Services Operated – London Buses

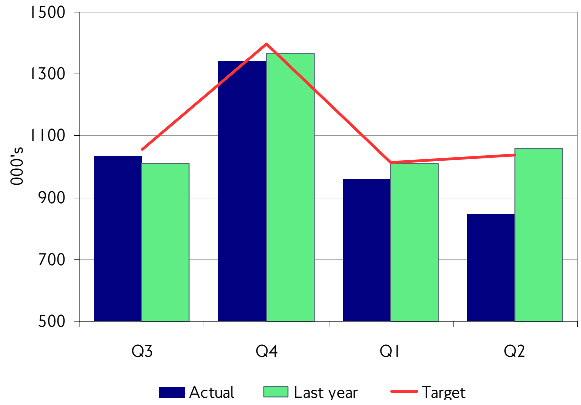


Kilometres Operated – London Buses



2.1 During the second quarter, 97.4 per cent of scheduled bus services were operated, 0.3 percentage points lower than last year and target. This was largely due to industrial action by drivers at First on 29 August and 12 September, with Metrobus also affected on the latter date. Losses due to traffic and other non-deductible losses were slightly worse than target, largely due to knock-on delays in the Central Area arising from ongoing roadworks in the Tottenham Court Road station area, in particular a westbound closure of Oxford Street for three weeks. In the year to date, 97.5 per cent, of scheduled bus services operated, which was 0.2 percentage points lower than target and 0.2 percentage points lower than last year. London Buses operated 110.5 million kilometres, an increase of 2.6 million kilometres (2.4 per cent) compared to last year and 1.0 million kilometres (0.9 per cent) more than target. In the year to date, London Buses operated 216.7 million kilometres, an increase of 3.5 million against last year (1.6 per cent) and 1.8 million more than target (0.8 per cent).

Train Kilometres Operated – Docklands Light Rail



2.2 The DLR operated 848,000 kilometres in quarter two, 18.2 per cent fewer than target and 19.9 per cent fewer than last year. The variance to target was due to the engineering work to facilitate the DLR 3 car upgrades, the extent of which was greater than anticipated when the budget was set. DLR operated 1.8m kilometres in the year to date, 12.6 per cent lower than last year and 11.9 per cent lower than target.

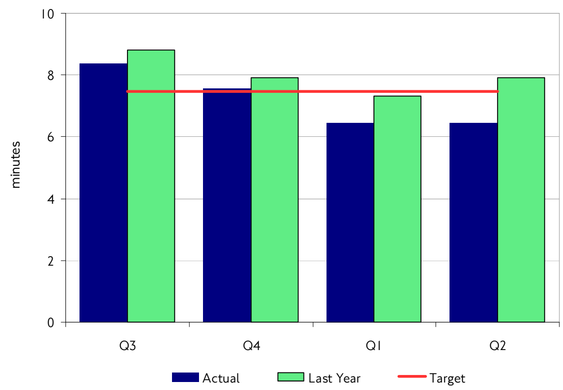
2.3 In quarter two, Dial-a-Ride was again affected by the poor performance of the bookings and scheduling system, delaying the migration of Woodford depot to the centralised control centre. While significant progress was made to address the system issues during quarter two, the number of trips operated was 46,000 lower than target. However, this was an improvement of 5.8 per cent compared to last year and, despite the ongoing system issues, is indicative that Dial-a-Ride is addressing the service disruption. The centralisation process was successfully completed with the migration of Woodford Depot on 1 September, so Dial-a-Ride will now focus on further performance improvement.

2.4 There were 24,759 licensed taxi drivers at quarter end, 59 more than target. The number of licensed private hire drivers was 52,253 at the end of quarter two, 6,253 more than target. The rate of growth in the licensed taxi driver population has slowed in recent years, however, there has been and continues to be an increase of new applications to become licensed drivers.

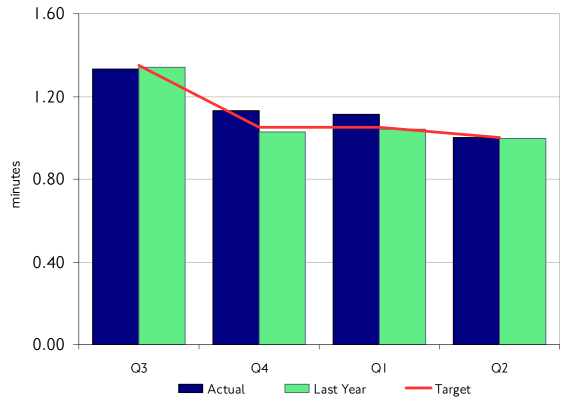
2.5 The trend in the increasing number of licensed private hire drivers reflects industry churn and the conversion of the remaining drivers with temporary permits to full licence status.

2.6 Excess journey time on the Underground averaged 6.4 minutes over the quarter, the same as in quarter one thereby maintaining a 1 minute improvement compared with the target. All elements of the measure – trains, stations and closures – continued to perform within target, and in the final 4-week period of the quarter, total excess journey time fell to 5.9 minutes, its best performance for over 10 years. Overall, journey time (scheduled plus excess) has been below 44 minutes in all but one period this year, a result only achieved in two periods during 2007/08. In the year to date, excess journey time averaged 6.5 minutes, which was 1.0 minutes better than target and 1.2 minutes better than last year.

Excess Journey Time – London Underground

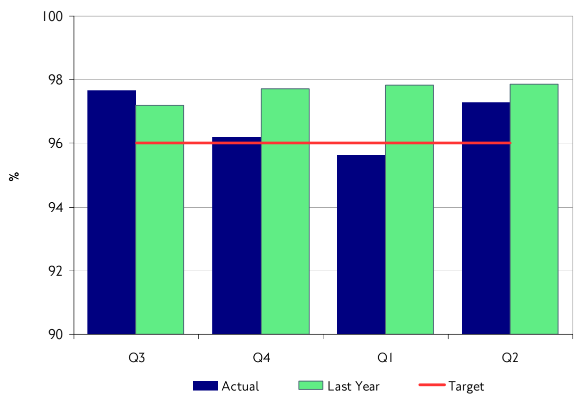


Excess Wait Time: High Frequency Routes – London Buses

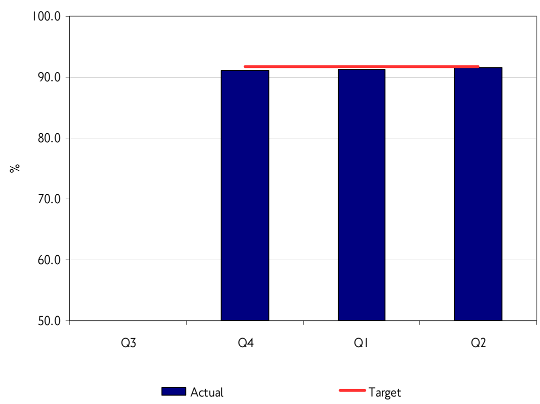


2.7 During the second quarter, excess wait time on London buses averaged 1.0 minutes which was in line with target and last year. This is encouraging performance given the current traffic disruption in London as a result of utilities works.

On Time Performance – Docklands Light Rail



Passenger Performance Measure – London Overground

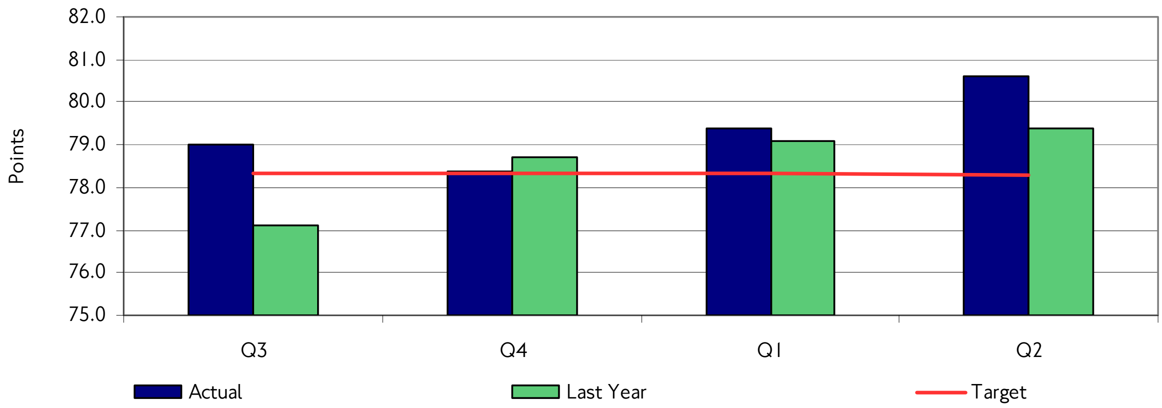


2.8 In the second quarter, 97.3 per cent of DLR trains were on time. This was 1.3 percentage points better than target but 0.6 percentage points lower than last year. Performance has been affected by significant changes to the DLR network as a result of engineering and improvement works, the impact of which has proved difficult to predict. This will be an ongoing factor during this year and next and an action plan to deliver performance improvements is being implemented by the franchisee, in conjunction with the DLR team. The DLR year to date average on time performance was 96.5 per cent. This was 1.4 percentage points lower than last year but 0.5 percentage points higher than target.

2.9 The London Overground Public Performance Measure (PPM) is the percentage of trains arriving at their destination within 5 minutes of the arrival time stated in the current timetable. The moving annual average for PPM at the end of quarter two was 92.1 per cent, 0.3 percentage points better than last quarter and 0.1 percentages point better than target.

Customer Satisfaction

3.0 The TfL group customer satisfaction score for quarter two was 80.6, which was 2.3 points higher than target and 1.2 points higher than last year. This resulted from a 3 point improvement in the score for London Buses and London Underground successfully maintaining the high score achieved in quarter one.



3.1 London Underground achieved an overall Customer Satisfaction Survey score of 79 in quarter two, equalling the quarter one score and 2 points higher than last year. This score had only been achieved once before in quarter two, the previous occasion being quarter two of 2005/06 in the immediate aftermath of the 7/7 bombings. The improved service reliability described above has been a major factor. There were also high scores for the helpfulness and appearance of staff, which was the subject of a 'Customer Focus' campaign during the quarter.

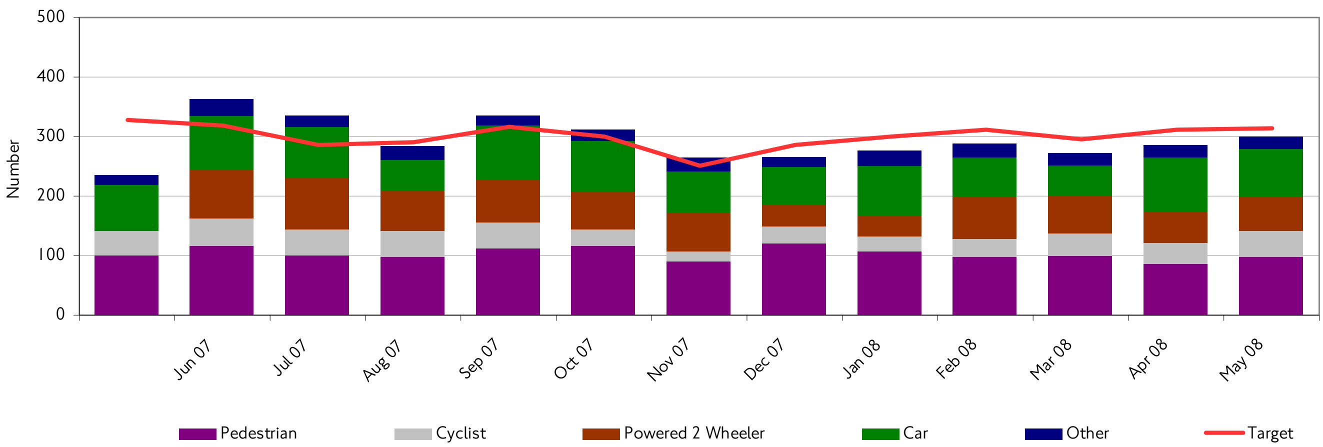
3.2 London Buses overall customer satisfaction score for quarter two was 81, which was 3 points higher than target and one point higher than last year. The bus stop information, safety and security and service reliability scores improved compared to last year. The bus station overall satisfaction score decreased compared to last year. In the year to date, the overall satisfaction score was 2 points higher than target.

3.3 London Overground scored 75 points in the first half of the year. While scores are expected to improve in the long term, lower scores are anticipated next quarter as there are currently a number of service changes in respect of the Network Rail line upgrade works. To help improve the level of customer satisfaction, London Rail is planning to increase visibility of police and security staff by deploying more Police Officers, PCSOs and Travel Safe Officers.

3.4 DLR achieved an overall service score of 89.5 points cent for quarter two, which was 0.5 points below target. The main reason for the lower score was the effect of the 3 car enhancement work. However, the complete closure of Tower Gateway station, a reduced service along the Lewisham extension and the overall lower performance on the network were also contributory factors.

Safety

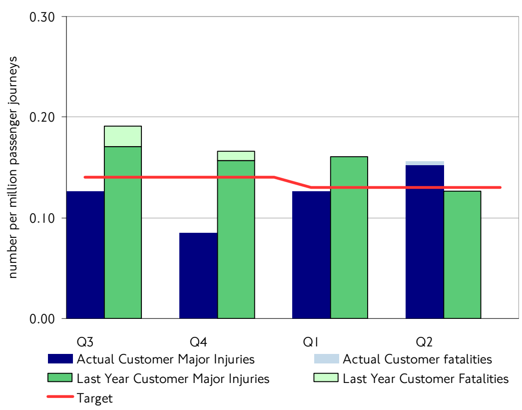
Road Traffic Accident Data (May 2007 – May 2008)



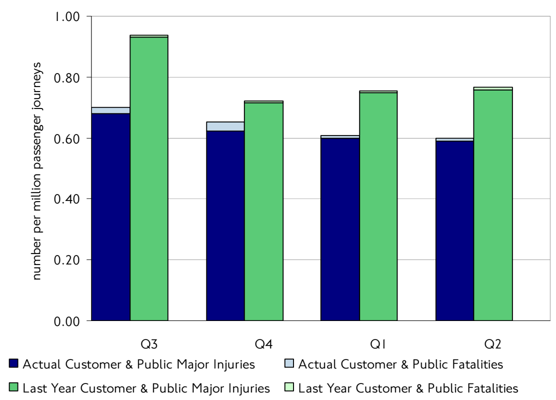
4.0 Due to reporting processes and the nature of road traffic accident data, results are reported 4 to 5 months in arrears and results are also subject to retrospective adjustments.

4.1 There were 117 fewer people killed or seriously injured on London's roads between March and May 2008, representing a reduction of 12 per cent. Overall there were 836 casualties, 83 fewer than the reduction target. Fewer people were killed or seriously injured in all categories: 283 were pedestrians, 207 were in a car, 175 were on powered two wheelers and 104 were cyclists.

Customer Major Injuries and Fatalities – London Underground



Customer and Public Major Injuries and Fatalities – London Buses



4.2 There were 37 reported major injuries to London Underground customers in the second quarter, 6 more than the same time last year. This represented an average of 0.15 major injuries per million passenger journeys compared to the target of 0.13, although this measure remains on target for the year to date. There was one accidental fatality during the quarter.

4.3 On the bus network, 304 customers or members of the public sustained major injuries and 4 were killed in the second quarter of 2008/09. This represented an average of 0.60 injuries and fatalities per million passenger journeys, 0.17 fewer than last year.

Operating Income

2007/08 YTD Actual	Operating Income £m	Year to Date			Full Year		
		Actual	Budget	Variance	Forecast	Budget	Variance
(739)	London Underground	(776)	(780)	4	(1,757)	(1,751)	(6)
(693)	Surface Transport	(708)	(717)	9	(1,520)	(1,572)	53
(28)	London Rail	(52)	(52)	-	(122)	(122)	(1)
-	Metronet*	(365)	(367)	2	(762)	(763)	1
(8)	Group Directorates	(12)	(8)	(5)	(27)	(18)	(8)
(1,468)	**Total Operating Income**	(1,915)	(1,924)	10	(4,187)	(4,226)	38

Table may be subject to rounding errors

5.0 London Underground operating income was £4 million less than budget in the year to date, reflecting lower than expected fares income. Nevertheless full year operating income is forecast to be £6 million higher than budget as additional fares income of £15 million is forecast largely due to the July Retail Prices Index, on which the January 2009 fares increase is based, being higher than assumed in the budget. This benefit is partly offset by a reduction of £9 million in other revenue, including £6 million on CBS advertising reflecting a downturn in market conditions.

5.1 Year to date operating income in Surface Transport was £9 million lower than budget.

- Bus network fares income was £18 million higher than budget owing to increased income from bus passes (£15 million) because of the increased price differential between bus passes and travelcards, and higher on bus income (£10 million). This was partly offset by lower PAYG receipts (£7 million).
- Congestion charging (CC) income was £15 million lower than budget due to fewer standard charges, lower penalty charge notice (PCN) volumes and the cancellation of unenforceable PCNs. Traffic enforcement income was £8 million lower than budget, mainly as a result of fewer CCTV and bus lane violations. There were fewer Low Emission Zone (LEZ) PCNs than expected resulting in income being £4 million lower than budget.
- Full year operating income is forecast to be £53 million lower than budget largely because of lower CC income (£37 million), lower traffic enforcement income (£16 million) and lower Community Safety, Enforcement and Policing (CSEP) income due to lower volumes of traffic warden tickets issued (£7 million). Bus network income is forecast to be £11 million higher than budget largely due to higher RPI for fares increase in January 2009 than budgeted for. However, this is partly offset by payback of money on the National Concessionary Scheme. The forecast passenger journeys, which determine the periodic payment to TfL, is fewer than originally anticipated.

5.2 London Rail operating income was in line with budget at the end of quarter two. Full year income is forecast to be £1 million higher than budget.

5.3 Metronet income of £365 million was £2 million lower than budget in the year to date. Full year income is forecast to be £1m lower than budget.

5.4 Group Directorates' operating income was £5 million higher than budget in the year to date. Group Services accounted for £3 million of this variance largely due to unbudgeted rental agreements with sub tenants of Palestra, Albany House and Portland House, together with interest received on late payment of rent by commercial tenants. The full year forecast for the Group Directorates is £8 million higher than budget, of which £6 million is in Group Services. This is mainly because of the increased rent mentioned above. Additional income is also forecast from properties held for future

* This includes £761 million paid by London Underground through the PPP payment to Metronet and for other London Underground capital works. Metronet figures are included in this report, for clarity, on the basis of aggregation.

road schemes, as properties planned for disposal have remained within the TfL portfolio and continue to provide income.

Operating Expenditure

2007/08 YTD Actual	Operating Expenditure £m	Year to Date			Full Year		
		Actual	Budget	Variance	Forecast	Budget	Variance
1,102	London Underground	1,138	1,160	(23)	2,529	2,526	3
1,142	Surface Transport	1,164	1,180	(16)	2,619	2,643	(24)
66	London Rail	117	138	(21)	277	295	(18)
n/a	Metronet	255	229	26	558	562	(3)
141	Group Directorates	164	171	(7)	396	422	(26)
2,451	**Total Operating Expenditure**	2,838	2,878	(41)	6,380	6,448	(68)

Table may be subject to rounding errors

5.5 Operating expenditure in London Underground was £23 million lower than budget after quarter two. This was largely due to abatements for late delivery of BCV and SSL station enhancements. This follows a settlement agreement with Metronet whereby these abatements were set off against pre-transfer claim liabilities that LU had provided for. The 2008/09 budget assumed that the abatements would not be applied in anticipation of extensions being granted to the station completion dates. The full year forecast is £3 million higher than budget owing largely to the cancellation of the Ticket Office Closure programme in response to a Mayoral strategy, and higher than budgeted operational staff numbers.

5.6 Surface Transport spent £16 million less than budget in the year to date largely because of lower bus network contract costs (£10 million) and a lower provision for CC bad debts due to lower PCN enforcement income and a higher recovery rate of the PCNs (£8 million). The full year forecast is £24 million less than budget. The variance mainly relates to lower provision for CC enforcement income bad debts (£17 million) and lower spend on bus network operations (£17 million), primarily due to the delay in introducing the revised Quality Incentive Contracts (QICs 2). This is partly offset by the reclassification of Greenwich Waterfront Transit (GWT) and East London Transit (ELT) from capital to operating expenditure and higher expenditure on Police Community Support Officers (PCSO).

5.7 London Rail operating expenditure was £21 million less than budget in the year to date, mainly due to delays in signing the Oyster PAYG agreements with the Train Operating Companies (TOCs) on the London Wide Oyster project (£18 million). London Rail forecast to spend £18 million less than budget in the full year largely due to the aforementioned delays on the London Wide Oyster project (£19 million).

5.8 Metronet expenditure of £255 million in the year to date was £26 million more than budget. However, the full year forecast of £558 million is £3 million lower than budget.

5.9 The Group directorates spent £7 million less than budget in the year to date and forecast to spend £26 million less in the full year.

- The Planning directorate spent £5 million less than budget in the year to date due to delays in initiating the revision to the Mayor's Transport Strategy 2 (MTS2), staff vacancies, funding for Borough Partnership schemes at Brixton Central, Elephant and Castle, and Leicester Square deferred to 2009/10 and delays in commissioning work on the East London Transit Phase 2. Planning's full year forecast is £21 million less than budget largely due to re-phasing of work to 2009/10. The main contributors are consultation and development of the MTS and Transport Study Models (£9 million), Borough Programme schemes at Leicester Square, Elephant and Castle and Brixton Central Square (£5 million), and a Mayoral commitment to provide each borough with £100k in 2009/10 (£3 million).

Group Items

Group Items £m	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Interest Income	(58)	(42)	(15)	(109)	(80)	(29)
Debt Servicing	85	75	10	190	185	5
Contingency/Other Group Items	(2)	18	(19)	33	65	(32)
Total Group Items	**26**	**50**	**(25)**	**114**	**170**	**(56)**

Table may be subject to rounding errors

5.10 Interest income was £15 million higher than budget in the year to date and is forecast to be £29 million higher than budget in the full year. This is largely because TfL borrowed money earlier in the year than expected and therefore had higher cash balances. Since the end of this quarter, investment policy has been revised and, other than working capital, funds are invested in government guaranteed deposits. This will result in lower interest earnings in future periods.

5.11 Debt servicing was £10 million higher than budget in the year to date and is forecast to be £5 million higher than budget in the full year. This is because TfL borrowed money earlier in the year than expected and is partly offset by lower interest rates than budgeted.

5.12 Other Group Items including contingency was £19 million below budget in the year to date and is forecast to be £32 million lower for the full year due to the rephasing of expenditure on Climate Change (£5 million) and Door to Door (£4 million) transport initiatives into future years in addition to funding for additional schemes (£19 million) which are being delivered directly by the modes within existing budgets.

Capital Expenditure

2007/08 YTD Actual	Capital Expenditure £m	Year to Date			Full Year		
		Actual	Budget	Variance	Forecast	Budget	Variance
114	London Underground*	162	194	(32)	410	438	(28)
76	Surface Transport*	84	119	(35)	216	280	(64)
128	London Rail*	247	315	(68)	542	724	(182)
n/a	Metronet	335	316	19	668	665	3
n/a	Crossrail	-	-	-	405	405	-
11	Group Directorates*	25	36	(11)	68	72	(4)
-	Overprogramming (TfL Group)	-	(32)	32	-	(68)	68
329	**Net Capital Expenditure**	854	949	(95)	2,309	2,516	(207)
(31)	Capital Income	(2)	(22)	20	(21)	(49)	28
298	Net Capital	852	927	(75)	2,289	2,467	(178)

*Shown after delegated overprogramming and third party reimbursements.

Table may be subject to rounding errors

5.13 London Underground capital expenditure was £32 million less than budget in the year to date mainly on station projects (£22 million), including £7 million on Tottenham Court Road upgrade due to rephasing of expenditure and savings on utilities works, £6 million at Shepherd's Bush due to project re-scoping, £2 million at Bank Waterloo & City line entrance due to reprogramming, and £1 million due to reprogramming of Victoria Station Upgrade. Rolling stock expenditure at £9 million below budget includes variances of £4 million for train cab simulators, £2 million for 7-Car C-stock project and £2 million for Bakerloo and Central lines on-train CCTV, all reflecting re-programming of work to later this year or next. The Connect project, which will provide a fully integrated communications system, was £10 million lower than budget due to deferral of Sub Surface Lines (SSL) works in line with the Metronet programme.

5.14 The full year forecast is £28 million less than budget for London Underground. £21 million is due to re-phasing of the Northern, Jubilee and Metropolitan line power upgrade projects, and £13 million is due to deferral of Connect SSL works in line with the Metronet programme. Rolling stock projects are forecast to be £15 million under budget for the reasons described in the previous paragraph. The above variances are partly offset by a reduction of £12 million in the devolved overprogramming provision.

5.15 Surface Transport spent £35 million less than budget in the year to date, mainly due to slippage on a number of projects including TLRN renewals (£11 million), the Blackwall Tunnel North (£7 million), and A316 Country Way and Western Avenue bridges (£4 million). Lower expenditure on ELT and GWT was largely because expenditure was re-classified from capital to operating (£10 million) since the budget was set. Vehicle purchases were £5 million lower than budget due to slippage on the Hydrogen bus project and Dial-a-Ride vehicle purchase was delayed until later in the year to allow a review of the 2007/08 intake. These were partly offset by expenditure on the CC relet installation to allow it to cope with additional cameras, which was brought forward from future years (£6 million).

5.16 The full year forecast for Surface Transport is £64 million less than budget largely due to deferral of and slippage on road maintenance projects namely Blackwall Tunnel North (£15 million), A406 Hanger Lane bridges (£4 million) and Ardleigh Green railway bridge (£4 million), re-phasing of the iBus and Countdown projects (£10 million), and carry over of a number of projects to 2009/10 (£15 million). The re-classification from capital to operating expenditure for ELT and GWT accounts for a further £10 million of the variance.

5.17 Capital expenditure in London Rail was £68 million less than budget in the year to date. The main reasons were re-phasing of works and a reassessment of value of work done on the DLR 3 Car project (£30 million), rephasing of works and contingency on the East London Line (ELL) Extension (£23 million) and rephasing of NLRIP due to Network Rail Board approval occurring later than was originally anticipated (£10 million).

5.18 The full year forecast for London Rail is £182 million lower than budget primarily due to a revised programme of works and rephasing of risk and contingency on the ELL Extension (£87 million). On the DLR 3 Car project, the forecast is £45 million lower than budget due to reassessment of the value of work to date by the contractor, property costs being incurred in 2007/08 instead of this year, and re-phasing of contingency. NLRIP was re-phased due to the Network Rail Board approval (£37 million). Subsequent contract award will not be obtained until the end of the calendar year. The opening dates of these projects will not be affected by the re-profiling of costs.

5.19 Metronet spent £335 million in the year to date, £19 million more than budget. The full year forecast of £668 million is £3 million higher than budget.

5.20 Crossrail is forecast to spend £405 million in 2008/09.

5.21 Capital expenditure in the Group Directorates was £11 million less than budget and is forecast to be £4 million lower than budget in the full year. The Finance directorate spent £9 million less than budget in the year to date primarily because of a delay in the IM Strategy Implementation Project (IMSIP) and a temporary freeze on the Customer Services Implementation Project (CSIP) while the business case is being revised.

5.22 Capital income was £20 million less than budget in the year to date. This relates to the sale of Hammersmith Met which was delayed until 2009/10. A further £8 million of property sales are also expected to be deferred until 2009/10, giving a year end forecast of £28 million below budget.

Efficiencies

Efficiency Initiatives £m	Full Year Recurring Forecast	Full Year Recurring Variance to Budget	Full Year New Forecast	Full Year New Variance to Budget	Full Year Total Forecast	Full Year Total Variance to Budget
Procurement	45	3	37	11	82	14
Staff & Business Improvement Programme	23	-	15	(14)	38	(13)
Marketing	4	-	-	-	4	-
Other Back Office	15	-	8	(4)	23	(4)
Total Back Office Efficiencies	**88**	**3**	**60**	(6)	**148**	**(3)**
Bus Network	69	-	17	-	86	-
Road Maintenance Contract	-	-	4	-	4	-
Other Surface Transport Initiatives	-	-	2	(1)	2	(1)
LU Operational Efficiencies	16	(6)	7	2	23	(4)
Total Operational Efficiencies	**85**	(6)	**30**	**1**	**115**	**(5)**
Total Cashable Efficiencies	**172**	**(3)**	**90**	**(5)**	**262**	**(8)**

Brackets in variance columns show that efficiencies were lower than budget.
Tables are subject to rounding errors.

6.0 Total full year efficiencies are forecast at £262 million which is £8 million lower than budget. New efficiencies are forecast to be £5 million lower than budget and recurring efficiencies are forecast to be £3 million lower than budget. Teams across TfL are seeking initiatives to achieve the full year budget by year end.

6.1 Staff and Business Improvement efficiencies are forecast to be £13 million lower than budget largely because of lower efficiencies from IMSIP. This is partly due to slippage in IMSIP where the achievement of these efficiencies will be delayed to future years. The IM team are working to identify where more efficiencies can be achieved in this financial year.

6.2 Other back office efficiencies are forecast to be £4 million lower than budget but TfL are seeking initiatives to achieve the full year budget by year end.

6.3 London Underground operational efficiencies are forecast to be £4 million lower than budget largely because planned ticket office closures have been cancelled in response to the Mayor's policy.

6.4 These were partly offset by Procurement efficiencies which are forecast to be £14 million higher than budget. Surface Transport procurement efficiencies are forecast to be £6 million higher than budget largely because of additional engineering framework and CC re-let efficiencies. Corporate directorates forecast to achieve £6 million more new procurement efficiencies than budget.

6.5 The full year forecast at quarter two is £12 million lower than the previous quarter's forecast. This is largely because of rephrasing to later years of efficiencies from IMSIP, and a revised forecast for other back office efficiencies in the operational modes. These are partly offset by higher procurement efficiencies.

Balance Sheet

Transport for London Group Balance Sheet at end of Period 6 £m	Variance to Budget
Fixed Assets - *lower than budget*	49
Stocks, Debtors and Payments in Advance - *higher than budget*	(112)
Cash - *lower than budget*	76
Creditors - *lower than budget*	(89)
Deferred Capital Grant - *higher than budget*	328
Provisions - *higher than budget*	1
Total Net Assets - *higher than budget*	**253**

7.0 The fixed asset variance is largely due to underspends in London Rail, Surface Transport and London Underground, and is covered in the activity analysis above paragraph 5.13. Partially offsetting these is £26m relating to the delayed sale of Hammersmith Met, which is deferred to 2009/10.

7.1 Trade debtors are some £50m higher than budget due to the timing of VAT reclaims by the Group. Accrued income and payments in advance are also some £50m higher than budget, of which £21m relates to timing differences on the receipt of ODA grant. A further £10m is for pre-payments in Metronet BCV resulting from renegotiation of contracts

7.2 The creditor variance lies predominantly within London Underground in respect of earlier than expected settlement of contractual claims. In addition to these, capital creditors are also reduced as a result of lower capital expenditure and faster than budgeted payment of creditors.

7.3 The variance in deferred grants arises from changes in assumptions regarding grant allocation within the Group. These assumptions will be revisited throughout the remainder of the year, and the grant allocation is only finalised during the preparation of the Group's financial statements after the end of the financial year.

Transport for London Group Balance Sheet Forecast for the Year End £m	Variance to Budget
Fixed Assets - *lower than budget*	173
Stocks, Debtors and Payments in Advance - *lower than budget*	21
Cash - *higher than budget*	(118)
Creditors - *lower than budget*	(173)
Deferred Capital Grant - *lower than budget*	553
Provisions - *higher than budget*	12
Total Net Assets - *higher than budget*	**468**

7.4 The fixed asset variance results from lower forecast capital spend predominantly in London Rail with smaller underspends in Surface and London Underground. This is partially offset by lower disposals relating to property sales deferred to 2009/10.

7.5 Stocks, debtors and payments in advance are within normal trading tolerances.

7.6 Creditors are forecast to be below budget, largely reflecting lower than budget capital expenditure by London Rail, London Streets and London Underground. In addition, the earlier than expected settlement by London Underground of contractual claims also results in lower forecast creditors.

7.7 The variance in deferred grants arises from changes in assumptions regarding grant allocation within the Group. These assumptions will be revisited throughout the remainder of the year, and the grant allocation is only finalised during the preparation of the Group's financial statements after the end of the financial year.

7.8 Provisions are forecast to be higher than budget. The variance arises as a result of establishment of a provision for claims arising from the 7 July bombings within the Guernsey insurance captive (£7m). These are offset by expected recoveries from re-insurers. There are also some slightly higher provisions for completed schemes within London Streets.

Cash Summary

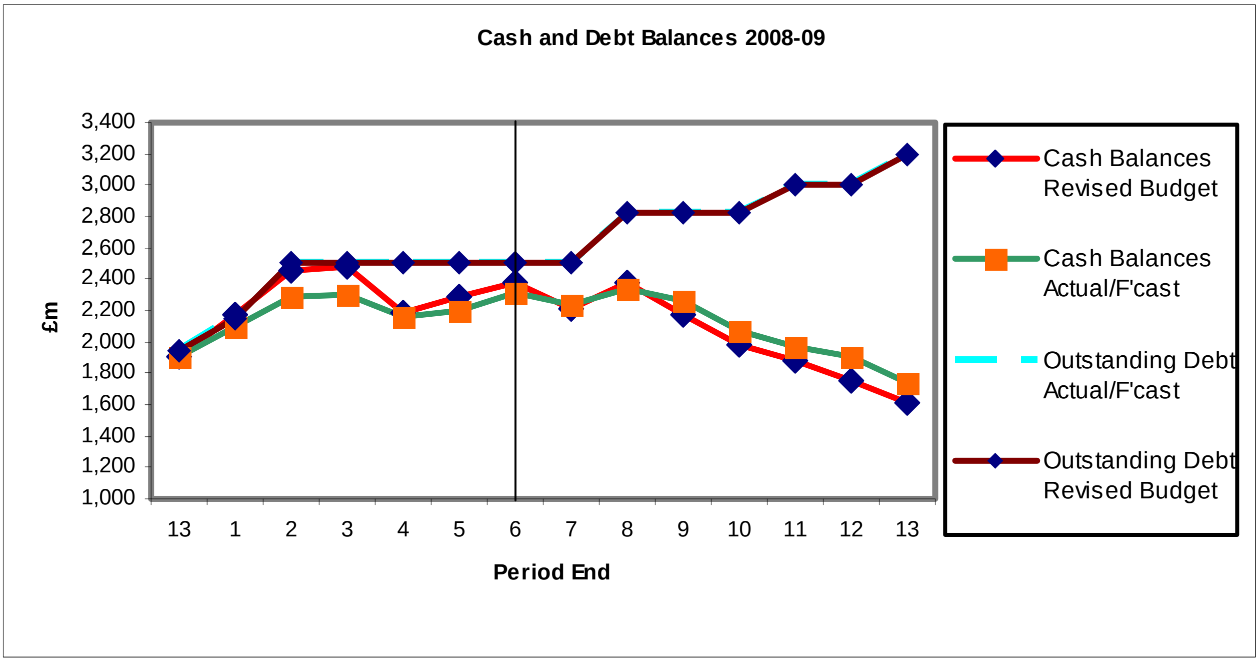
Cash Balances and Debt

8.0 Cash balances at the end of quarter two were £2,308m, £76m less than budget. Forecast end of year cash is £1,736m and is £118m higher than budget.

8.1 Of £750m approved borrowing, £560m has been drawn down and £190m is committed in P13. Further borrowing of £500m is yet to be approved by the Mayor. Of this amount £183m will crystallise early next year when the DLR Woolwich extension commences operations leaving £317m to be borrowed before the year-end. Debt at the year end will be £3,200m with £3,017m recorded by TfL and £183m recorded by DLR.

8.2 The graph below shows the actual/forecast cash balances and debt compared to the revised budget at each period end throughout the year.

Cash and Debt Balances 2008/09



Performance

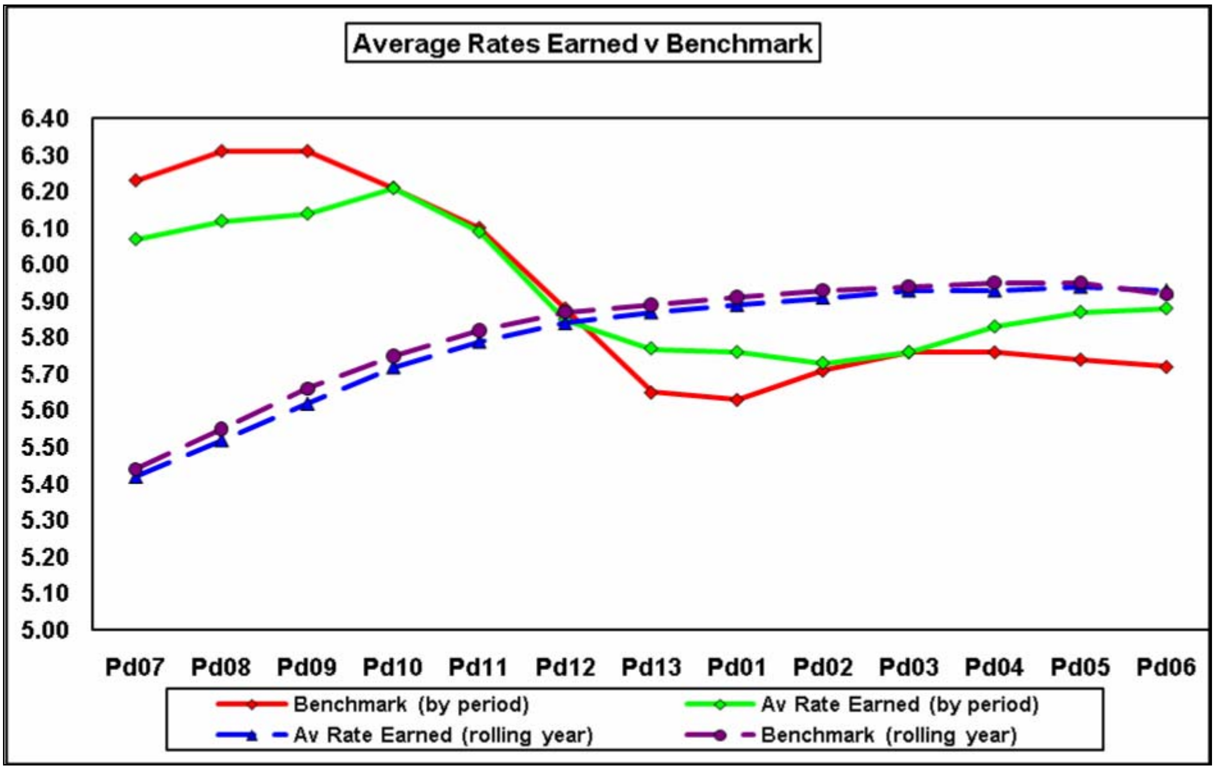
8.3 Interest receivable performance (shown below) is measured against a benchmark of the average of 3 month LIBOR minus 12.5 basis points.

8.4 Results in 2008-09 show returns recovering in P1-3 and exceeding benchmark by 9 basis points for P1-6.

8.5 Results for the last three periods are noted in the table below:

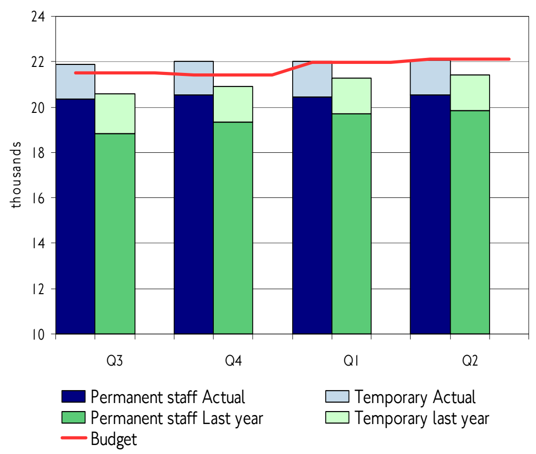
Treasury Management Yield	2007/08 Actual	Period 4	Period 5	Period 6	YTD Actual
	%	%	%	%	%
Benchmark	5.90	5.76	5.74	5.72	5.72
Average Rate of Return	5.87	5.83	5.87	5.88	5.81
Variance to Benchmark (lower) / higher	(0.03)	0.07	0.13	0.16	0.09
Interest Earned, Period	£112.9m	£9.5m	£9.6m	£10.0m	£57.6m
Budget	£73.9m	£6.9m	£6.7m	£6.4m	£42.3m

8.6 The chart below shows the Group's cash management performance relative to its benchmark. In particular it shows rising Libor rates in September – November last year and TfL's returns recovering through March-September, prior to the onset of the recent phase of the global banking crisis.

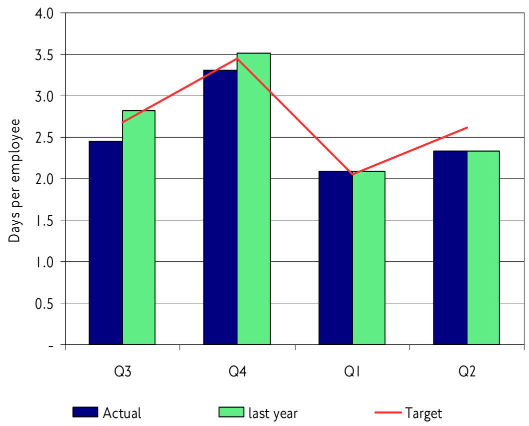


People

Total number of staff (Effective FTE)



Sickness Absence – Days per Employee



9.0 Please note that that people performance information for Metronet and Crossrail is not included in the TfL group performance indicator graphs. Supplementary commentary relating to Metronet and Crossrail is provided where available.

9.1 **Staff numbers**: TfL employed 21,878 full time equivalent (FTE) staff at the end of quarter two, 223 FTE fewer than budget and 49 fewer than last quarter. London Underground had 14,519 FTE staff, 50 fewer than budget mainly because of fewer staff in Programmes partly offset by more staff working on projects in Strategy and Service Development and Information Management (IM). The full year forecast is 124 FTE higher than budget. Metronet had 6,339 employees, 457 fewer than budget. Metronet forecast to exceed the full year employee budget by 63 members of staff. Surface Transport had 4,489 FTE staff at the end of quarter two, 194 fewer than budget. The variance to budget was principally due to London Streets' re-structuring after the completion of Project Delta. The full year forecast though is 48 higher than budget. London Rail had 249 FTE staff which exceeded budget by 4 FTE to cover long term sickness. Corporate Directorates had 2,620 FTE staff at the end of the quarter, which was 16 more than budget.

9.2 **Temporary staff in operational modes:** At the end of quarter two, there were 1,507 temporary FTE staff employed by TfL, 365 more than budget. Of these, 494 had been employed for more than 12 months, which was 17 better than target. London Underground had 150 more temporary FTE than budget. This includes 57 in Programmes where temporary rather than permanent staff are intentionally being employed on Metronet contract and project management matters and to cover vacancies pending the outcome of the current Operating Cost Review. Delays in Connect have led to retention of 28 temporary FTE for longer than budgeted, there are 25 additional temporary staff engaged on IM projects and 10 in Engineering where permanent recruitment has not been as fast as expected and temporary staff are required to meet project commitments. However the number of London Underground temporary staff with service in excess of 12 months has remained steady since the start of the year and, at 215, was 31 within target at the end of the quarter. There were 1,418 temporary staff and contractors in Metronet at the end of quarter two, 139 fewer than budget. This is forecast to increase to 275 more than budget by year end. In Surface Transport there were 16 more temporary FTE than budget due to additional staff in Strategy, Dial a Ride and Bus operations. There were 155 temporary staff in Surface exceeding 12 months service, 7 fewer than target. London Rail had 44 temporary staff, 5 fewer than budget at the end of quarter two. The majority of these staff were employed on the East London Line project, with 14 temporary staff having served for more than 12 months, 13 fewer than target.

9.3 **Temporary staff in corporate directorates:** There were 503 temporary FTE at the end of quarter two, 204 more than budget. The variance included 161 staff who worked in Group IM on short term projects as recruitment of permanent staff was on hold because of reorganisation. Marketing and Communications had 37 temporary staff working in the Oyster call centre to maintain support levels and Customer Services Integration Programme (CSIP) where staff are providing cover in the Transport Information Call Centre (TICC). Corporate directorates had 33 more temporary staff with over 12 months service than target who are mainly IM staff.

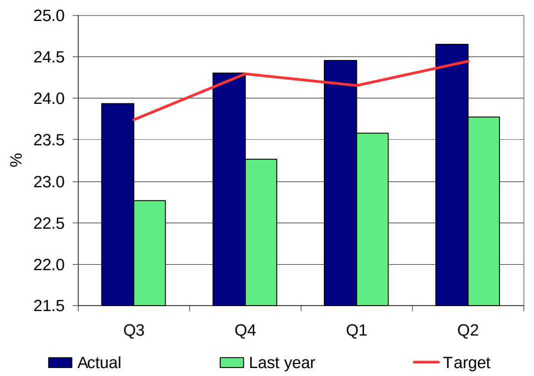
9.4 **Sickness:** On average, TfL staff were absent for 4.4 days per employee in the year to date, 5.7 per cent better than target. Operational staff were absent for an average of 5.5 days per employee which was 3.2 per cent better than target. Non-operational staff were absent for an average of 2.6 days in the year to date, which was 10.9 per cent better than target.

9.5 **Workforce composition:** At the end of September TfL launched an exercise to update equality and diversity workforce data. Staff will be encouraged to update their personal details on SAP. Equality data forms will be sent by post to all staff who do not have direct access to SAP. The exercise is in two phases with all non London Underground staff being targeted in phase 1. Phase 2 begins in November to cover London Underground employees. All refreshed data will be uploaded into SAP for reporting in quarter 3.

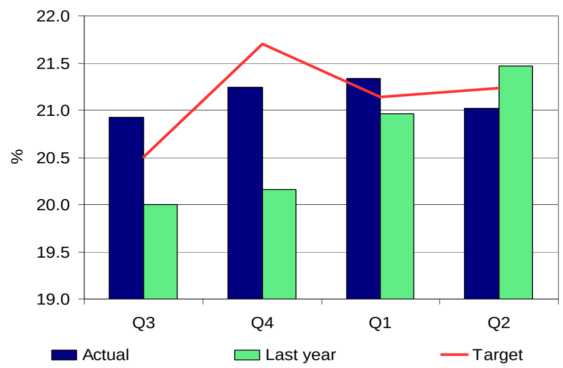
9.6 The review of recruitment and selection processes as part of the Breakthrough strategy has begun and includes the observation of some live interview and assessment processes as well as a review of relevant documentation from previous campaigns. A number of focus groups and interviews are being held with candidates to record their experiences of the selection process. Breakthrough is a strategy to ensure that TfL is using best-in-class recruitment processes designed to deliver a diverse and inclusive workforce that is representative of London’s population.

9.7 24.7 per cent of TfL staff were female. This was 0.2 percentage points higher than target and 0.9 percentage points higher than last year. 21.0 per cent of senior management were women, 0.2 percentage points lower than target and 0.4 percentage points lower than last year.

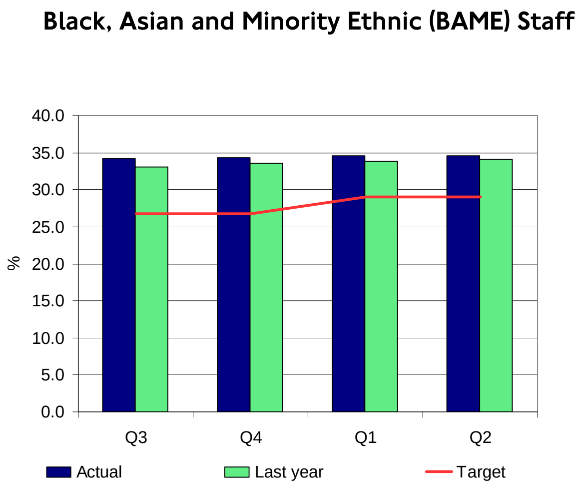
Female Staff

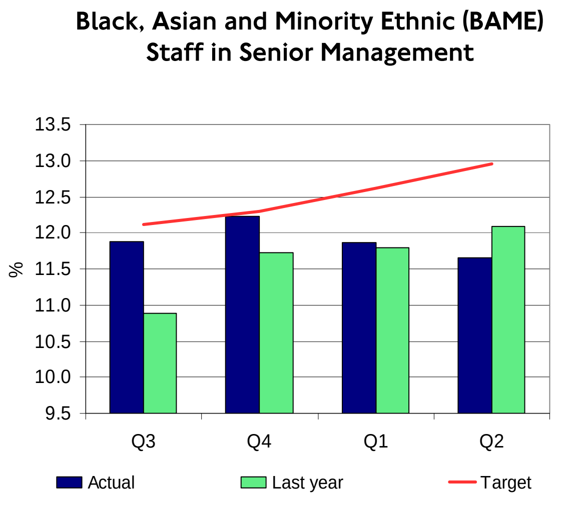


Female Staff in Senior Management

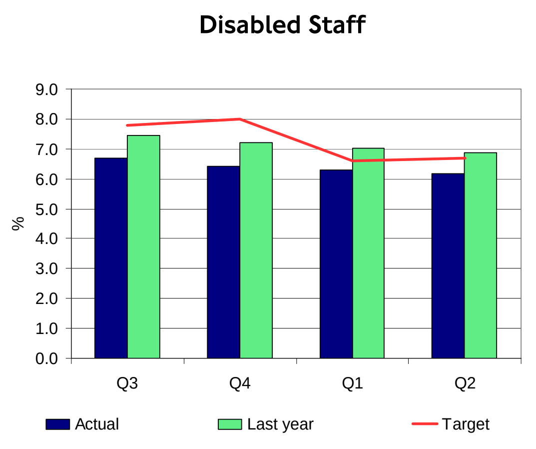


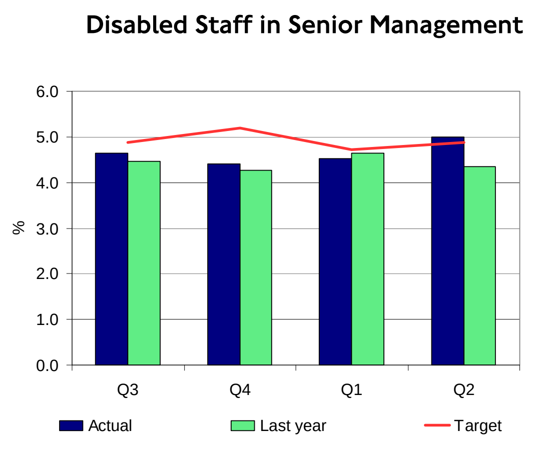
9.8 At the end of quarter two, 34.6 per cent of TfL staff were from BAME communities. This was 5.6 percentage points higher than the target and 0.6 percentage points higher than last year. Compared to last quarter, the percentage of BAME staff in senior management decreased by 0.2 percentage points to 11.7 per cent. This was 1.3 percentage points lower than target and 0.4 percentage points lower than last year.





9.9 The proportion of disabled staff decreased by 0.1 percentage points from quarter one to 6.2 per cent at the end of quarter two. This was 0.5 percentage points lower than the target and 0.7 percentage points lower than last year. The percentage fall is exaggerated by an increase in the size of the staff population who have provided information about their disability status. The decrease compared to last year was because of 38 fewer disabled staff and 524 more non-disabled staff in the survey. The proportion of disabled staff in TfL's senior management was 5 per cent, 0.5 percentage points more than last quarter. This was 0.1 percentage points higher than target and 0.7 percentage points higher than last year.





9.10 Of the employees who declared their sexual orientation, 1.0 per cent were lesbians, 4.5 per cent were gay men, 0.2 percent were bisexual women, 0.4 per cent were bisexual men, 29.4 per cent were heterosexual women and 56.7 per cent were heterosexual men. The balance of employees preferred not to declare their sexual orientation.

9.11 Of the senior managers who declared their sexual orientation, 0.2 percent were lesbians, 3.3 per cent were gay men, 18.1 per cent were heterosexual women and 65.8 per cent were heterosexual men. The balance of senior managers preferred not to declare their sexual orientation.

Annex One: Financial Summary

£ millions	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Fares Income - LU, Buses and LR	(1,270)	(1,257)	(14)	(2,832)	(2,805)	(27)
Other Income*	(644)	(668)	23	(1,356)	(1,421)	65
Total Income	**(1,915)**	**(1,924)**	**10**	**(4,187)**	**(4,226)**	**38**
Operating Expenditure (net of 3rd party contributions)	2,838	2,878	(41)	6,380	6,448	(68)
Gross Operating Margin	**923**	**954**	**(31)**	**2,193**	**2,222**	**(30)**
Interest Income & Debt Payments	28	33	(5)	81	105	(25)
Contingency/Other Group Items	(2)	18	(19)	33	65	(32)
Total Group Items	**26**	**50**	**(25)**	**114**	**170**	**(56)**
Margin	**949**	**1,004**	**(56)**	**2,307**	**2,392**	**(86)**
Capital Income (including Property Sales)	(2)	(22)	20	(21)	(49)	28
Capital Expenditure	927	1,043	(117)	2,476	2,754	(278)
Reimbursements from Third Parties	(73)	(63)	(10)	(167)	(170)	4
Overprogramming (TfL Group)	-	(32)	32	-	(68)	68
Net Capital Expenditure	**854**	**949**	**(95)**	**2,309**	**2,516**	**(207)**
Net Service Expenditure	**1,800**	**1,931**	**(131)**	**4,595**	**4,859**	**(264)**
By Mode:						
London Underground	522	552	(30)	1,164	1,169	(4)
Surface Transport	540	582	(42)	1,316	1,351	(35)
London Rail	311	400	(89)	696	898	(201)
Metronet	225	178	47	465	464	1
Crossrail	-	-	-	405	405	-
Group Directorates	177	200	(23)	435	472	(37)
Overprogramming (TfL Group)	-	(32)	32	-	(68)	68
Group Items	**26**	**50**	**(25)**	**114**	**170**	**(56)**
Net Service Expenditure	**1,800**	**1,931**	**(131)**	**4,595**	**4,859**	**(264)**

Table may be subject to rounding errors

The budget has been revised since quarter one, as approved by the Board on 30 September 2008.

Crossrail capital expenditure is only included in the full year, as it is not yet a wholly owned subsidiary of TfL.

* This includes £761 million paid by London Underground through the PPP payment to Metronet and for other London Underground capital works. Metronet figures are included in this report, for clarity, on the basis of aggregation.

Annex Two: Balance Sheet

Balance Sheet	Year to Date			Full Year		
£m	Actual	Budget	Variance	Forecast	Budget	Variance
Fixed Assets						
Tangible Assets	17,749	17.798	49	19,260	19,433	173
Current Assets						
Stocks	20	17	(3)	23	18	(5)
Debtors	299	248	(51)	217	225	8
Capital Debtors	23	13	(10)	19	13	(6)
Payments in Advance	220	172	(48)	190	214	24
Cash at Bank and in Hand	2,308	2,384	76	1,736	1,618	(118)
Current Liabilities						
Revenue	(994)	(1,094)	(100)	(950)	(1,075)	(125)
Receipts in Advance	(229)	(221)	8	(259)	(242)	17
Capital	(448)	(446)	2	(480)	(541)	(61)
Long Term Liabilities						
Balances with Infracos	(1,488)	(1,489)	(1)	(1,644)	(1,651)	(7)
Creditors Due after One Year	(384)	(382)	2	(637)	(634)	3
Prudential Loans	(2,510)	(2,510)	-	(3,017)	(3,017)	-
Capital Grants	(7,981)	(7,653)	328	(8,390)	(7,837)	553
Other Provisions	(222)	(221)	1	(212)	(200)	12
Pension Provision	(607)	(607)	-	(607)	(607)	-
Total Net Assets	**5,756**	**6,009**	**253**	**5,249**	**5,717**	**468**
Capital and Reserves						
Earmarked Reserves	996	1,004	8	926	785	(141)
Pension Reserves	(607)	(607)	-	(607)	(607)	-
General Fund	162	162	-	162	162	-
Other Reserves	5,205	5,450	245	4,768	5,377	609
Total Capital Employed	**5,756**	**6,009**	**253**	**5,249**	**5,717**	**468**

Annex Three: Cash Summary

Cash Summary	Year to Date			Full Year		
£m	Actual	Budget	Variance	Forecast	Budget	Variance
Net Revenue Expenditure	(949)	(1,004)	(55)	(2,307)	(2,392)	(85)
Working Capital Movements	(30)	165	195	82	169	87
Cash Spend on Operating Activities	**(979)**	**(839)**	**140**	**(2,225)**	**(2,223)**	**2**
Net Capital Expenditure	(925)	(989)	(64)	(2,455)	(2,637)	(182)
Working Capital Movements	126	134	8	162	229	67
Cash Spend on Capital Activities	**(799)**	**(855)**	**(56)**	**(2,293)**	**(2,408)**	**(115)**
Funded by:						
Transport Grant	1,545	1,547	2	3,105	3,097	(8)
Precept Funding	5	5	-	12	12	-
Prudential Borrowing	560	560	-	1,067	1,067	-
Third Party Contributions	73	63	(10)	167	170	3
Total Funding	**2,183**	**2,175**	**(8)**	**4,351**	**4,346**	**(5)**
Net Movement in Cash	**405**	**481**	**76**	**(167)**	**(285)**	**(118)**

Annex Four: Subjective Analysis

The subjective analysis is an analysis of operating income and expenditure by income and cost category. A subjective analysis of TfL's financial performance is provided below. The main variances are:

- Ticket Revenue was £17 million above budget at the end of the second quarter, mainly due to higher bus income. For the full year, ticket revenue is forecast to be £30 million higher than budget which primarily relates to the January 2009 fares increases where there is a higher Retail Price Index (RPI) for the fares increase in January 2009 than budgeted and a higher revenue per journey on London Underground and London Buses resulting from a change in ticket mix.
- Congestion Charging (CC) standard charge income at the end of the second quarter was £5 million less than budget due to fewer standard charges. Full year CC income is forecast to be £15 million lower than budget. This is due to revised forecast volumes of traffic, registration and fleet charges.
- Enforcement Income at the end of the second quarter was £22 million lower than budget mainly due to reduced penalty charge notices within CC and lower than anticipated volumes of CCTV and bus lane enforcement. Full year enforcement income is forecast to be £50 million lower than budget. This is mainly due to revised volume assumptions for both CC enforcement and traffic enforcement.
- The full year PPP Payments are forecast to be £24 million higher than budget. This is due to additional expenditure through the PPP contracts which will be funded from the London Underground risk budget. This primarily relates to contractual claims relating to station modernisation, accessibility, lift and escalator closure allowances and pension indemnities payable to Metronet.
- The full year PFI Payments are forecast to be £4 million above budget this is mainly due to expenditure on London Wide Oyster project where the budget is included under Other partially offset by a £6 million reduction in expenditure in London Underground. This is mainly due to the Connect Airwave project which was originally anticipated to be completed under the Connect PFI but will now be carried out by Tube Lines.
- Employee Expenses are forecast to be £52 million higher than budget of which £31 million relates to Surface Transport. This includes the Mayor's commitment for 440 additional PCSOs (£9 million) and a further 50 British Transport Police for enhanced policing on London Buses and a strengthening of the TOCU cab enforcement unit (£5 million) as well as a delay in the implementation of a reorganisation in London Streets that will deliver significant efficiencies in the delivery of small schemes. The additional PCSOs have been funded by reduced marketing expenditure across TfL. Employee Expenses are forecast to be £15m above budget in London Underground as a result of the cancellation of the ticket office closures (£7 million), additional staffing (£6 million) to improve operational performance through people management and unbudgeted temporary staff working on IM projects (£3 million).
- Full year Premises expenditure is forecast to be £3 million below budget. This mainly due to a delay on the project to co-locate the Surface Transport control rooms, partially offset by increased rent and rates cost for Palestra and Portland House. Most of this additional cost has been recovered from Crossrail and the LDA who sub-let floors from TfL. In addition station deep clean costs have been carried over from 2007/08 in London Overground.
- The full year forecast for Congestion Charging Scheme and Other Road Contracted Services costs is £13 million under Budget. This includes savings on the CC contract of £9 million for implementing emissions related CC and other operational savings. Additional underspends relate to savings on walking and cycling schemes (£9 million) and postponement of work on the Oxford Street Tram project (£4 million) partially offset by £7 million of expenditure on the East London Transit which was originally budgeted as capital expenditure.
- Asset Maintenance expenditure is forecast for the year to be £2 million over budget as a result of additional DLR infrastructure maintenance.
- Payments to Boroughs at the end of the second quarter were £13 million above budget primarily due the acceleration of projects in Surface Transport to earlier in the year. The full year forecast is £9m below budget mainly due the the rephasing of expenditure into future years.
- Professional Fees and Management Consultancy Costs are forecast to be £28 million higher than budget. This is mainly due to additional expenditure in London Underground (£21 million) on legal costs in respect of PFI claims and the Tube Lines periodic review. D2D implementation costs of £4

million are funded from a budget held in other expenses, and £2 million on the implementation of the Mayor's Payback London scheme.

- Engineering, Project Management and Other Technical Consultancy expenditure associated with project development is forecast to be below budget by £19 million for the full year. This relates to £5 million due to rephasing of expenditure on the Future Ticketing Project, £4 million on the London Streets Bounds Green and Brixton Central Square projects which is now forecast as capital expenditure. There is a further £4 million reduction in expenditure on camera maintenance, £9 million of Overground station works rephased into future years partially offset by £5 million of East London Line Infrastructure costs reclassified from capital to operating.
- The full year Customer Information expenditure, including other advertising and marketing, is forecast to be £10 million lower than budget. This is mainly due to savings identified to fund the mayor's commitment for additional PCSOs.
- Bad Debt Provisions are forecast to be £25 million lower than budget. This is due to improved compliance resulting in lower traffic enforcement revenue within Surface Transport and better recovery rates.
- Information and Communication Technology expenditure is forecast to be £6 million lower than budget. This primarily relates to rephased expenditure on the IM strategic investment programme into following years.
- Other expenses are forecast to be £56 million below budget in the full year. This was in part due to items forecast or budgeted in other categories. London Underground risk expenditure of £24 million was incurred principally within PPP Payments but the budget is held within other expenses. London Underground charged an additional £7 million of revenue expenditure incurred within other categories (eg employee costs: IM temporary staff) to projects as capital. In addition as part of the mechanism to account for the Climate Change Initiative, the Surface Transport forecast includes £5m funding in other expenses in respect of costs incurred under other categories. The London Wide Oyster project forecast reflects a net underspend of £15m, as the protracted negotiations with the TOC continue to delay the scheme.

Subjective Analysis

£m	Quarter 2			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Operating Income						
Ticket Revenues	(1,275)	(1,259)	(17)	(2,839)	(2,809)	(30)
Metronet	(365)	(367)	2	(762)	(763)	1
Congestion Charging	(87)	(92)	5	(186)	(201)	15
Enforcement Income	(86)	(108)	22	(185)	(235)	50
PCO, VCS Fees	(16)	(17)	1	(33)	(35)	2
Advertising Income	(36)	(36)	(1)	(79)	(85)	6
Rental Income	(26)	(25)	(1)	(56)	(55)	(1)
Other Income	(22)	(20)	(2)	(48)	(44)	(5)
	(1,549)	**(1,557)**	**8**	**(3,426)**	**(3,463)**	**37**
Operating Expenditure						
Bus Contract Payments	714	723	(8)	1,579	1,592	(12)
PPP Payments	585	585	1	1,291	1,267	24
Metronet	255	229	26	558	562	(3)
PFI Payments	144	150	(6)	311	308	4
Employee Expenses	589	582	8	1,322	1,271	52
Premises	79	79	(0)	176	179	(3)
CCS & Other Road Contracted Services	43	44	(2)	102	115	(13)
Asset Maintenance	56	60	(4)	138	136	2
Payments to Boroughs	64	51	13	187	196	(9)
Professional Fees and Management Consultancy	40	34	7	107	79	28
Engineering Project Management & other technical consultancy	27	41	(14)	85	105	(19)
Ticket Commissions	16	19	(3)	37	45	(8)
Customer Information	21	30	(9)	59	69	(10)
Insurance	17	17	1	34	33	2
Bad Debt Provisions	36	47	(11)	77	102	(25)
Information and communication technology	44	43	1	84	90	(6)
Traction Current	29	28	1	68	66	1
National Rail Payments	4	4	0	8	8	(0)
Franchise Payment	79	80	(1)	180	180	(0)
Other	(5)	35	(39)	(26)	45	(71)
	2,838	**2,878**	**(40)**	**6,380**	**6,448**	**(68)**
Net Operating Expenditure	**1,289**	**1,321**	**(32)**	**2,954**	**2,985**	**(31)**

Table may be subject to rounding errors

Annex Five: Fares Income and Congestion Charging

Please find below additional information as requested by the Finance Committee.

2007/08 YTD Actual	Operating Income £m	Year to Date			Full Year		
		Actual	Budget	Variance	Forecast	Budget	Variance
(687)	Underground fares income	(721)	(724)	4	(1,636)	(1,621)	(15)
(482)	Bus Network fares income	(498)	(481)	(18)	(1,075)	(1,064)	(11)
(28)	DLR fares income	(30)	(31)	1	(67)	(68)	-
n/a	Overground fares Income	(18)	(17)	(1)	(40)	(38)	(2)
n/a	Trams fares income	(4)	(4)	-	(13)	(14)	-
(1,197)	**Total Fares Income**	**(1,270)**	**(1,257)**	**(14)**	**(2,832)**	**(2,805)**	**(27)**

Table may be subject to rounding errors

- LU fares income was £4 million less than budget in the year to date due to travelcard apportionment. Full year fares is forecast to be £15 million higher than budget largely due to the July Retail Prices Index, on which the January 2009 fares increase is based, being higher than assumed in the budget.
- Bus network fares income was £18 million higher than budget owing to increased income from bus passes (£15 million) because of the increased price differential between bus passes and travelcards, and higher on bus income (£10 million). This was partly offset by lower PAYG receipts (£7 million). Bus network income is forecast to be £11 million higher than budget largely due to higher RPI for fares increase in January 2009 than budgeted for. However, this is partly offset by payback of money on the National Concessionary Scheme. The forecast passenger journeys, which determine the periodic payment to TfL, are fewer than originally anticipated.

2007/08 YTD Actual	Congestion Charging £m	Year to Date			Full Year		
		Actual	Budget	Variance	Forecast	Budget	Variance
(89)	Standard fee income	(87)	(92)	5	(186)	(201)	15
(61)	Enforcement income	(60)	(70)	10	(130)	(153)	22
29	Bad debt provision	24	32	(8)	53	71	(17)
45	Operations and support costs	37	38	(1)	82	89	(7)
(76)	**Total Congestion Charging**	**(86)**	**(91)**	**6**	**(181)**	**(194)**	**13**

Table may be subject to rounding errors

- Standard fee income was lower than budget in the year to date and full year forecast due to less volume of charges.
- Enforcement income was lower than budget in the year to date and full year forecast due to lower PCN volumes and higher volume of penalty charges being paid earlier at the lower rate.
- The provision for bad debts was lower than budget in the year to date and full year forecast because of a drop in enforcement income and a higher recovery rate of charges.
- Operations and support costs are forecast to be lower than budget in the full year largely due to CO_2 related public information costs that are no longer required following the decision to halt plans for CO_2 charging.