

## TRANSPORT FOR LONDON

## FINANCE COMMITTEE

**SUBJECT: TRANSPORT FOR LONDON OPERATIONAL AND FINANCIAL PERFORMANCE REPORT – THIRD QUARTER 2007/08**

**MEETING DATE: 24 JANUARY 2008**

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## 1. PURPOSE

1.1 To inform the Finance Committee of Transport for London's performance over the third quarter of 2007/08 (16 September 2007 – 8 December 2007).

## 2. INTRODUCTION

2.1 The TfL Operational and Financial Report is attached which details Transport for London's performance during the third quarter 2007/08.

2.2 In response to a request from the previous Finance Committee meeting for information on trends for revenue and costs per kilometre for bus and tube travel, appended below are the trends from 2004/05 to 2007/08.

	Unit	2004/5	2005/6	2006/7	2007/8 Forecast
<b>London Underground</b>					
Income per passenger km	pence	17.9	18.9	20.4	19.7
vs last year	%		5.7%	8.1%	-3.5%
Cost per passenger km	pence	25.6	26.2	26.7	23.7
vs last year	%		2.3%	2.1%	-11.2%
<b>London Buses</b>					
Income per passenger km	pence	12.9	14.0	14.3	13.5
vs last year	%		9.6%	1.2%	-5.1%
Cost per passenger km	pence	21.0	23.3	23.2	22.2
vs last year	%		11.2%	-0.6%	-4.0%

2.3 Bus passenger journeys for 2007/8 use a new method of measurement which uses Oyster validations and includes additional categories of passengers.

### **3. RECOMMENDATION**

3.1 The Committee is asked to:

**Note** TfL's operational and financial performance over the third quarter of 2007/08.

### **4. CONTACTS**

4.1 For detailed enquiries on the content of these reports, please contact:

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# Operational and Financial Report

## Third quarter, 2007/08



# Transport for London

## Operational and Financial Performance Report

### Third Quarter, 2007/08 (16 September 2007 – 08 December 2007)

#### Performance

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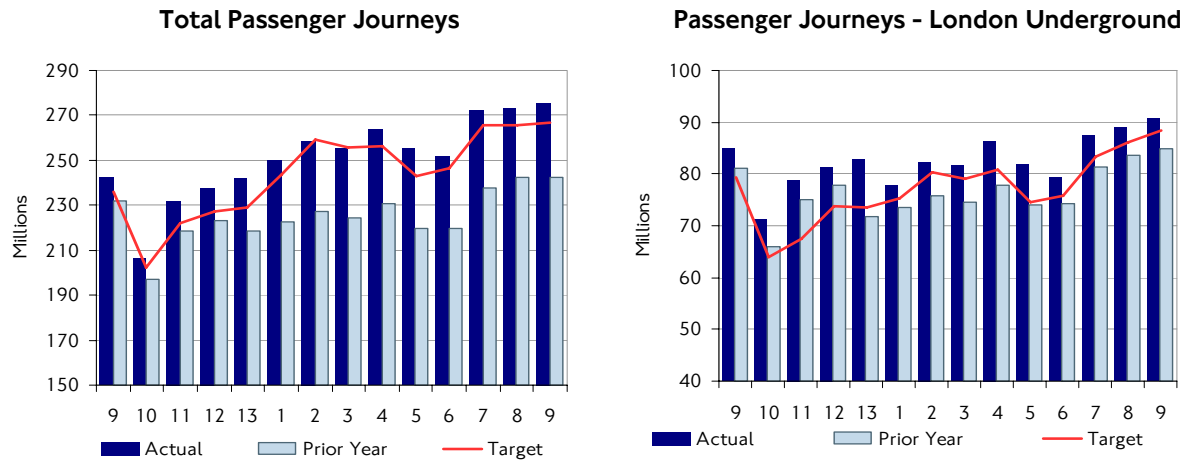
- 1.0 Transport for London continued to build upon demand growth evident in the first two quarters of the year with 821 million passenger journeys during the third quarter. The number of passenger journeys on London Underground beat yet another record in quarter three. At 267 million passenger journeys over 12 weeks it was the highest number ever recorded and was 17 million higher than the same quarter last year. Passengers made an estimated 4.17 million journeys on the Underground on Friday 7 December which was the highest number ever recorded on a single day. Passengers made 530 million journeys on the bus network during the quarter, an increase of 6.1 per cent on 2006/07. On the Docklands Light Railway there were 16 million passenger journeys during the third quarter, 7.3 per cent more than the third quarter last year.
- Other highlights and performance issues in the third quarter of 2007/08 included:
- 1.1 **Crossrail:** On 5 October, the Prime Minister formally approved the go-ahead for Crossrail project. Crossrail will be the largest civil engineering project in Europe, providing a modern, quick and reliable railway through central London. Scheduled to open in 2017, Crossrail will provide a ten per cent increase in London's public transport capacity.
- 1.2 **London Overground launch:** London Overground was launched on 11 November. London Overground Rail Operations Limited (LOROL) took over the operation of services formerly operated by Silverlink Metro. The railway consists of the North London Line (Richmond to Stratford); the London Euston to Watford Junction local line; the West London Line (Willesden Junction to Clapham Junction via Kensington Olympia); and the Gospel Oak to Barking line. Significant investment will ensure that the London Overground service will meet the TfL standards of quality, safety, staffing, frequency and ticketing. Enhanced passenger benefits include staff at every station and Oyster pay-as-you-go facilities across the network.
- LOROL will operate an integrated service, including the East London Railway when it re-opens in 2010 after line extension work. TfL is investing £1 billion to extend the existing East London Line north to Highbury and Islington, and, south to New Cross, Crystal Palace and West Croydon.
- Also on 11 November, London Underground took control of the operation of 11 former Silverlink stations, with some 80 employees transferring from Silverlink to LU. Nine stations from Queen's Park to Harrow & Wealdstone, excluding Willesden Junction, transferred to the Bakerloo line while Gunnersbury and Kew Gardens stations transferred to the District line. In addition, LU assumed responsibility for management of the National Rail platforms at West Brompton, Highbury & Islington and Blackhorse Road. London Underground is providing a higher standard of customer service - security, customer information and staff assistance - at these stations.
- 1.3 **TfL bid for Metronet:** On 6 November, TfL was confirmed by the PPP Administrator as the only bidder for the Metronet companies. Under current plans, the people and assets of the two Metronet companies will transfer to two TfL nominee companies. These will be managed on a stand-alone basis while the long-term structure is agreed with the Mayor and Government. Work is progressing on the legal process of transferring Metronet out of administration with the aim of transferring the undertakings to TfL's control in Spring 2008.
- 1.4 **Congestion Charge Re-Let:** IBM United Kingdom Limited was selected for the Congestion Charging and Low Emission Zone service provider contract. The decision follows a 12-month

competitive tendering procurement process. IBM will be responsible for the operation of the Congestion Charging and Low Emission Zone schemes from November 2009, including the technology that will underpin payments and all customer contact channels. The contract is let for five years with an option to extend for a further five years.

- 1.5 **2008 fares package:** Following the fare reductions on buses and trams that were introduced on 30 September, the January 2008 fares package was announced by the Mayor on 30 October. Single fares on buses and trams, the Underground and DLR are frozen. The overall increase in Travelcard prices, which is constrained by agreements with the Train Operators, was in line with Retail Price Index inflation (around 4 per cent). Pay-as-you-go usage continues to increase, and, at the end of the third quarter, reached 15.8 per cent of all bus and 28.5 per cent of all Underground/rail journeys. This compares with 12 per cent and 22 per cent at the same period last year.
- 1.6 **Oyster pay-as-you-go on National Rail:** Oyster pay-as-you-go was successfully launched on London Overground on 11 November 2007. All stations have gates and/or validators to accept Oyster as well as ticketing facilities to sell and top-up Oyster cards.  
  
London Midland started accepting Oyster pay-as-you-go on journeys between Euston and Watford Junction on 18 November 2007.  
  
On 2 January 2008, Oyster pay-as-you-go facilities were launched on Chiltern, c2c and One Railways (Hackney area). The rollout of Oyster pay as you go on the remainder of national rail services within London is planned for 2009. Commercial agreements with the train operating companies are currently in the final stages of negotiation.
- 1.7 **Operating cost review:** Further to the business planning process and the funding settlement announcement, a review of TfL's operating costs has commenced. This aims to identify potential savings and to ensure that front line services will not be affected in an environment of increased financial constraint.
- 1.8 **Funding for Borough Local Implementation Plans (LIPS):** The Annual Borough LIP funding settlement was released on 15 November. £160.9 million was allocated for local transport schemes for the 2008/9 financial year. This is an important part of TfL's wider programme of spending in the boroughs and includes a range of small and large schemes aimed at improving bus services, road safety, walking and cycling, reducing congestion and encouraging a healthier life style.
- 1.9 **Oyster Control Centre:** The Oyster Control Centre was established to manage smooth gateline and validator operation across the Oyster network. Passengers will benefit from proactive system monitoring and resolution of ticketing issues. This will reduce pressure on the Oyster Helpline by reducing customer complaints and refund queries as a result of being overcharged following network events.
- 1.10 **London Transport Museum re-opening:** The London Transport museum re-opened to the public on 22 November. The event received widespread, positive media attention.
- 1.11 **BAME media:** TfL's focus on improving relationships with Black, Asian and minority ethnic (BAME) communities will remain a key element of the future TfL media strategy, aiming to demonstrate the positive impact of transport investment in terms of jobs, health and social inclusion. There has so far been a dramatic increase in BAME media coverage, including a 300 per cent increase in Bengali press coverage. There is also an improved relationship with Polish, Turkish, Urdu speaking, African (including Somali), Arabic, Gujarati and Punjabi media titles resulting in a 50 per cent increase in editorial support.
- 1.12 **Independent Living Award:** Breakthrough UK, a national disabled rights organisation, presented TfL with an Independent Living Award for achievement in transport accessibility. In particular, judges praised the introduction of low-floor, wheelchair accessible buses across the entire London bus fleet, ten years ahead of legal requirements. The judges were also impressed by TfL's ongoing consultation with both disabled staff and the use of independent Disability Advisers.

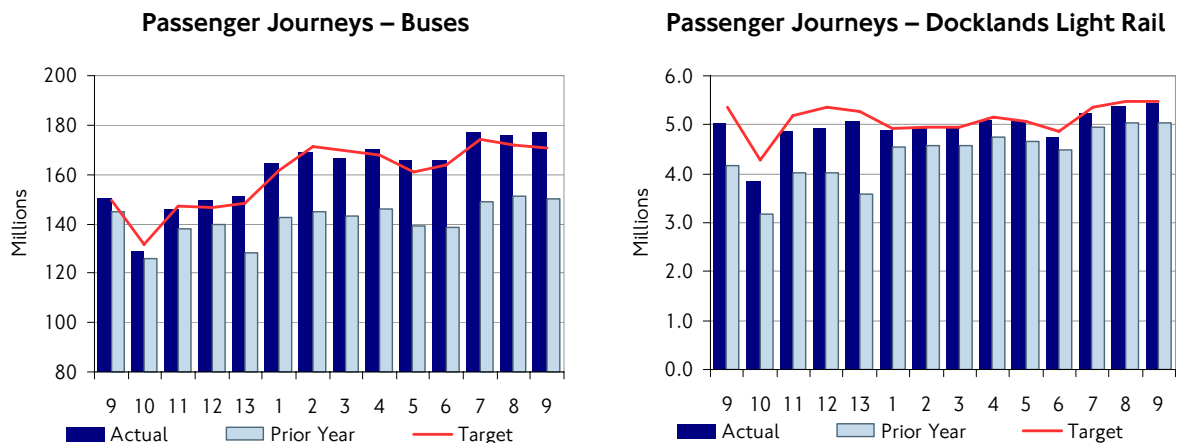
## Service Demand

- 2.0 The total number of passenger journeys across the TfL network continued to grow in quarter three. There were 821 million passenger journeys across the network, 22.7 million (2.8 per cent) higher than the target and an increase of 55 million (6.4 per cent) on the same quarter last year on a comparable basis.



Note: 2006/07 bus passenger journey numbers are represented as previously reported (not re-stated), but a new methodology was applied from period 1 2007/08.

- 2.1 Service demand on the Underground continued to exceed target. There were 267 million passenger journeys on the Underground during quarter three, an increase of 17 million on the third quarter of last year and 9.4 million more than target. For the year to date, London Underground has carried 57 million more passenger journeys than last year, an increase of 8.1 per cent. London Underground is forecasting to achieve 1,102 million passenger journeys for the full year, 54 million higher than the budget of 1,048 million passenger journeys.



Note: 2006/07 bus passenger journey numbers are not re-stated but a new methodology was applied from period 1 2007/08.

- 2.2 Bus passengers made 530 million journeys during the third quarter, an increase of 6.1 per cent on the third quarter of 2006/07 on a comparable basis, and 12.7 million higher than target.
- 2.3 DLR passengers made 16.1 million journeys during the third quarter, an increase of 7.3 per cent on the same quarter last year, but slightly below the quarter three target of 16.3 million. Despite passengers making fewer journeys than target for the year to date, there have been 3.2 million more journeys made by passengers compared to the same period last year.

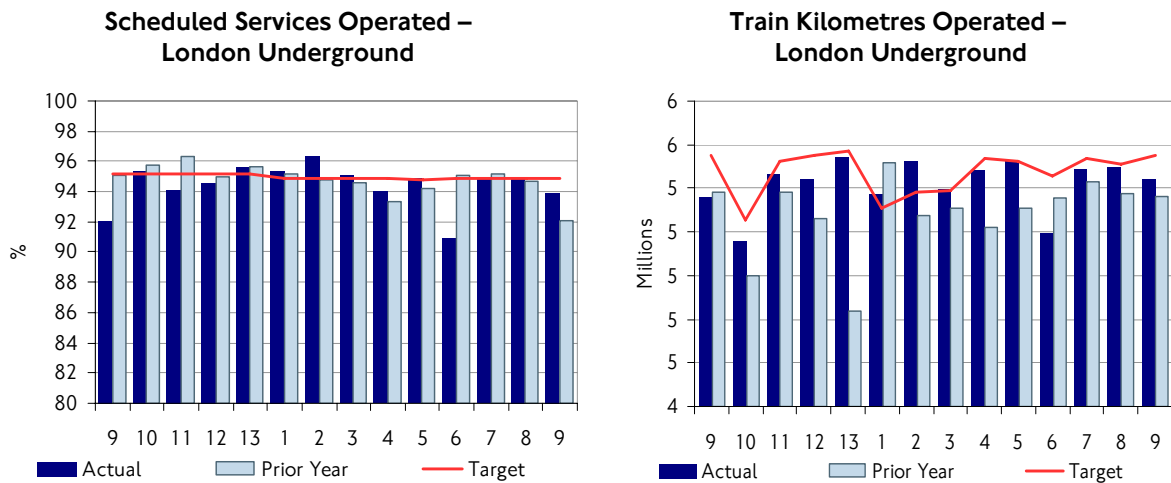
## **Fare Trends**

- 2.4 During the third quarter, 3.2 per cent of Underground passenger journeys were cash fares, down from 5.4 per cent at quarter three last year. Oyster pay-as-you-go journeys accounted for 28.5 per cent of all Underground journeys compared with 22.2 per cent a year ago.
- 2.5 On the bus network cash single fares accounted for 1.8 per cent of all journeys (1.9 per cent including roadside ticket machines) compared to 4.0 per cent at quarter three 2006/07. Oyster pay-as-you-go journeys comprised 15.8 per cent of all bus journeys compared to 12.0 per cent a year ago.

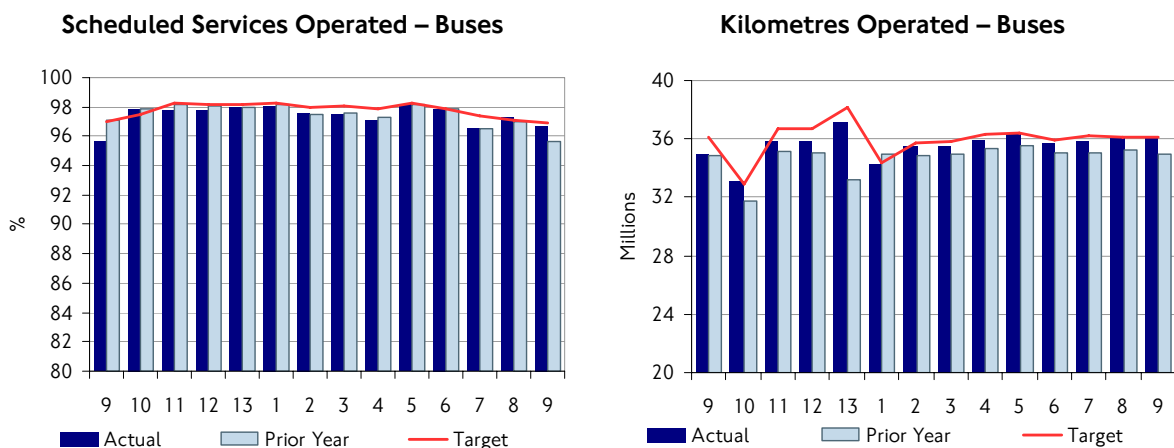


## Service Provision

3.0 During quarter three, levels of service provision across TfL were mixed, with both the Underground and buses narrowly missing challenging targets. However, there was an improvement compared to the level of service provided last year despite increased passenger numbers. The DLR continued its record of excellent service provision.

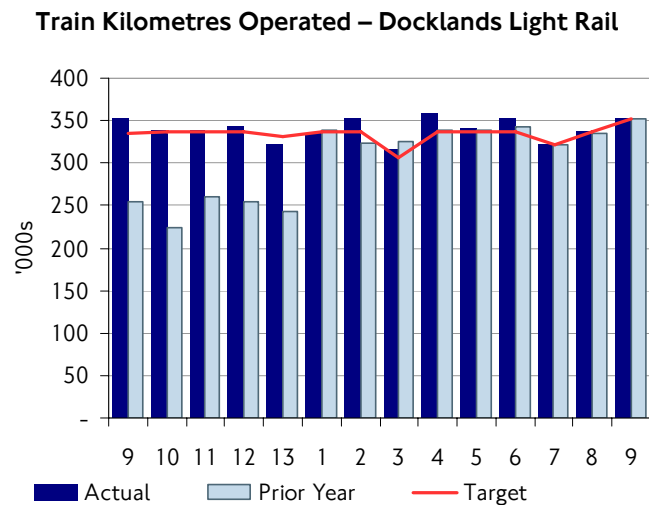


3.1 During the third quarter, 94.6 per cent of scheduled services were operated on the Underground. This was 0.5 per cent below target but an improvement of 0.6 per cent compared to the performance of the prior year. The Northern line maintained its record of being the only line to achieve its budgeted percentage of schedule in each period of the year to date. Staff and rolling stock shortages continued to depress performance on Circle & Hammersmith lines while Central line stock availability declined sharply during the quarter mainly due to traction motor defects. On the Piccadilly line, the impact of various infrastructure and customer incidents was exacerbated by heavy passenger loadings resulting in late running and consequent cancellations and short tripping in order to recover the service. Two external incidents – a fire in lineside premises and a gas leak – caused lengthy service suspensions on the Jubilee line.



3.2 An average of 96.8 per cent of scheduled bus services were operated in the third quarter, 0.4 per cent below target but 0.4 per cent higher than the same period last year. Bus kilometres operated, at 108.2 million kilometres, were 0.3 per cent lower than target and 2.7 per cent higher than the previous year. A seasonal increase in mileage losses due to traffic delays is expected during this quarter, traditionally the worst quarter for operating conditions, due to deteriorating weather conditions, traffic congestion and roadworks. Buses were also disrupted by the continuing roadworks at Tottenham Court Road, Bishopsgate, Wembley High Road,

Fulham and Holborn, together with burst water mains in Hastings Road Bromley, West Hampstead, Turnpike Lane and on the A406. Planned events such as the pedestrian shopping day in Oxford Street and Regent Street on 1 December and the Saudi state visit also resulted in a number of diversions.

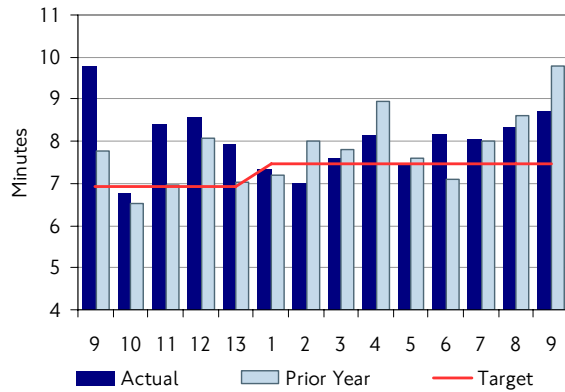


- 3.3 In quarter three, the percentage of schedule operated on the DLR, at 99.5 per cent, was 1.5 percent higher than target and 1.8 percent higher than the previous year. Train kilometres operated by the DLR were in line with target and the prior year. DLR train kilometres operated are forecast to achieve the full year target.
- 3.4 In quarter three, there were 269,000 Dial-a-Ride trips, significantly below the target of 359,000 trips. The 2007/8 full year target of 1.6 million trips was based on the planned completion of service centralisation with the computer systems working to the specified standard. Following a detailed project review, centralisation is now scheduled for completion in spring 2008. System problems continue to be addressed by intensive manual work and a 'final build' version of the system was available in November. The quarter three forecast of 1.2 million trips for the full year is based on current deliverable activity.

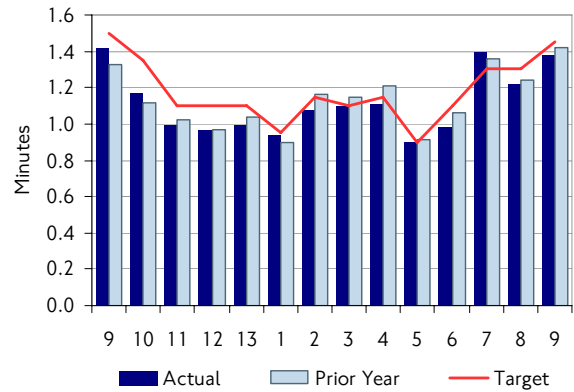
# Service Reliability

4.0 During the third quarter excess journey time on the Underground averaged 8.4 minutes, an improvement of 0.4 minutes on the previous year, but worse than the target of 7.5 minutes. The record passenger numbers and rolling stock shortages noted previously combined to cause increases in station congestion, average runtimes and on train crowding levels, all of which contribute to increased journey times.

**Excess Journey Time – London Underground**

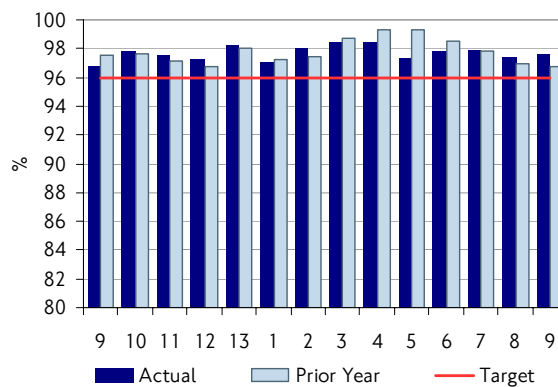


**Excess Wait Time (High Frequency Routes) – Buses**



4.1 On the bus network, excess wait time averaged 0.1 minute lower than target and the same as quarter three last year. Excess wait time has been reducing steadily across the bus network for over four years.

**On Time Performance – Docklands Light Rail**



4.2 97.7 per cent of DLR trains were on time. On-time performance was 1.7 per cent higher than target and 0.5 per cent better than last year.

## Customer

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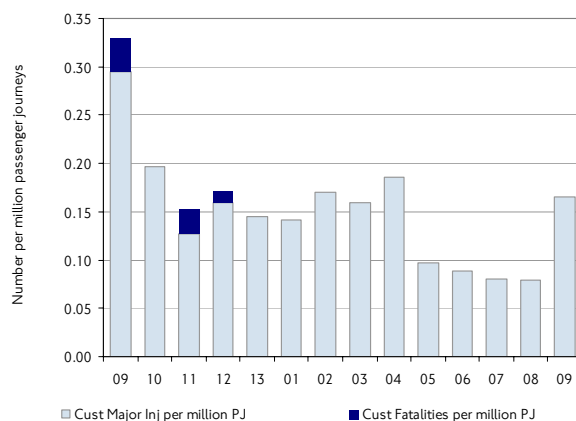
### Customer Satisfaction Scores (CSS)

- 4.3 The results of the customer satisfaction survey are available in period 10 and will be included in the report if data is available prior to publication.

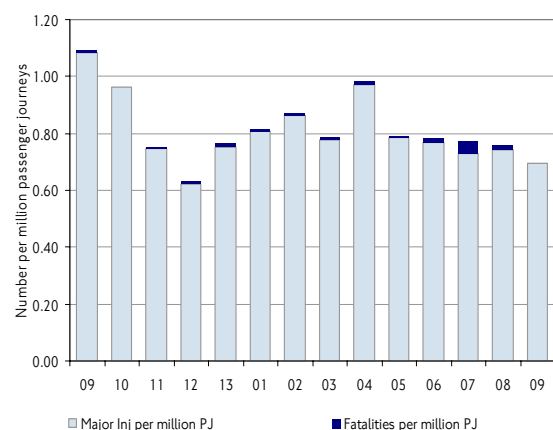
## Safety

- 5.0 Road traffic accident data has not been available since April 2007, due to changes in data collection procedures by the Metropolitan Police. Therefore there is no new data available for the quarter 3 report. The new MPS casualty data IT software did not include the required functionality and it is now being altered to meet requirements. The latest MPS estimate is that this work will be completed in January 2008, when the process to enter and validate data will re-commence.
- 5.1 **Working with Diverse Communities on Road Safety:** The first workshop on the “Working with Diverse Communities” programme on road safety was held on 1 November between the London Boroughs and TfL. Borough road safety professionals, who are participating in demonstration projects, shared lessons learnt about Equality Impact Assessments, and discussed key performance indicators and evaluations.
- 5.2 **Teens Road Safety Campaign:** The TfL 'Don't die before you've lived' road safety campaign aims to reduce fatal and serious incidents by 60 per cent by 2010. TfL has collaborated with Channel 4 to produce a series of programmes aimed specifically at teenagers. The shows were broadcast over the weekend of 3/4 November and aimed to promote the safety message. The outcome of the campaign will be evaluated in due course.
- 5.3 **The TfL Children’s Traffic Club:** From 26 September a ‘theatre in education’ roadshow visited 4,000 nurseries and early year establishments across London. The roadshows are part of the TfL Children's Traffic Club, which helps parents/carers to teach three and four year olds about road and transport safety.

**Major Injuries and Fatalities (customers) – London Underground**



**Major Injuries and Fatalities (customers) – London Buses**



- 5.4 The number of customer major injuries on the London Underground network in the third quarter of 2007/08, at 29, was 23 fewer than in quarter three last year and represents an average of 0.11 injuries per million passenger journeys. There have been no accidental customer fatalities in the year to date.
- 5.5 On the bus network in the third quarter of 2007/08, there was a 15.3 per cent decrease in major injuries and fatalities when compared to the corresponding quarter last year, representing an average of 0.74 injuries per million passenger journeys.

## Sustainability

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- 6.0 Highlights of TfL initiatives with sustainability benefits in the third quarter were:
- 6.1 The operator of London Overground (LOROL) is developing a sustainability action plan to identify improvements to the overall sustainability of services and stations.
- 6.2 **Climate Change Fund:** The TfL Climate Change Fund (CCF) Approvals Group endorsed the following projects:
- (i) Taxis and Private Hire Vehicle Carbon Strategy Implementation, £1.2 million over two years
  - (ii) London Underground – Low Carbon Approaches for Stations: £300,000 for phase one feasibility study
  - (iii) London Development Agency Green Homes, £1.0 million over two years, for transport elements of the project.
- 6.3 **Sustainable Buses:** London is the first European city to purchase hydrogen buses for commercial operation. Contracts for 10 hydrogen fuelled buses were awarded to bus supplier (ISE) and bus operator (First Group). This demonstrates the TfL commitment to combat climate change through investment in sustainable, environmentally friendly fuel. Of the 10 buses, 5 will use hydrogen fuel cells, and 5 will use a specialist internal combustion engine which is powered directly by hydrogen. Both vehicles incorporate hybrid technology to maximise fuel efficiency and increase the operating range.
- The London Diesel/electric hybrid bus fleet increased from six to eleven single-deck hybrid vehicles on routes 360 and 129. The additional five buses came into service on 21 November. One double-deck hybrid bus continues to be operated on Route 141 from Palmers Green to London Bridge Station by Arriva London North.
- 6.4 **Clinton Climate Change Initiative:** TfL is working with the GLA on the Mayor's Building Efficiency Programme contract. Of the sixteen expressions of interest received from the leading retrofit companies, eight were shortlisted. Discussions are underway with the Clinton Climate Initiative banking partners to develop funding structures.
- 6.5 **School Bike Parks:** On 8 November, the Managing Director, Surface Transport, unveiled the 10,000th school bicycle parking space at Stepney Green Mathematics and Computing College. Since January 2004, the new school cycle parking spaces have been installed in more than 400 schools and colleges across London, as part of the Mayor's school cycle parking programme.
- 6.6 **Cycle Awards:** TfL's London Workplace Challenge 2007 was named 'Best Workplace Cycling Initiative' at the London Cycling Awards on 19 October, presented by the London Cycling Campaign. The Challenge, which coincided with the Tour de France in July, encouraged teams from more than 340 organisations across London to cycle. The teams either increased their total number of cycling journeys, set individual targets to cycle further, or recruited new commuting cyclists to join them. 2007 has been an exceptional year for cycling events in London, with the Tour de France Grand Départ, The Tour of Britain Prologue and the Hovis London Freewheel event. The number of cycle journeys on the TLRN has increased by 83 per cent since 2000. TfL is investing £36 million in 2007/8 to improve cycling infrastructure, training and education.
- 6.7 **New Freight Consolidation Centre at Silvertown:** The TfL two year feasibility pilot to study the potential benefits of Construction Consolidation Centres was completed with the closure of the Bermondsey site. The team at Wilson James Limited, which was responsible for running the TfL sponsored pilot, have decided to continue operations at Silvertown. The pilot scheme's results demonstrated a 68 percent decrease in construction vehicles entering the City as a result of its operation. Average journey time, including loading and unloading, fell by two hours and around 97 per cent of materials were delivered correctly on the first occasion.
- 6.8 **TfL Energy savings:** During the last six months, a staff pledge to help cut energy use at TfL has seen electricity use in its head offices fall by 9 per cent compared to the previous year. This is equivalent to more than one million kilowatt hours of electricity.

- 6.9 **Supplier Diversity:** The 'Supply London' brokerage service was designed to increase opportunities for small/medium enterprises (SMEs) to win business with TfL. The first appointment was a SME supplier to provide a fire alarm system and equipment for Victoria Coach Station. Work to promote supplier diversity continues.
- 6.10 **Responsible Procurement:** 'Sustainable Procurement' has been renamed 'Responsible Procurement' to clearly communicate the importance of social and environmental objectives to ensure best value procurement across the GLA Group. TfL Group Procurement is working to include requirements, defined by the GLA/TfL Responsible Procurement Policy, in 22 contracts with a combined value of £1,397 million. A further 59 contracts were identified with opportunities to include responsible procurement requirements. To date, 18 contracts incorporating the requirements have been awarded, with a combined value of £2,752 million.
- 6.11 **School Travel Planning (STP):** The 6th Annual School Travel Plan (STP) Conference was held at the Gallery Hall Business Design Centre on Thursday 18 October. The conference, for schools with no experience of the STP programmes, highlighted the benefits and practical process of STP delivery. It was attended by 220 delegates, representing both schools and School Travel Advisors (STAs). TfL, STAs and schools accredited at sustainable level presented and exhibited at the conference.
- 6.12 **Workplace Travel Planning:** More than 350,000 employees are now represented by organisations signed up to the TfL Workplace Travel Planning Corporate Package. This exceeds the target of 200,000 employees. The Corporate package is available for companies with more than 250 employees. TfL also offers the Enterprise Package for companies with less than 250 employees.
- 6.13 **Personal Travel Planning (PTP):** The Smarter Travel Sutton programme was completed on 5 October having contacted 67,503 households. Of these, conversations were held at 44,770 households (66 per cent). On 12 October, the Camden scheme was also completed having had conversations at 14,633 (52 per cent) of the 28,410 households contacted.
- 6.14 **Legible London:** On 27 November, the first prototype of the 'Legible London' pedestrian wayfinding scheme was launched in Bond Street. Legible London is a scheme designed to provide improved information throughout London for people who want to walk. The Bond Street trial consists of 19 on-street signs and includes bus shelters and signage in Bond Street Tube station.

## Section 17 of the Crime and Disorder Act

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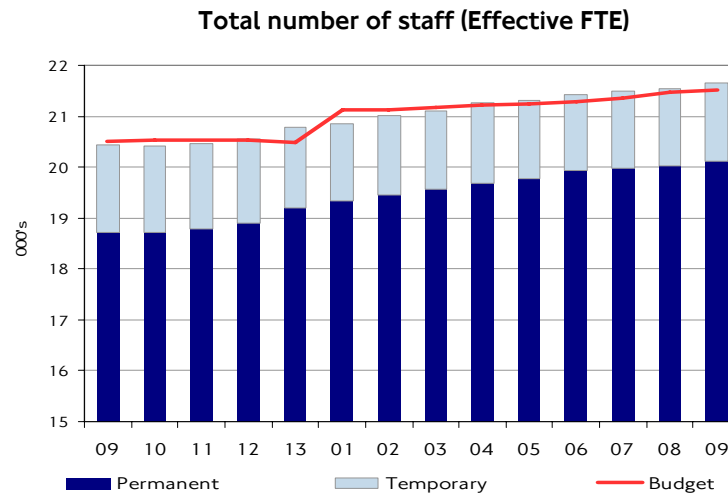
- 7.0 Highlights of TfL initiatives with community safety benefits in the third quarter were:
- 7.1 **Section 17 of the Crime and Disorder Act 1998:** A progress report on the “Implementation of Section 17 of the Crime and Disorder Act 1998” was noted by the TfL Board in October 2007. The Transport Policing Enforcement Directorate (TPED), which currently co-ordinates implementation activity across TfL, has launched a training and awareness campaign to educate all TfL departments on the implications of Section 17 and its inclusion in all aspects of TfL business.
- 7.2 **Crime reduced by 11 per cent on London’s Buses:** The latest MPS/TfL crime figures show that crime on London's buses is 11 per cent lower than a year ago. This follows a 2 per cent reduction in the previous year. This reduction has been delivered while bus passenger numbers continue to rise.
- The figures for the first six months of 2007/8 show a fall in criminal damage, robbery and theft offences. The number of criminal incidents believed to involve one or more people aged 16 or under was 19 per cent lower in the first half of 2007/8 compared to the previous year.
- Bus passengers have benefited from visible policing by officers from the MPS Transport Operational Command Unit (TOCU) which is funded by TfL. In addition, 21 Safer Transport Teams were deployed to London's outer boroughs this year, providing reassurance to bus passengers and welcomed by local communities as a valuable policing presence.
- 7.3 **TOCU Review:** The review of the Special Services Agreement between the Metropolitan Police and TfL for the Transport Operational Command Unit (TOCU) is nearing completion. This is being undertaken jointly with TOCU after 5 years of operation. The review will set the strategic objectives, structure, deployment structure, operating style, governance arrangements and performance measures for the TOCU for the next five years.
- 7.4 **Online penalty checker launched:** This free service was launched on 18 September, and allows people to see if there are any penalty charges outstanding on their vehicle. In addition, people who are considering buying a vehicle can, with the owners consent, check if it has any penalty charges outstanding for the central London Congestion Charge. This service is aimed at reducing the potential for Congestion Charge fraud and to protect vehicle purchasers.
- 7.5 **Operation Chicago:** A two week joint policing operation in south-east London concluded on 20 October 2007. The MPS Transport Operational Command Unit (TOCU), working in partnership with the British Transport Police and TfL, aimed to detect and prevent robberies, ticket fraud, fare evasion, drug dealing, aggressive begging and anti-social behaviour, whilst also reducing criminal opportunity. Safer Transport Teams also supported the operation. In total, there were over 300 arrests, over 130 by the TOCU and 180 by British Transport Police.



# People

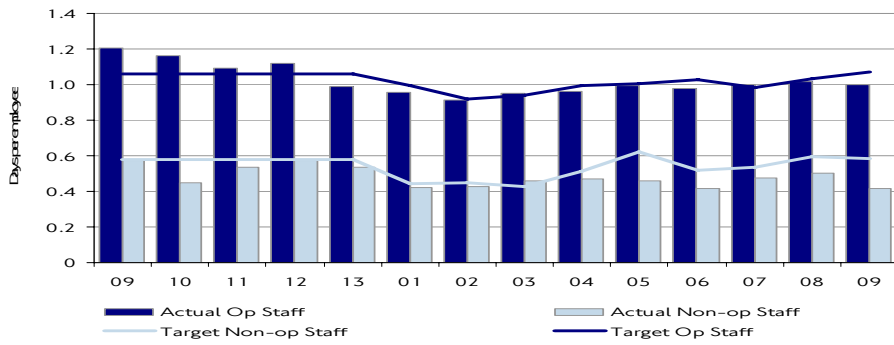
## Staff Numbers

- 8.0 At the end of quarter three TfL employed 21,718 full time equivalent (FTE) staff. This number has increased by 291 since the end of quarter two and is 209 more than budget. There were 1,537 temporary staff at the end of quarter three which was 184 lower than last year but 311 more than target. The proportion of temporary staff was 7.1 per cent compared to a target of 5.7 per cent.



- 8.1 There were 14,469 FTE staff in London Underground, 96 more than budget, of which 61 were permanent staff and 35 were temporary staff. The largest contributors to the variance were additional staff in Strategy and Service Development working on projects including the PPP review and the Victoria station upgrade; in Information Management working on various projects; and staff retained for longer than expected due to a delay in the implementation of Connect. Vacancies in Engineering and the PPP contract teams partly offset these variances.
- 8.2 Surface Transport had 4,725 FTE staff at the end of period 9 which was 25 fewer than budget. There were 119 fewer permanent staff than budget partly offset by 94 more temporary staff. Recruitment of permanent staff continued at a slower rate than expected in Surface Transport, partly due to the London Streets reorganisation.
- 8.3 There were 214 FTE staff in London Rail, 6 fewer than budget. The number of temporary staff at 33, was 11 lower than budget. London Rail continues to manage temporary staff numbers, by converting temporary staff to permanent contracts where appropriate. Some temporary positions are occupied by people with specialist skills, where permanent recruitment has proved challenging.
- 8.4 Staff numbers in the Group Directorates, at 2,309, were 142 higher than budgeted. This mainly relates to additional staff in the Oyster call centre in response to rising call volumes; IM staff replacing consultants as part of an organisational change programme and in Fares and Ticketing relating to development work on the Oyster system.

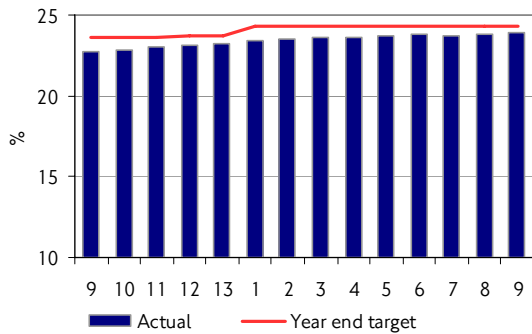
### Sickness Absence – Days per Employee



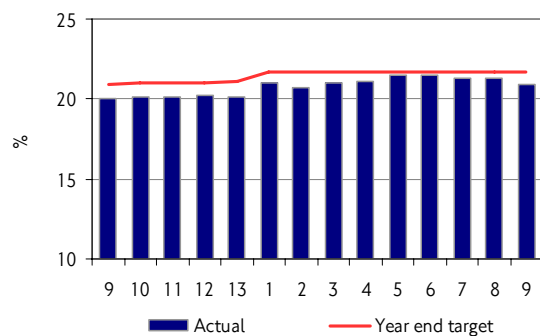
8.5 TfL staff were absent from work due to sickness for an average of 7.02 days over the first three quarters of the year. This was 0.66 days lower than the year to date target of 7.68 days and an improvement of 1.17 days compared to last year. London Underground staff were absent for an average of 7.27 days per employee. This was 0.97 days better than target and an improvement of 1.64 days per employee compared to last year. Surface Transport staff were absent for 7.47 days per employee in the year to date, which was 0.91 days worse than target and was driven by higher rates of absence amongst operational staff. The active management of long-term sickness cases amongst operational staff has reduced absence, though this was offset by an increase in short term sickness towards the end of the quarter. An ongoing review of absence records is aimed at achieving a more sustained reduction. In London Rail the absence rate of 2.4 days per employee was 1.07 days below target and an improvement of 0.66 days compared to last year. Group Directorates staff have been absent for 4.55 days per employee for the year to date, which was 0.05 days worse than target.

### Workforce Composition

Female staff



Female staff in senior management



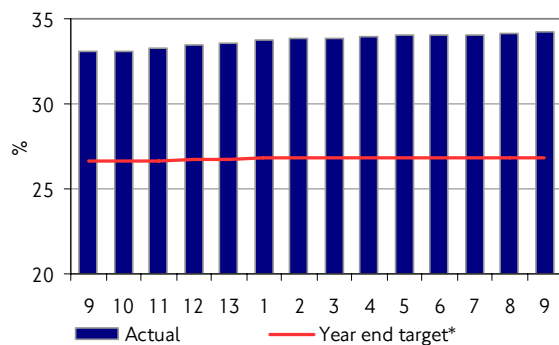
8.6 At the end of quarter three 23.9 per cent of TfL’s staff were women. This was 1.2 percentage points higher than the same period last year, and only 0.4 percentage points short of the year end target. The percentage of women in senior management fell by 0.4 percentage points to 20.9 per cent. This is due to a small number of leavers and is within normal staff turnover expectations. The percentage of women in senior management is now 0.8 per cent short of the year end target, but 0.9 per cent points higher than last year.

8.7 In London Underground, there has been gradual increase in women in key operational roles – 12.5 percent of Duty Managers and 10.7 per cent of Station Supervisors are now women. Further analysis is planned to identify directorates where positive recruitment action may be appropriate. Exit interviews are conducted in Surface Transport to identify the reasons why women leave the organisation and is building up knowledge to inform future actions. Surface Transport and Group

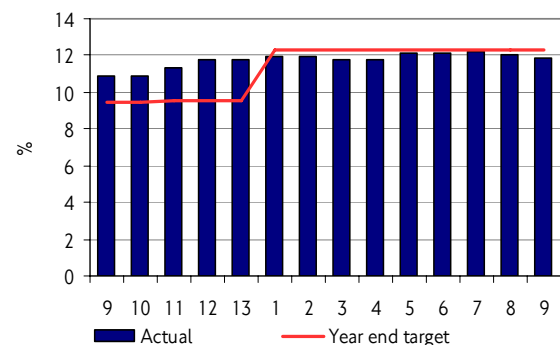
HR are hosting focus groups to understand the experiences of female employees. The results of the East Thames Buses flexible rostering project are under consideration at present.

- 8.8 On 30 October 2007 TfL participated in the JIVE conference in Birmingham. JIVE is an EU funded partnership led by the UK Resource Centre for Women in Science, Engineering and Technology (UKRC). The conference was attended by 200 people from industry, the public sector, schools, colleges and universities. The conference programme included a TfL case study of recruitment in Traffic Signals and a TfL Equality & Inclusion exhibit. This event provided an excellent opportunity to raise the profile of TfL as an employer of choice, committed to gender equality and offering exciting career prospects for women. Following participation in the conference TfL will be signing up to the UKRC CEO charter that will make a commitment to actively support the aim of increasing the participation, at all levels, of women in Science, Engineering and Technology, develop and communicate the business case for gender equality and showcase TfL's approach and examples of best practice.

**Black, Asian and Minority Ethnic Group Staff**



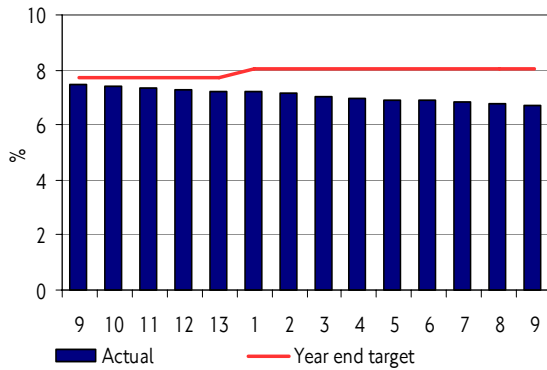
**Black, Asian and Minority Ethnic Group Staff in Senior Management**



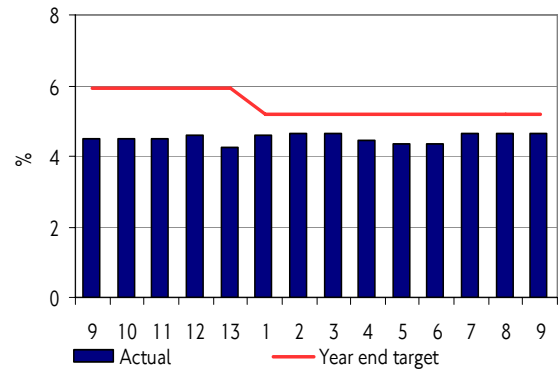
- 8.9 The representation of BAME staff across TfL increased to 34.2 per cent, which was 7.4 percentage points higher than the year end target of 26.8 per cent. This target was representative of the economically active London population at the time the TfL budget was agreed.<sup>1</sup> The percentage of BAME staff in senior management fell by 0.2 percentage points to 11.9 per cent. This was 0.4 percentage points below the year end target but 1.0 per cent higher than at the end of quarter three last year. This fluctuation is within expected turnover levels.
- 8.10 TfL Group HR is implementing Project Breakthrough to improve the representation of BAME groups within senior management, including a review of the London Underground recruitment process. The TfL Race Equality Scheme, which includes a section on employment issues, is in the final stage of production. The consultation period has now ended and results will inform the development of the Race Equality Scheme action plans.
- 8.11 TfL celebrated Black History Month 2007 with a programme of cultural events co-hosted by Group Equality and Inclusion and the BAME Staff Network Group. Key themes included the bicentenary of abolition of the slave trade and black history in London. Events included live poetry performances on the Underground, film screenings, historical walks and a private viewing of art work by Stephen Wiltshire. The highly successful month ended with a gala celebration.

<sup>1</sup>. A recent ONS survey commissioned by the GLA indicated that the BAME community represented 29 per cent of the economically active London population. The target for the 2008/09 budget will be revised accordingly.

**Disabled staff**



**Disabled staff in Senior Management**



- 8.12 Of the staff reporting their disability status, 6.7 per cent were reported as disabled at the end of period 9. This was 1.3 per cent lower than the year end target of 8.0 per cent and 0.7 per cent lower than last year. This represents a decrease of 0.1 per cent since period 8, caused by a combination of 3 fewer disabled staff and 68 more non-disabled staff. The proportion of disabled staff in senior management fell to 4.6 per cent. This was 0.6 per cent lower than the year end target of 5.2 per cent and 0.2 per cent lower than last year.
- 8.13 Work has commenced to provide an improved environment for disabled staff, but the benefits will be realised in the longer term. Activities to increase the representation of disabled staff have included the Surface Transport placement scheme. Applicant short-listing has taken place for the work placement initiatives in London Streets and interviews took place in December 2007. The London Underground work experience programme has become very popular with external agencies working with disabled people.
- 8.14 Of those employees declaring sexual orientation, 1 per cent are lesbians and 0.5 per cent are lesbian senior managers; 4.4 per cent are gay men and 3.0 per cent are gay men in senior management. 0.2 per cent are bisexual women and 0.6 per cent are bisexual men. 59.2 per cent are heterosexual men and 67.4 per cent are heterosexual men in senior management. 28 per cent are heterosexual women and 19 per cent are heterosexual women senior managers.
- 8.15 Trade Union consultation has commenced on the following policies: Attendance, Bullying & Harassment; Discipline; Grievance and Performance Improvement. The consultation will continue into the first half of December. The nature of the above policies will require significant training and briefing and a comprehensive implementation plan is being prepared to reflect this.
- 8.16 During October, the first TfL employee engagement survey, 'Your Say', was conducted. All permanent and fixed term contract employees within TfL Corporate, London Rail and Surface Transport were invited to participate. 'Your Say' was designed to give employees the opportunity to say what it is like to work for TfL. It is intended to run the survey annually and for it to become a key business measure. 'Your Say' will provide feedback about on issues of key importance to employees and will ensure that effort is made to address these issues. The initial findings will be available in February. The participation rate was 47 per cent. London Underground continues to run a survey called "Speak Up".

## Efficiencies

9.0 At £217 million, the 2007/08 efficiencies programme full year target is 11 per cent greater than the 2006/07 year-end efficiencies total of £193 million.

9.1 TfL is forecasting to exceed the year end efficiency target by £19 million, delivering £236 million of savings in total through a combination of new back-office and operational efficiencies.

Efficiency Initiatives £ m	Full Year (Sustained)		Full Year (In Year)		Total	
	Forecast	Var to Budget	Forecast	Var to Budget	Forecast	Var to Budget
Procurement	56	0	29	9	85	9
Staff & BIP	14	(9)	10		24	(9)
Marketing & Other	18	(2)	10	9	28	7
<b>Total Back Office</b>	<b>88</b>	<b>(11)</b>	<b>49</b>	<b>18</b>	<b>137</b>	<b>7</b>
Rail Operations	2				2	
Bus Network	59		6	6	65	6
Road Maintenance Contract			6	3	6	3
Other Surface Initiatives			3	3	3	3
Tube Lines refinancing	2				2	
LUL Operational Efficiencies	17				17	
LUL Communication Infrastructure	5				5	
<b>Total Operations</b>	<b>85</b>		<b>15</b>	<b>12</b>	<b>99</b>	<b>12</b>
<b>Total Cashable (lower than budget)</b>	<b>172</b>	<b>(11)</b>	<b>64</b>	<b>30</b>	<b>236</b>	<b>19</b>

Table may be subject to rounding errors

9.2 Additional forecast procurement efficiencies have been achieved from a number of initiatives including;

- Project Horizon (an improvement to increase the efficiency of several key HR/Business Processes which is attributed across TfL modes)
- Engineering and Project Management Framework initiatives (which reviewed the savings made from TfL's professional consultancy frameworks against market rates) and
- Savings achieved on completion of the Coulsdon Relief Road project

9.3 All targets for operational efficiencies are expected to be met or be exceeded by year end. Of the targets to be expected to be exceeded,

- An additional £6m is anticipated through revising bus schedules where appropriate and extending the contracts for a number of routes
- An additional £3m of efficiencies have been identified following the renegotiation of prices from the old Term Maintenance contract, and
- £2.7m forecast from a range of smaller Surface initiatives which include savings on reduced postage costs and the Congestion Charging Re-let contract

9.4 A number of recurring staffing and BiP efficiencies have been reviewed and, as a prudent measure, have been excluded from the forecast. As previously reported this includes £6 million within Group Services relating to efficiencies eroded as headcount numbers have increased over time to meet increased demand for services provided centrally by Group Services. However, this

is expected to be offset by efficiency savings arising from the recently initiated 'HR right sizing' project which will see new efficiencies of £2.5 million by the end of the year.

- 9.5 TfL is currently undertaking a comprehensive review of operational cost drivers throughout the organisation. The focus of the operational cost review is to identify areas of cost reduction whilst maintaining the outcomes TfL is trying to achieve. The outcome of this review will determine the basis of future efficiency targets and programmes.

## Financial performance

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### Group Highlights

- 10.0 Overall income was £11 million lower than budget for the year to date, but is forecast to be £19 million lower than budget by year end. The forecast variance to budget is primarily due to lower advertising revenue and TPED enforcement income, partially offset by higher underground fare income. The quarter three full year income forecast is £42 million less than forecast at quarter two. This is due to a range of factors including reduced fare income growth assumptions on both London Underground and London Buses. This is in part due to a re-assessment of current revenue trends by mode across all ticketing products, including Travelcards, and a reduced forecast of the rate of growth of passenger journeys.
- 10.1 Operating expenditure was £132 million lower than budget for the year to date, however this is forecast to recover to £98 million lower than budget for the full year. The most significant driver of the variance was lower expenditure by £48 million in the year to date on Public Private Partnership Contracts within London Underground. The quarter three full year expenditure forecast is £11 million less than forecast at quarter two. This is due to forecast lower expenditure of £66 million for the full year on Public Private Partnership Contracts.
- 10.2 Net capital expenditure, after reductions for overprogramming and third party reimbursements, was £81 million lower than budget in the year to date. The full year forecast of £56 million less than budget is £37 million lower than the quarter two forecast of £19 million below budget. The movement in forecast is due to re-phasing of expenditure to later years by Surface Transport, £23 million for various projects including West Ham bus garage and iBus, and £19 million by London Rail for the East London Line. Investment activity is detailed in the Third Quarter Investment Programme Report.
- 10.3 Net interest income was £16 million more than was budgeted for in the year to date. The full year forecast is £20 million higher than budget, an increase of £1 million since quarter two. TfL earned more interest income because of the increase in interest rates but this was partly offset by higher debt service payments, predominantly due to the earlier draw down of debt.
- 10.4 The two Metronet PPP companies, which are responsible for the BCV and SSL lines, went into PPP Administration on 18 July 2007. Due to the uncertainty over the recovery of the loan facility made available to the Metronet administrator, £262m was provided for in the full year forecast. This was reduced from the full £900 million reported at quarter two as the spend rate and utilisation of the loan becomes clearer. The provision for the year to date is £102m.
- 10.5 Full year TfL net service expenditure, which includes the loan provision of £262 million made available to the Metronet administrators, is now forecast to exceed budget by £97 million.

All in £ millions	Year to Date			Full Year	
	Actual	Budget	Variance	Q3 Forecast	Variance to budget
<b>Income</b>					
London Underground	(1,124)	(1,136)	12	(1,647)	3
Surface Transport	(1,058)	(1,059)	1	(1,516)	22
London Rail	(47)	(47)	(0)	(77)	(4)
Group Directorates	(11)	(10)	(1)	(19)	(1)
	<b>(2,241)</b>	<b>(2,253)</b>	<b>11</b>	<b>(3,259)</b>	<b>19</b>
<b>Operating Expenditure</b>					
London Underground	1,702	1,799	(98)	2,508	(108)
Surface Transport	1,719	1,723	(4)	2,563	28
London Rail	104	107	(3)	181	8
Group Directorates	209	237	(28)	351	(25)
	<b>3,734</b>	<b>3,867</b>	<b>(132)</b>	<b>5,603</b>	<b>(98)</b>
<b>Net Operating Expenditure</b>	<b>1,493</b>	<b>1,614</b>	<b>(121)</b>	<b>2,345</b>	<b>(78)</b>
<b>Capital Expenditure (before group overprog)</b>					
London Underground	259	286	(27)	419	0
Surface Transport	117	191	(73)	198	(98)
London Rail	234	263	(28)	404	(23)
Group Directorates	22	50	(28)	45	(29)
	<b>633</b>	<b>790</b>	<b>(156)</b>	<b>1,067</b>	<b>(150)</b>
<b>Reimbursements from third parties</b>					
London Underground	(67)	(70)	3	(104)	0
Surface Transport	(3)	(21)	18	(5)	25
London Rail	(20)	(15)	(5)	(38)	(17)
Group Directorates	(3)	(14)	11	(5)	17
	<b>(94)</b>	<b>(121)</b>	<b>27</b>	<b>(152)</b>	<b>24</b>
Group Overprogramming	-	(48)	48	-	70
<b>Net Capital Expenditure</b>	<b>540</b>	<b>621</b>	<b>(81)</b>	<b>915</b>	<b>(56)</b>
Capital income (including property sales)	(32)	(39)	7	(41)	11
<b>Group Items</b>					
Interest Income	(76)	(56)	(20)	(109)	(35)
Debt Servicing Payments	81	77	4	125	15
Contingency	0	9	(9)	18	(22)
Provision for Metronet	102	-	102	262	262
<b>Net Service Expenditure</b>	<b>2,108</b>	<b>2,225</b>	<b>(117)</b>	<b>3,515</b>	<b>97</b>

Table may be subject to rounding errors

## Operating Income

- 10.6 London Underground operating income was £12 million lower than budget in the year to date largely because of lower advertising revenue partly offset by higher fare income. Fare income was £59 million higher than the same period last year as demand for Underground travel continued to grow. Income from the CBS advertising contract is lower than budget because of lower than predicted market growth and delays in installation of digital advertising equipment. Overall income is forecast to be £3 million lower than budget in the full year where fare income



of £13 million higher than budget is offset by advertising income of £16 million lower than budget.

- 10.7 Surface Transport income was £1 million lower than budget in the year to date. This was driven by higher bus fare and Public Carriage Office revenue, partially offset by lower TPED enforcement income. Lower congestion charging income from standard fees was offset by higher congestion charging enforcement income. Surface Transport overall income is forecast to be £22 million lower than budget for the full year because of lower than expected bus fare income, TPED enforcement income and revenue from standard congestion charges. The bus income forecast variance is mainly due to the bus fare reduction effective from 30 September 2007, the bus fare price freeze from January 2008 and changes to passenger journey growth forecasts.
- 10.8 London Rail operating income was in line with budget in the year to date and is forecast to be £4 million higher than budget in the full year, an increase of £1 million compared to the quarter two forecast. This is due to higher than anticipated income from the London Overground concession.

2006/07 YTD Actual	Income £m	Year to Date			Full Year	
		Actual	Budget	Variance	Q3 Forecast	Variance
(989)	Underground fares Income	(1,048)	(1,043)	(4)	(1,530)	(13)
(682)	Bus Network fares Income	(736)	(733)	(3)	(1,047)	12
(37)	DLR Fare Income	(43)	(44)	1	(62)	0
-	Overground fares Income	(3)	(3)	(1)	(13)	(4)
(1,709)	LU, Buses and DLR Fare Income	(1,830)	(1,823)	(7)	(2,651)	(4)
(173)	Congestion Charging - fees and enforcement income	(230)	(230)	0	(333)	8
(30)	TPED enforcement income	(46)	(54)	8	(70)	7
(199)	Other Income	(136)	(145)	10	(204)	8
(2,111)	Total Income	(2,241)	(2,253)	11	(3,259)	19

Table may be subject to rounding errors

### Operating Expenditure

- 10.9 London Underground operating expenditure was £98 million lower than budget in the year to date. The largest variances were £48 million of lower PPP payments, £22 million of risk that was budgeted for but did not materialise and £17 million of lower central overheads. The forecast variance is largely due to lower PPP payments of £66 million and £30 million of risk not expected to materialise.
- 10.10 Surface Transport spent £4 million less than budget in the first nine periods of the year. The largest variance to budget was £9 million lower expenditure on bus network operation contract costs. Surface Transport is forecast to spend £28 million more than budget for the full year, compared to £32 million in excess of the full year budget which was forecast in quarter two. The higher expenditure is due to a higher, revised vehicle count from the A13 DBFO (Design, Build, Fund and Operate) contractor, expenditure on the Bounds Green Road Scheme design which was not budgeted for in operating expenditure and increased road network management support costs. This is partly offset by lower expenditure on bus network operations contracts and on congestion charging, primarily because of savings in the contract re-let and in the future technologies business unit on tag and beacon trials.
- 10.11 London Rail spent £3 million less than was budgeted for in the year to date but is forecast to spend £8 million more than budget in the full year, £2 million less than the quarter two full year forecast. This forecast variance is largely driven by £17 million more expenditure on the London

Rail concession following the finalisation of the scope of the London Overground concession. MTR Laing will provide staffing at all stations and an enhanced station refurbishment programme. This is partly offset by lower expenditure on the North London Railway due to a revised programme of work.

- 10.12 The Group Directorates spent £28 million less than budget in the year to date. This was mainly due to expenditure of £14 million less than budget on Information Management (IM) projects because of a rephasing of project completion dates and claims by boroughs for 2006/07 expenditure that were £5 million less than anticipated.

The full year forecast of Group Directorates' operating expenditure is £25 million lower than budget, compared to £1 million more than budget as forecast in quarter two. This includes expenditure of £16 million less than budget in Group Planning primarily due to a review of major project development and expenditure in Borough Partnerships rephased to next year. Finance will accelerate expenditure on IM projects, following the reorganisation, although full year expenditure will be £10 million lower than budget. This is partly offset by higher expenditure on the Prestige fares and ticketing project.

2006/07 YTD Actual	Operating Expenditure by mode £m	Year to Date			Full Year	
		Actual	Budget	Variance	Q3 Forecast	Variance
1,729	London Underground	1,702	1,799	(98)	2,508	(108)
1,579	Surface Transport	1,719	1,723	(4)	2,563	28
85	London Rail	104	107	(3)	181	8
170	Group Directorates	209	237	(28)	351	(25)
<b>3,563</b>	<b>Total Operating Expenditure</b>	<b>3,734</b>	<b>3,867</b>	<b>(132)</b>	<b>5,603</b>	<b>(98)</b>

Table may be subject to rounding errors

## Capital Expenditure

- 10.13 Net capital expenditure after third party reimbursements and reductions for overprogramming was £81 million lower than budget in the year to date. The full year forecast is £56 million lower than budget, compared to a full year forecast of £19 million below budget in the second quarter.

2006/07 YTD Actual	Capital Expenditure £m	Year to date			Full Year	
		Actual	Budget	Variance	Q3 Forecast	Variance
177	London Underground	259	286	(27)	419	0
161	Surface Transport	117	191	(73)	198	(98)
114	London Rail	234	263	(28)	404	(23)
15	Group Directorates	22	50	(28)	45	(29)
-	Group Overprogramming	-	(48)	48	-	70
<b>467</b>	<b>Capital Expenditure</b>	<b>633</b>	<b>741</b>	<b>(108)</b>	<b>1,067</b>	<b>(80)</b>
(91)	Reimbursements	(94)	(121)	27	(152)	24
<b>376</b>	<b>Net Capital Expenditure</b>	<b>540</b>	<b>621</b>	<b>(81)</b>	<b>915</b>	<b>(56)</b>
(3)	Capital Income	(32)	(39)	7	(41)	11
<b>374</b>	<b>Net Capital</b>	<b>508</b>	<b>582</b>	<b>(74)</b>	<b>874</b>	<b>(44)</b>

\* Shown after delegated overprogramming

Table may be subject to rounding errors

- 10.14 London Underground capital expenditure, after devolved overprogramming, was £27 million lower than the budget in the year to date. This was due to lower expenditure in several areas including the cancellation of the Connect transmissions options project, rephasing of IT projects and in congestion relief schemes, notably at Tottenham Court Road, where there has been a delay in a contract award for stage E-G design and a saving on BT works and Shepherd's Bush, which has required the development of an alternative strategy. Total capital expenditure is forecast to accelerate to reach the budgeted level by year end, compared to £1 million below budget as forecast in the second quarter.
- 10.15 Year to date capital expenditure in Surface Transport is £73 million less than budget, after overprogramming. This is mainly due to the rephasing of major improvement projects on the TLRN and lower road renewal expenditure. For the full year, the forecast is for £98 million less than budget, after overprogramming, an increase of £21 million in the variance compared to the forecast at quarter two. This reflects the rephasing of major TLRN improvement projects as above and rephasing of expenditure on new bus garages associated with the Olympics, offset by lower associated third party contributions.
- 10.16 London Rail capital expenditure in the year to date was £28 million lower than budget. The variance was largely because of lower East London Line rolling stock milestone payments which were deferred to quarter four. Capital expenditure is forecast to be £23 million less than budget in the full year, a variance increase of £11 million compared to the forecast in quarter two, largely because of the revised East London line extension.
- 10.17 Capital expenditure in the Group Directorates before group overprogramming was £28 million less than budget in the year to date. The forecast full year variance is £25 million lower than budget, compared to £20 million lower as forecast in the second quarter. The largest variance is because of the deferral, by the Department for Transport, of the Integrated Transport Smartcard

Organisation (ITSO) project in the Finance directorate (largely offset by lower capital reimbursements as the project is fully funded by the Department).

- 10.18 The capital income full year forecast is £11 million lower than budget largely because of a revised programme of London Underground property sales. The full year forecast at quarter two was £15 million higher than budget.

## Balance sheet

Transport for London Group Balance Sheet at end of Period 9 £m	Variance to Budget
Fixed Assets - <i>higher than budget</i>	(106)
Debtors and Payments in Advance - <i>higher than budget</i>	(231)
Cash - <i>higher than budget</i>	(333)
Creditors - <i>higher than budget</i>	598
Deferred Capital Grant - <i>lower than budget</i>	(172)
Provisions - <i>higher than budget</i>	9
<b>Total Net Assets – <i>higher than budget</i></b>	<b>(235)</b>

The balance sheet is in Appendix 2.

- 11.0 The year-to-date debtor variances include the net effect of the loan to the Metronet Administrator of £34 million (loan of £136 million less provision of £102 million) and the prepayment into the TfL Pension Fund of £113 million. In addition to these, LUL debtors were some £33 million over budget, largely due to PPP performance abatements, and in TTL there was a £19 million variance due to a Prestige payment. Other movements within trade debtors and accruals are within expected tolerance levels.
- 11.1 The creditor variance reflects the decision to draw down prudential borrowings in advance, (£488 million, see Treasury report). In addition, the PPP finance lease creditor is £168 million higher than budget due to increased fixed asset additions, although other creditor balances within London Underground are lower than budget (£36 million) due to earlier payment of the Connect disruption claim. The remaining variance is due to trade creditor and accrual movements across the group

Transport for London Group Balance Sheet Forecast for the Year End £m	Variance to Budget
Fixed Assets - <i>higher than budget</i>	(51)
Debtors and Payments in Advance - <i>higher than budget</i>	(123)
Cash - <i>lower than budget</i>	137
Creditors - <i>higher than budget</i>	128
Deferred Capital Grant - <i>lower than budget</i>	(316)
Provisions - <i>higher than budget</i>	15
<b>Total Net Assets - <i>higher than budget</i></b>	<b>(210)</b>

- 11.2 The debtor position includes the loan facility to the Metronet Administrator (£262 million) matched by the provision charged to the income and expenditure account for the year. Other variances include items listed in the year-to-date position, i.e. the pension prepayment (£70 million), PPP performance abatements (£20 million) and the Prestige prepayment (£18 million).
- 11.3 The creditor variance includes £157 million on the PPP lease creditor offset by reduced trade creditor and accrual assumptions across the Group.

## Cash summary

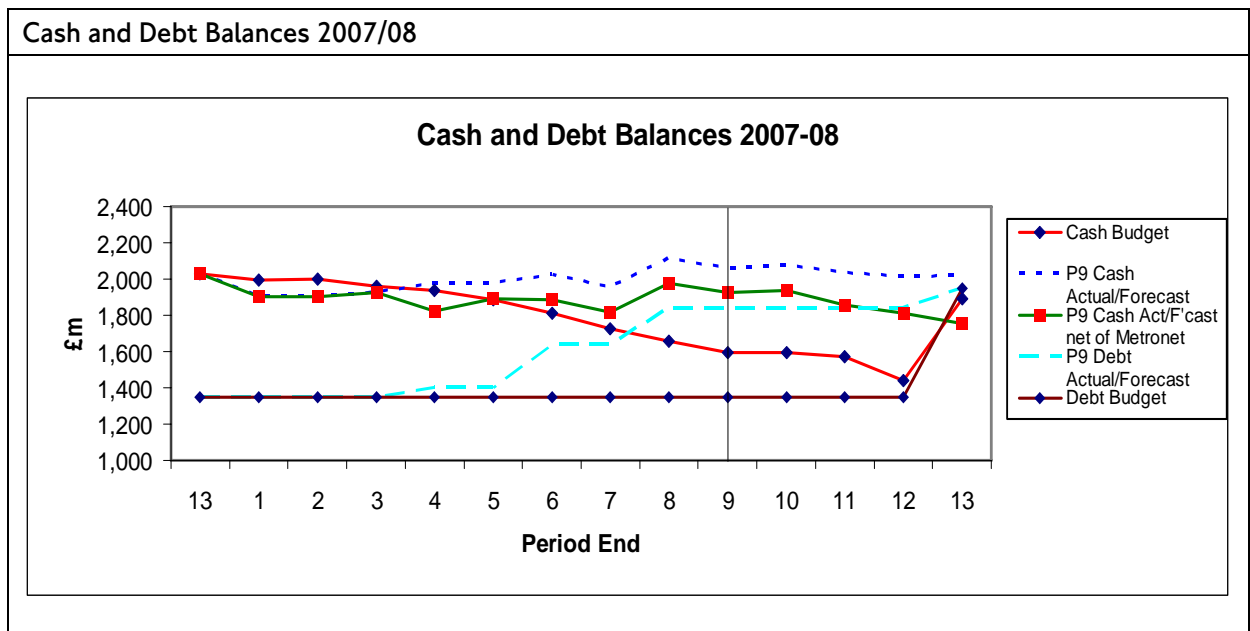
### Cash Balances and Debt

- 12.0 Cash balances at 31 March 2008 are forecast to be £2,016 million, before taking into account drawings of £262 million against the £900 million loan facility granted to Metronet companies in administration. This is compared to a budget of £1,891 million. After expected drawings against the loan facility, cash is forecast at £1,754 million.

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

Of the £600 million budgeted borrowing, £488 million was borrowed from the Public Works Loan Board (with the approval of the Finance Committee) to take advantage of low long-term borrowing rates. TfL is committed to drawing down £112 million, from the European Investment Bank at the end of the financial year, to fund the East London Line extension.

- 12.1 The green line shows the effect on cash balances if the forecast drawings against the Metronet loan facility are made. As at 31 December 2007 drawings of £138 million had been made.



## Performance

- 12.2 Performance is measured against a benchmark of the average of 3 month's LIBOR minus 12.5 basis points. The credit squeeze commenced in September and resulted in high demand for deposits in the 3 to 6 months range to secure the banks' positions over the calendar accounting year end. Yields rose rapidly for these deposits and pushed TfL's benchmark to very high levels. TfL achieved favourable rates for 3 to 6 month deposits but was partly constrained by a shortage of surplus cash from existing maturities. These maturities were set to meet forecast payment obligations and to maintain higher short-term liquidity to meet obligations of the Metronet loan facility. TfL brought forward the borrowing programme which helped to offset this effect and locked TfL into low long-term borrowing rates. The return for the year to date is 4 basis points below benchmark. Current investment yields indicate that the benchmark will be met for the year.
- 12.3 Results for quarter three (periods 7, 8 & 9) are noted in the table below:

Treasury Management Yield Period End:	Period 7 13 Oct	Period 8 10 Nov	Period 9 8 Dec	YTD Actual	Full Year Forecast	Full Year Budget
Benchmark	% 6.23	% 6.31	% 6.31	% 5.86	%	%
Average Rate of Return	6.07	6.12	6.14	5.82	5.91	4.87
Variance to Benchmark (lower) / higher	(0.16)	(0.19)	(0.17)	(0.04)		
Interest Earned, Period	£8.5m	£8.9m	£9.4m			
Interest Earned, Year to Date	£57.9m	£66.8m	£76.2m	£76.2m	£108.7m	£73.9m

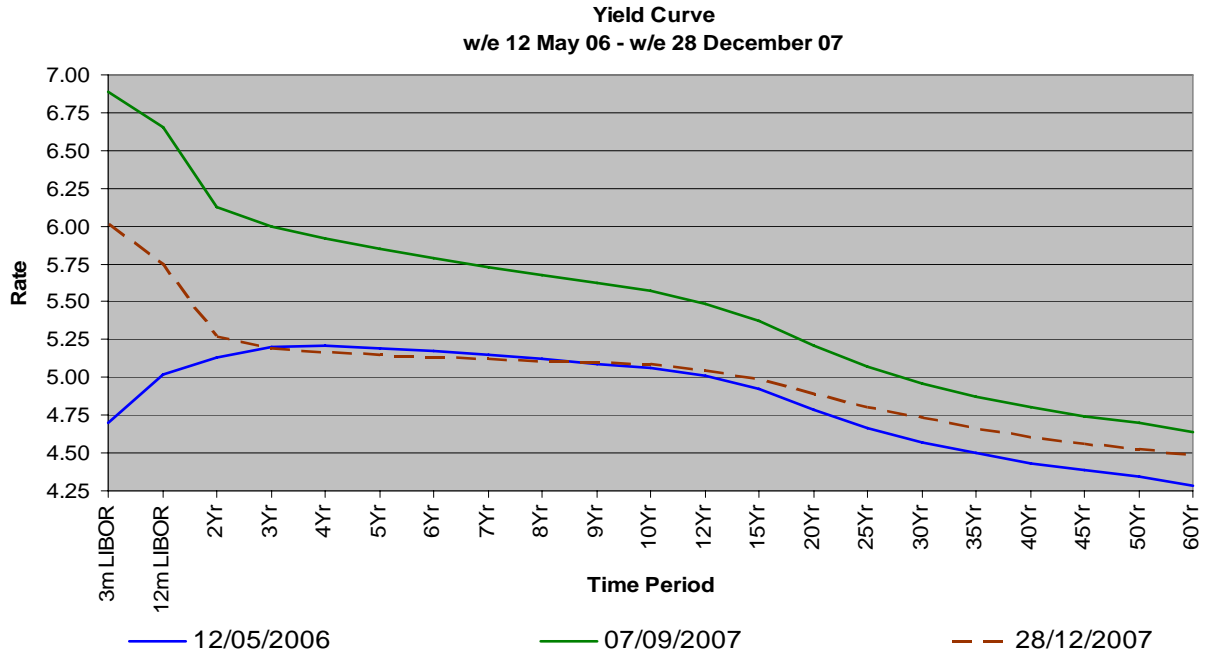
- 12.4 The Metronet loan facility makes a provision for interest to be paid at a commercial rate. If this is paid, TfL's interest income will increase by £20 million.

## Current Strategy

- 12.5 The Treasury Management Strategy for 2007/08 was approved at the Board meeting on 28 March 2007. Group Treasury agreed to invest in secure, liquid investments for up to a year, and in Guaranteed Investment Contracts (GICs) for up to three years, to a total of £300 million if improved yields over cash deposits could be obtained. The security documents were agreed between TfL and prospective borrowers in anticipation of future GIC transactions. Following the collapse of the US sub-prime market, and in light of the substantial losses being posted by banks, bond issuers and their insurers, the rating agencies are re-evaluating the financial strengths of the US monoline insurers. Some of the US monoline insurers expressed interest in GIC transactions. The investment opportunities will be re-evaluated once the financial markets have stabilised and strong credit ratings have been affirmed by the rating agencies.

## Yield curve

- 12.6 The green line for 07/09/2007 on the graph below reflects the sharp rise in 3 to 6 month rates associated with the global credit squeeze (which peaked at 6.9 per cent). The brown (28/12/07) line shows an easing of the 3 to 6 month rates dropping sharply to the 2 year rate. This reflects a reduction in market demand for new deposits as banks meet their year end requirements. The purple line contrasts the position nearly 18 months ago and shows that long term yields have not materially changed in that time.



## Legal and Regulatory Risk

- 12.7 Prudential Indicators for Prudence and Affordability, Capital Expenditure and External Debt approved by the Board for 2007-08 are monitored periodically and have not been exceeded.
- 12.8 Payment Card Industry Data Security Standards: As previously reported, new data security standards are being applied to merchants. TfL has received a report from its Quality Security Assessor commenting on the gap analysis and the remedial action that is required. Work is in progress to determine the priorities for the remedial work, its implementation and likely cost. TfL's merchant acquirer (Barclays) receives regular progress reports and has expressed its satisfaction on its content. These reports demonstrate that an action plan to satisfy the new standards is being devised.



## Annex One: Performance Summary

2007/08 Key Performance Indicator	Unit	Quarter 3				Full Year			
		Actual	Target	Var	PY	F'Cast	Target	Var	PY
<b>Service Demand</b>									
Passenger Journeys - TfL Group	m	820.7	798.0	22.7	722.3	3,351.9	3,304.5	47.4	2,984.8
Passenger Journeys - LU	m	267.3	257.9	9.4	249.9	1,101.6	1,048.0	53.6	1,014.3
Passenger Journeys - Buses	m	529.9	517.2	12.7	450.4	2,179.7	2,160.4	19.3	1,880.3
Passenger Journeys - DLR	m	16.1	16.3	(0.2)	15.0	66.0	66.6	(0.6)	61.3
Passenger Journeys - Trams	m	6.4	5.7	0.8	6.1	**	24.6	-	24.8
Coach Departures - Victoria Coach Station	'000s	45.1	42.0	3.1	42.0	187	187	-	187.2
Passenger Journeys (total)- River Services	'000s	560.4	471.0	89.4	544.7	2,740	2,600	140.1	2,746.7
Passenger Journeys (multi stop only) - River Services	'000s	165.0	141.0	24.0	158.7	680	600	79.6	661.6
Total Trips - Dial a Ride	'000s	268.9	359.5	(90.7)	287.8	1,189	1,518	(329.3)	1,173.2
Cycle usage on TLRN (Index Mar 2000 = 100)	Index	194.9	199.0	(4.1)	191.2	197.0	192.0	5.0	182.6
<b>Service Provision (Supply)</b>									
% Scheduled Services Operated - LU	%	94.6	95.1	(0.5)	94.0	94.7	95.1	(0.4)	94.5
% Trains Operated in Peak Hours - LU	%	96.9	No Target	No Target	96.7	**	No Target	No Target	96.9
Train Kilometres Operated - LU	m	16.4	16.6	(0.2)	16.2	70.9	71.3	(0.4)	69.8
% Scheduled Services Operated - Buses	%	96.8	97.2	(0.3)	96.4	97.6	97.8	(0.3)	97.5
Bus Kilometres Operated - Buses	m	108.2	108.5	(0.4)	105.3	468.4	467.4	1.0	457.9
% Scheduled Services Operated - DLR	%	99.5	98.0	1.5	99.2	98.0	98.0	-	99.1
Train Kilometres Operated - DLR	'000s	1,035.0	1,054.4	(19.4)	1,010.0	4,527.0	4,527.0	-	4,383.0
% Scheduled Services Operated - Trams	%	99.4	98.0	1.4	97.7	**	98.0	-	99.3
% Scheduled Services Operated - River Services	%	99.0	98.5	0.5	98.7	98.1	98.5	(0.4)	98.5
No. of Taxi Drivers Licensed - PCO	'000s	24.7	24.9	(0.2)	24.7	24.9	24.9	-	24.6
No. of Private Hire Drivers Licensed - PCO	'000s	45.7	36.0	9.7	34.6	45.0	36.0	9.0	38.0
<b>Reliability</b>									
Excess Journey Time (Weighted) - LU	Mins	8.4	7.5	0.9	8.8	**	7.5	-	8.1
Peak Train Cancellations, Due to ONAs - LU	%	0.1	0.6	(0.5)	0.1	**	0.6	-	0.1
PPP Availability, Lost Customer Hours - LU	m	3.2	3.6	(0.4)	4.0	**	15.6	-	14.6
Excess Wait Time, High Freq Routes - Buses	Mins	1.3	1.4	(0.0)	1.3	1.1	1.1	(0.0)	1.1
On Time Performance, Low Freq Routes - Buses	%	76.2	73.7	2.6	75.0	79.1	77.0	2.1	78.1
On Time Performance, Night buses - Buses	%	83.4	82.5	0.9	85.0	85.0	82.9	2.1	85.2
On Time Performance - DLR	%	97.7	96.0	1.7	97.2	96.0	96.0	-	97.8
Road Traffic Signals Operating Effectively	%	99.3	98.6	0.7	99.1	**	98.6	-	-
<b>Safety</b>									
Customer Major Injuries & Fatalities -LU (per m journeys)	#	0.11	0.14	(0.03)	0.19	**	0.14	-	0.16
Customer Major Injuries & Fatalities - Buses (per m journeys)	#	0.74	No Target	No Target	1.03	**	No Target	-	0.72
Major Injuries & Fatalities - DLR (per m passenger journeys)	#	0.31	No Target	No Target	0.07	**	No Target	-	0.15
KSI, Total Londonwide - Road Network ++	#	++	931	++	954	**	3,527	-	3,946
KSI, Total TLRN - Road Network ++	#	++	258	++	298	**	968	-	1,124
KSI, Powered 2-Wheel Riders Londonwide - Road Network ++	#	++	209	++	242	**	731	-	848
KSI, Children Londonwide - Road Network ++	#	++	111	++	108	**	363	-	392

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

Notes:

Tables may be subject to rounding errors.

FTE = Full Time Equivalents

n/a No data available

\*Year end targets

\*\* Not forecasted

++ Due to the reporting process and nature of road traffic accident data, KSI is normally reported 4 to 5 months in arrears. However due to delays in data collection by the Metropolitan Police there is no new data to report since the Q2 report.

## Annex One: Performance Summary (continued)

2007/08 Key Performance Indicator	Unit	Quarter 3				Full Year			
		Actual	Target	Var	PY	F'Cast	Target	Var	PY
<b>Customer Satisfaction</b>									
Overall Customer Satisfaction - TfL Group	Score	-	78.3	N/A	77.1	**	78.3	N/A	77.4
Customer Satisfaction - LU									
Overall	Score	-	78.0	N/A	76.0	**	78.0	-	76.0
Crowding	Score	-	-	-	71.0	**	No Target	-	71.0
Safety & Security	Score	-	-	-	80.0	**	No Target	-	80.0
Information	Score	-	-	-	79.0	**	No Target	-	79.0
Customer Satisfaction - Buses									
Overall	Score	-	78.0	N/A	77.0	78.0	78.0	N/A	77.8
Crowding	Score	-	76.0	N/A	78.0	-	78.0	N/A	77.8
Safety & Security	Score	-	83.0	N/A	81.0	-	83.0	N/A	81.0
Information	Score	-	75.0	N/A	74.0	75.0	75.0	N/A	73.8
Reliability Journey Waiting Time	Score	-	80.0	N/A	79.0	80.0	80.0	N/A	79.0
Customer Satisfaction - DLR									
Overall	Score	-	90.0	N/A	97.2	90.0	90.0	-	96.8
Information	Score	-	90.0	N/A	95.5	90.0	90.0	-	96.5
Safety & Security	Score	-	90.0	N/A	95.0	90.0	90.0	-	95.6
Overall Customer Satisfaction - Trams	Score	-	-	-	83.0	**	No Target	-	-
Overall Customer Satisfaction - Dial-A-Ride	Score	-	-	-	93.0	**	No Target	-	-
Overall Customer Satisfaction - VCS	Score	-	78.0	N/A	76.0	**	76.0	-	-
<b>Financial Efficiency</b>									
Cost per passenger Kilometre - LU	p/km	23.3	25.3	(2.0)	27.9	23.7	26.9	(3.2)	26.7
Income per passenger Kilometre - LU	p/km	(18.9)	(20.5)	1.6	(20.0)	(19.7)	(20.5)	0.8	(20.4)
Cost per passenger Kilometre - Buses	p/km	21.2	23.8	(2.7)	22.6	22.2	24.3	(2.0)	23.1
Income per passenger Kilometre - Buses	p/km	(13.4)	(14.8)	1.4	(13.9)	(13.5)	(14.9)	1.4	(14.3)
Cost per Trip - Dial-A-Ride	£	22.3	15.4	6.9	22.5	24.8	17.8	7.0	23.8
<b>People</b>									
Number of Staff - TfL Group	FTE	21,718.0	21,509.6	208.4	20,435.1	22,049.1	21,435.5	613.6	20,778.0
No of days sickness absence per employee:		Sickness absence year to date:							
TfL Group	Days	7.02	7.68	(0.66)	8.19	10.51	11.14	(0.63)	11.71
LU	Days	7.27	8.24	(0.97)	8.91	11.00	11.96	(0.96)	12.77
Surface Transport	Days	7.47	6.56	0.91	6.63	10.80	9.47	1.33	9.98
London Rail	Days	2.40	3.47	(1.07)	3.06	6.50	6.50	-	4.54
Group Directorates	Days	4.55	4.50	0.05	5.80	7.17	7.02	0.15	8.22
Women Staff - TfL Group*	%	23.9	24.3	(0.4)	22.8	24.2	24.3	(0.1)	23.3
BAME Staff - TfL Group*	%	34.2	26.8	7.4	33.1	34.1	26.8	7.3	33.6
Disabled Staff - TfL Group*	%	6.7	8.0	(1.3)	7.4	6.7	8.0	(1.3)	7.2
Women Staff in Senior Mgt - TfL Group*	%	20.9	21.7	(0.8)	20.0	20.9	21.7	(0.8)	20.2
BAME Staff in Senior Mgt - TfL Group*	%	11.9	12.3	(0.4)	10.9	11.3	12.3	(1.0)	11.7
Disabled Staff in Senior Mgt - TfL Group*	%	4.6	5.2	(0.6)	4.5	4.7	5.2	(0.5)	4.3

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

Notes:

Tables may be subject to rounding errors.

FTE = Full Time Equivalents

n/a No data available

\*Year end targets

\*\* Not forecasted

++ Due to the reporting process and nature of road traffic accident data, KSI is normally reported 4 to 5 months in arrears. However due to delays in data collection by the Metropolitan Police there is no new data to report since the Q2 report.

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## Annex Two: Balance Sheet

Balance Sheet	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
£m						
<b>Fixed Assets</b>						
Tangible Assets	16,362	16,256	(106)	16,741	16,690	(51)
<b>Current Assets</b>						
Stocks	4	5	1	4	5	1
Debtors	252	188	(64)	219	202	(17)
Payments in Advance	263	95	(168)	231	124	(107)
Cash at Bank and in Hand	1,925	1,592	(333)	1,754	1,891	137
<b>Current Liabilities</b>						
Revenue	(837)	(943)	(106)	(802)	(929)	(125)
Receipts in Advance	(152)	(168)	(16)	(239)	(226)	13
Capital	(289)	(233)	56	(319)	(242)	77
<b>Long Term Liabilities</b>						
Balances with Infracos	(2,746)	(2,578)	168	(2,920)	(2,763)	157
Prudential Loans	(1,838)	(1,350)	488	(1,950)	(1,950)	-
Creditors Due after One Year	(381)	(373)	8	(378)	(372)	6
Capital Grants	(7,325)	(7,497)	(172)	(6,995)	(7,311)	(316)
Pension Provision	(948)	(948)	-	(948)	(948)	-
Other Provisions	(228)	(219)	9	(231)	(216)	15
<b>Total Net Assets</b>	<b>4,062</b>	<b>3,827</b>	<b>(235)</b>	<b>4,167</b>	<b>3,957</b>	<b>(210)</b>
<b>Capital and Reserves</b>						
Earmarked Reserves	1,016	759	(257)	1,141	968	(173)
Pension Reserves	(948)	(948)	-	(948)	(948)	-
General Fund	148	148	-	148	148	-
Other Reserves	3,846	3,868	22	3,826	3,789	(37)
<b>Total Capital Employed</b>	<b>4,062</b>	<b>3,827</b>	<b>(235)</b>	<b>4,167</b>	<b>3,957</b>	<b>(210)</b>

## Annex Three: Cash Summary

Cash Summary £m	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Net Revenue Expenditure	(1,600)	(1,643)	(43)	(2,642)	(2,500)	310
Working Capital Movements	(239)	70	297	(33)	82	115
<b>Cash Spend on Operating Activities</b>	<b>(1,839)</b>	<b>(1,573)</b>	<b>266</b>	<b>(2,675)</b>	<b>(2,418)</b>	<b>425</b>
Net Capital Expenditure	(601)	(703)	(102)	(1,026)	(1,095)	(69)
Working Capital Movements	46	(12)	(58)	65	(8)	(73)
<b>Cash Spend on Capital Activities</b>	<b>(555)</b>	<b>(715)</b>	<b>(160)</b>	<b>(961)</b>	<b>(1,103)</b>	<b>(142)</b>
<b>Funded by:</b>						
Transport Grant	1,703	1,724	21	2,598	2,595	(3)
Precept Funding	6	7	1	12	12	-
Prudential Borrowing	488	-	(488)	600	600	-
Third Party Contributions	94	121	27	152	177	25
<b>Total Funding</b>	<b>2,291</b>	<b>1,852</b>	<b>(439)</b>	<b>3,362</b>	<b>3,384</b>	<b>22</b>
<b>Net Movement in Cash</b>	<b>(103)</b>	<b>(436)</b>	<b>(333)</b>	<b>(274)</b>	<b>(137)</b>	<b>137</b>

## Annex Four: Approved Investments

Approved Investments at each period end date are noted below.

Period number	7	8	9
Period end date	13 Oct	10 Nov	8 Dec
	£m	£m	£m
Budget	1,723	1,657	1,592
Cash Balances	1,819	1,978	1,925
Increase/(decrease)	96	321	333

Cash Balances comprise:			
Investments	1,757	1,911	1,859
Investments-Guernsey	39	39	39
Cash & Credits in Transit (mainly LUL)	23	28	27

Investment Profile			
Up to 1 Month	361	228	206
1-2 Months	40	62	199
2-3 Months	455	573	429
3-4 Months	224	411	304
4-5 Months	-	-	-
5-6 Months	-	-	118
6-7 Months	34	34	-
7-8 Months	-	-	-
8-9 Months	-	-	-
9-10 Months	25	-	-
10-11Months	-	25	-
11-12 Months	618	578	603

The increase in balances at period 9 reflects earlier than budgeted borrowing of £488 million from PWLB offset by unbudgeted loans of £131 million paid under the Metronet funding facility.