

TRANSPORT FOR LONDON

FINANCE COMMITTEE

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

DATE: 2 JUNE 2009

1 PURPOSE AND DECISION REQUIRED

- 1.1 The Operational and Financial report for the fourth quarter of 2008/09 (07 December 2008 – 31 March 2009) is attached to inform the Finance Committee of Transport for London's performance.
- 1.2 This report will be considered by the Board at its meeting on 24 June 2009.

2 RECOMMENDATION

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

3 CONTACT

- 3.1 Contact: Gareth Powell, Director, Group Business Planning & Performance
Phone: 020 7126 4865

The operating year 2008/09 comprises four quarters. Quarters 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 four, 7 December 2008 – 31 March 2009, and covers operating periods ten to thirteen. Please note that, compared to last year, there was one more calendar day and 3 more working days in period 13 2008/09, primarily because Easter fell in period 13 in 2007/08.

Operational and Financial Performance Report

Fourth Quarter, 2008/09 (7 December 2008-31 March 2009)

Performance Summary

The growth in passenger demand started to slow in Quarter Four 2008/09. During the current economic conditions, it is expected that patronage on London Underground will decline and that more passengers will use London Buses. This was evident during the quarter. 1,043 million passengers travelled on the Transport for London (TfL) network during quarter four 2008/09, an increase of 2.1 per cent compared to last year. However, more passengers than ever travelled on the TfL network during the full year. They made more than 3,434 million journeys, 86 million more journeys than last year.

London Underground: During the quarter, passenger demand on the Underground was lighter than earlier in the year, due to the changing economic climate. Underground passengers made 333 million journeys, slightly more than last year, but less than target. Service performance remained strong; 96.3 per cent of scheduled services were operated, more than target and an improvement compared to last year. Excess journey time was 0.9 minutes better than target in the quarter.

In the full year, Underground passengers made 1,090 million journeys, establishing a new demand record, and 96.4 per cent of scheduled services were operated, the best annual result since 1994/95.

London Buses: Bus passengers made 681 million journeys in the quarter, 22 million more than the previous year and 13 million more than target. 96.7 per cent of scheduled bus services were operated in quarter four, with disruption due to heavy snow and roadworks.

2008/09 saw a new record for passenger demand. Bus passengers made 2,247 million journeys, which was 3.2 per cent more than in 2007/08, when the previous record was established.

Docklands Light Railway (DLR): In quarter four, DLR passengers made 20 million journeys, 1 million less than target. 98.1 per cent of scheduled services were operated, higher than target. This was despite disruption due to heavy snow and continuing engineering project works to increase capacity.

The impact of engineering blockades and weekend closures affected DLR performance throughout 2008/09. However higher demand, following the opening of Woolwich Arsenal and the reopening of Tower Gateway on 2 March, offset this to some degree.

Financial performance: In the full year, operating income was £44 million lower than budget offset by operating expenditure of £128 million lower than budget and group items expenditure of £93 million lower than budget. Capital expenditure after third party reimbursements and overprogramming was £434 million lower than budget mainly due to timing differences associated with property acquisitions for Crossrail and re-phasing of works in London Rail.

Please note: This report details the operational and financial performance for quarter four, 7 December 2008 – 31 March 2009, and covers operating periods ten to thirteen. Performance charts illustrate a sharp seasonal profile in quarter four. This is because quarter four comprises four operating periods, whereas quarters one to three each comprise three working periods. Please also note that, compared to last year, there was one more calendar day and 3 more working days in period 13 2008/09, primarily because Easter fell in period 13 in 2007/08.

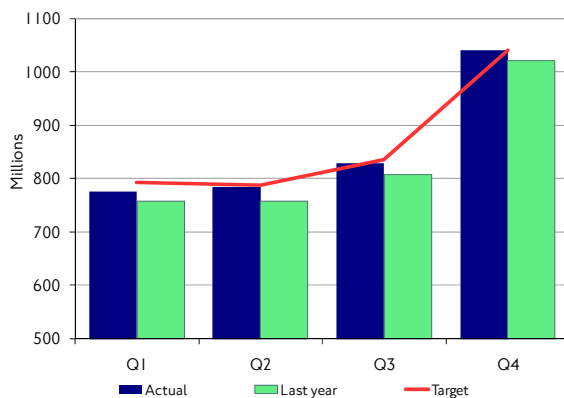
Performance Summary – Performance Indicators

2008/09		Quarter 4				Full Year			
Key Performance Indicator	Unit	Actual	Target	Var	PY	Actual	Target	Var	PY
Service Demand									
Passenger Journeys - TfL Group (excl London Overground)	m	1,042.6	1,041.0	1.6	1,020.8	3,434.2	3,456.7	(22.5)	3,345.7
Passenger Journeys - LU	m	332.7	346.3	(13.6)	332.4	1,089.5	1,120.0	(30.5)	1,072.5
Passenger Journeys - Buses	m	680.6	667.6	13.0	658.3	2,246.6	2,233.8	12.7	2,176.1
Passenger Journeys - DLR	m	20.3	21.6	(1.4)	20.8	66.0	71.1	(5.1)	66.6
Total Trips - Dial a Ride	'000s	354.4	422.4	(68.0)	342.4	1,178.3	1,400.0	(221.7)	1,127.4
Cycle usage on TLRN (Index Mar 2000 = 100)	Index	166.0	178.2	(12.2)	151.4	207.2	205.0	2.2	190.8
Service Provision (Supply)									
% Scheduled Services Operated - LU	%	96.3	95.1	1.2	95.5	96.4	95.1	1.3	94.8
Train Kilometres Operated - LU	m	21.7	22.0	(0.2)	21.6	70.6	70.2	0.4	70.5
% Scheduled Services Operated - Buses	%	96.7	97.9	(1.3)	97.8	97.0	97.6	(0.6)	97.5
Bus Kilometres Operated - Buses	m	150.5	150.0	0.5	146.8	477.8	474.4	3.4	468.2
% Scheduled Services Operated - DLR	%	98.1	98.0	0.1	98.7	98.4	98.0	0.4	99.1
Train Kilometres Operated - DLR	'000s	1,232.7	1,404.5	(171.8)	1,339.2	3,850.7	4,493.6	(642.9)	4,442.9
No. of Taxi Drivers Licensed - PCO	'000s	24.8	24.7	0.1	24.7	24.8	24.7	0.1	24.7
No. of Private Hire Drivers Licensed - PCO	'000s	55.8	46.7	9.1	48.3	55.8	46.7	9.1	48.3
Reliability									
Excess Journey Time (Weighted) - LU	Mins	6.6	7.5	(0.9)	7.6	6.6	7.5	(0.8)	7.8
Excess Wait Time, High Freq Routes - Buses	Mins	1.12	1.06	0.05	1.13	1.13	1.12	0.01	1.13
On Time Performance - DLR	%	94.1	96.0	(1.9)	96.2	94.6	96.0	(1.4)	97.3
On Time Performance (PPM Moving Annual Average) - LO	%	92.2	91.7	0.5	91.4	92.2	91.7	0.5	91.4
Customer Satisfaction									
Overall Customer Satisfaction - TfL Group (excl London Overground)	Score	79.6	78.3	1.3	78.4	79.3	78.3	1.0	78.8
Overall Customer Satisfaction - LU	Score	80	78	2	76	79	78	1	77
Overall Customer Satisfaction - Buses	Score	79	78	1	79	80	78	2	79
Overall Customer Satisfaction - DLR	Score	90.8	90.0	0.8	96.8	92.0	90.0	2.0	97.5
National Passenger Survey - London Overground	Score	77	73	4	Not available	71	73	(2)	Not available
People									
Number of Staff - TfL Group (excl Metronet and Crossrail)	FTE	21,435	22,030	(595)	21,848	21,435	22,030	(595)	21,848
No of Temporary Contractors - TfL Group (excl Metronet and Crossrail)	FTE	1,284	1,134	150	1,459	1,284	1,134	150	1,459
Number of staff - Metronet	No of staff	6,488	6,746	(258)	n/a	6,488	6,746	(258)	n/a
Number of Temporary Contractors - Metronet	No of staff	1,489	1,549	(60)	n/a	1,489	1,549	(60)	n/a
KPIs excluding Metronet and Crossrail:									
No of Temporary Contractors - TfL Group over 12 months service	FTE	527	467	60	482	527	467	60	482
No of days sickness absence per employee: TfL Group	Days	2.9	3.1	(0.2)	3.3	9.7	10.2	(0.4)	10.3
Women Staff - TfL Group	%	24.6	24.9	(0.3)	24.3	24.6	24.9	(0.3)	24.3
BAME Staff - TfL Group	%	34.9	29.0	5.9	34.4	34.9	29.0	5.9	34.4
Disabled Staff - TfL Group	%	5.3	6.7	(1.5)	6.4	5.3	6.7	(1.5)	6.4
Women Staff in Senior Mgt - TfL Group	%	21.6	21.9	(0.3)	21.2	21.6	21.9	(0.3)	21.2
BAME Staff in Senior Mgt - TfL Group	%	11.9	13.8	(1.9)	12.2	11.9	13.8	(1.9)	12.2
Disabled Staff in Senior Mgt - TfL Group	%	4.1	5.2	(1.0)	4.4	4.1	5.2	(1.0)	4.4
<p>GREEN: better than or equal to target; AMBER: within 5% of target; RED: 5% or more worse than target</p> <p>Notes: Tables may be subject to rounding errors. FTE = Full Time Equivalents</p>									

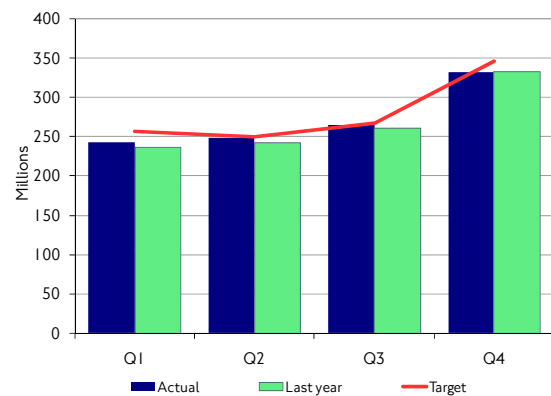
Service Demand

1.0 Following on from record levels of demand in 2007/08, the number of journeys made by passengers across the TfL network continued to grow in 2008/09. However, the rate of growth began to decline towards the end of the year. In the fourth quarter, passengers made 1,042.6 million journeys, 21.8 million (2.1 per cent) more than last year and 1.6 million (0.2 per cent) more than target. In the full year, passengers made 3,434.2 million journeys. This was 88.5 million (2.6 per cent) more than last year, but 22.5 million (0.6 per cent) fewer than target. This total does not include passenger journeys for London Overground.

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



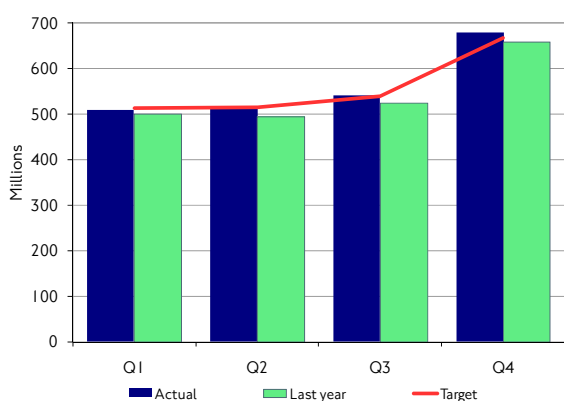
**Passenger Journeys –
London Underground**



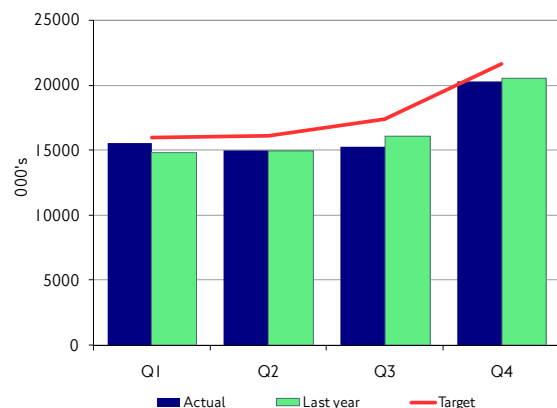
1.1 On the Underground, the rate of demand growth slowed during quarter four, when there were 332.7 million passenger journeys, an increase of only 0.1 per cent compared with the fourth quarter of 2007/08. This was 13.6 million, or 3.9 per cent, less than target. Underground passengers made 1,089.5 million journeys in the full year, a new record. This was an increase of 17.0 million journeys compared to last year, but 30.5 million journeys fewer than target.

1.2 **Ticket mix on the Underground:** At the end of quarter four, 2.7 per cent of Underground passenger journeys were cash fares, down from 4.2 per cent at the end of quarter four last year. Oyster pay-as-you-go (PAYG) journeys comprised 34.6 per cent of all Underground journeys compared to 28.7 per cent a year ago.

**Passenger Journeys –
London Buses**



**Passenger Journeys –
Docklands Light Rail**

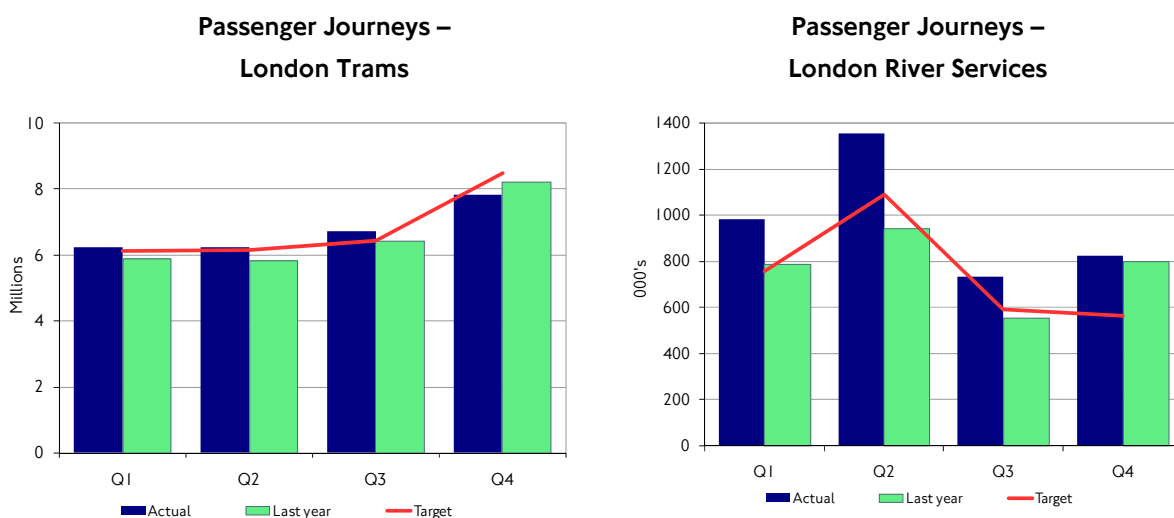


1.3 Demand for bus services remained buoyant. Bus passengers made 680.6 million journeys in the quarter. This represented an increase of 22.3 million journeys, or 3.4 per cent, compared to

2007/08 and 13.0 million (or 1.9 per cent) more than target. In the full year, Bus passengers made 2,246.6 million journeys, which was 70.5 million (3.2 per cent) more than last year and 12.7 million (0.6 per cent) more journeys than target.

1.4 **Ticket Mix on London Buses:** At the end of quarter four, cash single fares on buses accounted for 1.4 per cent of all journeys compared to 1.7 per cent in quarter four last year. Oyster PAYG fares comprised 18.3 per cent of all bus journeys (17.4 per cent last year).

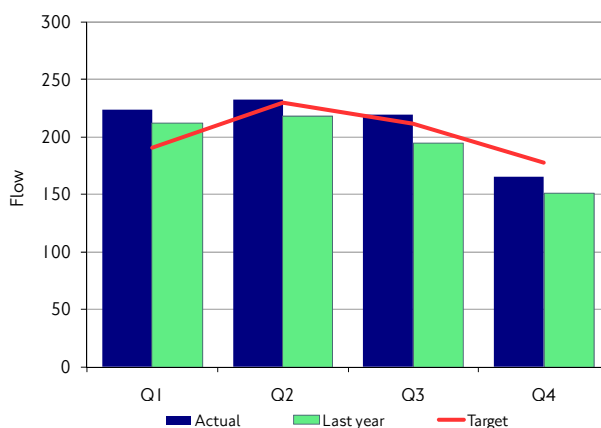
1.5 In quarter four, DLR passengers made 20.3 million journeys, 1.4 million less than target and 0.5 million less than last year. This was due mainly to the recent blockades and weekend line closures for engineering works (the extent of which was greater than anticipated when the budget was set), the closure of Tower Gateway station and the heavy snow on 1-2 February. In the full year, passengers made 66.0 million journeys on the DLR, which was 5.1 million journeys (7.1 per cent) fewer than target and 0.6 million journeys (0.8 per cent) fewer than last year. The impact of project works affected passenger journeys in 2008/09, but higher demand, following the early opening of Woolwich Arsenal and the reopening of Tower Gateway on 2 March, has offset this to some degree.



1.6 Tram passengers made 7.8 million journeys in quarter four. This was 0.6 million or 7.7 per cent less than target and 0.4 million (4.4 per cent) less than last year. This was due to service disruptions during the heavy snow on 1-2 February and closures for track replacement works. In the full year, tram passengers made 27.0 million journeys. This was in line with target and 0.7 million (2.6 per cent) more than last year.

1.7 Passengers made 0.8 million journeys on London's river services during the quarter. This was 0.3 million, or 46.3 per cent, more than target and an increase of 3.3 percentage points compared to last year. This is due to the successful Thames Clippers service between the London Eye and the O2. In the full year, river boat passengers made 3.9 million journeys. This was 0.8 million (26.3 per cent) more than last year and an increase of 0.9 million (29.6 per cent) compared to target.

Cycle flow on the TLRN



Cycling

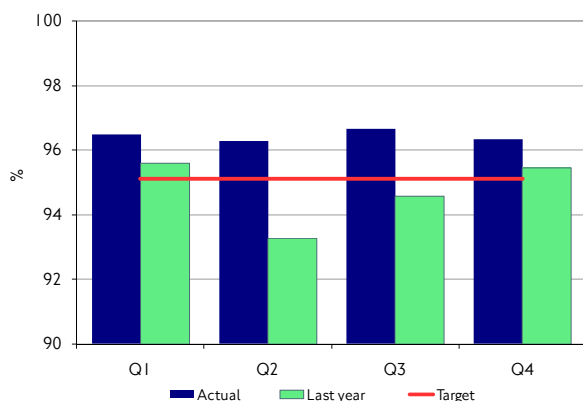
- 1.8 In quarter four, the average index of cycle flows on the TLRN (TfL road network) stood at 166.0, 12.2 points less than target. In quarter four, a decline in cycling is expected due to the winter weather conditions and shorter daylight hours. However, despite the heavy snow, this represents an increase of 9.6 percentage points compared to the same quarter last year when the index had a value of 151.4.
- 1.9 In the full year, the average index of cycle flows on the TLRN was 207.2, 16.4 points higher than last year. However, the level of cycle flows observed is consistent with an overall ambition to increase cycling to a level such that by 2025, cycling will equate to a 5 per cent mode share of all journey trips.

Traffic

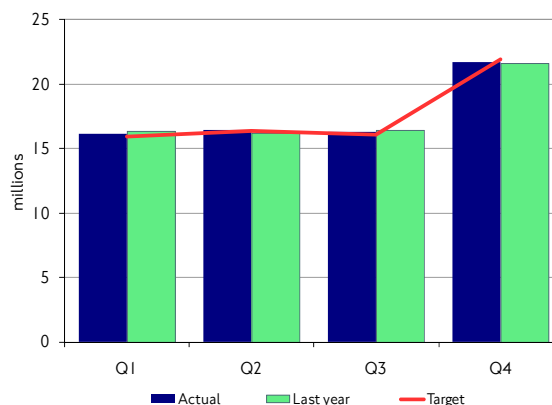
- 1.10 In quarter four, 98.0 per cent of London's traffic signals were working effectively, 0.1 percentage points more than in quarter three, but 1.1 percentage points below the target of 99.1 per cent. This reflected performance issues with one of TfL's term signals maintenance contractors and a recovery plan is in place.
- 1.11 Traffic levels in London (average weekday flow over 24 hours) have a distinct seasonal pattern and show consistent levels within that seasonal pattern year-on-year.
- In quarter four:
- The average 24 hour weekday traffic flows in central London in Quarter 4 2008/09 are 4.9 index points (5.2 per cent) lower than Quarter 4 in 2007/08.
 - The average 24 hour weekday traffic flows in inner London in Quarter 4 2008/09 are 3.4 index points (3.5 per cent) lower than Quarter 4 in 2007/08.
 - The average 24 hour weekday traffic flows in outer London in Quarter 4 2008/09 are 2.7 index points (2.8 per cent) lower than Quarter 4 in 2007/08.
- 1.12 In quarter four, 98.6 per cent of TLRN emergency call-outs were attended to within one hour. This was 0.3 percentage points higher than target. The total number of serious and severe incidents London-wide recorded in quarter four 2008/09 was 339, an increase of 7.6 per cent on the same quarter last year which recorded a total of 315. In the full year, 98.8 per cent of emergency call-outs were attended to within one hour, 0.8 percentage points higher than target.

Service Provision

**Scheduled Services Operated –
London Underground**



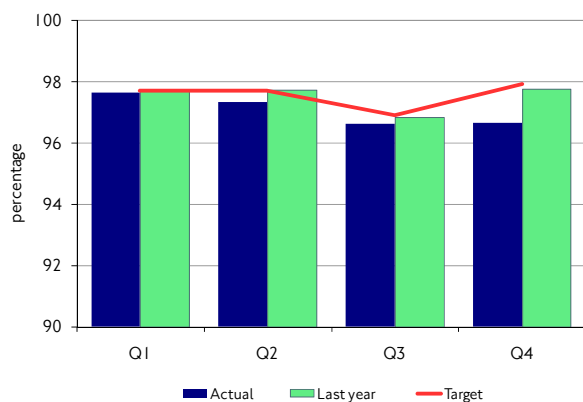
**Train Kilometres Operated –
London Underground**



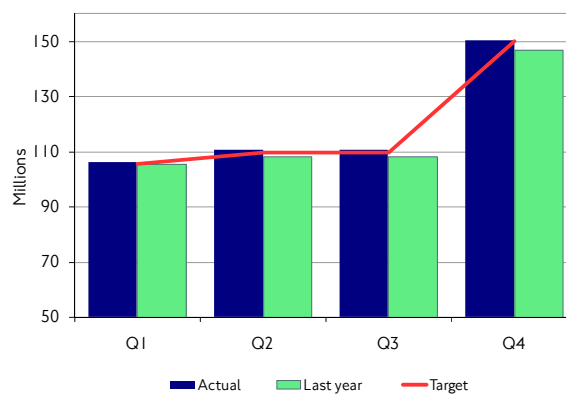
2.0 96.3 per cent of scheduled services were operated on the Underground in quarter four. This was 1.2 percentage points higher than target and 0.8 percentage points better than in the fourth quarter of last year. In the full year, 96.4 per cent of scheduled services were operated, the best annual result since 1994/95. This was 1.3 percentage points better than target and 1.6 percentage points better than last year. All lines achieved target, with the exception of the Waterloo and City line which recorded a small shortfall, although its performance has improved since the introduction of the new timetable in January 2009. The Northern and Victoria lines achieved targets throughout the year, while the Bakerloo and Piccadilly lines only recorded shortfalls in period 12, when services were disrupted by heavy snowfall.

2.1 During quarter four, London Underground operated 21.7 million kilometres. This was 0.2 million (1.1 per cent) less than target but 0.1m (0.7 per cent) more than last year. In the full year, the operation of 70.6 million kilometres reflected the strong network performance. This was a new record and 0.4 million more than target and 0.1 million more than last year. This was achieved despite a year on year reduction of around one million kilometres in the timetabled service volume, mainly due to closure of the East London line from December 2007 and the revised Northern line timetable introduced in January 2008. There was also an increase in losses due to planned engineering works, up by 150,000 kilometres to 3.1 million kilometres lost this year.

**Scheduled Services Operated –
London Buses**

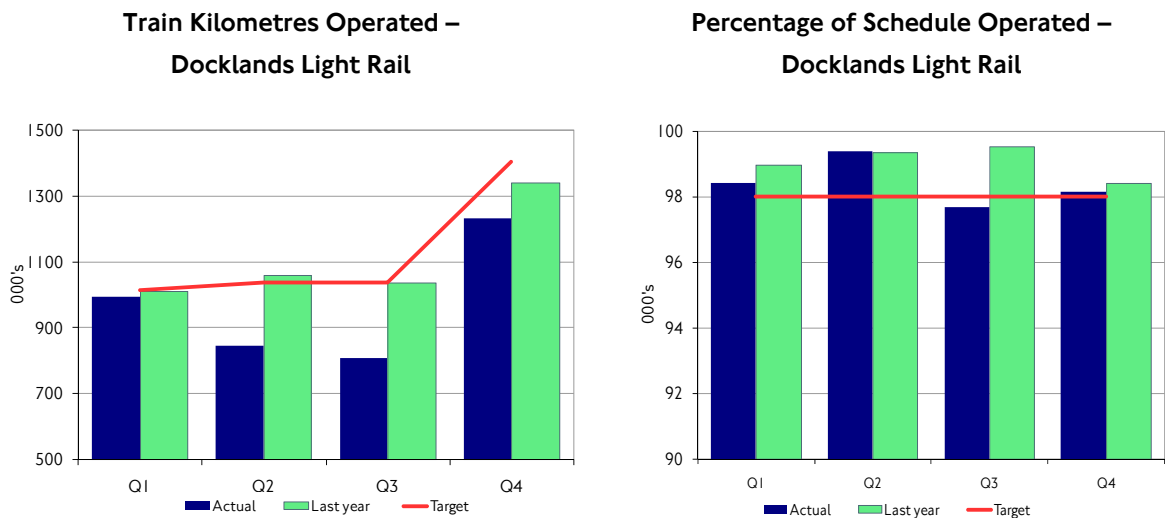


**Kilometres Operated –
London Buses**

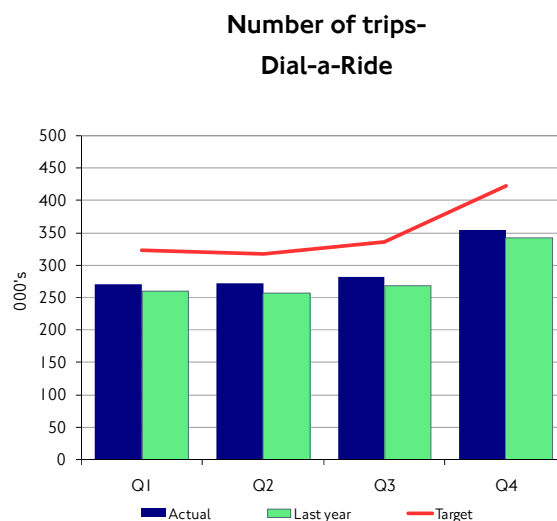


2.2 During the fourth quarter, 96.7 per cent of scheduled bus services were operated, 1.2 percentage points lower than target and 1.1 percentage points lower than last year. This deterioration was mainly attributable to heavy snow on 1-2 February and the closure of Blackheath Hill for roadworks. In the full year, 97.0 per cent of scheduled bus services operated, which was 0.6 percentage points lower than target and 0.5 percentage points worse than last year. This decrease was due to industrial action by drivers in autumn 2008 together with the severe weather during early February.

2.3 In quarter four, London Buses operated 150.5 million kilometres, an increase of 3.7 million kilometres (2.5 per cent) compared to last year and 0.5 million kilometres (0.3 per cent) more than target. In the full year, London Buses operated 477.7 million kilometres, an increase of 9.5 million compared to last year (2.0 per cent) and 3.3 million more than target (0.7 per cent).



2.4 The DLR operated 1.2 million kilometres in quarter four, 12.2 per cent less than target and 8.0 per cent less 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. In the full year, DLR operated 3.9 million kilometres, 14.3 per cent less than target and 13.3 per cent less than last year. During the fourth quarter, 98.1 per cent of scheduled services were operated on the DLR. This was 0.1 percentage points higher than target but 0.6 percentage points less than last year. In the full year, 98.4 per cent of the DLR schedule was operated. This was 0.4 percentage points better than target but 0.7 percentage points less than last year.

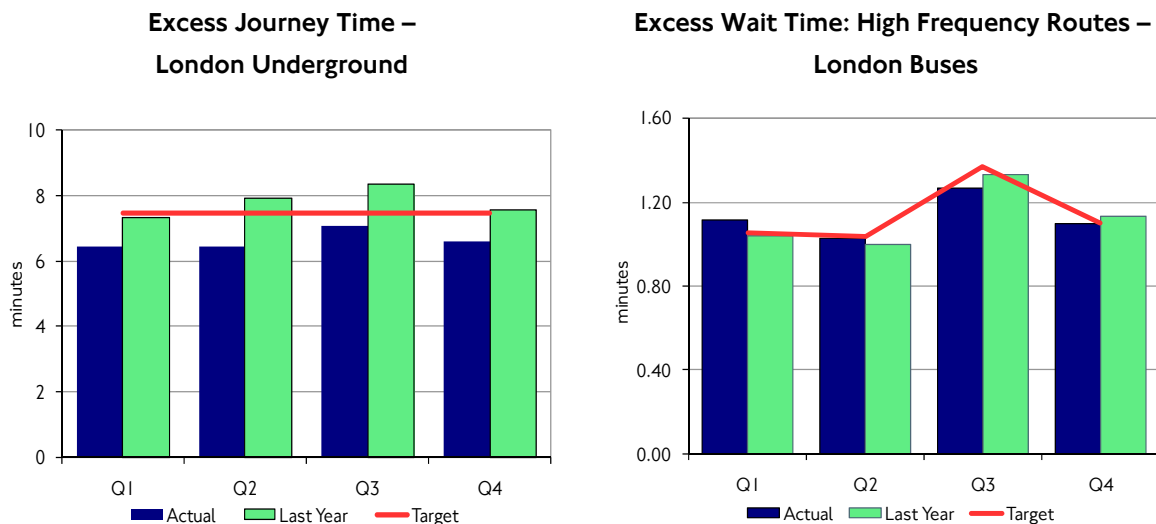


2.5 In quarter four, Dial-a-Ride operated 354,000 trips, 3.5 per cent more than the same quarter last year, but 68,000 trips (16.1 per cent) lower than target. In the full year, 1.2 million trips were operated. This was 222,000 (15.9 per cent) lower than target, but 51,000 (4.5 per cent) more than 2007/08. Performance was adversely affected by the delayed migration of the local booking systems to the centralised management control centre. The target assumed earlier migration followed by steady growth. However, the centralisation process was successfully completed on 1 September 2008. It is anticipated that trip numbers of 1.4 million will be achieved in 2009/10, as customers become accustomed to new booking systems, system stability improves and operational efficiencies are derived from journey pattern data.

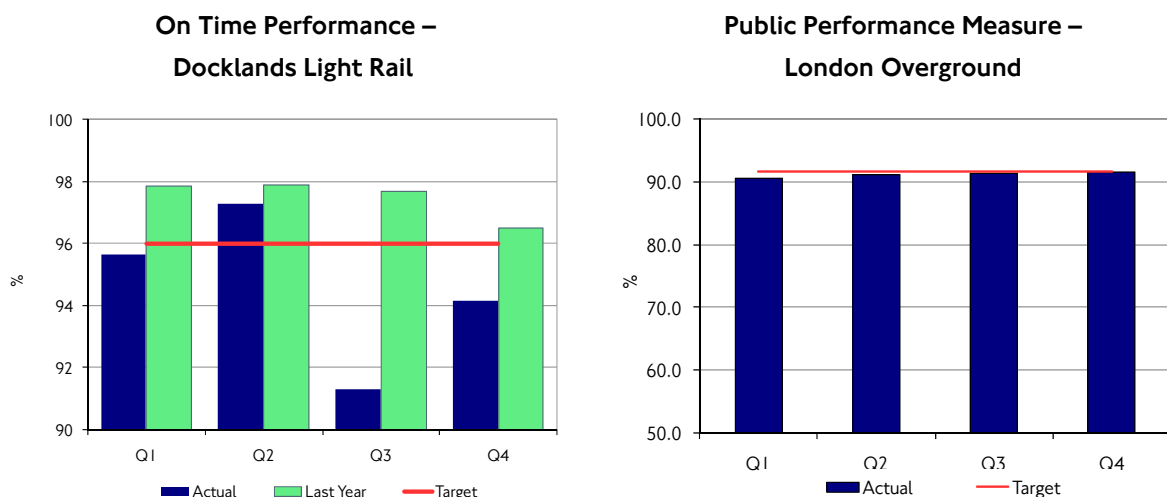
2.6 There were 24,794 licensed taxi drivers at year end, 94 more than target. There were 55,752 licensed private hire drivers at year end. This was 9,052 more than target and reflects an increasing number of applications.

Service Reliability

3.0 Excess journey time on the Underground averaged 6.6 minutes during the quarter. This was 0.9 minutes better than target and an improvement of 1.0 minute compared to last year. In the full year, excess journey time also averaged 6.6 minutes, an improvement of 1.2 minutes compared to last year. At 0.8 minutes better than target, this was the best performance since the measure was introduced ten years ago. Overall journey time (scheduled plus excess) has averaged 44 minutes over the year to date, an improvement of 0.6 minutes compared with last year and the best achieved on the Underground network since the introduction of the Jubilee Line Extension.



3.1 During the fourth quarter, excess wait time on London Buses averaged 1.12 minutes. This was 0.06 minutes worse than target, mostly due to roadworks at Blackheath and snow on 1-2 February. However it was 0.01 minutes better than last year. In the full year, excess wait time averaged 1.13 minutes, which was in line with target and last year.

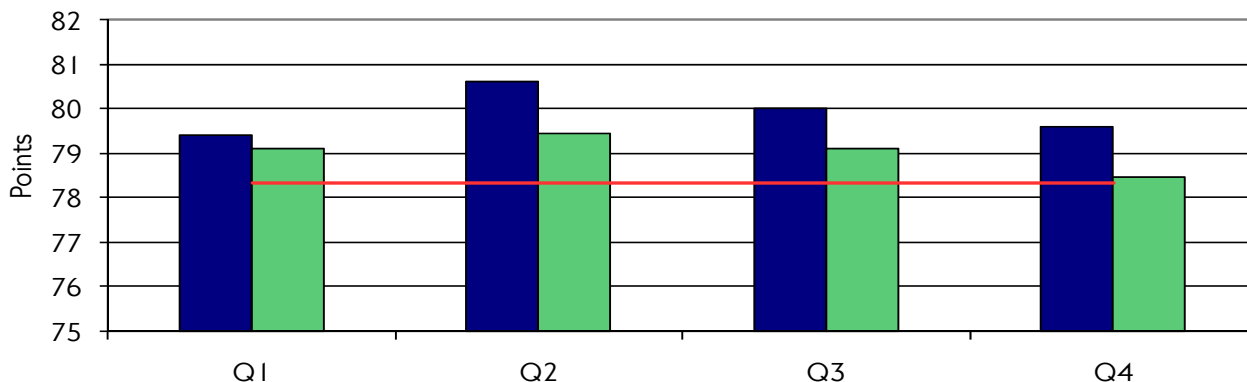


3.2 In the fourth quarter, 94.1 per cent of DLR trains were on time. Although this was an improvement of 2.8 percentage points compared to last quarter, it was 2.1 percentage points lower than target and 2.4 percentage points worse than last year. Performance was adversely affected by engineering and improvement works, the impact of which will continue into next year. In the full year, 94.6 per cent of the trains were on time, which was 1.4 percentage points lower than target and 2.7 percentage points less than last year.

- 3.3 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 four was 92.2 per cent, 0.5 percentage points better than target and 0.9 percentage points above last year.

Customer

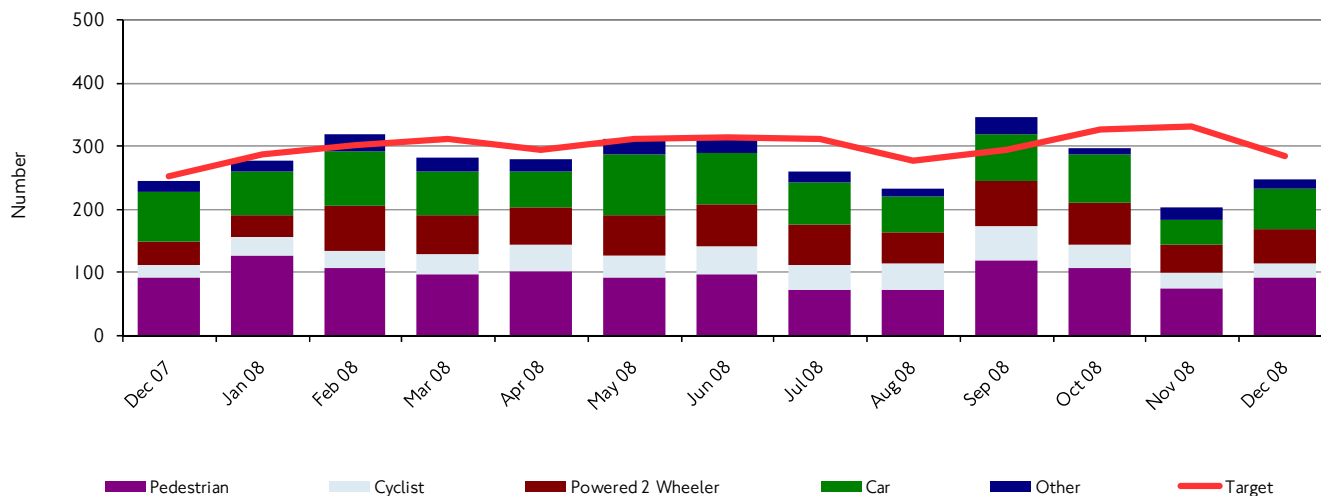
- 4.0 **Customer Satisfaction Survey (CSS):** The weighted average TfL Group customer satisfaction for quarter four was 79.6, 1.3 points higher than target and 1.2 points higher than last year. The full year score of 79.3 was 1 point higher than target and 0.5 points higher than last year.



- 4.1 In quarter four, London Underground achieved a CSS score of 80. This was the best ever quarterly score and followed three preceding consecutive quarterly scores of 79. This resulted in the highest ever annual CSS score. At 79 this beat the target of 78 and was a two point improvement on the annual score for 2007/08. Satisfaction with personal safety, train and station information, train service and station staff helpfulness and availability are all 2 points higher than last year. Satisfaction with cleanliness also increased by 2 points to equal the highest ever score of 74, previously achieved in 2005/06.
- 4.2 London Buses overall customer satisfaction score for quarter four was 79. This was one point higher than target and in line with last year. In the full year, London Buses achieved a score of 80. This was 2 points higher than target and one point higher than last year. The personal safety and security, bus stop information, reliability and crowding scores all improved compared to last year.
- 4.3 The DLR quarter four score of 90.8 was 0.8 points above target, but 6 points lower than last year. The full year score of 92 was disappointing and largely reflects the performance impact of enhancement works. The conclusion of these works and associated service enhancements, together with other initiatives to enhance the DLR customer service provision, will address this decline.
- 4.4 The Rail National Passenger Survey is conducted twice a year. The London Overground national passenger survey score of 77 for Autumn 2008 was 4 points higher than the target and 6 points higher than last year.

Safety

Road Traffic Accident Data (December 2007 – December 2008)



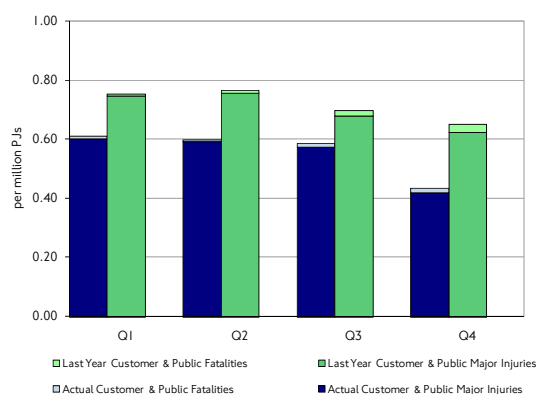
5.0 Due to reporting processes and the nature of road traffic accident data, results are reported 4 to 5 months in arrears and results are subject to retrospective adjustments. The most recent results are for September – December 2008.

5.1 The latest set of road accident data relates to September – December 2008. 1,093 people were killed or seriously injured on London’s roads between September and December 2008. This was 142 fewer incidents than the reduction target. Of these, 399 were pedestrians, 135 were cyclists, 234 were motorcyclists, 255 were motorists and 70 were other road users. There were 1,206 fatalities or serious injuries in the same period last year. In 2008, 3,366 people were killed or seriously injured, 418 fewer than in 2007, representing a decline of 11.0 per cent.

Customer Major Injuries and Fatalities – London Underground



Customer and Public Major Injuries and Fatalities – London Buses



5.2 There were 31 reported major injuries to London Underground customers in the fourth quarter, four more than the same time last year. In the full year, there were 0.12 major injuries per million passenger journeys, 0.01 injuries per million better than target. This was in line with last year.

5.3 On the bus network, 280 customers or members of the public sustained major injuries and there were nine fatalities in the fourth quarter of 2008/09. This was equivalent to 0.43 injuries or fatalities per million passenger journeys which 0.22 fewer than last year. In the full year, this represented an average of 0.55 injuries or fatalities per million passenger journeys, 0.16 fewer than last year.

Financial performance

The forecast discussed in this section refers to the full year forecast that was set in period nine (the end of quarter three).

Operating Income

2007/08 Full year actual	Operating Income £m	Full Year				
		Actual	Budget	Variance	Forecast at Q3	Variance
(1,640)	London Underground	(1,740)	(1,751)	11	(1,758)	18
(1,516)	Surface Transport	(1,521)	(1,572)	51	(1,521)	-
(80)	London Rail	(118)	(122)	4	(118)	-
n/a	Metronet	(772)	(763)	(9)	(760)	(11)
(22)	Group Directorates	(27)	(14)	(13)	(27)	-
(3,258)	Total Operating Income	(4,178)	(4,222)	44	(4,184)	7

Table may be subject to rounding errors

For further detail on Operating Income, please see Annex Five.

- 6.0 London Underground operating income was £11 million lower than budget in the full year. Fares income was £8 million (0.5 per cent) lower than budget. Passengers made 2.7 per cent fewer journeys than target, reflecting the economic conditions, and an estimated £3 million of income was lost when travel was disrupted by heavy snow at the beginning of February. These factors were partly offset by a higher yield per passenger journey because of a higher RPI linked fares increase in January 2009 than had been budgeted. There was an adverse variance of £4 million on CBS advertising which is attributable to the downturn in the economy affecting advertising revenue.
- 6.1 In the final quarter, London Underground fares revenue showed a year on year decline and consequently ended the year £23 million below forecast. However, the reduction in advertising revenue was not as marked as expected, providing an additional £2 million, while property rental receipts came in £3 million better than forecast.
- 6.2 Operating income in Surface Transport was £51 million lower than budget in the full year but in line with the forecast.
- Congestion charging income was £28 million lower than budget due to a reduced volume of standard charges and penalty charge notices (PCN), partly offset by a revised methodology applied to release of deferred income from Congestion Charging annual payments. Customers continued to settle PCNs earlier in the charging cycle, when the penalties are discounted. Traffic enforcement income was £26 million lower than budget as a result of a 56 per cent reduction in CCTV and bus lane violations due to increased compliance by motorists. Income from CSEP (Community Safety, Enforcement and Policing) was £9 million lower than budget as there were fewer traffic wardens, increased compliance and customers paid earlier at the discounted rate.
 - The above variances were partly offset by higher bus fares income (£10 million or 0.9 per cent higher than budget). Passengers made 0.6 per cent more journeys than target in the full year so average income per journey was higher than target. The RPI linked fares increase in January 2009 was higher than budgeted for. Higher than budget cash and bus pass income was partly offset by lower travelcard income and a repayment to London Councils in respect of the National Concessionary Scheme. Payments under the scheme are determined by relevant passenger numbers which were lower than expected. The switch from travelcards to bus passes was attributed to the increased price differential.
- 6.3 London Rail's operating income was £4 million lower than budget, largely due to lower DLR fares income (£4 million or 5.9 per cent) reflecting 5 million (or 7.1 per cent) fewer passenger journeys. Operating income was in line with the forecast where lower DLR and London Tramlink fares income was largely offset by higher London Overground fares income.

- 6.4 Metronet income was £9 million higher than budget and £11m higher than forecast in the full year. Metronet received £11 million of income from London Underground for asbestos related works, which was offset by higher Metronet capital expenditure. This income and expenditure had been presented on a net basis in the quarter three forecast.
- 6.5 Group Directorates' operating income was £13 million higher than budget in the full year but in line with the forecast.
- Group Services income was £9 million higher than budget, mainly due to unbudgeted sub-letting of premises.
 - Operating income in Finance was £2 million higher than budget mainly because of additional income from Oyster fees (£2 million). This was partly offset by lower than expected income (£1 million) from the contactless payment card due to additional costs and a lower than anticipated volume of card subscriptions.

Operating Expenditure

2007/08 Full year actual	Operating Expenditure* £m	Full Year				
		Actual	Budget	Variance	Forecast at Q3	Variance
2,526	London Underground	2,524	2,526	(2)	2,539	(15)
2,571	Surface Transport	2,596	2,643	(47)	2,587	9
167	London Rail	265	295	(30)	270	(5)
n/a	Metronet*	574	583	(10)	597	(24)
324	Group Directorates	378	418	(40)	385	(6)
5,588	Total Operating Expenditure	6,337	6,465	(128)	6,378	(41)

*Net of third party contributions

Table may be subject to rounding errors

- 6.6 London Underground's operating expenditure in the full year was £2 million (0.1 per cent) lower than budget. PFI costs were £14 million below budget, almost all relating to the Connect project and reflecting a reassessment of provision for contractor claims, savings on enabling works maintenance and some CCTV work undertaken as a capital rather than revenue project. Conversely expenditure on Operations was £15 million higher than budget as staff numbers were above establishment over the first three quarters of the year (a temporary hold has since been placed on recruitment) and the planned ticket office closure programme was cancelled in response to the Mayor's policy. A provision of £25 million for costs associated with the organisational change was brought forward. This was offset by various savings such as Central Services costs including Reviews & Legal £5 million (external fees and consultancy costs), ticket commissions £4 million (changes in sales distribution) and cost recovery related to the Airwave project £5 million.
- 6.7 The revision to Connect provisions noted above along with small reductions in PPP and Central Services costs meant that operating expenditure for the year was £15 million less than forecast.
- 6.8 Surface Transport spent £47 million less than budget in the year. The largest variances were a lower provision for congestion charging, traffic enforcement and CSEP bad debts due to lower enforcement income (£22 million) and lower bus network contract costs because of a delay in introducing the Quality Incentive Contract 2 and lower negotiated costs (£19 million). Lower expenditure on congestion charging (£15 million) was mainly because of emissions related charging public information and change costs that were no longer required following the decision to halt plans for emissions charging, a change in the scope and cost of the re-let and lower marketing costs. Other variances included expenditure of £10 million rephased to 2009/10 for bus priority, cycling, walking and accessibility programmes and the cancellation of the Oxford Street Tram project (£5 million). These variances were partly offset by a reclassification of expenditure from capital to operating on the East London and Greenwich Waterfront Transit (£11 million) and Road Network Management expenditure of £7 million above budget due to higher expenditure on highway maintenance partly because of increased winter maintenance following the snow in February.

- 6.9 Surface Transport operating expenditure was £9 million higher than the forecast. The largest variances were higher expenditure on highway maintenance partly because of increased winter maintenance following the snow in February (£3 million), additional QICs I bonus payments to operators (£3 million) and a higher provision for congestion charging bad debts (£2 million).
- 6.10 London Rail spent £30 million less than budget in the full year. The main variances were on London Wide Oyster because of delayed negotiations with the train operating companies (£20 million) and rephased London Overground station enhancement works (£11 million).
- 6.11 London Rail spent £5 million less than forecast, mostly due to a revised programme of station upgrades on the Overground and reduced train servicing costs.
- 6.12 Metronet expenditure was £10 million lower than budget in the year. Contributing to this was lower than budget headcount, an underspend on Asset Engineering revenue projects and underspends on legal and professional expenditure. Metronet expenditure was £24 million lower than forecast in the year largely due to lower administration costs (£11 million) which included the release of a bad debt provision. Other variances were on non PPP project expenditure (£4 million lower) and asset renewals / engineering (£5 million lower).
- 6.13 Group Directorates spent £40 million less than budget in the year and £6 million less than forecast.
- Planning spent £32 million less than budget in the year. This was due to expenditure on Borough Programmes schemes deferred to 2009/10 (£17 million), a revised timetable for the Mayor's Transport Strategy (£6 million), revised transport modelling and delays in workstreams to support the establishment of the London Regions Programmes (£5 million) and the termination of major projects led by Planning (£5 million). Planning spent £2 million less than forecast mainly due to slippage in the Borough Programme and deferred camera procurement in Policy Analysis until 2009/10.
 - Finance spent £3 million less than forecast mainly because of the delay in the ITSO project following delayed negotiations with the DfT. Funding for ITSO was forecast centrally as grant funding.

Group Items

Group Items £m	Full Year				
	Actual	Budget	Variance	Forecast at Q3	Variance
Interest Income	(98)	(80)	(18)	(100)	2
Debt Servicing	185	185	-	186	(1)
Contingency/Other Group Items	(10)	65	(75)	23	(34)
Total Group Items	78	170	(93)	110	(32)

Table may be subject to rounding errors

- 6.14 Interest income was £18 million higher than budget in the full year. A favourable variance of £21 million was due to rates exceeding budget by 1.25 percentage points as a result of investments placed earlier in the year at higher than budgeted interest rates for terms of three to twelve months. This was partly offset by an adverse variance of £3 million that arose as a result of lower than budgeted balances throughout the earlier part of the year. One reason for this was timing differences to the budget assumption on borrowing.
- 6.15 Contingency and other group items expenditure was £75 million below budget in the full year. £49 million was not utilised in 2008/09, including £9 million of climate change initiatives which were re-phased into next year. Actual expenditure of £14 million funded from general contingency was recorded in the modes, of which £12m related to a reduction in the expected Road Safety Grant. There was also £8 million of unbudgeted section 106 receipts from boroughs for delivery of Olympic schemes and £5 million of unbudgeted income from old balances on Oyster cards.

Capital Expenditure

2007/08 Full year actual	Capital Expenditure £m	Full Year				
		Actual	Budget	Variance	Forecast at Q3	Variance
311	London Underground*	426	438	(12)	408	18
185	Surface Transport*	211	280	(69)	213	(3)
391	London Rail*	550	724	(175)	542	7
n/a	Metronet	667	643	24	629	38
n/a	Crossrail	144	405	(261)	344	(200)
41	Group Directorates	63	72	(8)	68	(4)
-	Overprogramming (TfL Group)	-	(68)	68	-	-
928	Capital Expenditure (net of over programming and third party)	2,060	2,494	(434)	2,205	(145)
(94)	Capital Income	(19)	(49)	30	(23)	4
834	Net Capital Expenditure	2,041	2,446	(405)	2,181	(140)

* Shown after delegated overprogramming and third party reimbursements

Table may be subject to rounding errors

- 6.16 London Underground capital expenditure was £12 million less than budget in the full year largely due to lower expenditure on the Capital Connect Programme due to delays (£20 million); rephasing and rescoping of power upgrade works (£19 million); track, structure and accommodation projects (£18 million) and rephased rolling stock projects, including training simulators (£16 million). The provision for devolved overprogramming reduced the variance by £60 million.
- 6.17 Net capital expenditure in London Underground was £18 million higher than the forecast which included an overprogramming provision of £13 million. Expenditure on Tottenham Court Road congestion relief was £8 million above forecast reflecting completion of property purchases in early 2009, and expenditure on IM projects rose by £4 million including £1.5 million on integration of LU and ex-Metronet Enterprise Resource Planning systems and £1 million on wide area network upgrade. These were partly offset by expenditure on 'TFT screens on the Victoria Line Upgrade' which was £5m lower than forecast following a decision not to proceed with a trial and cancellation of future spending.
- 6.18 Net capital expenditure in Surface Transport was £69 million less than budget in the full year. This was mainly due to delayed TLRN improvements, including deferral of work on Blackwall Tunnel Northbound (£16 million) and slippage on Hanger Lane while TfL waited for the contractor's submission of time-delay mitigation actions (£6 million). Also, strategy projects which included the reclassification of East London Transit and Greenwich Waterfront Transit expenditure from capital to operating expenditure (£11 million) and deferral of expenditure on Henley's Corner (£5 million) and Tottenham Hale Gyrotory (£3 million) to 2009/10. The rephasing of DTES (Digital Traffic Enforcement System) expenditure contributed £12 million of the variance, due to other project delays and project cancellations. Delayed vehicle purchases for the Hydrogen bus project and vehicle purchases for Dial-a-Ride deferred until 2009/10 contributed £10 million. Walking, cycling and accessibility expenditure of £9 million will be carried forward to 2009/10. Net capital expenditure in Surface Transport was £3 million less than forecast at quarter three.
- 6.19 Net capital expenditure in London Rail was £175 million lower than budget. The main reasons were rephasing of works and contingency on the East London Line (ELL) Extension (£72 million), £60 million lower spend on DLR mainly due to a rephasing of works and a reassessment of the value of work done on the DLR 3 Car project, and rephasing of the North London Rail Infrastructure Project

(NLRIP) due to Network Rail Board approval and implementation agreement occurring later than was originally anticipated (£33 million). The opening dates of these projects will not be affected by the re-profiling of costs. Net capital expenditure in London Rail was £7 million higher than forecast due to increased activity on the East London Line Extension (£7 million).

- 6.20 In the full year Metronet spent £24 million more than budget mainly because a train milestone payment of £29 million to Bombardier was brought forward from period 1 of 2009/10 due to early delivery of test plans. Metronet also expected a contribution of £11 million from LU for costs related to asbestos. However, instead of offsetting higher capital expenditure, the LU contribution was recorded as income. This was partly offset by re-phasing the sub-surface line (SSL) upgrade.
- 6.21 Metronet expenditure was £38 million higher than forecast, mainly due to a milestone payment of £29 million to Bombardier and contributions of £11 million, both as detailed in the paragraph above. Other lower expenditure variances were offset by overprogramming.
- 6.22 Crossrail spent £261 million less than budget in the year and £200 million less than the forecast (provisional figures pending completion of year-end review) due to delays in receiving the title deeds for properties from DfT. The largest property acquisitions are the Astoria Theatre and Old Oak Common.
- 6.23 Capital expenditure in the Group Directorates was £8 million less than budget and £4 million less than forecast.
- The Finance directorate spent £13 million less than budget in the year primarily because of £24 million deferral and savings on IM Strategy Implementation Project (IMSIP) and £4 million delayed spend on Payment Card and Industry Data Security Standard (PCI DSS) because of commercial and technical issues with the supplier. This was partly offset by a reclassification of IMSIP expenditure from operating expenditure to capital of £20 million.
 - Finance spent £3 million less than forecast, primarily due to delays on the Integrated Transport Smartcard Organisation (ITSO) project of £2 million, as DfT had not yet progressed the scheme. The funding for this was forecast centrally as grant funding.
 - Group Services expenditure of £7 million more than budget (although in line with forecast) was largely due to an overspend on Palestra sustainable building works (£4 million) and a delay in receiving the Landlord's contribution for the Greenwich fit-out (£3 million).
- 6.24 Capital income was £30 million lower than budget in the year mainly due to the deferral of LU property sales at Hammersmith Met (£19 million) and Harrow Pinner Road (£12 million). Other deferred LU sales included property at Ongar, Balham Hill and St Johns Wood, although these were offset by Network Rail's purchase of property at Blackfriars in connection with the Thameslink project.
- 6.25 Capital income was £4 million lower than the forecast. Contributions of £3 million were presented in net capital expenditure but forecast in capital income.
-

Efficiencies

Efficiency Initiatives £m	Full Year Recurring		Full Year New		Full Year Total	
	Actual	Variance to Budget	Actual	Variance to Budget	Actual	Variance to Budget
Procurement	42	-	50	24	93	24
Staff & Business Improvement Programme (BIP)	23	-	25	(4)	48	(4)
Marketing	3	(1)	1	-	3	(1)
Other Back Office	15	-	4	(8)	19	(8)
Total Back Office Efficiencies	83	(1)	79	12	162	11
Bus Network	69	-	22	5	91	5
Road Maintenance Contract (procurement)	-	-	8	4	8	4
Other Surface Transport Initiatives	-	-	4	1	4	1
LU Operational Efficiencies	16	(6)	7	2	23	(4)
Total Operational Efficiencies	85	(6)	41	12	126	6
Total Cashable Efficiencies	168	(7)	121	25	288	17

Brackets in variance columns show that efficiencies were lower than budget.

Tables are subject to rounding errors.

- 7.1 Total full year efficiencies were £288 million, which was £17 million higher than budget. New efficiencies were £25 million higher than budget partly offset by recurring efficiencies, which were £7 million lower than budget. Savings arising from the OCR programme will be tracked from April 2009 and reporting will commence on a quarterly basis. In parallel, further savings are being identified and the approach to ensure integrated reporting of savings has been developed.
- 7.2 Procurement efficiencies were £24 million higher than budget. LU achieved £8 million more new procurement efficiencies than budgeted from re-negotiated contracts and £2 million following a review of recurring efficiencies. Group Services achieved procurement efficiencies of £6 million more than budget. This was largely due to volume rebates for temporary labour contracts and the Engineering and Project Management consultancy framework. In addition, new savings were identified through the renegotiation of the contracts for campaign recruitment and recruitment media. Finance achieved £3 million more efficiencies than budget, largely as a result of renegotiation of several Information Management contracts. Surface Transport procurement (excluding road maintenance contract) efficiencies were £2 million higher than budget largely because of additional congestion charging re-let efficiencies.
- 7.3 Staff and Business Improvement Programme (BIP) efficiencies achieved were £4 million lower than budget, largely because of lower efficiencies from IMSIP. This was partly due to slippage in IMSIP where the achievement of these efficiencies has been delayed to future years.
- 7.4 Other back office efficiencies were £8 million lower than budget. The variance was largely in Surface Transport but was offset by more bus network efficiencies because of lower retendered contract prices and higher Surface Transport efficiencies than budget in other categories (as discussed in paragraphs 7.2 and 7.5).
- 7.5 Road maintenance contract efficiencies were £4 million higher than budget because of reduced prices for surfacing schemes and favourable index-linking of contract prices.
- 7.6 London Underground operational efficiencies were £4 million lower than budget, largely because planned ticket office closures were cancelled in response to a new Mayoral policy.
- 7.7 These savings relate to the existing TfL efficiencies programme. During 2008, TfL conducted a review of operating costs as part of realising of at least £2.4 billion of savings assumed in the TfL Business Plan. This review resulted in the establishment of the Operating Cost Reduction (OCR) programme, which is now in its implementation stage.

Balance Sheet

Transport for London Group Balance Sheet at 31 March £m	Variance to Budget
Fixed Assets - <i>lower than budget</i>	985
Stocks, Debtors and Payments in Advance - <i>higher than budget</i>	(40)
Cash - <i>higher than budget</i>	(404)
Creditors, Accruals and Receipts in Advance- <i>lower than budget</i>	(160)
Deferred Capital Grant - <i>higher than budget</i>	333
Provisions - <i>higher than budget</i>	13
Total Net Assets -<i>lower than budget</i>	727

- 8.0 Fixed Assets were £985m below budget, £440m of which was through reduced activity as explained above. In addition to this, there were several non-activity based movements to the fixed asset base. The year end revaluation exercise resulted in a reduction of property values of £142m, reflecting the market changes across London. Asset disposal/retirements across the group were £279m above budget. Within DLR, additions in respect of railcars purchased under a finance lease were £17m below budget due to slippage and the amount capitalised for the Woolwich Extension under a PFI arrangement was also £19m below budget estimates (both of these are excluded from activity). The remaining difference is the net of technical accounting and fair value adjustments in respect of the Tramtrack and Metronet acquisitions (£114m) and higher depreciation in LU.
- 8.1 Stock, Debtors and Payments in Advance are £40m higher than budget. This reflects prepayments made by TfL in respect of the Astoria Theatre (£30m) and Old Oak Common Depot (£25m), both of which are in the process of being acquired as part of the Crossrail project. (Please note that as the Crossrail project impacts on a number of lines, both compared to budget and forecast, there is a separate paragraph below providing more detail on this). Within LU, trade debtors are £11m below budget due to a reduction in PPP abatements and other variances across the group are within normal trading tolerances.
- 8.2 Creditors, accruals and receipts in advance are £160m below budget, reflecting the lower than budget spend in both capital and revenue activity across the group, allied to the reduction in creditor days following the introduction of the 10 day supplier payment scheme. Significant variances within this include a £72m reduction in LU's capital creditors, following changes to the scope and timing of step free and congestion relief schemes, and £36m reduction in DLR's PFI and finance lease creditors, being the opposite entry to the additions referred to in paragraph 8.0 above.
- 8.3 The deferred capital grant balance includes an increase in third party contributions over budget of £63m reflecting the work done by Westfield on White City Station (this is matched by an increase in Fixed Assets, included within the activity variance reported above). The remaining variances are caused by the effect of grant accounting and the allocation of prudential borrowings across the group. This is dependent on the mix of capital and revenue spend within each company.
- 8.4 Provisions are higher than budget due to the inclusion in TfL of expected compensation payments in respect of the acquisition of the Astoria Theatre site, linked to the Crossrail project (£18m). This is offset by minor reductions in Surface Transport for other compensation claims and completed schemes.
- 8.5 The balance on the earmarked reserve stands at £1,024m which is £239m higher than expected in the budget. This is largely driven by the activity underspends across the Group, excluding those in Crossrail. The two Capital Reserves (Revaluation and Capital Adjustment Account) were £133m below budget, resulting from the property devaluations.

Transport for London Group Balance Sheet at 31 st March £m	Variance to Q3 Forecast
Fixed Assets - <i>lower than forecast</i>	411
Stocks, Debtors and Payments in Advance - <i>higher than forecast</i>	(68)
Cash - <i>lower than forecast</i>	5
Creditors and Receipts in Advance - <i>lower than forecast</i>	(199)
Deferred Capital Grant - <i>higher than forecast</i>	44
Provisions - <i>higher than forecast</i>	13
Total Net Assets - <i>lower than forecast</i>	206

- 8.6 The fixed asset balance was £411m lower than the Q3 forecast position. This includes £78m in reduced activity spend explained above. Also included are the property devaluations (£142m), DLR leased and PFI assets (£36m) referred to above, higher depreciation and disposals in LU (£46m) with the remaining £109m largely due to the fair value adjustments arising from the Metronet (£22m) and Tramtrack (£92m) acquisitions, which were not finalised until after the Q3 forecast had been completed.
- 8.7 Stocks, debtors and payments in advance outturned £68m higher than forecast. This includes prepayments and work in progress for the Astoria Theatre (£30m) and Old Oak Common Depot (£25m) and a Transport Grant debtor for £20m not received by year end following late negotiations on the final settlement amount in respect of the London Safety Camera Partnership, ITSO funding for Prestige and the East London Line grants. These are offset by lower net debtors and prepayments of £7m.
- 8.8 In total, creditors and receipts in advance were £199m lower than the Q3 forecast. The Crossrail project has £103m lower than forecast capital creditors for property purchases, as a number of purchases have now moved into 2009/10 and while two properties were transferred to the DfT in Q4, title had not passed to TfL before year end. LU's capital creditors were £21m below forecast resulting from a £20m payment for property purchases at Tottenham Court Road originally expected to be paid in 2009/10. PFI and finance lease creditors were £36m lower in DLR due to the underspends on railcars and the Woolwich Extension referred to in paragraph 8.0. Other creditor balances were within normal trading variances.
- 8.9 The deferred capital grant balance includes an increase in third party contributions over forecast of £63m reflecting the work done by Westfield on White City Station (this is matched by an increase in Fixed Assets, included within the activity variance reported above). The remaining variances are caused by the effect of grant accounting and the allocation of prudential borrowings across the group. This is dependent on the mix of capital and revenue spend within each company.
- 8.10 Provisions were £13m higher than the Q3 forecast. TfL have included a provision for claims related to the ongoing purchase of the Astoria Theatre site (£18m). Other provision movements across the Group net to a reduction of £5m.
- 8.11 As mentioned above, the Crossrail Project has led to variances across the balance sheet, both in comparison to budget and the quarter 3 forecast. The table below summarises:

Transport for London Group Balance Sheet at 31 March for Crossrail Project £m	Variance to Budget	Variance to Q3 Forecast
Fixed Assets - <i>lower</i>	261	200
Debtors - (<i>higher</i>)	(11)	(1)
Payments in Advance - (<i>higher</i>)	(55)	(55)
Cash - (<i>higher</i>)	(276)	(59)
Creditors and Receipts in Advance - <i>higher / (lower)</i>	63	(103)
Provisions - <i>higher</i>	18	18
Total Net Assets - <i>lower than forecast</i>	0	0

- 8.12 Crossrail's budget assumed capital spend of £405m (of which £153m was for property purchases) and the whole of the expenditure was assumed to be cash spent. The outturn position was £144m (none of which was in respect of properties as TfL had not received title at the year end) leading to an activity variance of £261m. However, TfL had partially paid for two properties, Old Oak Common Depot and the Astoria Theatre site, for which title had been transferred to the Secretary of State, but had not been passed on to TfL. These have therefore been recorded as current assets (payments in advance £55m) rather than fixed assets with some associated provisions for related compensation payments (£18m), leading to the variances in working capital shown above. The non-property expenditure had associated debtors and creditors of £11m and £63m respectively.
- 8.13 The quarter three forecast assumed on-budget spend on properties, so the £200m asset variance to forecast is made up of a property variance of £153m and a build variance of £47m. The forecast also assumed high level of property related creditors not reflected in the outturn position. The payments in advance / provisions variance explanations are the same as for the budget.

Cash Summary

Cash Balances and Debt

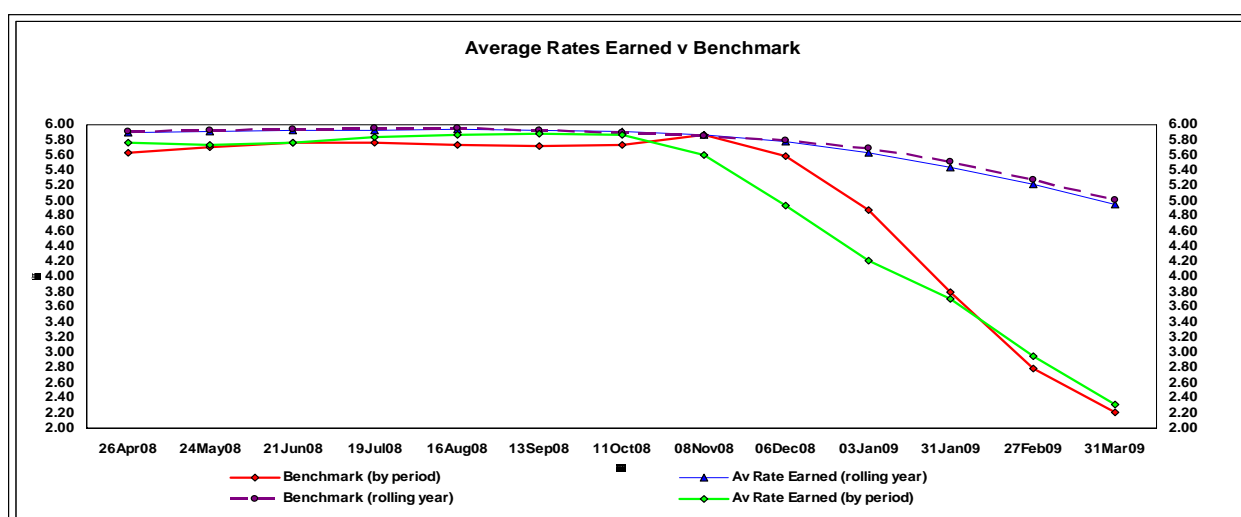
- 9.0 Cash Balances at 31 March were £2,022m, £404m more than budget but £5m less than the P9 Forecast. Major cash underspends against budget arose in Crossrail (£278m) in respect of property purchases, Rail for London (£95m) in respect of capital expenditure and London Buses (£59m). This was offset by an overspend against budget by LUL (£42m) mainly due to reduced fares and property income.

Performance

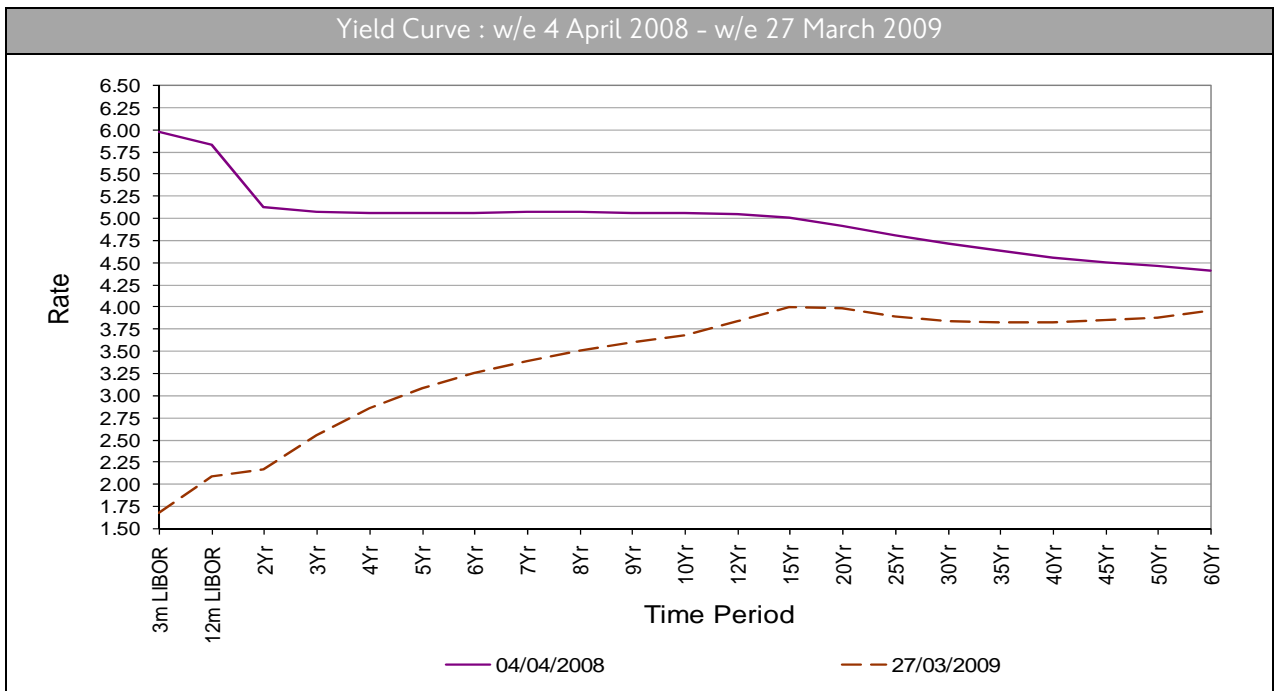
- 9.3 Interest receivable performance (shown below) is measured against a benchmark of the average of 3 month LIBOR minus 12.5 basis points. Earnings for the year have fallen short of the benchmark by 6 basis points. In October, in light of the credit crisis, it was agreed with the Finance Committee that all investments in Money Market Funds be immediately liquidated and new investments placed with UK Government guaranteed investments. The Bank of England Monetary Policy Committee reduced Base Rates progressively from 4.5 per cent in October to 0.5 per cent in March, resulting in reduced earnings on new investments and diluted yields for the year.
- 9.4 Results for the last four periods are noted in the table below:

	Period 10	Period 11	Period 12	Period 13	2008/09 Year
Benchmark (%)	4.87	3.79	2.79	2.21	5.01
Average Rate of Return (%)	4.21	3.70	2.95	2.31	4.95
Above/(below) Benchmark (%)	(0.66)	(0.09)	0.16	0.10	(0.06)
Budget (%)	3.37	3.46	3.50	3.58	3.70
Interest Earned (£ million)	5.4	4.6	4.0	3.5	97.8
Budget (£ million)	5.4	5.1	4.9	4.6	80.0

- 9.5 A favourable variance of £20.8m was due to rates exceeding budget by 1.25 per cent as a result of investments placed earlier in the year at higher than budgeted interest rates. An adverse variance of £3.0m arose as a result of lower than budgeted balances throughout the earlier part of the year. This resulted in the net favourable variance of £17.8 million against budget. The chart below shows the Group's cash management performance relative to its benchmark. In particular, it shows the combined impact of the amended Investment Strategy and reduced Base Rate from October onwards.



9.6 Yield curve: This shows the dramatic effect on short/medium-term yields. At the start of the year 3 month rates were 6.0 per cent; they have currently dropped to 1.7 per cent. However, during the year, 60-year rates remained within the range of 4 per cent - 4.4 per cent. The chart now shows a more traditional curve but still has rates fairly flat beyond 15 years. TfL has been borrowing at these beneficial rates.



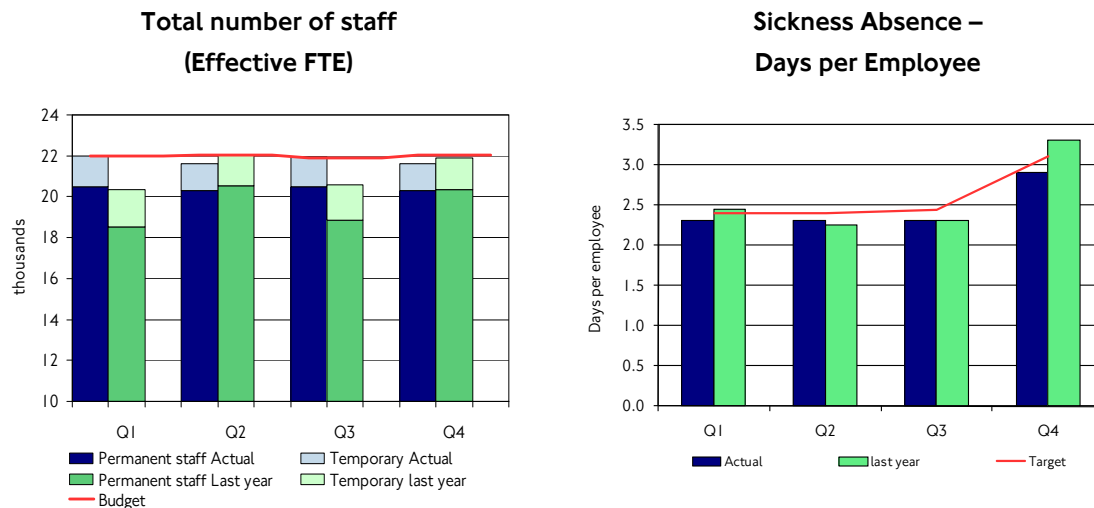
9.7 Legal and Regulatory Risk

i) Prudential Indicators for Prudence and Affordability, Capital Expenditure and External Debt: Prudential Indicators relating to debt service and borrowing for 2008-09 have not been exceeded.

ii) Payment Card Industry Data Security Standards (PCI DSS): An agreed programme and budget is in place and the project manager is monitoring work being undertaken by the modes. Internal Audit has reviewed the management structure and agreed recommendations have been incorporated into the management process. The first meeting of the Compliance Programme Board (an Internal Audit recommendation) has been held to review progress. All new IT developments e.g. the replacement Congestion Charging contract, will be PCI DSS compliant and standard procurement terms and conditions now include a compliance requirement.

TfL's merchant acquirer (Barclays) receives regular progress reports and continues to express its satisfaction on its content and progress made. Providing these reports, in order to demonstrate progress, should ensure that TfL will not be fined for alleged breaches of the new data security standards.

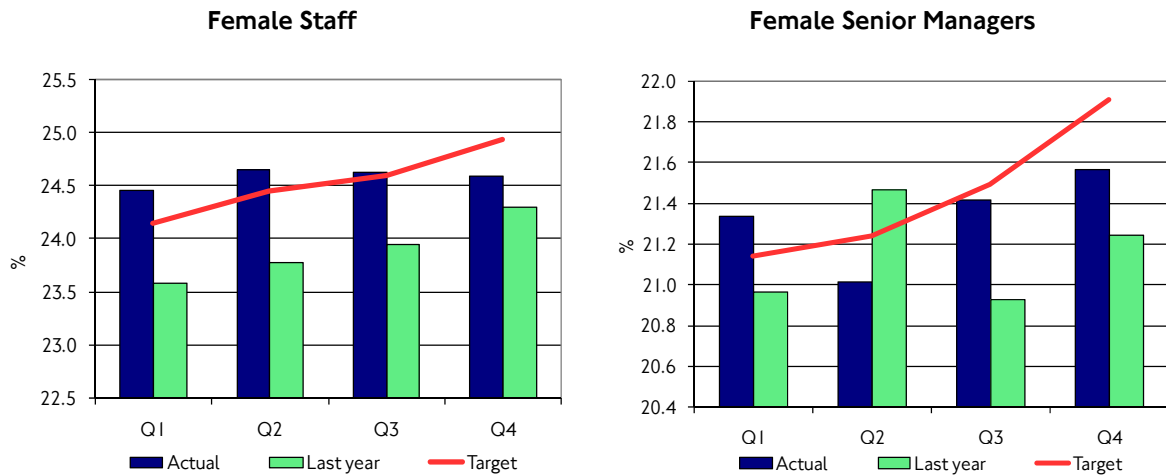
People



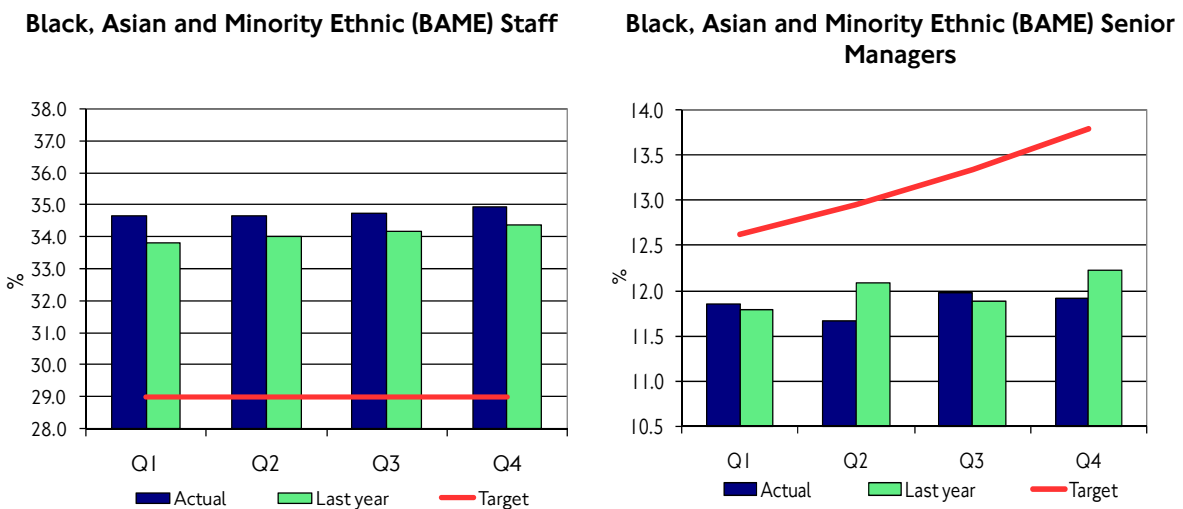
Please note that people performance information for Metronet and Crossrail is not included in the TfL group performance indicator graphs. Supplementary commentary relating to Metronet and Crossrail is provided where available.

- 10.0 Staff numbers:** TfL employed 21,435 full time equivalent (FTE) staff at year end, 595 FTE fewer than budget and 333 fewer than last quarter. London Underground had 14,331 FTE staff at the end of the year, 270 FTE fewer than budget. The net variance reflects a lower number of operational staff (163) due to a temporary hold on recruitment and 101 fewer PPP staff reflecting unfilled posts pending integration with Metronet. There were 4,323 FTE staff in Surface Transport at the end of 2008/09, 219 fewer than budget. This was mainly due to 211 fewer staff following the reorganisation of Congestion Charging, 44 fewer staff in Community Safety and Enforcement and 37 fewer graduates and HR staff due to unanticipated turnover and unfilled graduate vacancies from 2007 and 2008. These were partly offset by more staff in London Streets and Surface Strategy. London Rail had 259 FTE staff which exceeded budget by 21 FTE, including the Crossrail Sponsorship Team. There were 2,522 FTE staff in the Corporate Directorates at year end, 128 fewer than budget.
- 10.1 Temporary staff:** At the end of 2008/09, TfL had 1,284 temporary FTE staff and, of these, 527 had service exceeding 12 months. There were 515 temporary FTEs in London Underground at year end. This was 35 more than last year and 26 more than budget. In areas such as the PPP teams, temporary staff were retained instead of recruiting permanent staff pending integration with Metronet. There were 232 temporary staff with service in excess of 12 months, 9 fewer than target. There were 313 temporary FTEs in Surface Transport at year end. This was 278 fewer FTEs than last year but 36 more than budget. This was due to the delayed completion of the handover to permanent staff following Project Delta in London Streets and temporary staff required to implement the customer relationship system. There were 153 temporary staff with service in excess of 12 months, 22 more than target. At year end, there were 33 temporary FTEs in London Rail, which was 15 fewer than budget and 9 fewer than last year. The majority of these staff were employed on the East London Line projects. At year end, there were 423 temporary FTEs in the Corporate Directorates, 102 more than budget. Compared to budget, there were 105 more temporary staff in Finance working on projects in Group IM and 16 more in Marketing and Communications to meet higher demand in the customer call centres. There were 134 temporary FTE with more than 12 months service, 66 more than target, mainly in Group IM. This is due to delays in completing permanent recruitment but is expected to reduce significantly in quarter one 2009/10. The percentage of temporary staff in TfL has reduced to 6.0 per cent, which is 1.0 percentage point higher than target but 0.7 percentage points lower than last year.

10.2 **Sickness:** In 2008/09, TfL staff were absent for an average of 9.7 days per employee, 4.4 per cent better than the target of 10.2 days. Operational staff were absent for an average of 12.1 days per employee which was 3.1 per cent better than target. Non-operational staff were absent for an average of 6.2 days, which was 5.4 per cent better than target.

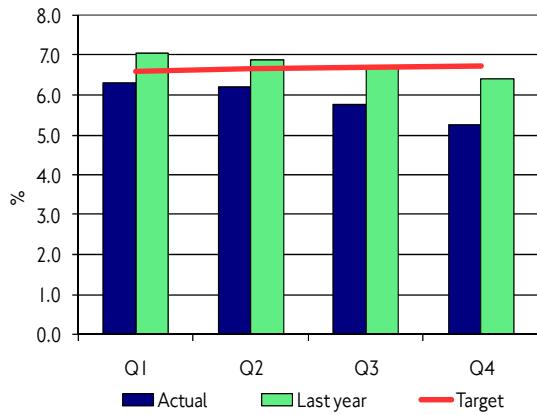


10.3 **Workforce composition:** At the end of 2008/09, the proportion of female staff in TfL was the same as the previous quarter at 24.6 per cent. This was 0.3 percentage points lower than target but 0.3 percentage points higher than last year. The percentage of women in senior management increased to 21.6 per cent this quarter. This was 0.3 percentage points lower than target but 0.4 percentage points higher than last year.

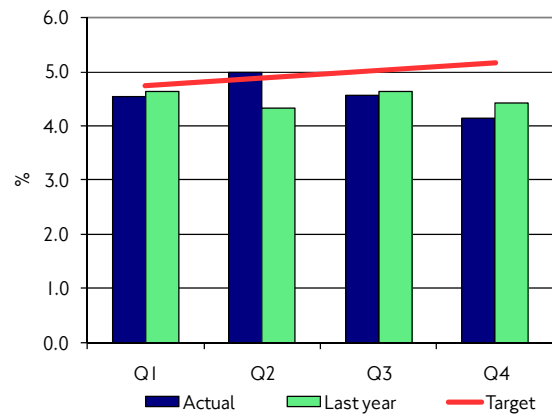


10.4 The percentage of TfL staff from BAME communities was 34.9 per cent at year end. This was 5.9 percentage points higher than the target and 0.5 percentage points higher than last year. The percentage of BAME staff in senior management remained at 11.9 per cent. This was 1.9 percentage points lower than target and 0.3 percentage points lower than last year. This was due to an increase in the Equality and Inclusion (E&I) survey sample size.

Disabled Staff



Disabled Senior Managers



- 10.5 At the end of 2008/09, 5.3 per cent of TfL staff were disabled. This was 1.4 percentage points lower than the target and 1.1 percentage point lower than last year. A decline of 0.2 percentage points was due to 27 fewer disabled staff than last year and a decline of 0.9 percentage points was due to the inclusion of 1,739 more non-disabled staff in the E&I survey.
- 10.6 The proportion of disabled staff in TfL’s senior management was 4.1 per cent. This was 1.1 percentage point lower than target and 0.3 percentage points lower than last year. There were 4 more disabled senior managers than at the same time last year, but these were offset by the inclusion of 136 more non-disabled senior managers in the E&I survey.
- 10.7 Of the employees who declared their sexual orientation, 1.1 per cent were lesbians, 4.5 per cent were gay men, 0.3 per cent were bisexual women, 0.7 per cent were bisexual men, 25.3 per cent were heterosexual women and 60.6 per cent were heterosexual men. The balance of employees preferred not to declare their sexual orientation.
- 10.8 Of the senior managers who declared their sexual orientation, 0.4 per cent were lesbians, 3.4 per cent were gay men, 18.9 per cent were heterosexual women and 66.3 per cent were heterosexual men. The balance of senior managers preferred not to declare their sexual orientation.

Annex One: Financial Summary

£ millions	Full Year				
	Actual	Budget	Variance	Forecast at Q3	Variance
Fares Income - LU, Buses and LR	(2,803)	(2,805)	2	(2,827)	24
Other Income	(1,374)	(1,417)	43	(1,357)	(17)
Total Income	(4,178)	(4,222)	44	(4,184)	7
Operating Expenditure <small>net of 3rd party contributions</small>	6,337	6,465	(128)	6,378	(41)
Net Operating Expenditure	2,159	2,244	(84)	2,193	(34)
Interest Income & Debt Payments	88	105	(18)	86	1
Contingency/Other Group Items	(10)	65	(75)	23	(34)
Total Group Items	78	170	(93)	110	(32)
Margin	2,237	2,414	(177)	2,303	(66)
Capital Income (including Property Sales)	(19)	(49)	30	(23)	4
Capital Expenditure	2,293	2,733	(440)	2,371	(78)
Reimbursements from third parties	(233)	(170)	(63)	(166)	(66)
Overprogramming (TfL Group)	-	(68)	68	-	-
Net Capital Expenditure	2,060	2,494	(434)	2,205	(145)
Net Service Expenditure	4,278	4,859	(581)	4,484	(206)
By Mode:					
London Underground	1,196	1,169	27	1,173	23
Surface Transport	1,285	1,351	(66)	1,275	9
London Rail	695	898	(203)	694	1
Metronet	469	464	5	466	3
Crossrail	144	405	(261)	344	(200)
Group Directorates	412	472	(60)	422	(10)
Overprogramming (TfL Group)	-	(68)	68	-	-
Group Items	78	170	(93)	110	(32)
Net Service Expenditure	4,278	4,859	(581)	4,484	(206)

Table may be subject to rounding errors

*Metronet figures are included in this report, for clarity, on an aggregated basis

Annex Two: Balance Sheet

Balance Sheet £m	Year to 31 March			Year to 31 March		
	Actual	Budget	Variance	Actual	Forecast at Q3	Variance
Fixed Assets						
Tangible Assets	18,448	19,433	985	18,448	18,859	411
Current Assets						
Stocks	37	18	(19)	37	20	(17)
Debtors	207	225	18	207	225	18
Capital Debtors	23	13	(10)	23	22	(1)
Payments in Advance	243	214	(29)	243	175	(68)
Cash at Bank and in Hand	2,022	1,618	(404)	2,022	2,027	5
Current Liabilities						
Revenue	(988)	(1,075)	(87)	(988)	(989)	(1)
Receipts in Advance	(265)	(242)	23	(265)	(275)	(10)
Capital	(489)	(541)	(52)	(489)	(639)	(150)
Long Term Liabilities						
Balances with Infracos	(1,639)	(1,651)	(12)	(1,639)	(1,639)	-
Creditors Due after One Year	(602)	(634)	(32)	(602)	(640)	(38)
Prudential Loans	(3,017)	(3,017)	-	(3,017)	(3,017)	-
Capital Grants	(8,170)	(7,837)	333	(8,170)	(8,126)	44
Other Provisions	(213)	(200)	13	(213)	(200)	13
Pension Provision	(607)	(607)	-	(607)	(607)	-
Total Net Assets	4,990	5,717	727	4,990	5,196	206
Capital and Reserves						
Earmarked Reserves	1,024	785	(239)	1,024	968	(56)
Pension Reserves	(607)	(607)	-	(607)	(607)	-
General Fund	162	162	-	162	162	-
Other Reserves	4,411	5,377	933	4,411	4,673	262
Total Capital Employed	4,990	5,717	727	4,990	5,196	206

Annex Three: Cash Summary

Cash Summary £m	Year to 31 March			Year to 31 March		
	Actual	Budget	Variance	Actual	Forecast	Variance
Net Revenue Expenditure	(2,237)	(2,414)	(177)	(2,237)	(2,303)	(66)
Working Capital Movements	143	169	26	143	117	(26)
Cash Spend on Operating Activities	(2,094)	(2,245)	(151)	(2,094)	(2,186)	(92)
Net Capital Expenditure	(2,274)	(2,615)	(341)	(2,274)	(2,192)	82
Working Capital Movements	72	229	157	72	154	84
Cash Spend on Capital Activities	(2,202)	(2,386)	(184)	(2,202)	(2,038)	164
Funded by:						
Transport Grant	3,103	3,097	(6)	3,103	3,103	-
Precept Funding	12	12	-	12	12	-
Prudential Borrowing	1,067	1,067	-	1,067	1,067	-
Third Party Contributions	233	170	(63)	233	166	(67)
Total Funding	4,415	4,346	(69)	4,415	4,348	(67)
Net Movement in Cash	119	(285)	(404)	119	124	5

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 £1 million above budget for the full year due to higher bus income offsetting lower Underground and DLR revenue. The full year level was £25 million lower than anticipated in the Q3 2008/09 forecast primarily as a result of lower than anticipated Underground revenue.
- Congestion Charging (CC) standard charge income was £12 million less than budget. This is due to fewer standard and higher rate fleet charges received coupled with fewer registrations due to lower than anticipated renewal volumes. Charge income volumes have reduced by some 10 per cent in the year compared to budget.
- Enforcement income for the full year was £53 million lower than budget, £3 million lower than forecast at Q3 2008/09. This was mainly due to a lower number and earlier payment of CC penalty charge notices (£16 million), lower than anticipated volumes of CCTV and bus lane enforcement (£28 million) and lower volumes and earlier payment of Traffic Warden penalty charge notices (£9 million).
- Bus contract payments for the full year were £13 million below budget. This mainly relates to the delayed introduction of the vehicle presentation element of the new Quality Incentive Contracts (£8 million), a reduction in contract price re-tenders (£8 million), increased mileage deductions as a result of bus operator strikes (£3 million), partly offset by higher performance payments than anticipated (£6 million).
- The full year PPP costs were £55 million higher than budget. This is due to additional expenditure through the PPP contracts which is funded from the London Underground risk budget and primarily relates to contractual claims including frustrated access, equipment and cable surveys, emergency help facilities, litter levels and annual usage.
- The full year PFI payments across TfL were £30 million below budget and £33 million below the level anticipated in the Q3 2008/09 forecast. This is mainly due to a reduction of £32 million in London Underground resulting from delayed Connect work associated with station modernisations and a reassessment of provision for contractual claims. Expenditure of £21 million was incurred on the London Wide Oyster Project funded from a specific budget within Other expenditure. This was partially offset by £3 million lower than expected variations for Oyster on London Buses, a £6 million rebate for the New Ticket Medium card and £3 million budget for London Rail British Transport Police expenditure reported under Premises.
- Employee expenses were £62 million higher than budget and £2 million above that anticipated in the Q3 forecast. The additional expenditure above budget relates primarily to £33 million in London Underground and £28 million in Surface Transport. The increase in London Underground includes £25 million for organisational change. London Underground operational staff costs were above budget by £12 million reflecting the impact of cancellation of Ticket Office closures and above establishment staffing levels, although unfilled vacancies in other areas provided some offset. The additional Surface Transport expenditure includes the Mayor's commitment for 440 additional PCSOs (£7 million) and a further 50 British Transport Police for enhanced policing on London Buses and strengthening of the TOCU cab enforcement unit. The additional PCSOs have been funded by reduced marketing expenditure across TfL. An additional £13 million relates to unbudgeted temporary staffing costs, partly due to the delay in employing permanent staff during the reorganisation of London Streets.
- Full year Premises expenditure was £6 million below budget. This is mainly due to the re-classification of the co-location of Surface Transport control rooms to capital expenditure.
- The full year expenditure for the Congestion Charging scheme and Other Road Contracted Services is £24 million below budget and this represents a £8 million reduction from that anticipated in the Q3 2008/09 forecast. The variance against budget includes £7 million savings on Congestion Charging and rephasing of £16 million on walking and cycling schemes.
- Asset Maintenance expenditure was £3 million above budget for the full year, primarily due to additional DLR infrastructure maintenance.

- Payments to Boroughs for the full year were £2 million below budget. This was primarily due the acceleration of £8 million of Borough work schedules in Surface Transport offset by the rephasing of £14 million of expenditure into future years in Group Planning.
- Professional Fees and Management Consultancy Costs were £9 million higher than budget but £7 million lower than forecast for the full year. The budget variance is mainly due to additional expenditure of £7 million in London Underground in respect of PFI claims, Tube Lines periodic review and Metronet Administration, although costs were £8 million lower than anticipated in the forecast.
- Engineering, Project Management and Other Technical Consultancy expenditure associated with project development was £43 million lower than budget and £9 million less than anticipated in the Q3 2008/09 forecast for the full year. This variance against budget relates to £12 million of Overground station works rephased into future years. The decision not to proceed with the development of major projects resulted in a £4 million saving. There is a further reduction of £4 million in expenditure on Congestion Charging camera maintenance, and £5 million of savings for the discontinued Oxford Street Tram. There was also a £3 million variance for the Bounds Green and Brixton Central Square projects in London Streets which are now accounted for as capital expenditure. The balance primarily relates to a reduction in the level of IM projects of £6 million, rephasing of the Future Ticketing Project expenditure of £6 million and expenditure of £5 million originally anticipated within Engineering, Project Management and Other Technical Consultancy but actually incurred within Information and Communication Technology
- The full year Customer Information expenditure, including other advertising and marketing, was £18 million lower than budget and £5 million below forecast. This principally relates to savings identified to fund the Mayor's commitment for additional PCSOs (£9 million) and rephased expenditure relating to the delivery of Mayor's Transport Strategy to 2009/10 (£3 million).
- Bad Debt Provisions were £23 million lower than budget, in line with the level forecast at Q3 2008/09. This is mainly due to lower Congestion Charging volumes, improved compliance resulting in lower traffic enforcement revenue within Surface Transport and better recovery rates.
- Information and Communication Technology expenditure was £15 million above budget and £16 million higher than anticipated in the forecast. This includes £5m of expenditure budgeted as Consultancy, additional implementation costs of the TfL Real Estate system (£3 million), additional project governance and system set up in relation to the Future Ticketing Project (£4 million) as well as expenditure on the IM Strategic Investment Programme rephased into the following year resulting in £7 million lower expenditure and £3 million lower savings.
- Other expenses were £92 million below budget in the full year. This is due in part to items budgeted in Other with actual expenditure recorded elsewhere. London Underground risk expenditure of £53 million was incurred principally within PPP Payments, but the budget is held within other expenses. London Wide Oyster expenditure of £21 million was incurred within PFI payments, against the budgets of £37 million held under Other expenses. The London Wide Oyster underspend results from protracted negotiations with the TOCs delaying the scheme.

£m	Full Year				
	Actual	Budget	Variance	Forecast at Q3	Variance
Operating Income					
Ticket Revenues	(2,810)	(2,809)	(1)	(2,835)	25
Metronet	(760)	(763)	3	(760)	-
Congestion Charging	(189)	(201)	12	(186)	(2)
Enforcement Income	(182)	(235)	53	(185)	3
PCO, VCS Fees	(34)	(35)	1	(34)	-
Advertising Income	(82)	(85)	3	(79)	(2)
Rental Income	(57)	(55)	(2)	(57)	-
Other Income	(54)	(40)	(14)	(47)	(6)
	(4,178)	(4,222)	44	(4,184)	7
Operating Expenditure					
Bus Contract Payments	1,579	1,592	(13)	1,575	4
PPP Payments	1,322	1,267	55	1,291	31
Metronet	574	583	(10)	597	(24)
PFI Payments	278	308	(30)	311	(33)
Employee Expenses	1,332	1,271	62	1,331	2
Premises	173	179	(6)	177	(4)
CCS & Other Road Contracted Services	91	115	(24)	99	(8)
Asset Maintenance	139	136	3	131	8
Payments to Boroughs	195	196	(2)	187	8
Professional Fees and Management Consultancy	88	79	9	96	(7)
Engineering Project Mgt and other technical consultancy	61	105	(43)	71	(9)
Ticket Commissions	36	45	(9)	37	(1)
Customer Information	51	69	(18)	56	(5)
Insurance	30	33	(3)	32	(2)
Bad Debt Provisions	80	102	(23)	80	-
Information and communication technology	105	90	15	88	16
Traction Current	69	66	2	69	-
National Rail Payments	8	8	-	8	-
Franchise Payment	178	180	(3)	176	2
Other	(51)	41	(92)	(33)	(18)
	6,337	6,465	(128)	6,378	(41)
Net Operating Expenditure	2,159	2,244	(84)	2,193	(34)

Table may be subject to rounding errors

Annex Five: Fares Income and Congestion Charging

2007/08 Full Year Actual	Fares Income £m	Full Year				
		Actual	Budget	Variance	Forecast at P9	Variance
(1,524)	Underground fares income	(1,613)	(1,621)	8	(1,636)	23
(1,053)	Bus Network fares income	(1,074)	(1,064)	(10)	(1,075)	1
(63)	DLR fares income	(64)	(68)	4	(65)	1
(15)	Overground fares Income	(39)	(38)	(1)	(38)	(1)
n/a	Trams fares income	(13)	(14)	1	(14)	0
(2,655)	Total Fares Income	(2,803)	(2,805)	2	(2,827)	24

- London Underground fares income was £8 million (0.5 per cent) lower than budget in the full year. Passengers made 2.7 per cent fewer journeys than target and £3 million of income was lost due to heavy snow at the beginning of February. These factors were partly offset by a higher yield per passenger journey because of a higher RPI linked fares increase in January 2009 than had been budgeted.
- On a ticket type basis, there was considerable change during the year. Ordinary ticket revenue and off-peak Travelcards fell by over 15 per cent and 7 per cent respectively compared to their previous year figures. At the same time, Oyster PAYG grew by 22 per cent, although this is significantly less than the previous year's growth (40 per cent). Period Travelcards and Peak Travelcards revenue were both virtually the same as last year but taking into account fares increases they showed a decline in real terms.
- London Underground fares income was £23 million lower than forecast. Compared with 2007/08 full year revenue increased by £89 million (5.9 per cent). However after allowing for fares increases there was a real terms year on year reduction in periods 10 to 13.
- Bus fares income was £10 million or 0.9 per cent higher than budget. Passengers made 0.6 per cent more journeys than target in the full year so average income per journey was higher than target. The RPI linked fares increase in January 2009 was higher than budgeted for. Higher than budget cash and bus pass income was partly offset by lower travelcard income and a repayment under the National Concessionary Scheme. Payments under the scheme are determined by passenger numbers which were lower than expected. The switch from travelcards to bus passes was due to the increased price differential.
- DLR fares income was £4 million (5.9 per cent) lower than budget in the full year due to 5.1 million (7.1 per cent) fewer passenger journeys.

2007/08 Full Year Actual	Congestion Charging £m	Full Year				
		Actual	Budget	Variance	Forecast at P9	Variance
(194)	Standard fee income	(189)	(201)	12	(186)	(2)
(134)	Enforcement income	(137)	(153)	16	(134)	(3)
62	Bad debt provision	60	71	(11)	57	2
99	Operations and support costs	79	89	(10)	79	-
(168)	Total Congestion Charging Net Operations Income	(187)	(194)	7	(184)	(3)

- Standard fee income was lower than budget for the year due to lower charge volumes, partly offset by a release of deferred income.
- Enforcement income was lower than budget for the year due to a lower volume of PCNs, which customers settled earlier in the charging cycle when the penalties were discounted.
- The provision for bad debts was lower for the year due to a drop in enforcement income.
- Operations and support costs were £10 million lower than budget for the year. This is largely due to emissions related charging public information and change costs that are no longer required following the decision to halt plans for emissions charging. The variance is also due to savings made on customer information within Congestion Charging.