

TRANSPORT FOR LONDON

BOARD

SUBJECT: TfL FIVE YEAR INVESTMENT PROGRAMME REPORT

MEETING DATE: 28 SEPTEMBER 2005

1 PURPOSE

- 1.1 To inform the Board on the performance of the Investment Programme in the first quarter of 2005/06. This first TfL 5 year Investment Programme will continue until 2009/10 and this report will be published quarterly. This is the first Investment Programme performance report.

2 KEY HIGHLIGHTS

- 2.1 The £10bn Investment Programme is the cornerstone of TfL's work to upgrade London's transport system in order to support the growth and prosperity of London.
- 2.2 The principal highlights arising over the first quarter of 2005/06 are as follows:
- TfL has established a programme oversight function for the effective delivery of the Investment Programme. An interim head of Oversight was appointed in May 2005 to establish a permanent TfL Oversight group to facilitate the risk management process.
 - Rigorous and challenging management of capital projects has meant that milestones have been met on a number of projects, including the East London Line extension, DLR 3-car upgrade, the beginning of construction work on the DLR extension to Woolwich and the refurbishment of London Underground escalators and renewal of track. However, though progress has been made, the effective delivery of the PPP is still a concern.
 - The VOWD (Value of Work Done) in the first quarter at £129m was £54m below budget, but it was always appreciated that there would be delays in this aggressive programme. Hence a central overprogramming provision was made of £140m for the year.
 - Across TfL, numerous projects including Camden Town, Bus Garages and A406 Hanger Lane have been subject to delays in receiving planning approval. If not mitigated, this has the potential to severely delay the effective delivery of the investment programme.
 - Challenges remain, not least with the PPP and ensuring that project management is strengthened to enable delivery of the full programme of capital works.

3 BASELINE

- 3.1 The Baseline is the Investment Programme published in 2004 against which TfL will continue to compare and monitor performance. In subsequent years TfL will also be required to monitor against the latest update which will be published following the most recent Business Plan.
- 3.2 The Baseline consists of a separate directly managed capital budget for investment on transport infrastructure and a capital budget for further capital investment that is delivered indirectly through payments made to Boroughs, PPP, PFI and bus contracts.
- 3.3 The Baseline represents the gross value of work to be done (VOWD) to deliver the Investment Programme. For the purpose of performance this includes items of PFI/PPP spend plus payments made to operators and boroughs for work which is of a capital nature. The table below sets out the Baseline VOWD by Mode as set in last year's Business Plan.

Baseline Plan Value of Work Done VOWD (£m)	2005/06	2006/07	2007/08	2008/09	2009/10	Total
London Underground	1,063	1,051	1,124	1,076	1,139	5,453
Surface Transport	558	520	545	486	448	2,557
London Rail	101	198	337	437	237	1,310
Group Directorates	221	155	171	132	133	812
Group	1,943	1,924	2,177	2,131	1,957	10,132

- 3.4 Following the ground breaking SR2004/05 year settlement announced in July 2004, TfL produced a balanced 5 year Business Plan agreed by the Board. Prior to the start of the current financial year in April actions already achieved include the Bond issue in December 2004.
- 3.5 Surface Transport has implemented a new management control process called Spearmint to enhance control over project expenditure approvals. London Underground are refining the use of "earned-value". This will allow them to assess project progress more accurately. The plan includes an aggressive programme where achievement is dependent on TfL's ability to recruit and maintain world class Project Management capability.

4 DELIVERY

- 4.1 TfL has established a programme oversight function to assure the effective delivery of the Investment Programme. An Interim Head of Oversight was appointed in May 2005 to establish a permanent TfL Oversight Group. The Oversight Group will support the risk management process and will facilitate regular progress reporting. It will also assist the modes in adopting best practice. This will include carrying out independent reviews of high priority projects and programmes on a periodic basis.
- 4.2 A summary of delivery for projects over the first quarter is provided in **Annex 3**.

London Underground

- 4.3 Within the PPP we are only showing indicative progress against schedule until the reporting position is finalised with the Infraco's. Progress on track and station renewal works by the Infracos remains behind schedule. Track renewal works were some 3% short of the revised plan over the first two years. Metronet (BCV and SSL) have failed to complete any station enhancements to date, with projects currently between 19 to 36 weeks delayed. There has been significant work with the Infracos in the development of their Annual Asset Management Plans (AAMPS) in order to develop more robust and clear programmes of work which means that the approval of their plans has been delayed to the second quarter.
- 4.4 In regards to London Underground station works, the TWA application for Camden Town station upgrade was refused approval and while final design for the phase 2 CTRL works at Kings Cross is on-going, a lack of DfT funding approval has delayed implementation. Station capacity and access enhancement works at Wembley Park are progressing well.
- 4.5 Jubilee and Northern Line Connect Enabling Works were transferred from Citylink to Tube Lines to ensure completion of works. The remaining Connect enabling works are nearing 90% completion. Discussions are underway to accelerate and re-phase the delivery of Connect and other communications and security related projects.

Surface Transport

- 4.6 Works on Bus Garages have been subject to numerous delays due to difficulties in securing planning permissions at Hanworth Road and North Acton. Planning delays are also being experienced at Hanger Lane/Western Bridges.
- 4.7 The Congestion Charging Western Extension project has been delayed compared to the baseline plan. However, overall the three Programmes (WEZ Traffic & Technology, WEZ Setup Costs and Trials) remain on schedule for the revised go-live date.

London Rail

- 4.8 An additional £45m has been awarded to acquire 24 vehicles for the Woolwich/3 car railcars project. Commissioning of the London City Airport extension is progressing with line trials commencing in mid-August. The Stratford International DLR Extension Transport and Works Act (TWA) order application was submitted on 31 August 2005. The project remains 6 months behind schedule largely due to the amount of time taken to reach agreement with Network Rail on the upgrade of platforms at Stratford. Construction of the Woolwich Arsenal extension is forecast to commence later this year which is ahead of schedule.

Group Directorates

- 4.9 TfL's proposal to further integrate Oyster pre-pay on the National Rail Network has been subject to continuing negotiations with Train Operating Companies (TOC's)

and DfT. The work is not on schedule and implementation in 2007 is no longer achievable.

- 4.10 Thames Gateway Bridge submission of Proofs of Evidence to the Public Inquiry completed on schedule on 10 May. The Public Inquiry commenced 7 June and is a two stage process. The impact of the split process is being reviewed but it is likely to add 6 months to the project programme. The delay is expected to result in a £2m underspend for the year.

5 FINANCIAL POSITION

VOWD £'millions	Year to Date		Full Year	
	Outturn	Variance to Budget	Forecast	Variance to Budget
London Underground	79	(20)	348	(10)
Surface Transport	40	(14)	355	(83)
London Rail	8	(11)	98	4
Group Directorates	2	(9)	74	(36)
Gross Capital Expenditure	129	(54)	875	(125)
Capital receipts/reimbursements	(29)	14	(150)	35
Property sales	(5)	0	(12)	0
Overprogramming (capital)	0	36	(32)	108
Net Capital Expenditure	95	(4)	681	18

- 5.1 The VOWD in the first quarter at £129m was £54m below budget, but it was always appreciated that there would be delays in this aggressive programme. Hence a central overprogramming provision was made. After capital receipts, reimbursements and overprogramming, net capital expenditure was £4m below budget. TfL's own directly managed projects net capital expenditure forecast a marginal overspend of £18m for the full year.
- 5.2 A detailed modal breakdown of capital expenditure is provided in **Annex 1**.

London Underground

- 5.3 Gross underspend within London Underground's own managed works of £20m included a £5m under-spend for reimbursable CTRL works at Kings Cross, reflecting delays to phase 2 pending resolution of funding issues.
- 5.4 Despite the current under-spend position, London Underground forecasts to be broadly on budget by the end of the year after taking into account the overprogramming provision. This is as a result of expenditure being brought forward from 2006/07 including Tunnel Cooling.

Surface Transport

- 5.5 Expenditure for the year to date of £40m is £14m below budget. This result reflects under-spend of £8m on capital renewal works on the TLRN largely due to delays in awarding the contract for Hanger Lane/Western Bridges and a change to the

spend profile on Fore Street Tunnel as a result of the need to co-ordinate the works with the Highways Agency's safety improvement to the M25 tunnels. Also an under-spend of £3m on the Western Extension Congestion Charging project as a result of the timing of the decision making and consultation process. This was partially offset by a £3m before time spend against new Bus Radio / Countdown / AVL project (new title iBus) due to the revised payment profile which now aligns to achievement of project milestones.

- 5.6 Full year capital forecast indicates that Surface Transport will underspend by some £83m against its budget.

London Rail

- 5.7 London Rail capital expenditure is £11m below budget. A one off issue which is causing some delays to Woolwich Arsenal Extension is land acquisition. However, as land transfer is now underway and construction is expected in early 2006, it should not delay the planned completion date. The DLR Stratford International TWA order application is currently expected in August 2005, 6 months later than expected, due to delays in reaching agreement with Network Rail over the takeover of North London Line.

6 STAFF

- 6.1 The right quantity and quality of staff must be recruited as projects progress to implementation to meet the demands of the Investment Programme. A People Capability Steering Group, consisting of representatives from the modes and TfL Group will oversee and monitor the progress of all resourcing channels. This Group will report in to the Project Programme Management Capability Review Group, and will also work closely with the Human Resources.
- 6.2 Current Investment Programme resource requirements identify 63 positions within London Underground, DLR and Group Directorates. The forecast (which is currently being refined) is for approximately 500 positions before the 5 Year Programme is completed. To deliver this TfL are actively recruiting both nationally and internationally.
- 6.3 The proposed workforce planning initiative will require that all Project staff be assigned to specific Investment Programme projects. The current estimated total percentage of staff assigned to Investment Programme projects is 20% (3,827 FTE out of a total of 19,429 FTE). This is currently under review and subject to change. Surface and Rail are also forecasting an increase in the percentage of staff working on Investment Programme projects.

7 PROCUREMENT AND EFFICIENCY

- 7.1 The procurement of Investment Programme contracts, goods and services will become an area which will provide an opportunity to find savings. This will allow procurement to demonstrate their contribution to the efficient delivery of major projects.

7.2 Highlights to date include:

- The Value Engineering exercise on the Westminster Bridge Facia Replacement project is expected to save £11.8m (25%) whilst maintaining safety, quality and environmental standards.
- On A40 Bridge Works, following tender discussions and a revised method statement for construction, savings are estimated to be £12.1m (15%) against the 2002 project baseline.
- On DLR Woolwich Extension, by altering the financing arrangements upon completion and acceptance of works, the cost of financing the project reduced by £5m (2%) against the baseline.
- Savings were also made on the procurement of 24 additional DLR railcars following the use of a finance leasing structure and change in payment streams resulting in a £5m (10%) saving.

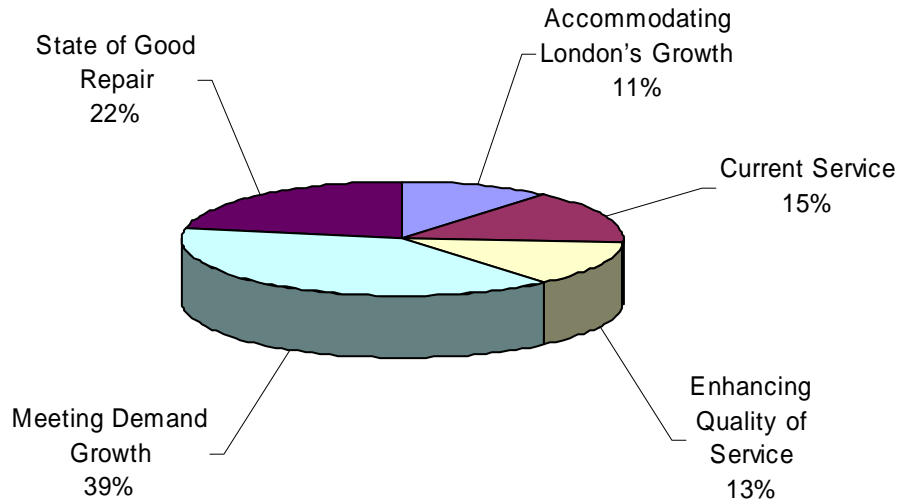
ANNEX 1: Modal Summary of Capital Expenditure

£'m	Year to Date		Full Year		
	Actual	Variance to Budget	Forecast	Budget	Variance to Budget
London Underground					
Capital expenditure	79	(20)	348	358	(10)
Capital receipts/reimbursements	(24)	5	(108)	(124)	16
Property sales	(5)	0	(12)	(12)	0
Net Capital Expenditure	50	(15)	228	222	6
Surface Transport					
Capital expenditure	40	(14)	355	438	(83)
Capital receipts/reimbursements	(2)	(0)	(13)	(12)	(1)
Net Capital Expenditure	38	(14)	342	426	(84)
London Rail					
Capital expenditure	8	(11)	98	94	4
Capital receipts/reimbursements	(2)	(1)	(2)	(0)	(2)
Net Capital Expenditure	6	(12)	96	94	2
Group Directorates					
Capital expenditure	2	(9)	74	110	(36)
Capital receipts/reimbursements	(1)	10	(27)	(49)	22
Net Capital Expenditure	1	1	47	61	(14)
Total					
Capital expenditure	129	(54)	875	1,000	(125)
Capital receipts/reimbursements	(29)	14	(150)	(185)	35
Property sales	(5)	0	(12)	(12)	0
Overprogramming (capital)	0	36	(32)	(140)	108
Total Net Capital Expenditure	95	(4)	681	663	18

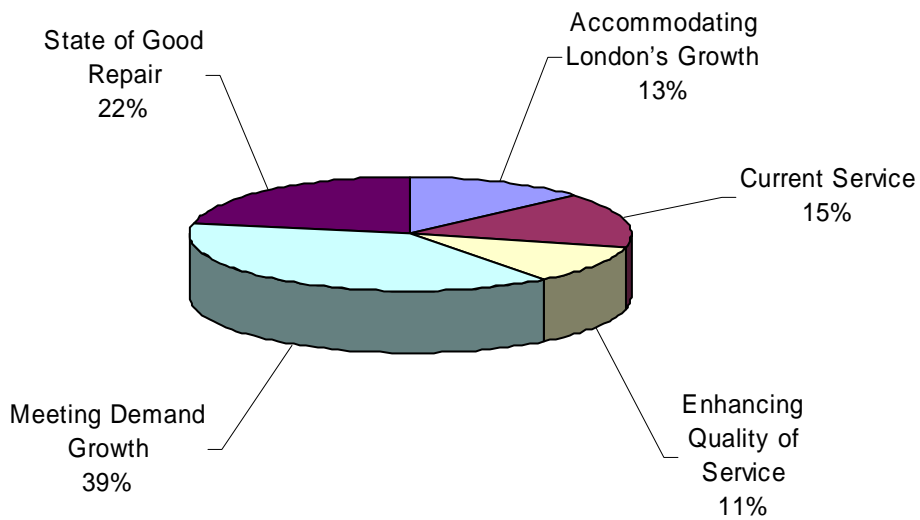
() variance is an underspend against budget for capital expenditure but not for capital receipts/reimbursements

ANNEX 2: MOVEMENT IN INVESTMENT PROGRAMME OBJECTIVES

Graph 1: Baseline



Graph 2: Current Position



ANNEX 3: Summary of Delivery

London Underground delivery

Project ID	Name	Delivery	Delivery Date
LU-PR01	Track	Infraco performance - 5.5km of track renewed against Annual Asset Plan of 6.5km in Quarter 1	Jun-05
LU-PR03	Rolling Stock D Stock Refurbishment (Specified Right):	First 2 refurbished trains entered into service.	Jun-05
LU-PJ04	Jubilee Line Works Implementation of 7th Car and Tidal Flow:	First new 6 car train delivered for dynamic testing.	Jun-05
LU-PR09	PPP-Stations - Modernisation & Refurbishment	Tube Lines delivered seven of nine stations due by 31/03/05 . Subsequently Tufnell Park and Kennington, plus, Sudbury Town, (practical completion) were delivered in the first quarter.	Jun-05
LU-PR09	PPP-Stations - Modernisation & Refurbishment	Tube Lines completed the refurbishment of the two lift cars at Stratford and also undertook improvements and modifications to the lifts at Hampstead and Covent Garden stations.	Jun-05
LU-PR09	PPP-Stations - Modernisation & Refurbishment	A total of 47 escalator refurbishments or replacements had been completed under the PPP by 31/03/05 and a further 4 machines were completed in the first quarter.	Jun-05

Surface Transport delivery

Project ID	Name	Delivery	Delivery Date
ST-PJ011	Westminster Bridge	Value Engineering exercise carried out	Apr-05
ST-PR06	Radio/AVL/Countdown & Ticketing: Now iBus	Contract Awarded . This is 10 year capital and operational contract awarded to Siemens.	May-05

London Rail delivery

Project ID	Name	Delivery	Delivery Date
LR-PJ004	DLR Woolwich/3 Car Railcars	Contract signed for supply of 24 new railcars with an option for a further 9.	Apr-05
LR-PF006	DLR Railcar Refurbishment project	15 cars delivered into passenger service making a total of 38 out of 94 being refurbished.	Jun-05
LR-PJ007	Stratford Regional Station	The contract was signed with construction due to commence	Jul-05
LR-PJ009	The Woolwich Arsenal extension	Concession awarded , with construction work due to commence later in the year.	May-05
LR-PJ001	East London Line Extension	The Programme Manager was appointed . Second stage enabling works commenced.	Jun-05

Group Directorates delivery

Project ID	Name	Delivery	Delivery Date
FP-PJ010	Thames Gateway Bridge	First stage of the Public Inquiry completed including submission of Proof of Evidence.	July-05
FP- PJ008	East London Transit	Phase 3 Invitations to Tender were issued for engineering feasibility study	Jun-05
FP-PJ001	Finsbury Park	Phase 4a - completion	Jul-05