AGENDA ITEM 6

TRANSPORT FOR LONDON

FINANCE AND POLICY COMMITEE

SUBJECT: PRUDENTIAL INDICATORS – OUTTURN FOR THE YEAR ENDED 31 MARCH 2010

DATE: 20 JANUARY 2011

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1 PURPOSE AND DECISION REQUIRED

1.1 In March 2009, the Board approved the prudential indicators for the year ended 31 March 2010, as required and defined in the CIPFA Prudential Code (the Code), to demonstrate it exercised prudence in assessing the affordability of the capital expenditure and debt necessary to support the budget outputs. In March 2010, the Board approved revised indicators to reflect the inclusion on TfL's balance sheet of certain PFI obligations, previously held off-balance sheet, as required by the Accounting Code of Practice for local authorities.

1.2 The purpose of this paper is to report on TfL's performance against the revised indicators for the financial year 2009/10.

2 BACKGROUND

2.1 The Corporation's audited accounts have been used to calculate the outturn against the revised Board approved indicators (see Appendix 1) as the scope of the Code only extends to the Corporation's accounts and not those of the Group. None of the Corporation's indicators was exceeded for the year 2009/10.

2.2 Although not required by the Code, equivalent Group indicators have been included in Appendix 1 for information purposes only.

2.3 The outturn for the prudential indicators is being reported to the January meeting of the Committee, in line with previous years. Following the transfer of responsibility and resources internally, and improvements in processes, the outturn indicators will in future be reported to the September meeting.

3 GROUP INDICATORS – RATIO OF PPP PAYMENTS TO GROSS REVENUE STREAM

3.1 Paragraph E22 of the Code encourages local authorities to set further indicators where these assist with the management process of the authority. TfL set one of these on the inception of the three PPP contracts. This indicator measures the ratio of PPP costs to the Group's gross revenue streams, defined as the sum of income and grants accrued in the year. For 2009/10 this covered the one remaining external PPP contract with Tube Lines Limited. TfL exceeded this internal indicator by 0.1 per cent (approved indicator 9.9 per cent, outturn 10.0 per cent). This was due to reductions and deferrals in certain grant streams, partially offset by improved fares income across the Group. As this is an internal indicator, there are no consequences arising from this minor breach.

3.2 Following the acquisition of Tube Lines in June 2010, it is proposed that TfL ceases to monitor this indicator.

4 RECOMMENDATION

4.1 The Committee is asked to NOTE that TfL's outturn performance was within the limits of all approved Corporation indicators for 2009/10.

5 CONTACT

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Appendix 1

Prudential Indicators for Prudence and Affordability 2009/10

The ratio of financing costs to net revenue stream	Actual	Approved Indicators
TfL Corporation	**6.7%**	**9.5%**
TfL Group	17.4%	18.0%
Comprising:		
PPP finance leases	4.0%	5.0%
On-balance sheet PFIs	3.1%	3.8%
Direct borrowing/(Investment) and other financing*	10.3%	9.2%

The ratio of payments to gross revenue stream (this Indicator is not required by the Prudential Code)	Actual	Approved Indicators
Payments due under PPP	10.0%	9.9%
Payments due under On-balance sheet PFIs	4.7%	7.1%
Payments due under direct borrowing	2.4%	2.5%

Net Borrowing and the Capital Financing Requirement**	Actual £m	Approved Indicators £m
Net Borrowing /(Investment) including long term liabilities at 31 March 2010		
- Corporation***	**3,325**	**3,527**
- Group	5,999	6,166
Capital Financing Requirement at 31 March 2012		
Approved Indicator - Corporation	N/A	**6,243**
Approved Indicator - Group	N/A	10,552

* The line titled 'Direct Borrowing and other financing' includes net depreciation charged to TfL's Group Income and Expenditure Account.

** The Prudential Code requires that Net Borrowing at 31 March 2010 will not exceed the Capital Financing Requirement at 31 March 2012.

*** Includes all PPP lease obligations.

Prudential Indicators for Capital Expenditure and External Debt 2009/10

Capital Expenditure (Annual)	Actual £m	Approved Indicators £m
TfL Corporation	**2,697**	**3,023**
TfL Group		
Acquired	3,139	3,137
PPP finance leases	319	253
On-balance sheet PFIs	39	121
TfL Group Total	3,497	3,511

The Capital Financing Requirement (Cumulative) [1]	Actual £m	Approved Indicators £m
TfL Corporation	**4,406**	**4,707**
Total TfL Group	8,466	8,682

Authorised Limit for External Debt [2]	Actual £m	Approved Indicators £m
TfL Corporation		
Borrowing	4,117	4,117
Long term liabilities	636	657
Total Authorised Limit for External Debt in TfL Corporation	**4,753**	**4,774**
TfL Group		
Borrowing	4,117	4,117
PPP and long term liabilities [3]	3,172	3,173
Total Authorised Limit for External Debt in TfL Group	7,289	7,290

[1] The Capital Financing Requirement is the cumulative amount of capital expenditure to be financed over and above the amount funded by grant, capital receipts or third party contributions.

[2] The authorised limit for external debt is the sum of the authorised limit for borrowing and the authorised limit for other long term liabilities. This limit must not be breached.

[3] Includes all PPP lease obligations.