

# TRANSPORT FOR LONDON

## STAFF SUMMARY

### BOARD

**SUBJECT: TfL OPERATIONAL AND FINANCIAL REPORT – 1st QUARTER**

**MEETING DATE: 20 September 2006**

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#### **1. PURPOSE**

- 1.1 To inform the Board of TfL's financial position and highlight related performance issues arising during the first quarter of 2006/07 (01 April 2006 to 24 June 2006).

#### **2. KEY HIGHLIGHTS**

- 2.1 The key highlights and performance issues arising over the first quarter of 2006/07 were as follows:

- Overall passenger demand across the network continues to strengthen year on year, after taking into account the timing of Easter this year, although at a slower rate from that in previous years and that targeted. Over the past quarter lower than budgeted passenger numbers predominantly reflected lower than anticipated growth relating to the under 16 free travel new initiative on the bus network, although demand on the Underground and on the DLR were also slightly lower than target. However, demand on Croydon Tramlink and London River Services continued to be stronger than target.
- The use of Oyster PAYG continues to rise on Buses and on the Underground with journeys often exceeding 1.2m trips a day on week days. At the end of quarter 1 Oyster single fares represented around 17% of all journeys on the Underground and 10% of all journeys on Buses.
- Service provision and reliability this quarter was slightly below targeted levels but was in line with performance for the same quarter a year ago. The hot weather experienced during May and June caused disruption to several Underground lines due to speed restrictions caused by Metronet SSL's failure to stress rails. However, reliability continues to be good on the bus network reflecting the on-going expansion of Quality Incentive Contracts.
- London Underground's attendance rates in both trains and stations have continued to improve upon last year. Train staff attendance in particular remains well above the level seen through most of last year. This mainly reflects a decrease in long-term sickness which has consistently improved in the first quarter.
- London's 100<sup>th</sup> night bus route started operation on Saturday 3 June. Route 281 operates a 24-hour service between Hounslow and Tolworth.
- Following the achievement of a 100% low-floor enabled bus fleet at the end of 2005, focus has now moved to ensuring that ramps are operating effectively. A fleet-wide wheelchair ramp audit was undertaken during July 2006 and inspected

2,099 vehicles. This audit identified eight vehicles with non-operating ramps, a failure rate of 0.38% which is the best result since these fleet-wide audits began in 2001.

- Pay Next Day (PND) for the Congestion Charging Scheme was successfully launched on 19 June and was received positively by both customers and the press. It is estimated that Penalty Charge Notice (PCN) issue rates will be down by around 17% following its introduction.
- DLR started a new franchise with Serco Docklands on 28 May. Early feedback suggests that the increased presence of additional service and new travel safe officers is registering positively with passengers.
- As London Underground had exceeded its target energy savings in station consumption for 2005/06, the target for 2006/07 was increased to 22.5%. At the end of the first quarter 25.2% energy savings were achieved.

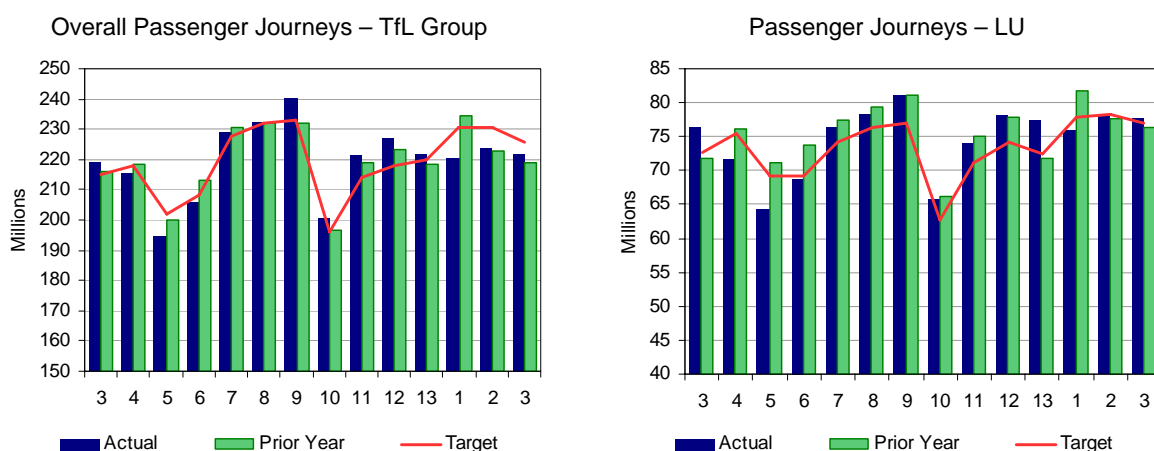
2.2 A summary of TfL's performance over the quarter against key indicators is provided in **Annex 1**.

### 3. SERVICE DEMAND

#### Passenger journeys

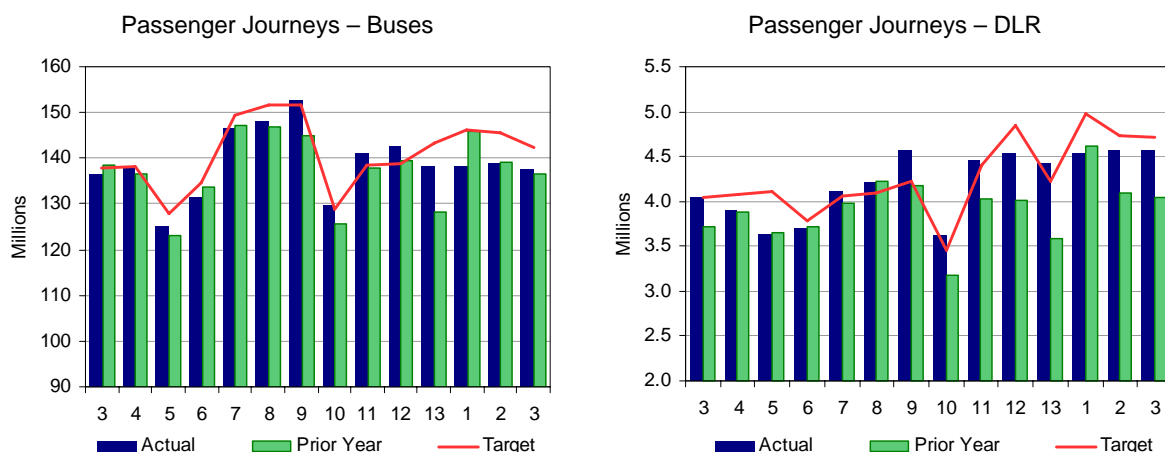
3.1 Overall passenger journeys at the end of the first quarter at 666m were 21m (or 3%) lower than target. While this mainly reflects lower passenger numbers on the bus network, journeys on the Underground and the DLR were also slightly below targeted levels.

3.2 A comparison of passenger demand to the same quarter last year requires adjustments to be made due to the timing of Easter, typically a period of lower demand, and a differing number of days in period 1. It has been estimated that the timing of Easter alone accounts for a 4-5% decrease in demand in period 1 alone. Therefore, while passenger numbers are some 10m lower than the same period last year, on a comparable basis this would indicate that demand remains steady with some growth still apparent.



3.3 Passenger numbers on the Underground this quarter at 232m was down 1.2m (or 0.5%) against target, following the stronger than anticipated journey numbers seen last quarter. Passenger journeys were down 9.8m compared to the same quarter last

year, due primarily to the effects of Easter as noted above. For the full year, demand is forecast to be 10m higher than target at 990m.



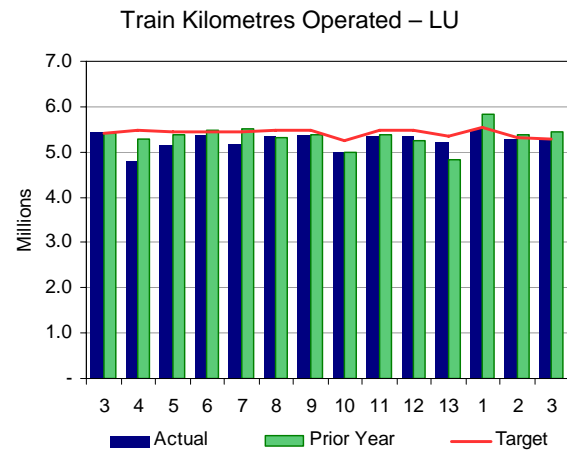
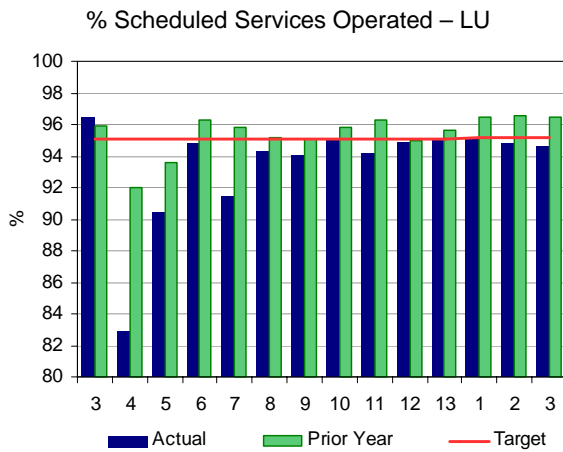
- 3.4 The lower number of passenger journeys on the bus network this quarter, down 19m (or 4.5%) against target which reflects slightly lower than anticipated level of free journeys by under 16s. Accordingly, the full year forecast has been reduced marginally by 21m to 1,855m. Despite this, growth in passenger numbers on the bus network is expected to continue, albeit at a reduced rate to that seen over the past 5 years, with the extension of free travel to passengers under 18 (in full time education) and modest growth from external economic factor leading to increasing demand.
- 3.5 There were 13.7m journeys on the DLR during the first quarter, 7.3% up on the same quarter last year primarily due to the effect of the opening of the London City airport extension, but 0.8m (or 5.2%) lower than target.
- 3.6 Levels of cycling over the first quarter remain strong, up 3% against target. A strategy for monitoring pedestrians is being developed, identifying different types of factors for increasing levels of walking and areas for monitoring.

### Fares trends

- 3.7 Following the introduction of the January fare revisions, Oyster Pay As You Go is continuing to increase and journeys now often exceed 1.2 million trips a day on week days. Over 20,000 new customers continue to move over to Pay As You Go each week. Peak Travelcard sales are holding steady whereas products used predominantly by discretionary users (One & Three Day Off-Peak Travelcards) have shown a slow decline. For Travelcard Seasons, weekly tickets have shown some notable growth over recent weeks, and monthly tickets have seen a small decline.
- 3.8 On the Underground, Oyster single fares now comprise 17.3% of all journeys, with cash single fares moving down towards 6.2%. On buses, Oyster single fares are now 10.6% of all journeys. Cash fares paid on-bus comprise just over 5.5% of all journeys.

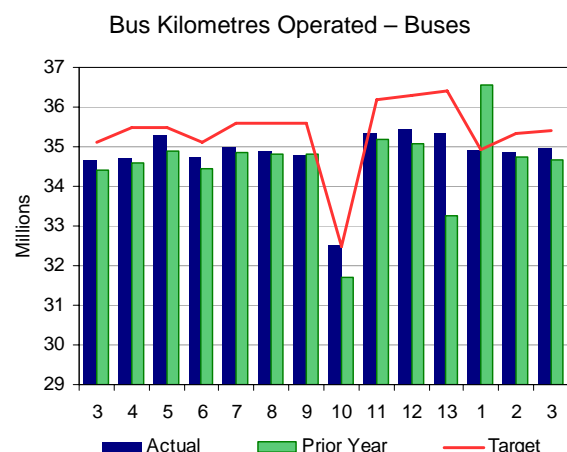
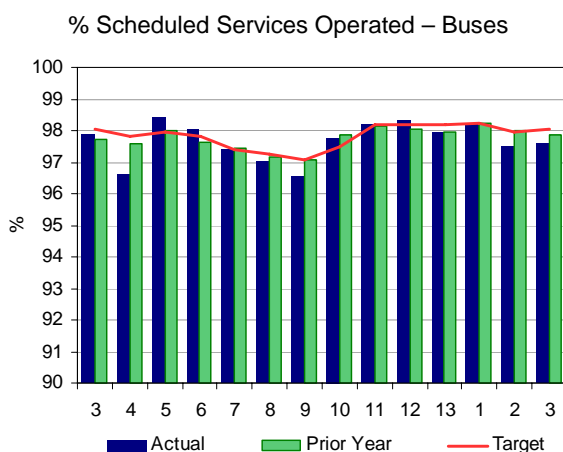
## 4. SERVICE PROVISION

- 4.1 Overall, levels of service provision this quarter were marginally below targeted levels.



4.2 On the Underground the percentage of scheduled services operated at 94.9% was 0.3% lower than target for the quarter and 1.6% below the strong performance achieved over the same quarter of 2005/06. Nevertheless targeted train kilometres operated was maintained. The 97.4% of trains operated in peak hours was 0.7% better than target.

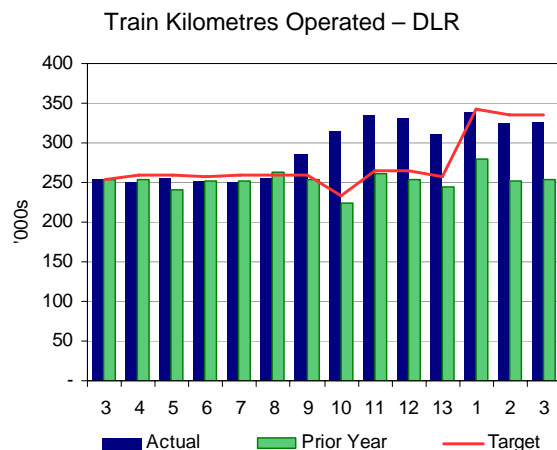
4.3 Performance over the quarter was impacted by the failure of Metronet to stress rails ahead of hot weather which led to the imposition of speed restrictions on some open sections of the District, Metropolitan, Circle and Hammersmith and Piccadilly lines. The Circle & Hammersmith and Metropolitan lines suffered further disruption due to out of gauge track and signal track circuit failures following weekend engineering works between Kings Cross and Farringdon. For the second successive quarter the Central Line was the best performing major line, operating 98% of its schedule despite two suspensions of service caused by a stalled train at Bank and an escaped prisoner in the tunnel at Marble Arch. The Northern line remains the poorest performing line, with signal failures, defective trains and derailment of an empty train at Archway causing service losses during the quarter.



4.4 Service provision on the Bus network was slightly down on targeted levels over the quarter. Scheduled services operated at 97.8% was down 0.3% against target, meaning the 104.8m kilometres operated were down 0.9m against target and down 1.2m compared with the same quarter last year.

4.5 The proportion of Bus kilometres lost due to staff shortages continued at an extremely low level this quarter. Losses due to traffic delays were up compared with a year ago, due to a high level of particularly disruptive road closures following road

accidents and other incidents. These included closure of the Rotherhithe Tunnel for emergency gas main repairs in May, and heavy rain on 13 June leading to localised flooding in many areas.

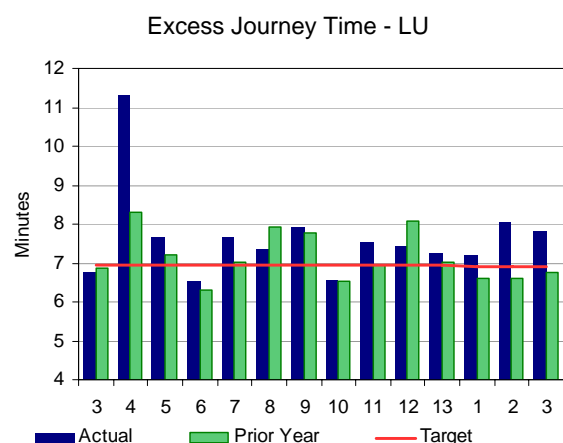
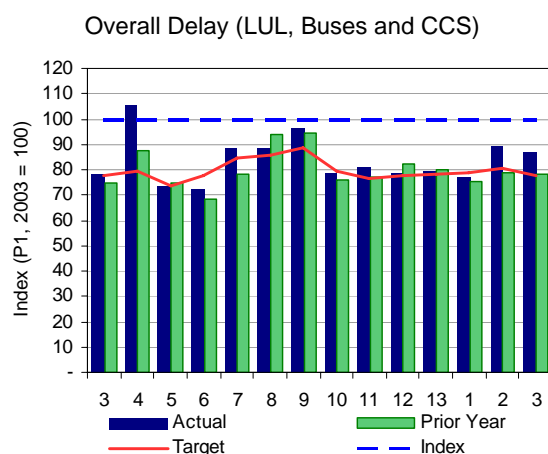


4.6 Scheduled services operated on the DLR at 99.0% were slightly better than target. Kilometres operated were 27% higher than the same quarter last year, however this is below budget by 2%.

4.7 The pilot scheme for marshalled taxi rank at Cranbourn Street has been made permanent and pilot schemes continue in Bromley and Kingston with a new pilot scheme started at Liverpool Street Station.

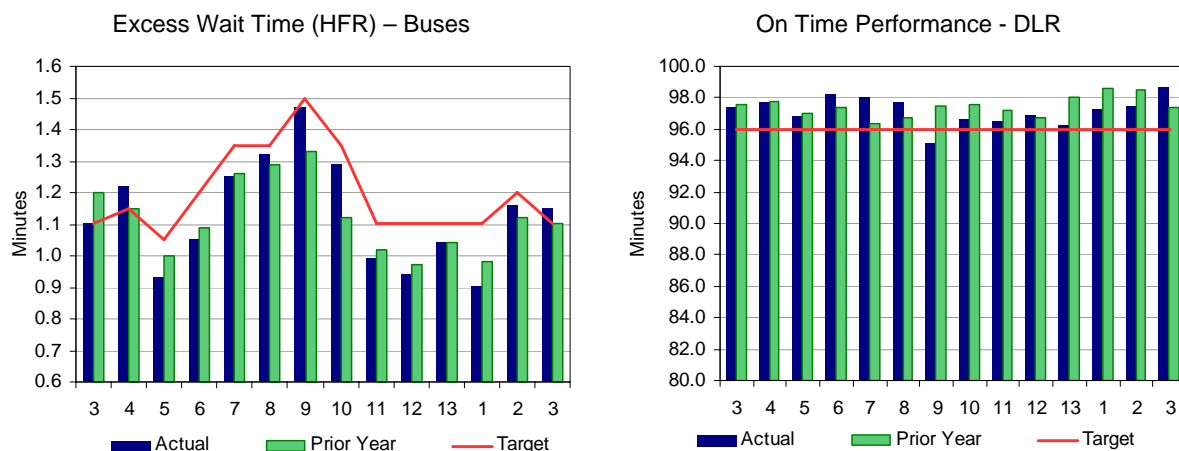
## 5. SERVICE RELIABILITY

5.1 Overall Delay (Index: P1, 2003 = 100) for the quarter was 5.5 points worse than target and 6.9 points worse compared to the same quarter last year. The result primarily reflects higher excess wait times on the Underground. Reliability on the DLR was better than target.



5.2 Excess journey time on the Underground averaged 7.7 minutes over the quarter, 0.8 minutes worse than target and up by 1.0 minute on the same quarter last year. Only the Central and East London lines performed within their total excess journey time targets this quarter. Stations performance has held up well, notably ticket purchase time which has benefited from the increased take-up of Oyster. However, most lines have experienced a higher level of train service disruption this year than they

averaged last year, including the incidents described under 'service provision' above, and there has also been an increase in planned closures for engineering works. Peak train cancellations due to ONA<sup>1</sup>, at 0.05%, were however kept well below target.



5.3 On the Bus network, the ongoing expansion of Quality Incentive Contracts (QICs) has continued to ensure that high levels of reliability are maintained. Excess wait times remained in line with target and unchanged on the same quarter last year. While reliability on high and low frequency routes remained broadly unchanged compared to the same quarter last year and better than budget. The punctuality of night buses services has continued to improve, with performance this quarter exceeding last quarter's results which were the best seen since measurement began over ten years ago.

5.4 Congestion levels<sup>2</sup> on the road network of 1.9 minutes/km remain largely unchanged, slightly up 0.1 minutes per km on the same quarter last year. The average reduction in congestion since the introduction of congestion charging is 27%.

### Sustainable Development

5.5 TfL now has a sustainability unit established to ensure that TfL continues to progress the sustainable development agenda. Highlights of TfL's sustainable development initiatives this quarter are as follows:

- London Buses continues to trial 6 diesel-electric hybrid bus on route 360. Subject to performance and reliability, there are plans to increase the number of vehicles in the trial to more than 40 buses.
- London Buses has begun the procurement process for 10 hydrogen-powered buses to be delivered in 2008/09, following the Mayor's endorsement of the London Hydrogen Partnership's transport action plan in November 2005.
- London Underground has commenced the development of a strategy for further 'greening' their electricity supplies.

<sup>1</sup> ONA is Operator Not Available

<sup>2</sup> Congestion is the difference between the average network travel rate and the un-congested network travel rate in minutes per kilometre; i.e. the delay, 'lost travel time' or excess travel rate'. Current data records the congestion flow rate of traffic entering central London on a bimonthly basis.

- Group Property and Facilities has led a '100 days of carbon clean-up' campaign across the TfL head office portfolio, which focused on getting individuals to recognise and deliver on local opportunities for energy saving.
- TfL has now adopted the GLA Sustainable Procurement Policy and signed up to the highest level, B2, of the Mayor's Green Procurement Code. The Code commits TfL to setting measurable targets for specifying and buying recycled products.
- London Underground is currently preparing its Biodiversity Action Plan. Working with the PPP suppliers and Greenspace Information for Greater London, the plan will provide a snapshot of Biodiversity across the Underground Network and outline the plans for its ongoing protection and enhancement.
- The A40 Western Avenue Bridge Replacement project site has been awarded a score of 36.5 out of 40 in the Considerate Construction Scheme's independent annual audit. At well above the national average of 29.9, the score demonstrates the team's commitment to minimising disruption to the local and wider community and to reducing the project's environmental impact.

### **Section 17 of the Crime and Disorder Act**

- 5.6 On 24 May 2006 the TfL Board agreed to voluntarily adopt Section 17 of the Crime and Disorder Act across the whole organisation. This decision further strengthened TfL's commitment to improve safety and security on the transport network and across London. TfL already makes a considerable contribution to community safety through its significant investment in transport policing and the work of the Transport Policing and Enforcement Directorate (TPED). Adoption of Section 17 will go further to support these efforts and embed crime prevention and the promotion of community safety into TfL's core business.
- 5.7 TfL's implementation of Section 17 will be incremental. TPED expects that it will take up to 18 months through a succession of planned process changes and impact assessments before Section 17 is fully implemented across the organisation. Consideration of crime and disorder should now be encompassed in the formulation of all major policies and strategies and service developments. Officers are required to assess the impact of activities, projects and policies on crime and disorder on the transport network and on London and where appropriate identify actions to reduce levels of crime and disorder.
- 5.8 The implementation of Section 17 provisions across TfL has so far included:
- An extensive audit of crime and disorder across TfL's services and identification of priorities.
  - Development of TfL's first Crime and Disorder Strategy
  - Section 17 Business planning considerations. This year's business planning round required business areas to submit crime and disorder position statements outlining how they intended to incorporate section 17 provisions. TPED is working with those business areas where it was identified that their core business is likely to have the biggest impact on crime and disorder.
  - Crime and disorder considerations in TfL Board, Committee and Panel Reports. From September 2006, all papers and reports submitted to the TfL Board, Committees or Panels must demonstrate that due consideration has been given to the impact of the activity / policy on crime and disorder.

- Advisory capability. TPED has been providing initial advice on the processes and implications of section 17 in response to queries or concerns from parts of the organisation. TPED's Crime and Disorder partnership Team is providing a specialist advice function to support officers undertaking crime and disorder impact assessments. This Unit is a repository of situational crime prevention expertise and is staffed with Home office qualified Crime Prevention Officers. Administrative processes are being developed to ensure that requests for advice are registered and comments are recorded. This is necessary for effective compliance monitoring to ensure that TfL is meeting its requirements under the Act and to minimise the risk of legal challenge when section 17 becomes a statutory requirement.
- Recruitment and reconfiguration of TPED's activities to ensure that it is best placed to provide an expert advisory and impact evaluation capability for the whole of TfL.
- Engagement with the GLA group to ensure that there is a coordinated response to tackling crime and disorder across the Group.

## **6. CUSTOMER IMPACTS**

### **Customer Satisfaction**

- 6.1 TfL's first quarter overall customer satisfaction score<sup>3</sup> of 78 was in line with target and unchanged on the same quarter last year. Overall satisfaction scores for London Underground and Buses also met their targets while satisfaction on the DLR remained well above (7 points) the contractual target set out in the operating franchise agreement.

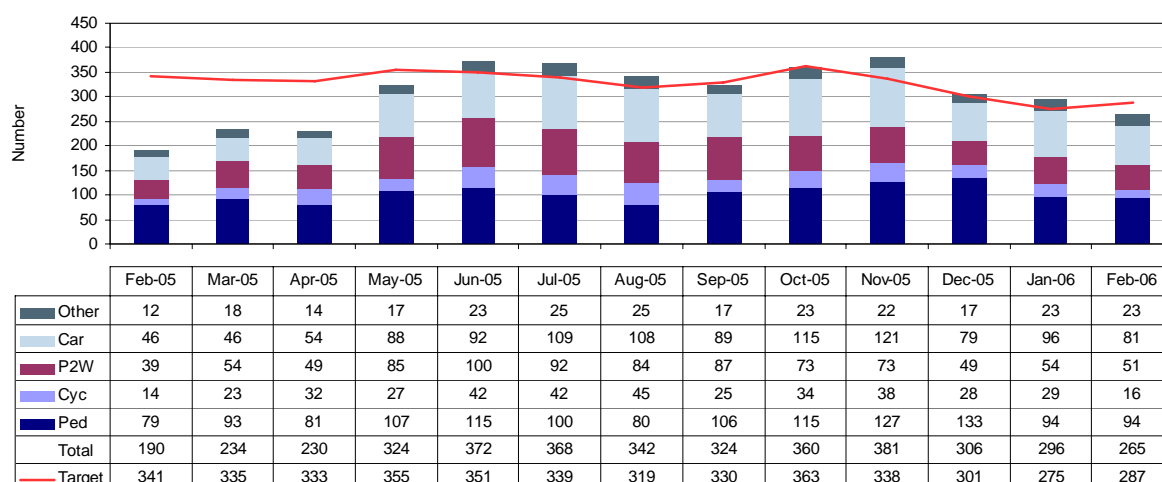
### **Safety**

- 6.2 The overall number of major injuries and fatalities across the TfL network (LUL, Bus network and DLR) last quarter has increased on the same quarter last year. This is primarily attributable to an increase in the number of reported incidents on the bus network, up 133 on the same quarter last year, although this is largely thought to be due to improvements to the data collection process and higher levels of incident reporting. The underlying trend is considered to be only increasing marginally. However, on the Underground there were 6 less incidents compared to the same quarter last year, while on the DLR the number of incidents remained largely unchanged at 4.
- 6.3 The number of killed or seriously injured on London's roads over the first 2 months of the year (equivalent to a first quarter result) at 561 was in line with anticipated levels, although 37% worse compared to the same 2 months last year. The longer-term trend remains favourable and the 50% casualty reduction target to be achieved by the year 2010 is still expected to be met.

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<sup>3</sup> Overall customer satisfaction for the TfL group is a average of modal scores weighted by passenger numbers.

Number of Killed or Seriously Injured casualties (KSI) on London roads



Note: Due to reporting process and nature of road traffic accident data, it will always be reported 4 to 5 months in arrears. Results for the first quarter are the sum of January and February 2006 with February being the most recently reported data available. Despite the lag in reporting the trend remains valid. Also, note that results may be retrospectively adjusted as incidents are finalised.

## 7. FINANCIAL PERFORMANCE

- 7.1 TfL's net operating expenditure year to date was £87m lower than budget, reflecting income which was £7m better than budget and operating expenditure which was £80m lower than budget. Income for the full year is forecast to be £27m better than budget. Operating expenditure for the full year is forecast to increase to within £61m of budget, resulting in net operating expenditure for full year forecast which is £88m below budget.
- 7.2 Net capital expenditure year to date was £19m below budget after taking into account the budgeted overprogramming reduction and lower capital receipts. Net capital expenditure is forecast to be in line with budget.

(£m)	Year to Date		Full Year		
	Actual	Var to Budget	Forecast	Budget	Var to Budget
<b>Operating Budget</b>					
Income	(669)	(7)	(2,971)	(2,939)	(33)
Operating Expenditure	1,134	(80)	5,340	5,400	(61)
<i>Net Operating Expenditure</i>	<i>465</i>	<i>(87)</i>	<i>2,368</i>	<i>2,462</i>	<i>(93)</i>
<b>Capital Budget</b>					
Capital Expenditure	114	(71)	829	923	(94)
Capital Receipts & Reimbursements	(28)	16	(182)	(229)	47
Overprogramming	-	36	(108)	(154)	47
<i>Net Capital Expenditure</i>	<i>85</i>	<i>(19)</i>	<i>540</i>	<i>540</i>	<i>-</i>
Interest Income	(16)	(4)	(55)	(53)	(2)
Debt Serving Payments	13	(6)	58	85	(27)
<i>Net Interest Income</i>	<i>(3)</i>	<i>(10)</i>	<i>3</i>	<i>32</i>	<i>(29)</i>
Contingency	-	-	26	26	-
<b>Net Service Expenditure</b>	<b>547</b>	<b>(116)</b>	<b>2,937</b>	<b>3,059</b>	<b>(122)</b>

7.3 For group items, net interest was £10m better than budget and forecast to be some £29m better for the full year. This is primarily as a result of borrowing forecast to be taken later in the year and at a lower interest rate than budgeted and some additional interest receivable.

A modal summary of financial performance is provided in **Annex 2**.

### Revenue Income

7.4 TfL's total income year to date was £7m better than budget. The result principally reflects better than budgeted fares income on the London Underground, offset by slightly lower bus network fares income and congestion charging income. Full year income is forecast to be £33m better than budget.

Prior Yr YTD	Income (£m)	Year to Date		Full Year		
		Actual	Var to Budget	Forecast	Budget	Var to Budget
(314)	Underground fares Income	(322)	(11)	(1,412)	(1,372)	(40)
(217)	Bus Network fares Income	(225)	1	(1,004)	(1,004)	-
(55)	Congestion Charging Income	(57)	3	(260)	(260)	-
(67)	Other Income	(65)	-	(295)	(303)	8
<b>(654)</b>	<b>Total Income</b>	<b>(669)</b>	<b>(7)</b>	<b>(2,971)</b>	<b>(2,939)</b>	<b>(33)</b>

7.5 London Underground's fares income at £322m was better than budget and up 2.5% on last year. Continued strengthening of traffic income has resulted in a £40m increase to the full year forecast to £1,412m.

7.6 Bus Network income of £225m was only £1m below budget and up 3.7% on last year, despite lower than budgeted passenger numbers. Forecast fares income for the full year is in line with budget.

7.7 Congestion charge income was £3m below budget largely as a result of fewer standard charges, which was £1m worse than budget and enforcement income which was £2m worse than budget. The full year forecast remains unchanged at £260m.

7.8 In Other Income:

- DLR fares income year to date was £1m (or 6%) worse than budget and is forecast to be £3m worse than budget for the full year, in line with lower than anticipated passenger numbers.
- Advertising income on the Underground was £2m worse than budget year to date reflecting a later start (c. 5 months) to the commencement of the new advertising contract, although this was partially offset by higher income from the Metro newspaper and Photo Me booths. The full year income is forecast to be £9m worse than budget.
- TPED enforcement income was £1m better than budget year to date and is forecast to remain £1m better than budget for the full year.
- Victoria Coach station income to date was £1m under budget and is forecast to be £4m below budget for the full year due to lower ticket sales and coach departures.

## Operating expenditure

- 7.9 TfL's operating expenditure year to date was £80m lower than budget, although this variance is forecast to reduce to £61m by the year end.

Prior Yr	Operating Expenditure (£m)	Year to Date		Full Year		
		Actual	Var to Budget	Forecast	Budget	Var to Budget
556	London Underground	559	(58)	2,591	2,655	(63)
473	Surface Transport	505	(9)	2,337	2,388	(51)
22	London Rail	26	(2)	133	126	7
37	Group Directorates	44	(11)	278	231	47
<b>1,087</b>	<b>Total Operating Expenditure</b>	<b>1,134</b>	<b>(80)</b>	<b>5,340</b>	<b>5,400</b>	<b>(61)</b>

- 7.10 London Underground's expenditure year to date was £58m lower than budget. This reflects reduced performance and other payments to Infracos, which are down £31m against budget, non-materialisation of budgeted risk £12m and savings in insurance, legal and other costs.
- 7.11 Surface Transport's expenditure year to date was £9m lower than budget. This was predominantly due to lower than expected contract price increases from re-tendering or route revisions on the Bus network. In addition ticket selling commissions were down due to movements from bus passes to Oyster sales; Oyster carries a lower commission than bus passes. The provision for Congestion Charging bad debts was down £3m in line with lower income. This lower spend was offset by £2m additional marketing spend in Street on road safety schemes including the Power 2 Wheeler campaign, and earlier commencement of work on Borough roads.
- 7.12 Expenditure within Surface Transport is forecast to reduce to £51m below budget for the full year. With the benefits of congestion charging and the successful introduction of Oystercard progressively being captured in bus operating schedules as contracts are renewed or revised, bus network costs are lower than initially anticipated. This has resulted in a £31m reduction in forecast expenditure. A £6m lower spend in the Congestion Charging forecast for the Western Extension relates to the re-scheduling of complementary traffic measures work by the Boroughs into next year. Expenditure on Bus Priority is also forecast to be £10m lower than budget following rephasing of work reflecting delays associated with changes in political control at many Boroughs during the May elections. This was partially compensated for by higher expenditure on TLRN and Signals work.
- 7.13 Expenditure within London Rail was £2m below budget. This reflects a change in the proportion of actual revenue expenditure versus capital expenditure on the 3 Car project compared to what was budgeted. The lower revenue expenditure has been offset by higher capital expenditure. In addition there was lower spend as a result of the delayed start of the Silverlink Stations upgrade. Full year expenditure is forecast to be £7m over budget at £133m.
- 7.14 Expenditure by the Group Directorates year to date was £11m below budget, mainly reflecting £8m lower spend in Borough partnerships as a result of phasing. Forecast increases in expenditure to £47m above budget are primarily within Group Services and Finance & Planning. Within Finance & Planning additional expenditure reflects £4m of additional modelling work in Major Projects on projects such as West London Tram and Thames Gateway, £6m on interchange development projects and £3m

additional expenditure to deliver increased levels of customer service in the Oystercard helpdesk.

### Net Capital expenditure

Prior Yr YTD	Capital Expenditure (£m)	Year to Date		Full Year		
		Actual	Var to Budget	Forecast	Budget	Var to Budget
73	London Underground	53	(39)	341	418	(76)
38	Surface Transport	41	(15)	281	296	(15)
8	London Rail	17	(14)	171	182	(11)
2	Group Directorates	3	(3)	36	27	9
122	<i>Gross Capital Expenditure</i>	114	(71)	829	923	(94)
(26)	Receipts & Reimbursements	(28)	16	(147)	(196)	49
-	Property Sales	-	-	(35)	(33)	(2)
-	Overprogramming	-	36	(108)	(154)	47
96	<b>Net Capital Expenditure</b>	85	(19)	540	540	-

7.15 Net capital expenditure year to date at £85m was £19m lower than budget. However, net capital expenditure for the full year is forecast to be in line with budget after the £108m overprogramming reduction.

7.16 For further detail on capital expenditure please refer to the **Investment Programme Report**.

### 8. BALANCE SHEET

TfL Group Balance Sheet at the end of Period 3 (£m)	Variance to Budget
Fixed Assets (higher than budget)	63
Debtors and payments in advance (higher than budget)	(41)
Cash (i.e. an increase in cash over budget)	(18)
Creditors (higher than budget)	(53)
Prudential loans (higher than budget)	-
Deferred Capital Grant (higher than budget)	8
Provisions (lower than budget)	(13)
<b>Total Net Assets</b>	<b>(54)</b>

8.7 Fixed asset additions are covered in detail in the **Investment Programme Report**. There are no major variances for disposals.

8.8 Year to date debtor balances are higher than budget, mainly in the corporate centre. Included here is £15m for insurance accruals, £10m accrued interest receivable and £14m for rent and rate prepayments, where the budget has been incorrectly phased.

8.9 Lower creditor balances reflect the trend of lower activity spend across the group, including lower IT project spend in Buses on iBus Connectivity, BusNet3.1 and Remedy. This has been partially offset by a £28m higher than budget accrual for Borough expenditure in the Corporate Centre due to later than expected receipt of invoices. The provision movement represents the partial settlement of the Metronet pension provision. There are partially offsetting variances to date between revenue creditors, capital creditors and receipts in advance within Street Management, largely due to incorrect classification of budget.

TfL Group Balance Sheet forecast for the year end (£m)	Variance to Budget
Fixed Assets (lower than budget)	57
Debtors and payments in advance (higher than budget)	(5)
Cash (i.e. a reduction in cash from budget)	39
Creditors (lower than budget)	(101)
Prudential loans (higher than budget)	-
Deferred Capital Grant (higher than budget)	7
Provisions (lower than budget)	(21)
<b>Total Net Assets (higher than budget)</b>	<b>(24)</b>

8.10 The quarter 1 forecast closing balance sheet reflects the trends seen to date, with lower fixed assets, marginally above budget debtors, but significantly reduced year end creditor balances. Allied to this, the partial payment of the Metronet pension provision has resulted in year end cash balances expected to be some £39m below budget.

## 9. CASH SUMMARY

### Cash Balances

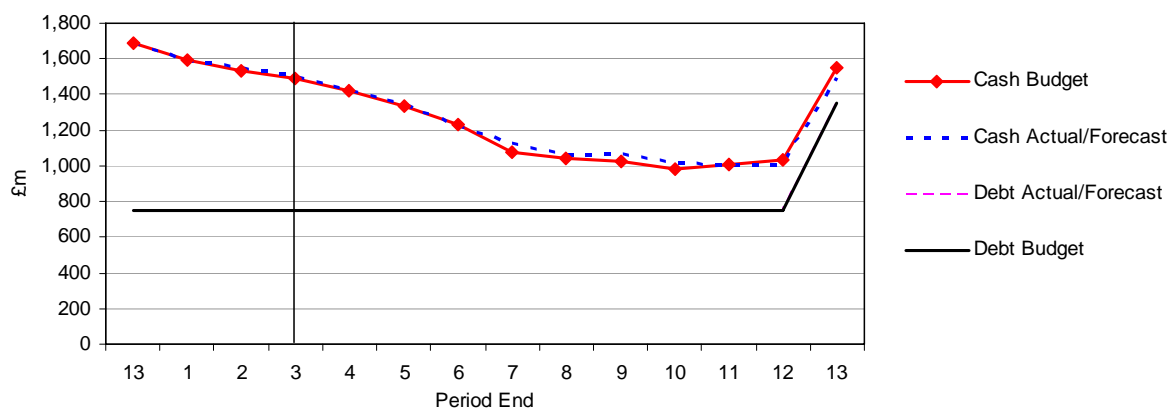
9.1 Cash balances have consistently been close to budget. Refer to **Annex 5** for periodic cash balances over the quarter.

### Cash Balances and Debt

9.2 Net cash at 24 June 2006 amounted to £759m comprising £1,505m cash balances (as reported above) less outstanding debt of £746m. This is a reduction of £182m compared to the year end. Year-end cash is forecast at £1,514m against budget of £1,553m. Debt is forecast and budgeted to increase by £604m to £1,350m.

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

Cash and Debt Balances 2006/07



### Performance

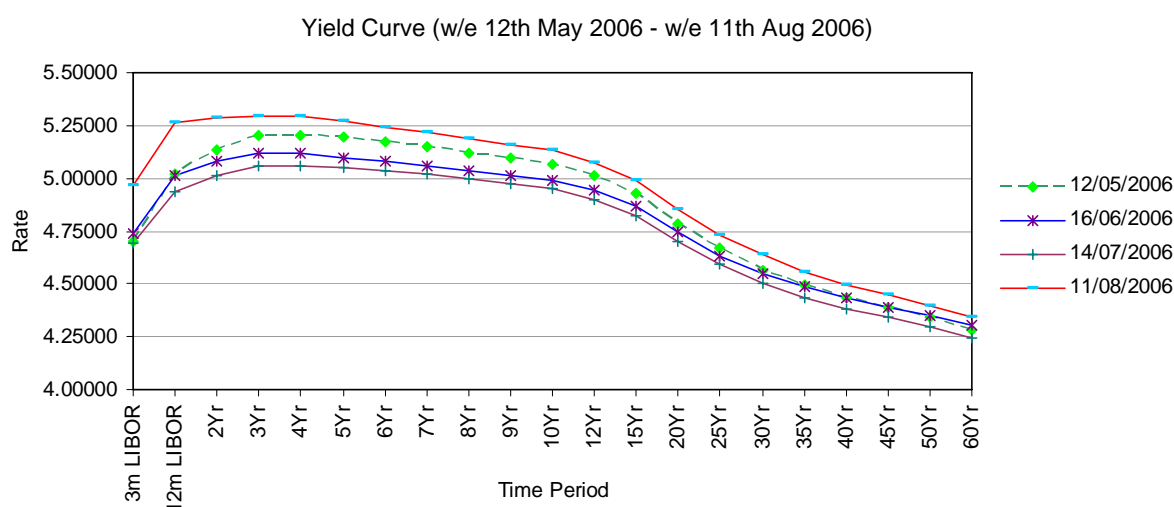
9.4 Performance against the earnings benchmark (the average of 3 month's LIBOR minus 15 basis points) is tabled below. TfL has performed above this benchmark in the last three periods, within a range of 9 – 12 basis points. The average yield for

the year to date was 4.58%, 11 basis points above benchmark. At the date of this report the year to date margin has narrowed to 10 basis points above benchmark as the 12 month yield curve has steepened reflecting the recent rise in Base Rate from 4.50% to 4.75%.

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

Treasury Management Yield (%)	P1	P2	P3	Year to Date	Year Budget
Period end date	29 Apr %	27 May %	24 Jun %	Actual %	Budget %
Benchmark	4.44	4.47	4.51	4.47	
Average Rate of Return	4.56	4.58	4.60	4.58	4.59
Excess over Benchmark	0.12	0.11	0.09	0.11	
Interest Earned	£5.8m	£5.3m	£5.3m		
Interest year to date	£5.8m	£11.1m	£16.4m	£16.4m	£15.3m

9.6 The yield curve over the last three months reflected the market's uncertainty of the direction of future rates. The latest Base Rate rise is mainly reflected in the first twelve months of the curve with relatively little impact on long-term rates. Where rates are above the benchmark and short-term liquidity allows, TfL is investing up the curve for periods of less than 364 days. Beyond 12 months the pickup is negligible and is likely to be outweighed by future rate increases.

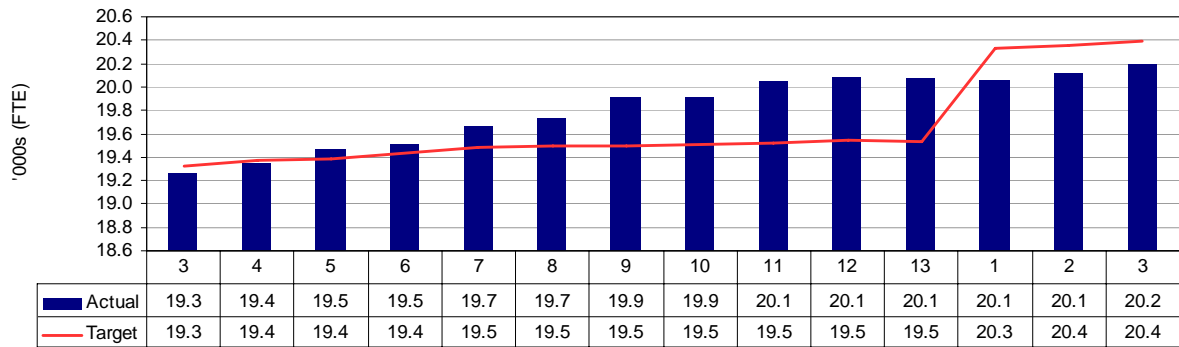


## 10. PEOPLE

### Staff Numbers

10.1 TfL had 20,199 full time equivalent (FTE) staff at the end of the first quarter, which was 188 FTE below budget. This reflects lower than budgeted staff numbers within London Underground and to a lesser extent London Rail, offset by higher than budgeted numbers within Surface and the Group Directorates.

Total Staff (FTE) – TfL Group

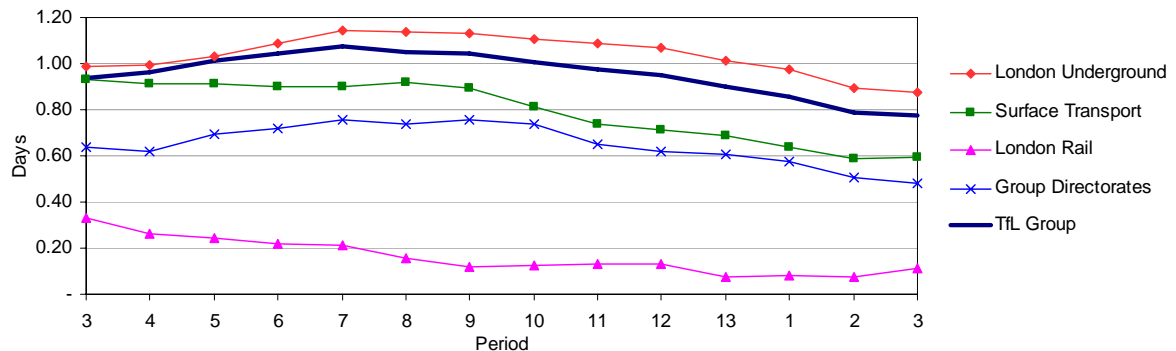


10.2 Staff numbers within London Underground at 13,712 FTE were 336 below budget, predominantly reflecting customer service assistant and part-time station staff vacancies, and new positions in the PPP and PFI Contract Management teams that have yet to be filled. Lower staff numbers within London Rail reflect difficulties faced in recruiting permanent engineering staff. Within Surface, staff numbers at 4,384 FTE was 46 FTE above budget. Staff numbers within the Group Directorates at 1,931 FTE were 122 higher than budget. This is mainly due to additional staff on the Oyster help desk, who are ensuring that improved service levels are maintained, and unbudgeted staff within Group IM.

**Sickness**

10.3 TfL’s overall average sick absence per employee for the year to date was 2.33 days, which was 0.34 days better than target. A similar positive result was achieved across each of the modes. Both operational and non-operational average sickness absence are better than target, although operational staff absence was worse than target in Group Directorates; this was offset by improvements elsewhere.

Sick Absence per employee – (3 period rolling average)

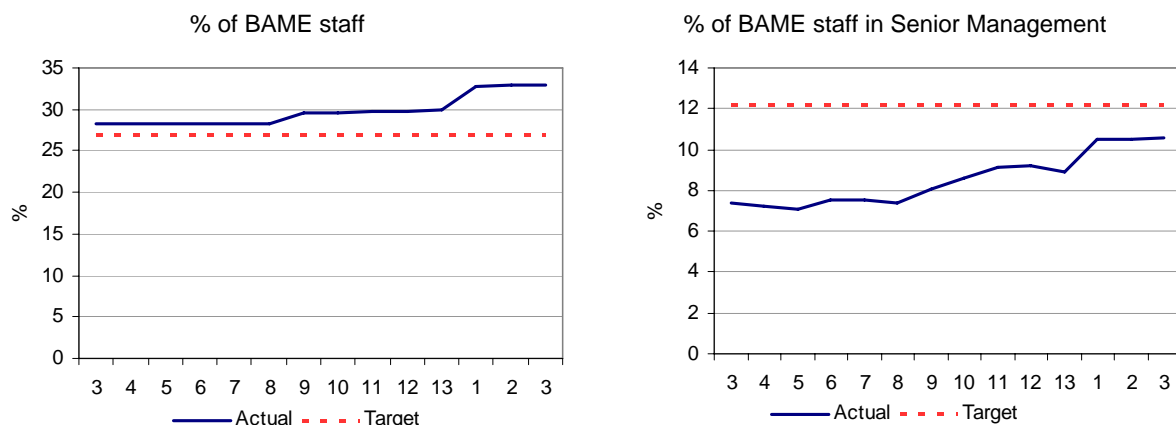


**Workforce composition**

10.4 The percentage of women employed at 22.3% was 1.6% below target at the end of the first quarter, although the result is 0.8% better compared to last year. The percentage of women in senior management positions, however remains well below target and has decreased when compared to the same quarter last year.

10.5 The percentage of Black, Asian and Minority Ethnic (BAME) staff is at 32.9% at the end of the first quarter and exceeds the current percentage of economically active BAME people in London. Although the percentage of BAME staff within Senior Management at 10.6% remains below targeted levels, the current result is a

significant increase from the low of 7.1% in period 5 of last year. Future positive initiatives and on-going development of staff should result in further improvement in this area and ensure that these positive improvements are being seen at all levels of the organisation.



10.6 Following the re-survey of disabled staff within TfL at the end of the third quarter last year, which showed a significant increase in the number of staff reporting a disability, there has been a moderate decrease in numbers over the past quarter. The result at the end of the first quarter at 7.6% is 0.2% short of TfL's target and below the economically active disabled population of 8.3% for London. Results for the percentage of disabled staff in Senior Management have been below targeted levels.

## 11. EFFICIENCIES

11.1 The efficiencies programme full year target is £170m. This includes £129m of savings sustained from previous years with £41m to be delivered within the 2006/07 financial year.

11.2 At the end of period 3, the full year forecast is £175m, £5m above target. However, it should be noted that this has been achieved through greater than expected in-year efficiencies that have more than offset the loss of some recurring efficiencies from previous years.

Initiative (£m)	Full Year – Sustained		Full Year – In Year		Total Var to Budget
	Forecast	Var to Budget	Forecast	Var to Budget	
Procurement	46	(5)	26	18	13
Staff & BIP	24	(1)	1	-	(1)
Marketing	1	(11)	-	-	(11)
Other	8	-	9	4	4
<b>Total Back Office</b>	<b>79</b>	<b>(17)</b>	<b>36</b>	<b>22</b>	<b>5</b>
Rail	-	-	1	-	-
Bus Network	31	-	4	1	1
Tube Lines refinancing	-	-	2	-	-
LUL Operation Efficiencies	1	(1)	14	-	(1)
LUL Communication Infrastructure	-	-	7	-	-
<b>Total Operational</b>	<b>32</b>	<b>(1)</b>	<b>28</b>	<b>1</b>	<b>-</b>
<b>Cashable Total</b>	<b>111</b>	<b>(18)</b>	<b>64</b>	<b>23</b>	<b>5</b>

- 11.3 In-year savings are forecast to out-turn at £64m which is £23m over target. This is mainly due to the increase in procurement efficiencies and 'other' back office efficiencies relating to further one-off savings of which £3m is in respect of reduced insurance costs.
- 11.4 Following a review of TfL's recurring efficiencies, some savings from the previous year are not being cannot be substantiated and hence the full-year sustained figure has been reduced by £17m:
- Procurement has carried out a review of recurring efficiencies from previous years and as a result has removed £5m from the reporting system.
  - There has been erosion of efficiencies arising from HRS due to increases in staff numbers and non-recurrence of third party savings from 2005/06.
  - Due to increased forecast expenditure on public information & awareness campaigns including road safety and ticketing, overall reductions in 'marketing' type expenditure cannot be sustained.
- 11.5 The overall full year procurement savings target is £59m, of which £46m is sustained from previous years. At the end of the first quarter a further £4m of procurement efficiencies have been delivered. However, Group Procurement has led a detailed review of contract spend planned for 2006/07 and as a result, have set an additional stretch target of £20m to be delivered in-year resulting in a net increase of £13m above budget.
- 11.6 In addition to the claimable efficiencies, Group Procurement is programmed to deliver a further £8m of cashable benefits through increased revenue income. TfL does not presently permit additional revenue to be counted towards its efficiency target.

## ANNEX 1: PERFORMANCE SUMMARY

2006/07	Quarter 1					Full Year			
Key Performance Indicator	Unit	Actual	Target	Var	PY	F'cast	Target	Var	PY
<b>SERVICE DEMAND</b>									
Passenger Journeys - TfL Group	m	666.2	687.0	-20.8	676.0	2931.0	2,945.4	-14.4	2,865.5
Passenger Journeys - LUL	m	231.9	233.1	-1.2	235.7	989.6	980.0	9.6	971.1
Passenger Journeys - Buses	m	414.5	433.9	-19.4	421.7	1854.7	1,876.0	-21.3	1,815.7
Passenger Journeys - DLR	m	13.7	14.4	-0.8	12.7	61.4	64.2	-2.8	53.9
Passenger Journeys - Trams	m	5.2	5.0	0.2	4.8	21.5	22.6	-1.1	20.8
Passenger Journeys - Victoria Coach Station	'000s	44.3	44.5	-0.2	49.7	195.0	195.0	0.0	198.6
Passenger Journeys (excl multi stop) - River Services	'000s	539	515	24	587	1,900	1,900	0	1,849
Passenger Journeys (multi stop) - River Services	'000s	139	118	21	88	500	500	0	524
Total Trips - Dial a Ride	'000s	277	354	-77	305	1,384	1,519	-135	1,234
Cycle usage on TLRN (Index = 100) - Road Network	Index	189	184	5	168	195	185	10	172
Traffic into Central London - Road Network	Index	100	No Target	-	n/a	**	No Target	-	n/a
<b>SERVICE PROVISION (SUPPLY)</b>									
% Scheduled Services Operated - LUL	%	94.9	95.2	-0.3	96.5	95.1	95.2	-0.1	93.6
% Trains Operated in Peak Hours - LUL	%	97.4	96.7	0.7	97.8	**	96.7	-	95.2
Train Kilometres Operated - LUL	m	16.1	16.1	0.0	16.6	70.86	70.9	0.0	68.8
% Scheduled Services Operated - Buses	%	97.8	98.1	-0.3	98.0	97.8	97.8	0.0	97.7
Bus Kilometres Operated - Buses	m	104.8	105.6	-0.9	106.0	465.6	465.6	0.0	454.1
% Scheduled Services Operated - DLR	%	99.0	98.0	1.0	99.0	98.0	98.0	0.0	98.7
Train Kilometres Operated - DLR	'000s	988	1,013	-25	786	4,350	4,350	0	3,629
% Scheduled Services Operated - Trams	%	99.1	98.0	1.1	96.3	98.0	98.0	0.0	97.4
% Scheduled Services Operated - River Services	%	98.6	98.5	0.1	65.3	98.0	98.5	-0.5	98.3
No. of Taxi Drivers Licenced - PCO	#	24.6	24.7	-0.1	24.7	24.7	24.7	0.0	24.7
No. of Private Hire Drivers Licenced - PCO	#	31.1	33.0	-1.9	19.0	36.0	36.0	0.0	28.8
<b>RELIABILITY</b>									
Overall Delay (Index) - TfL Group	#	84.5	79.0	5.5	77.6	**	81.1	-	83.1
Excess Journey Time (Weighted) - LUL	Mins	7.67	6.92	0.75	6.65	**	6.92	-	7.47
Peak Train Cancellations, Due to ONAs - LUL	%	0.06	0.60	-0.54	0.07	**	0.6	-	0.2
PPP Availability, Lost Customer Hours - LUL	m	3.46	3.67	-0.21	3.76	**	15.84	-	14.89
Excess Wait Time, High Freq Routes - Buses	Mins	1.1	1.1	-0.1	1.1	1.1	1.2	-0.1	1.1
On Time Performance, Low Freq Routes - Buses	%	78.0	77.0	1.0	77.9	77.1	76.9	0.2	77.2
On Time Performance, Night buses - Buses	%	86.2	82.8	3.4	82.6	83.2	81.9	1.3	83.6
On Time Performance - DLR	%	97.8	96.0	1.8	98.2	96.0	96.0	0.0	97.3
Traffic Signals Operating Effectively - Road Network	%	98.8	98.3	0.5	98.4	98.4	98.4	0.0	98.6
Congestion Level in Central London - Road Network	Mins/km	1.9	No Target	-	0.0	**	No Target	-	1.8
<b>SAFETY</b>									
Major Injuries & Fatalities - London Underground	#	26	No Target	-	32	**	No Target	-	129
Major Injuries & Fatalities - Buses	#	396	No Target	-	263	**	No Target	-	1,927
Major Injuries & Fatalities - DLR	#	4	No Target	-	3	**	No Target	-	16
KSI, Total Londonwide - Road Network ++	#	582	562	20	409	3,700	3,588	112	3,650
KSI, Total TLRN - Road Network ++	#	170	157	13	120	1,025	996	29	1,024
KSI, Powered 2-Wheel Riders - Road Network ++	#	108	107	1	99	820	788	32	845
KSI, Children - Road Network ++	#	58	46	12	31	340	359	-19	355

### Notes/Key:

Target achieved/ exceeded
  Less than 5% worse than target
  More than 5% worse than target

\*\* Not forecast

n/a No data available

++ Due to reporting process and nature of road traffic accident data, it will always be reported 4 to 5 months in arrears. Results for the first quarter are the sum of January and February 2006 with February being the most recently reported data available.

## ANNEX 1: PERFORMANCE SUMMARY (CONTINUED)

2006/07	Quarter 1					Full Year			
Key Performance Indicator	Unit	Actual	Target	Var	PY	F'cast	Target	Var	PY
<b>CUSTOMER SATISFACTION</b>									
Overall Customer Satisfaction - TfL Group	Score	78	78	0	78	78	78	0	78
Overall Customer Satisfaction - LUL	Score	78	78	0	78	78	78	0	78
Customer Satisfaction Crowding - LUL	Score	72	68	4	73	68	68	0	73
Customer Satisfaction Safety & Security - LUL	Score	81	80	1	82	80	80	0	82
Customer Satisfaction Information - LUL	Score	79	78	1	79	78	78	0	79
Overall Customer Satisfaction - Buses	Score	78	78	0	77	78	78	0	77
Customer Satisfaction Crowding - Buses	Score	77	78	-1	77	78	78	0	77
Customer Satisfaction Safety & Security - Buses	Score	81	82	-1	n/a	82	82	0	n/a
Customer Satisfaction Information - Buses	Score	73	75	-2	74	75	75	0	74
Customer Satisfaction Reliability Jny Wait time - Buses	Score	79	80	-1	81	80	80	0	81
Overall Customer Satisfaction - DLR	Score	97	90	7	95	90	90	0	95
Customer Satisfaction Information - DLR	Score	96	90	6	96	90	90	0	96
Customer Satisfaction Safety & Security - DLR	Score	94	90	4	90	90	90	0	90
Overall Customer Satisfaction - Trams	Score	83	86	-3	86	86	86	0	86
Overall Customer Satisfaction - Dial-A-Ride	Score	92	93	-1	93	93	93	0	93
Overall Customer Satisfaction - Victoria Coach Station	Score	79	78	1	81	78	78	0	81
<b>FINANCIAL EFFICIENCY</b>									
Cost per passenger Kilometre - LUL	pence/km	25.4	28.8	-3.4	25.2	25.4	29.1	-3.7	26.2
Income per passenger Kilometre - LUL	pence/km	(20.2)	(20.3)	0.1	(18.7)	(20.1)	(20.8)	0.7	(18.9)
Cost per passenger Kilometre - Buses	pence/km	23.6	23.6	0.0	22.3	23.6	24.4	-0.8	24.9
Income per passenger Kilometre - Buses	pence/km	(14.6)	(14.6)	0.0	(13.9)	(14.3)	(15.1)	0.8	14.0
Cost per Trip - Dial-A-Ride	£/km	22.6	16.7	5.9	17.7	19.2	16.7	2.5	19.1
<b>PEOPLE</b>									
Number of Staff - TfL Group	FTE	20,199	20,388	-188	19,257	**	20,492	-	20,069
Sickness Absence per Employee - TfL Group	Days	2.33	2.67	-0.34	2.69	**	11.60	-	12.62
Sickness Absence per Employee - LUL	Days	2.62	2.85	-0.23	2.91	**	12.40	-	13.70
Sickness Absence per Employee - Surface Transport	Days	1.79	2.37	-0.59	2.87	**	10.30	-	10.98
Sickness Absence per Employee - London Rail	Days	0.34	1.74	-1.40	1.01	**	7.50	-	2.44
Sickness Absence per Employee - Group Dir.	Days	1.44	1.74	-0.30	2.18	**	7.60	-	9.07
% of Women Staff - TfL Group	%	22.3	23.9	-1.6	21.5	23.9	23.9	0.0	22.3
% of BAME Staff - TfL Group	%	32.9	27.0	5.9	n/a	32.9	27.0	5.9	n/a
% of Disabled Staff - TfL Group	%	7.6	7.8	-0.2	n/a	7.8	7.8	0.0	n/a
% of Women Staff in Senior Mgt - TfL Group	%	18.8	23.9	-5.1	18.9	27.3	27.3	0.0	20.4
% of BAME Staff in Senior Mgt - TfL Group	%	10.6	12.2	-1.6	7.4	12.2	12.2	0.0	8.9
% of Disabled Staff in Senior Mgt - TfL Group	%	4.8	5.0	-0.2	n/a	5.0	5.0	0.0	n/a

### Notes/Key:

Target achieved/ exceeded
  Less than 5% worse than target
  More than 5% worse than target

\*\* Not forecast

n/a No data available

## ANNEX 2: MODAL SUMMARY OF FINANCIAL PERFORMANCE

£'m	Year to Date			Full Year		
	Actual	Budget	Var to Budget	F'cast	Budget	Var to Budget
<b>Income</b>						
London Underground	(344)	(334)	(10)	(1,512)	(1,477)	(34)
Surface Transport	(307)	(311)	4	(1,382)	(1,386)	4
London Rail	(13)	(13)	1	(55)	(58)	3
Group Directorates	(5)	(3)	(2)	(22)	(17)	(5)
	(669)	(662)	(7)	(2,971)	(2,939)	(33)
<b>Operating Expenditure</b>						
London Underground	559	616	(58)	2,591	2,655	(63)
Surface Transport	505	514	(9)	2,337	2,388	(51)
London Rail	26	28	(2)	133	126	7
Group Directorates	44	55	(11)	278	231	47
	1,134	1,213	(80)	5,340	5,400	(61)
<i>Net Operating Expenditure</i>	465	551	(87)	2,368	2,462	(93)
<b>Capital Expenditure</b>						
London Underground	53	92	(39)	341	418	(76)
Surface Transport	41	55	(15)	281	296	(15)
London Rail	17	31	(14)	171	182	(11)
Group Directorates	3	6	(3)	36	27	9
	114	184	(71)	829	923	(94)
<b>Capital Receipts &amp; Reimbursements</b>						
London Underground	(25)	(41)	16	(166)	(209)	43
Surface Transport	(3)	(1)	(2)	(4)	(6)	1
London Rail	-	-	-	(3)	(3)	-
Group Directorates	(1)	(2)	1	(8)	(11)	3
	(28)	(44)	16	(182)	(229)	47
Overprogramming	-	(36)	36	(108)	(154)	47
<i>Net Capital Expenditure</i>	85	105	(19)	540	540	-
<b>Group Items</b>						
Interest Income	(16)	(12)	(4)	(55)	(53)	(2)
Debt Servicing Payments	13	20	(6)	58	85	(27)
Contingency	-	-	-	26	26	-
<b>Net Service Expenditure</b>	<b>547</b>	<b>664</b>	<b>(116)</b>	<b>2,937</b>	<b>3,059</b>	<b>(122)</b>

( ) variance is an above budget for income, and below budget for operating expenditure  
Table may be subject to rounding accuracy.

## ANNEX 3: BALANCE SHEET

£'m	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
<b>Fixed assets</b>						
Tangible assets	14,278	14,341	63	15,208	15,265	57
<b>Current assets</b>						
Stocks	5	5	-	5	5	-
Debtors	193	205	12	206	215	9
Payments in advance	151	98	(53)	127	113	(14)
Cash at bank and in hand	1,505	1,487	(18)	1,514	1,553	39
<b>Current liabilities</b>						
Revenue	(686)	(799)	(113)	(575)	(733)	(158)
Receipts in advance	(165)	(212)	(47)	(173)	(175)	(2)
Capital	(133)	(25)	108	(111)	(64)	47
<b>Long term liabilities</b>						
Balances with Infracos	(1,586)	(1,586)	-	(2,127)	(2,115)	12
Prudential loans	(746)	(746)	-	(1,350)	(1,350)	-
Creditors due after one year	(526)	(527)	(1)	(527)	(527)	-
Capital grants	(6,853)	(6,845)	8	(7,556)	(7,549)	7
Pension liabilities	(770)	(770)	-	(770)	(770)	-
Provisions for liabilities and charges	(247)	(260)	(13)	(204)	(225)	(21)
<b>Total net assets</b>	<b>4,420</b>	<b>4,366</b>	<b>(54)</b>	<b>3,667</b>	<b>3,643</b>	<b>(24)</b>
<b>Capital and reserves</b>						
Earmarked reserves	1,577	1,536	(41)	997	1,014	17
Pension reserve	(770)	(770)	-	(770)	(770)	-
General fund	135	138	3	135	138	3
Other reserves	3,478	3,462	(16)	3,305	3,261	(44)
<b>Total capital employed</b>	<b>4,420</b>	<b>4,366</b>	<b>(54)</b>	<b>3,667</b>	<b>3,643</b>	<b>(24)</b>

( ) variance is an above budget for income, and below budget for operating expenditure  
Table may be subject to rounding accuracy.

## ANNEX 4: CASH FLOW STATEMENT

£'m	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Net revenue expenditure	(462)	(559)	(97)	(2,402)	(2,520)	(118)
Working capital movements	(93)	114	207	(224)	(18)	206
<b>Cash spend on operating activities</b>	<b>(555)</b>	<b>(445)</b>	<b>110</b>	<b>(2,626)</b>	<b>(2,538)</b>	<b>88</b>
Net capital expenditure	(112)	(149)	(37)	(686)	(732)	(46)
Working capital movements	-	(108)	(108)	(20)	(69)	(49)
<b>Cash spend on capital activities</b>	<b>(112)</b>	<b>(257)</b>	<b>(145)</b>	<b>(706)</b>	<b>(801)</b>	<b>(95)</b>
<b>Funded by:</b>						
Transport grant	456	456	-	2,397	2,397	-
Precept funding	2	2	-	12	12	-
Other grants	-	-	-	-	-	-
Prudential borrowing	-	-	-	604	604	-
Third party contributions	27	44	17	146	192	46
<b>Total funding</b>	<b>485</b>	<b>502</b>		<b>3,159</b>	<b>3,205</b>	<b>46</b>
<b>Net movement in cash</b>	<b>(182)</b>	<b>(200)</b>	<b>(18)</b>	<b>(173)</b>	<b>(134)</b>	<b>39</b>

( ) variance is an above budget for income, and below budget for operating expenditure  
Table may be subject to rounding accuracy.

## ANNEX 5: CASH BALANCES

Approved Investments and Cash £'m	Period 1	Period 2	Period 3
Period end	29 Apr	27 May	24 Jun
Budget	1,592	1,533	1,487
Cash Balances	1,589	1,551	1,505
<b>Increase/(Decrease)</b>	(3)	18	18

<b>Net Cash Balances comprise:</b>			
Investments	1,535	1,485	1,439
Investments-Guernsey	33	45	42
Cash & Credits in Transit	21	21	24

Investment Profile			
Up to 1 Month	236	168	135
1-2 Months	13	47	69
2-3 Months	186	176	131
3-4 Months	113	113	92
4-5 Months	-	-	-
5-6 Months	103	57	71
>6 Months	884	924	941