

TRANSPORT FOR LONDON

STAFF SUMMARY

BOARD

SUBJECT: TfL OPERATIONAL AND FINANCIAL REPORT – 4th QUARTER

MEETING DATE: 24 May 2006

1. PURPOSE

- 1.1 To inform the Board of TfL's financial position and highlight related performance issues arising during the fourth quarter of 2005/06 (11 December 2005 to 31 March 2006) and highlight the main achievements of the full year.

2 KEY HIGHLIGHTS

- 2.1 The key highlights of 2005/06 were as follows:

- TfL's network has shown considerable resilience following the terrorist events on the 7 and 21 July 2005, which had a major impact on the London Underground and to a lesser extent the bus network. The recovery in demand has been much quicker and much stronger than anticipated, with high levels of service seen before these events now restored.
- High levels of customer satisfaction seen in previous years were maintained, with targeted levels achieved in most areas of the business.
- Passenger journeys on the London Underground were 2.5% above target and only 5 million down on the record level set last year, despite the losses caused by the terrorism events, without which a new record of close to a billion journeys would have been established. The rapid recovery in demand following the aforementioned incidents helped London Underground's traffic fares income exceed budget by £52m.
- Passenger journeys on the bus network grew slower than in previous years, up 1.3% on the previous year, and down slightly against budget. Fares income from the bus network was slightly below budget mainly due to lower than anticipated background economic growth exacerbated by the July terrorist events.
- Reliability of service remained significantly better than benchmark levels set in 2002/03. The decrease in the percentage of Scheduled Services Operated compared to the previous year seen on the Underground reflects the impact of increased engineering works and the impacts from the terrorist events in July. Performance on the bus network and DLR remained broadly in line with budget and the level of performance seen last year.

- The total number of accidental fatalities on the London Underground during the year (excluding 7/7 events) was 2. In only one of the past 15 years have there been fewer incidents.
- Improvements were seen to the diversity of TfL's workforce over the year, with increases in the percentage of women and Black, Asian and Minority Ethnic (BAME) across both operational and non-operational staff. Although TfL met its BAME target, it remains short of targeted levels of women.
- The entire mainstream London Bus network was fully accessible by the end of the year, the only exception being the two heritage Routemaster services, which operate over parts of routes 9 and 15. In addition, all buses had on-bus CCTV coverage as planned, by the end of 2005. Passengers will not only benefit from enhanced levels of security, but also environmental improvements resulting from the successful use of CCTV to combat bus etching and graffiti.

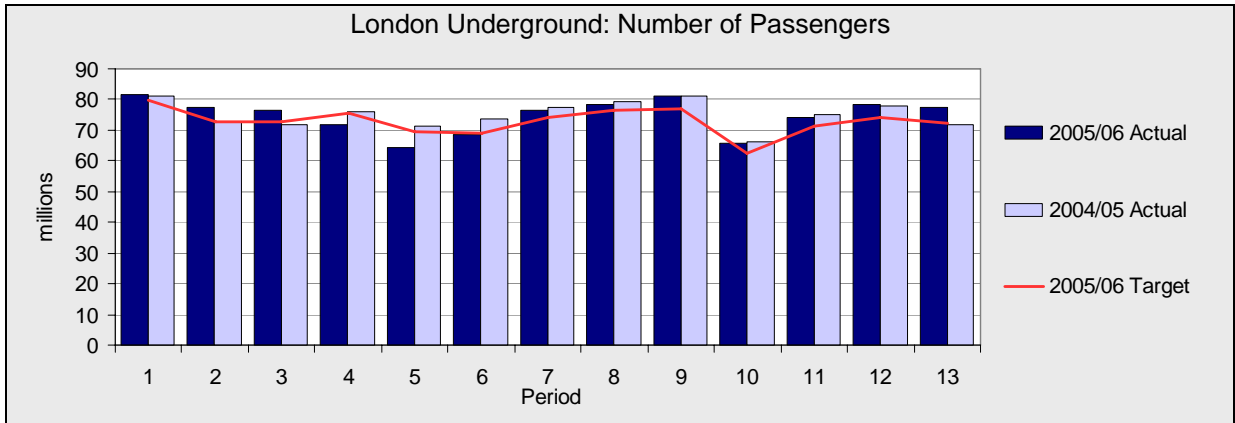
2.2 The key highlights arising over the fourth quarter of 2005/06 were as follows:

- Fare revisions were successfully introduced in January 2006, with the overall increase in revenue and changes in passenger numbers in line with forecasts. The revised packages coupled with marketing and operational improvements have had the effect of reducing cash usage on London Underground by over 50% and reducing its usage on buses to 5.6% of journeys, to speed up journeys and improve the efficiency of the network.
- Journeys using Oyster card pay as you go now exceed a million trips on most days, with over 40,000 new customers continuing to move over to pay as you go each week.
- London Underground successfully implemented the 35-hour week for station staff at the beginning of period 12, with changes to ticket office opening hours and consequent redeployment of staff within stations.
- The Central Line delivered a consistently reliable performance over the quarter, with an impressive 99.1% of schedule operated in period 12, the best result by a major line for over 8 years.
- Six state-of-the-art environmentally friendly, hybrid buses were added to the London bus fleet in February. The new buses, are cleaner, quieter and use less fuel than diesel buses, leading to a reduction in carbon dioxide emissions. They work by using a 336 volt battery and electric motor to drive the wheels, with a diesel engine keeping the battery charged.
- In February, it was agreed with DfT that from Autumn 2007 the responsibility for managing the North London Railway will be transferred to TfL. The process to appoint an operator to run the concession has commenced with the successful bidder will start operating the Railway on 11 November 2007. Until then, the services will continue to be run by the current franchise operator, Silverlink Metro, managed and funded by the Department for Transport.

3 OPERATIONAL REVIEW

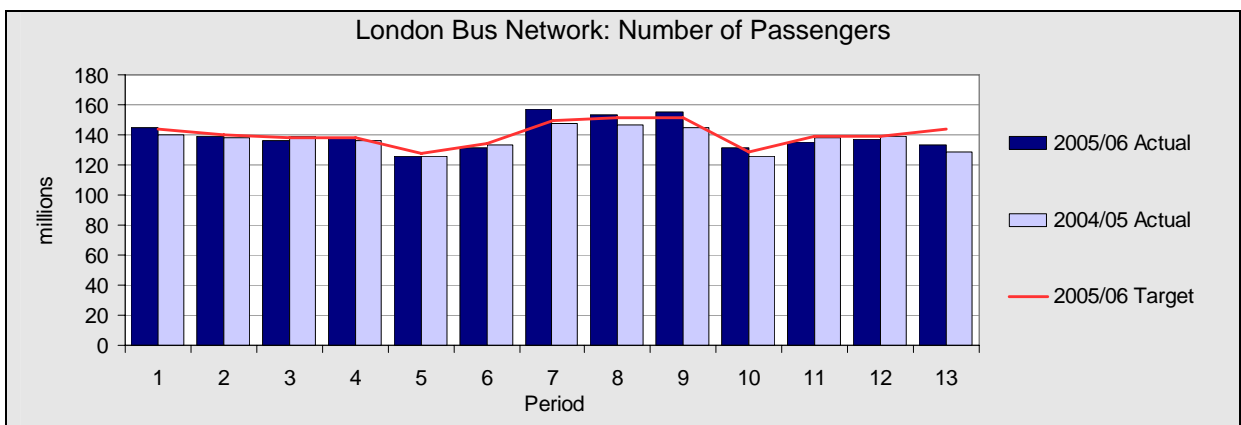
Service Demand

- 3.1 Overall passenger demand for the full year at 2,866m journeys was 16m higher than target, an increase on numbers seen last year. The result mainly reflected the higher than anticipated demand on the London Underground. Demand on the bus network remained largely unchanged on last year was below its full year target, while demand on the DLR achieved its full year target.



- 3.2 Demand on the **London Underground** continued to increase strongly over the fourth quarter. Passenger journeys at 295m were some 5% higher than target and up on the same quarter last year. The total number of passenger journeys for the year reached 971m, which was 24m higher than target, although a slight decrease on the previous year's result of 976m. These results reflect the continued strengthening of demand on the Underground and the faster than expected recovery from last July's terrorist events.

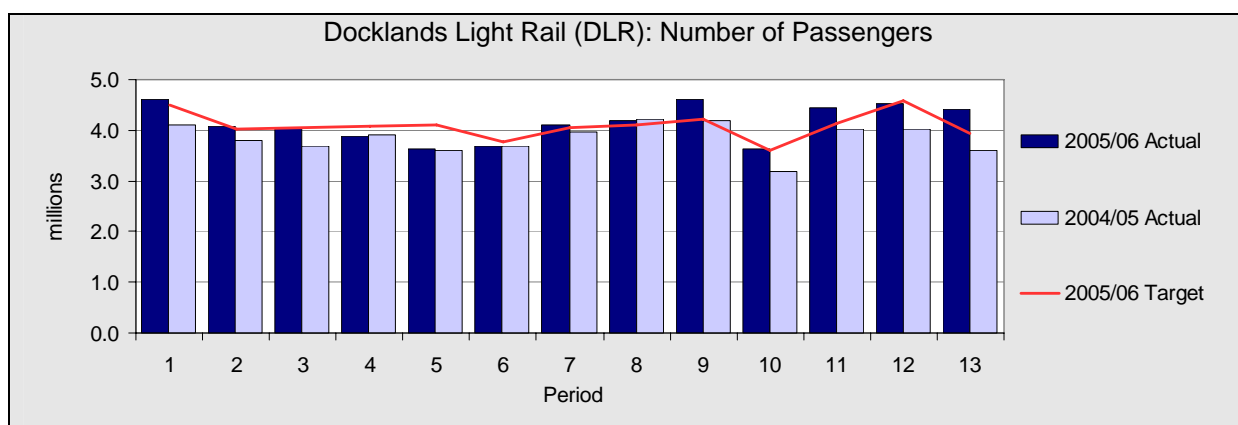
- 3.3 The January 2006 RPI+1% (3.9%) fares revision was not expected to impact demand to any large extent, as the revision was intended to encourage passengers to switch to Oyster cards. The success of the revisions has seen the proportion of journeys using Ordinary cash fares fall to 6.5% by year end, down from 13.1% at the end of the last quarter, while Oyster single fares have increased to 14.8% of all London Underground journeys compared with 8.7% at the end of the previous quarter.



- 3.4 Demand on the **Bus network** was better than target over the fourth quarter. The total number of passenger journeys for the year was 1,816m, and although slightly

below the full year target, this was an increase of 1.2% on the previous year's 1,793m journeys.

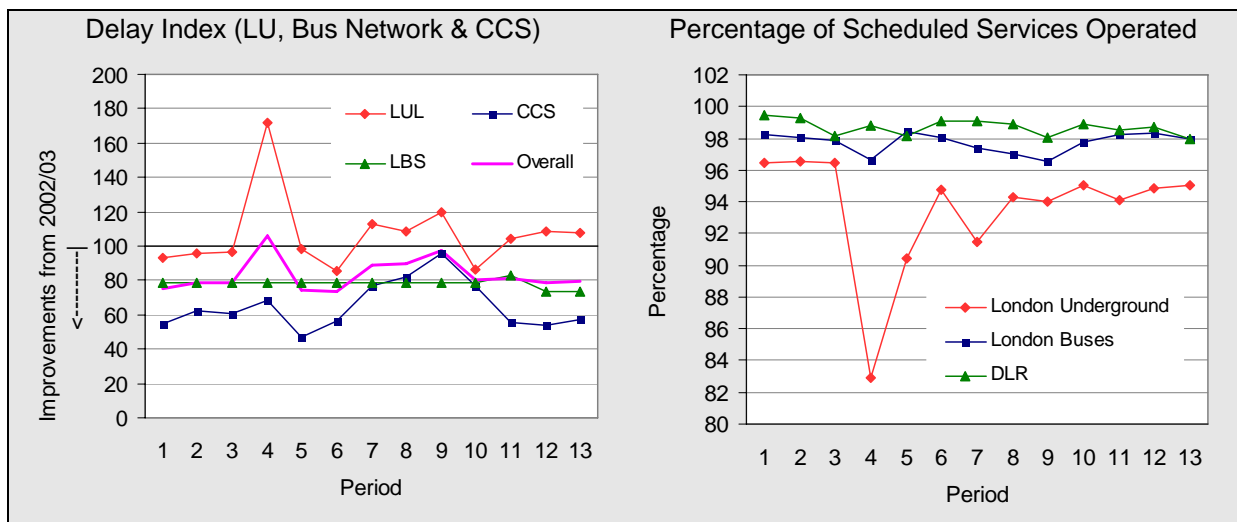
- 3.5 Free bus travel was extended to the under 16s from September 2005. (Since January 2004 under 11s have travelled free on bus). Around 12% of bus journeys (over 200m pa) are now made without charge by the under 16s, and the number is continuing to increase.
- 3.6 The January 2006 RPI+10% (12.9%) fares revision was estimated to have led to a 2% reduction in journeys, offsetting some of the anticipated increase by free travel for under 16's. However, as with tube fares, the intention were to encourage further switching out of cash fares. Before the fares revision around 9% of passengers paid cash fares, while at the end of this quarter this has dropped to below 6%.



- 3.7 Passenger journeys on the **DLR** over the fourth quarter at 17m were in line with target, although up nearly 15% on the same quarter last year. For the full year journeys were up 7% on the previous year, and met target. On the Lewisham Extension, where TfL has revenue risk, journeys were up over 7% on the previous year. Since the opening of the London City Airport at the end of the third quarter, journey numbers over the quarter were encouraging with around 10,000 passengers using the line each weekday, which is in line with expectations.
- 3.8 In other areas of TfL, journey numbers on London River Services (multi-stop) were up 40% on last year, with the river bus service provided under the Thames Clipper contract performing strongly. Departure numbers at the Victoria Coach Station however were down 8% on last year primarily as a result of a reduced Oxford Express service and lower than anticipated Euroline services.
- 3.9 The level of walking and cycling continued to increase strongly across London. Levels of cycling during 2005/06 were over 70% higher on London's main roads than they were in 2000.

Service delivery

- 3.10 Overall reliability of service, measured by the Delay Index, remained 17% better than the benchmark level set in 2002/03, although the full year result was slightly worse than last year. Over the final quarter, service reliability on the bus network and for the congestion flow rate (CCS) improved, although journey time on the London Underground continued to be impacted by higher than anticipated passenger demand and industrial action.



- 3.11 On the **London Underground** Excess Journey Time improved on the previous quarter as the effect of higher demand at stations and on trains were offset by lower unplanned closures. The growth in the use of Oyster cards particularly 'pay as you go' has also been a positive factor in reducing overall journey times. For the full year, Excess Journey Time results were over target, if the direct effects from the terrorist events in July and the Northern Line tripcock issue are excluded, the average result falls within targeted levels of performance.
- 3.12 The percentage of Scheduled Services Operated on the **London Underground** for the year was below target, primarily due to the July terrorist incidents which significantly impacted the Circle, Hammersmith & City and Piccadilly lines, the Northern line tripcock issues, and industrial action which mainly affected the District line. Excluding these factors, performance would have exceeded target levels and improved on the previous year.
- 3.13 On the **bus network** the previous years' service improvements were maintained in 2005/06, with full year results of Scheduled Services Operated matching results from 04/05 at 97.7%. This result demonstrates the continued success of the Quality Incentive contracts in sustaining service reliability. It is estimated that the target level of 97.8% would have been comfortably achieved were it not for the non-deductible losses resulting from the closure of Battersea Bridge, the Limehouse Link Tunnel fire and the events of July 7th. Losses due to staffing and for mechanical reasons were at the lowest level for many years.
- 3.14 On central London roads, traffic entering the **Congestion Charging Zone** was down around 5% on last year. The PCN issue rate also continued to decrease showing greater compliance by motorists. The operational performance of the scheme, by the service provider Capita over the year, remained in line with expectations.
- 3.15 Journey time reliability on the **road network** (TLRN) was significantly higher (worse) than the previous year result which is against the downward trend seen since 2002. Further work is being carried out to look at historic flows and number and type of incidents and events to gain further insight into their impact.

Other operational issues

- 3.16 Other operational issues of note during the quarter are as follows:

- TfL agreed voluntarily to adopt Section 17 (S17) of the Crime and Disorder Act, which will mean that the business will need to consider the impact all of its activities and projects have on crime and disorder. The adoption of the S17 provision is expected to deliver real benefits to both TfL's customers and staff.
- The use of Quality Incentive Contracts (QIC) for the management of the bus fleet continued to provide benefits to both TfL and its customers in terms of financial and service performance. An investigation by the London Assembly Cross Party Transport Committee into the management of the London Bus fleet highlighted the success of the QIC model in terms of improved service levels and cited it as a preferred model for other world cities.
- A Travel Demand Management unit was established during the quarter, and has been organised around five principal work areas and will develop best practice toolkits, pilots and guidance to relevant areas.

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

4 CUSTOMER IMPACTS

4.1 TfL's fourth quarter Customer Satisfaction Score (CCS) overall evaluation remained unchanged on the previous quarter at 78, and has met the full year target.

4.2 Overall satisfaction on the **London Underground** has met target, remaining at 78 for the second successive quarter after achieving a record high of 79 in quarter 2.

4.3 Satisfaction on the **bus network** was only one point down against target. Satisfaction with information provided has decreased since last quarter and was under the target level of 75. However, reliability, personal safety and security and level of crowding have all met the set targets. Satisfaction with night bus services remain lower than for day buses, although it has increased by three points this year to 73.

4.4 The number of killed or seriously injured casualties (KSI) on London's roads during 2005 was 3,650 (estimate), which is a reduction of 12% compared with the 4,169 that were injured in 2004. This shows that by the end of 2005, KSI casualties are about 45% below the average for 1994-98, so that London remains in line to meet the new 50% casualty reduction target by the year 2010.

4.5 There was an increase in the overall fatality and injury figures (excluding those on the road network) for the full year. While it is still thought that the longer-term trend for incidents are decreasing, improvements to the data collection process and higher levels of incident reporting have resulted in an increase year on year.

5 FINANCIAL REVIEW

5.1 TfL's gross margin for the full year at £2,123m was £195m better than budget. The result reflects income of £2,852m which is £91m higher than budget and operating expenditure of £4,975m which was £104m lower than budget. Net capital

expenditure for the full year of £519m was £28m below budget after taking into account the budgeted overprogramming reduction.

£'millions	Full Year			Full Year	
	Outturn	Budget	Var to Budget	Period 9 F'cast	Var to F'cast
Operating Budget					
Income	(2,852)	(2,761)	(91)	(2,778)	(74)
Operating expenditure	4,975	5,079	(104)	5,002	(27)
Gross Margin	2,123	2,318	(195)	2,224	(101)
Capital Budget					
Capital expenditure	680	884	(204)	693	(12)
Capital receipts/reimbursements	(147)	(184)	37	(146)	-
Property sales	(15)	(13)	(2)	(13)	(2)
Over-programming (capital)	-	(140)	140	(5)	5
Net Capital Expenditure	519	547	(28)	528	(10)
Contingency	-	26	(26)	-	-
Net Service Expenditure	2,642	2,891	(249)	2,752	(111)

Outturn against Period 9 Forecast

5.2 TfL's gross margin was £101m lower than forecast in period 9, as a result of higher than forecast income and lower than forecast expenditure. Net capital expenditure was £10m lower than forecast. The main movements are explained below.

Operating Budget

- Within London Underground fare income for the full year was £22m higher than the forecast, which was not raised at the end of last quarter due to uncertainty over the impact that the January fares revision would have.
- Expenditure on PPP payments fell £13m lower mainly due to poorer than anticipated performance by the Infracos.
- Following the increase of London Underground's risk provision in response to a number of high profile risk issues at the end of the third quarter, it has been managed down by £60m to within the original budget level.
- There has been a £25m increase in income and a £19m increase in expenditure relating to congestion charging since the period 9 forecast. Enforcement income was significantly higher than anticipated, up nearly £20m on the forecast. In addition there have been some adjustments made to the bad debt provisions based on changes in the expected recovery rates. The full year effect of this has been captured in period 13. The adjustments made cover the full provisions balance from the inception of Congestion Charging to 31 March 2006 and now more reasonably reflect current and expected future levels of Income recovery.

- TPED income was £8m higher than anticipated in the period 9 forecast. This was offset by the proportional increase in expenditure relating to the bad debt provision of £5m.
- Within Surface Transport there is an £12m increase in income offset by a £12m increase in expenditure relating to the commencement of a new bus stop shelter advertisement contract with Clear Channel in January 2006, following the cessation of the Adshel Partnership agreement. Under the new agreement the advertising income and expenditure relating to the contract is being accounted for gross. This has a no impact on net expenditure.

Capital Budget

- London Underground's gross capital expenditure was £12m lower than forecast in period 9, mainly as a result of non-materialised risk on Connect enabling works that were substantially completed by the year end.

6 INCOME

- 6.1 TfL's total income for the full year was £91m better than budget and up 8.4% on the previous year. The result principally reflects better than budgeted fares income on the London Underground and Congestion Charging income. The years Easter fell outside of the fourth quarter increasing annual revenue on a like for like basis when compared to 2004/05.

Prior Year Actual	Income (£m)	Full Year		
		Actual	Budget	Variance to Budget
(1,240)	Underground Traffic Income	(1,307)	(1,255)	(52)
(869)	Bus Network Income	(939)	(941)	2
(192)	Congestion Charging Income	(254)	(216)	(38)
(331)	Other Income	(352)	(349)	(3)
(2,632)	Total Income	(2,852)	(2,761)	(91)

- 6.2 Traffic revenue on the **London Underground** for the full year was well above budget, as demand recovered strongly following the terrorist incidents of 7 and 21 July. After adjusting for the timing of Easter, income is up 3.8% on the previous year. By the end of the year, Oyster PAYG (pay as you go) accounted for nearly 20% of all London Underground's periodic fare income, having started the financial year at around 6%. Ordinary fare revenue fell from around 20% of the total at the beginning of the year to around 11% by year end. There was also decrease in the percentage of revenue from One Day Off-Peak Travelcards, down from 25% to 20%.
- 6.3 London Underground secondary income for the full year, including advertising income and property rental income was better than budget. This reflects additional advertising income from the Viacom contract, higher Metro distribution figures and new letting in Acton.
- 6.4 **Bus network** income of £939m for the full year was slightly less than budget. However, income was up 7.5% on a year ago, after adjusting for the timing of Easter, primarily as a result of higher demand. The £2m shortfall in revenue was largely the result of lower than anticipated background economic growth, exacerbated by the

July bombings. (UK retail sales volume grew by only 0.4% in 2005/06 compared with 3.7% in 2004/05). A more minor contributory factor was customers switching from cash to cheaper prepaid tickets faster than expected over the latter part of the year.

- 6.5 The February Bus Fare Evasion Survey indicate that fare evasion rates on one person operated (O.P.O) routes over the year were down slightly from 3.0% to 2.3%, while fare evasion rates on open boarding routes have increased slightly from 7.3% to 7.8% over the year.
- 6.6 **Congestion Charging** income is now presented on a gross basis, with a separate bad debt provision. The real increase in income was £14m compared to budget at £245m. This reflects a higher than estimated yield per PCN, and volumes being higher than expected following the increase in the charge in July 2005.
- 6.7 In 'Other income', TPED enforcement income for the year was £25m (or 35%) below budget as a consequence of a slower than planned build up of enforcement of moving traffic offences and continued changes to driver behaviour with respect to bus lane enforcement. PCO income was £4m higher than budget as a result of churn within the market, while VCS commercial income was £4m below budget due to lower coach ticket sales. Income on the DLR was in line with budget, however on the Lewisham Extension, where TfL has revenue risk, income was up around 5% against budget.

7 OPERATING EXPENDITURE

- 7.1 TfL's total operating expenditure for the full year, after overprogramming, was £104m under budget.

Operating Expenditure (£m)	Full Year		
	Actual	Budget	Variance to Budget
London Underground	2,362	2,472	(111)
Surface Transport	2,234	2,243	(9)
London Rail	129	117	13
Group Directorates	250	266	(16)
Overprogramming (Operating)	-	(20)	20
Total Operating Expenditure	4,975	5,079	(104)

Note: full year Borough related expenditure within Surface, £91.7m of actual and £93.3m of budget, has been reclassified in the management accounts from capital to revenue. Third quarter forecasts presented in this report has been amended accordingly so that a like for like comparison can be made.

- 7.2 **London Underground's** operating expenditure for the full year was £111m below budget. This reflects lower than budgeted payments to Infracos (£26m BCV, £8m JNP and £21m SSL), lower PFI costs of £14m due to Connect delays and savings on Prestige and Power, £8m reduction in expenditure on operational improvements and £32m of savings on central expenses including rates (£4m), insurance (£5m), commissions (£5m), settlement of old liabilities (£6m), interest payable by Infracos (£3m) and recovery of very old bad debts (£2m). As forecast, higher energy costs have resulted in traction and utility costs being £10m above budget.

- 7.3 Operating expenditure in **Surface Transport** for the full year was £9m below budget. This reflects £33m of savings on Bus network operating costs which benefited from efficiency savings through the contract re-tendering regime, rescheduling of services and a reduction in ticket selling commission payable due to changes in the ticket mix. Lower spend of £12m related a delay in usage based payments as a result of delayed completion of the communication system for the A13 DBFO¹. TPED expenditure was £6m lower than budget due to recruitment delays and lower cost recovery by London Boroughs in respect to the agreement to support bus lane enforcement. The provision for Congestion Charging bad debts was £24m higher than budget as a result of additional income and a revised bad debt policy. In addition, expenditure within Finance and IM was £10m above budget due to additional IM expenditure to create a unified technical environment, while expenditure within marketing and research (strategy) was £6m above budget due to additional marketing campaigns undertaken including Everyone's London and Safe Travel at Night.
- 7.4 Full year operating expenditure in **London Rail** was £13m higher than budget. £8m of this is a result of re-classification of capital expenditure to operating expenditure on National Rail security projects where the assets are being purchased, operated and maintained by the train operating companies (TOCs). The balance is made up primarily of the following items; £2m for Stratford International and £1m for 3 Car both due to programme acceleration, with a further £1m for the DLR refranchise due to the increased number of bidders and procurement stages. There has been an increase in activity on the DLR which has cost £1m which is offset by £1m in the income line.
- 7.5 Operating expenditure within the **Group Directorates** was £16m below budget for the full year. This mainly reflects lower than budgeted interest costs, which were £45m, lower than budget, as a result of the value and timing of Prudential borrowing draw-downs. This was offset by increased marketing spend on Oyster to support the January fares revision and on the Everyone's London campaign, additional project planning and approval costs on projects such as the Thames Gateway enquiry, and higher expenditure on IT including provision for payments with Logica CMG that are currently in dispute, unbudgeted work the Momentum Programme (to stabilise and enhance SAP) and the SAP portal.

8 CAPITAL EXPENDITURE

Capital Expenditure (£m)	Year to Date		
	Actual	Budget	Variance to Budget
London Underground	318	376	(57)
Surface Transport	267	345	(78)
London Rail	83	93	(10)
Group Directorates	12	70	(58)
Gross Capital Expenditure	680	884	(204)
Capital receipts/reimbursements	(147)	(184)	37
Property sales	(15)	(13)	(2)
Overprogramming (Capital)	-	(140)	140
Net Capital Expenditure	519	547	(28)

⁽¹⁾ Accounted for as operational expenditure

- 8.1 Net capital expenditure year to date at £519m was £28m below budget. For further detail on capital expenditure please refer to the **Investment Programme Report**.

9 BALANCE SHEET

TfL Group Balance Sheet at the end of Period 13 (£m)	Variance to Budget
Fixed Assets (higher than budget)	280
Debtors and payments in advance (higher than budget)	95
Cash (i.e. an increase in cash over budget)	418
Creditors (higher than budget)	(442)
Prudential loans (higher than budget)	(8)
Deferred Capital Grant (higher than budget)	(116)
Provisions (lower than budget)	8
Total Net Assets	235

- 9.1 Fixed assets are higher than budget because reporting information received from the Infracos shows a higher proportion of expenditure under the PPP contracts will be accounted for as fixed assets on London Underground's balance sheet. This is partially offset by lower capital expenditure and higher depreciation.
- 9.2 The main variances from budget for debtors and payments in advance are in London Underground. Debtors are higher than budget as the budget assumed an earlier receipt of monies due to London Underground under the Share Purchase Agreement with the Infracos. In addition, costs on the Connect PFI project are being held in debtors and will be released to the profit and loss account as the assets it is delivering come in to service. This was budgeted to be in the current year but the New Service Live Date has been rescheduled and this has contributed to a higher debtor position.
- 9.3 Creditors are over budget by £512m, largely due to the higher PPP lease creditor balances associated with the increased levels of fixed assets delivered in the year. In addition, cash has been received by the Group in respect of certain contractual disputes but is being held in abeyance pending final resolution of the disputes.
- 9.4 The higher net creditor position and lower than budget activity spend has resulted in cash balances some £418m above budget.
- 9.5 Deferred capital grant is higher than budget reflecting lower than budgeted net operating expenditure and therefore lower revenue grant requirement.
- 9.6 London Underground have increased their provision balances following legal advice relating to a contractual indemnity.
- 9.7 In period 13 the percentage of invoices paid within 30 days remained at 86%, the same as in period 9. This kept the cumulative figure at 85%, above the Best Value Performance Indicator target for Accounts Payable of 84% for the year.

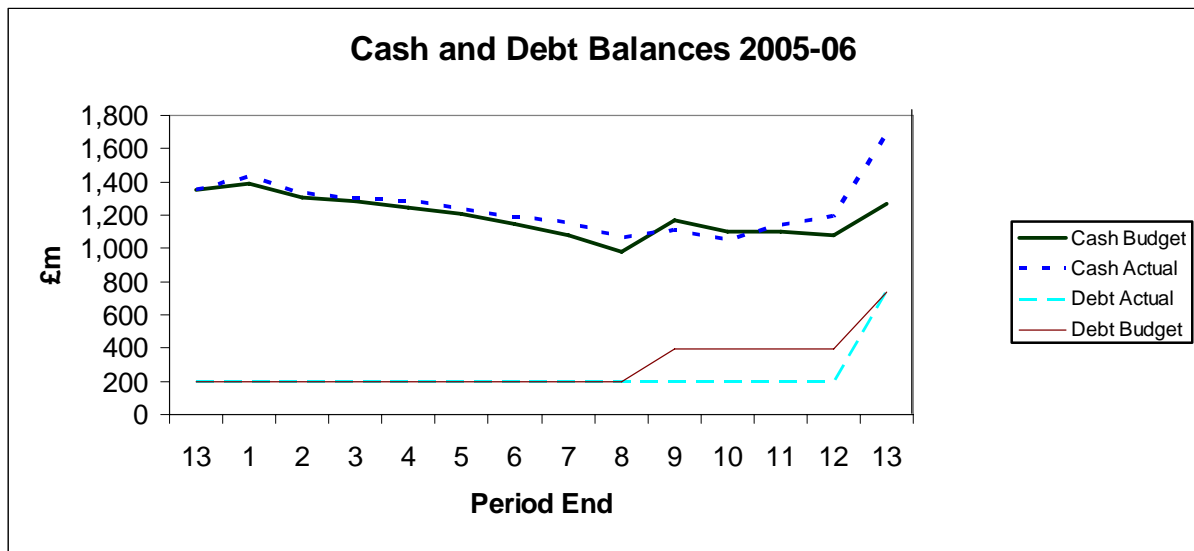
10 CASH

Cash Balances

- 10.1 Cash balances of £1,687m at 31 March are £418m higher than budget mainly due to lower than budgeted external payments by London Underground. Refer to **Annex 5** for periodic cash balance over the quarter.

Cash Balances and Debt

- 10.2 Net cash at 31 March 2006 amounted to £941m comprising £1,687m (as reported above) less outstanding debt of £746m. Debt increased in March by £550m with the receipt of £197.6m proceeds from the second MTN issue, borrowing of £334.3m from the Public Works Loan Board and the drawdown of the first instalment of £18.1m from the European Investment Bank's £450m facility to fund the East London Line.
- 10.3 The graph below shows the budgeted cash balances and debt compared to actual at each period end throughout the year.



Performance

- 10.4 Performance against the earnings benchmark of average 3 month's LIBOR minus 15 basis points is tabled below. TfL continues to perform above this benchmark, currently within a range of 9 – 12 basis points. The average yield for the year was 4.68%, 10 basis points above benchmark.

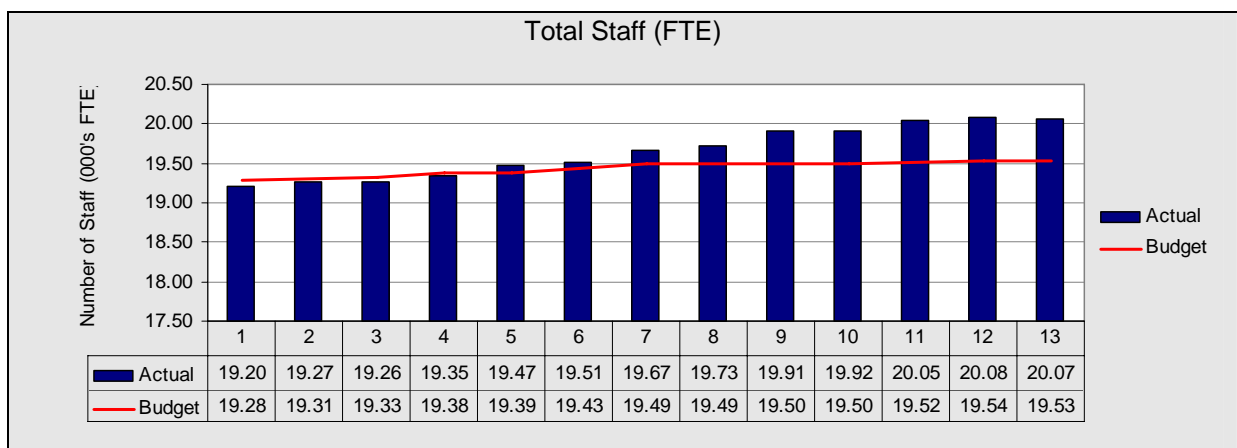
Treasury Management Yield (%)	P10	P11	P12	P13	Year Actual	Year Budget
Period end	7 Jan	4 Feb	4 Mar	31 Mar	-	-
Benchmark	4.46	4.47	4.46	4.45	4.58	-
Average Rate of Return	4.58	4.56	4.56	4.56	4.68	5.00
Excess over Benchmark	0.12	0.09	0.10	0.11	0.10	-
Interest Earned	£3.8m	£3.5m	£3.9m	£4.3m	-	-
Interest year to date	£43.3m	£46.8m	£50.7m	£55.0m	£55.0m	£62.0m

10.5 Base Rate was budgeted at 5%. Rather than rise to 5% it fell to 4.5% in August where it has remained. The current consensus is that interest rates will not move either way for the time being. Interest income for the year was £55m, an improvement of £3m over the period 9 forecast.

11 STAFF

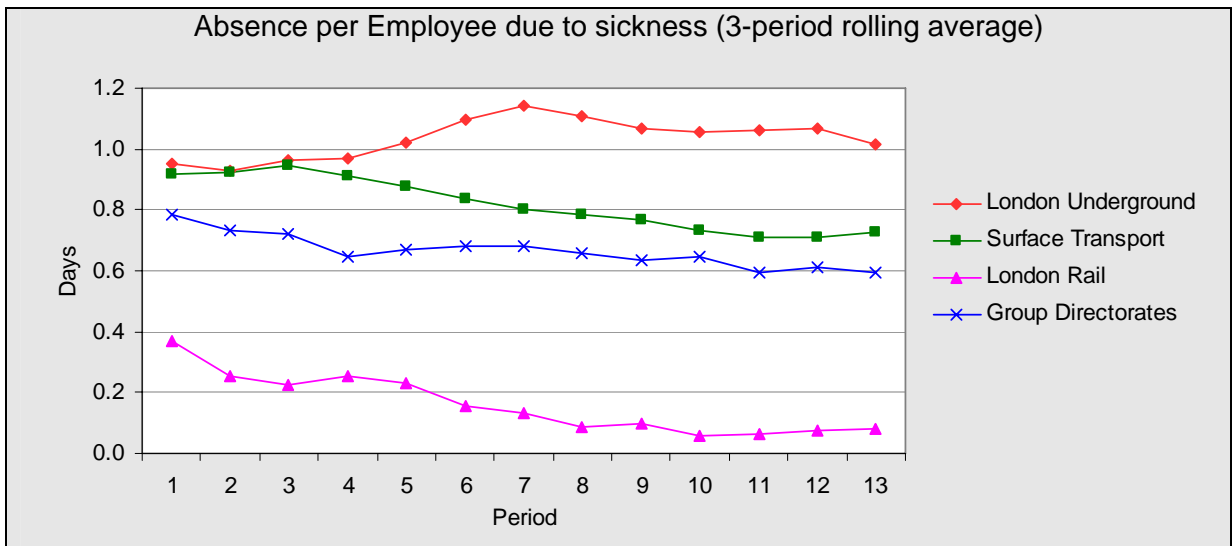
Staff numbers

11.1 The total number of staff at the end of the year at 20,069 FTE was 511 (or 2.6%) higher than budget and an increase of 729 FTE on the previous year. This is a significant increase on the previous quarter which was 350 FTE above budget, and predominately reflects the increase in the number of staff with divisions of Streets where numbers are running ahead due to increases to meet programme delivery requirements. There also remain an additional 146 British Transport Police (BTP) in London Underground reflecting additional officers recruited or seconded following the terrorist events of 7 and 21 July 2005. Since year end, 57 seconded officers have returned to their substantive forces and a further 60 are to be transferred to London North and South BTP divisions. The staff increases also reflect the commencement of recruitment up to the budgeted 2006/07 FTE of 20,493.



Sickness

11.2 The average sick absence per employee for the year was 12 days, which was broadly in line with the target level of 11.9 days.

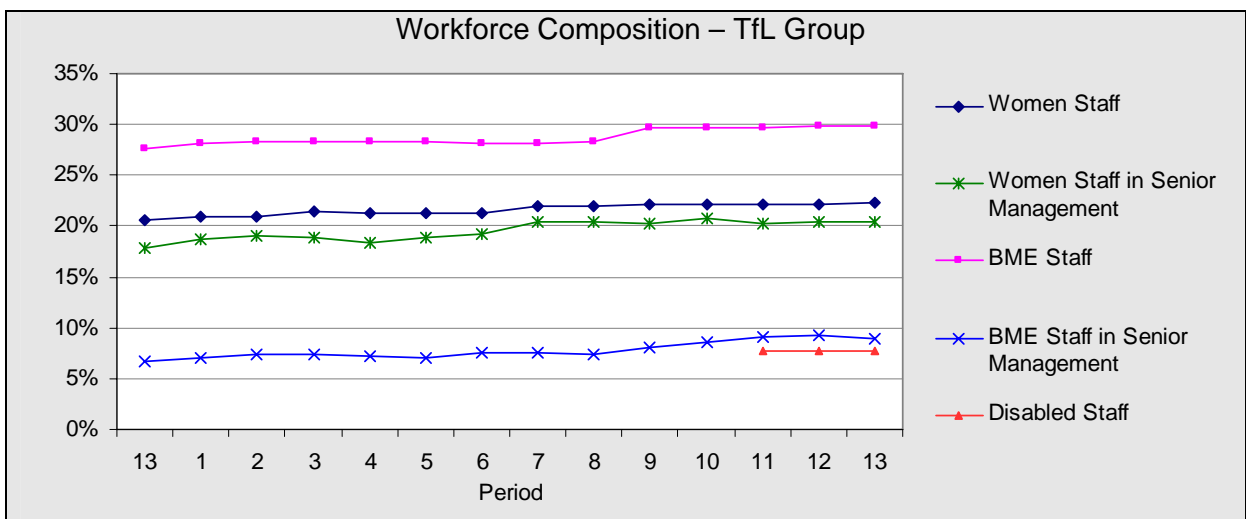


11.3 For operational staff, there was a significant reduction in the sickness absence within London Underground over the fourth quarter, an indication that the attendance management programme that has been implemented is beginning to take effect. Sickness absence was below previous year levels in all areas except London Underground.

11.4 Levels of sickness for non-operational staff have improved on last year and are now broadly in line with target levels. Sickness absence relating to Surface operational staff has significantly improved over the year. While the trend is improving, sickness for this group, remains slightly worse than target.

Workforce Composition

11.5 All group workforce composition indicators have improved over the year.



11.6 The percentage of Women Staff within TfL at the end of the year was 22.3%, with the group directorates continuing to attract a high percentage of applicants. Although this is still below the current target, there has been a tangible improvement in the result over the year. The improvement reflects the success of initiatives undertaken by TfL to attract and retain more women at all levels of the organisation. Initiatives have focused on specific recruitment programmes such as women train drivers on

the London Underground, and longer-term programmes such as the promotion of flexible working practices across the business.

- 11.7 The figures for Black, Asian and Minority Ethnic (BAME) staff have increased by 2% over the year to 29.8% which exceeds the current percentage for economically active BAME people in London, although this is not reflected at all levels in the organisation. TfL's continuing commitment to recruit from these communities, and on-going positive strategies around recruitment and staff development will continue to result in long term gains in this area. Targeted recruitment campaigns, such as the graduate recruitment, which has profiled Universities having the courses and skill sets required by TfL, and a diversity campaign in PCO, are currently being undertaken.
- 11.8 A recent re-survey of TfL employees showed a significant increase in the number of staff reporting a disability, which is now only slightly below the economically active disabled population of 8.3% for London. The latest survey undertaken by TfL addresses a previous concern that staff were not willing to confirm their disability status, and suggests that historic reports have been under-estimating the level of disabled staff employed.

12 EFFICIENCIES

- 12.1 TfL delivered a total of £222m of efficiency savings against the full-year target of £148m. This included £74m of savings sustained from previous years. This compares with a third quarter forecast for the whole year of £198m.
- 12.2 The main changes between third quarter forecast and outturn were:
- Higher than expected levels of procurement efficiencies.
 - Additional efficiencies arising from alternative financing of investment programme schemes ('Marketing & Other' efficiencies).
 - The Financial Service Centre (FSC) secured a refund for invoices overpaid in previous years. This represents an additional benefit from the establishment of a centralised service.
 - Lower than forecast savings arising from London Underground 'other' operational efficiencies.

The following table shows the major areas of efficiency savings.

Initiative (£m)	Full Year (In Year)		Full Year (In Year and Recurring)		
	Outturn	Var to Budget	Outturn	Budget	Var to Budget
Procurement	43	15	73	58	15
Staff & BIP	14	2	27	25	2
Marketing & Other	25	24	43	18	25
Total Back Office	82	41	143	101	42
Bus Network	20	20	31	11	20
Tube lines refinancing	-	-	2	2	-
LUL Other Efficiencies	2	(2)	2	7	(5)
LUL Communications Infrastructure	44	17	44	27	17
Total Operational	66	35	79	47	32
Cashable Total	148	76	222	148	74
Additional secondary revenue	2	2	2	-	2

12.3 The overall full year procurement savings target was £58m, of which £30m was sustained from previous years. At the end of the third quarter a further £39m of in-year procurement efficiencies have been identified of which only £6m had been delivered. However, due to considerable focus of attention by Group Procurement and Group Business Planning and Performance, the programme delivered £43m of in-year savings resulting in full year outturn of £73m.

12.4 In addition to the claimable cashable efficiencies, Group Procurement also delivered a further £2m of benefits through increased income. TfL has not historically counted additional secondary revenue against its efficiency target, although this is included in the efficiency gains claimed by other Passenger Transport Executives.

12.5 The full year variance of £74m reflects:

- An increase in procurement related efficiencies identified across both the modes and corporate directorates resulting in a favourable variance of £15m.
- A significant increase in 'other' mainly due to Finance and Planning (Corporate Finance) delivering £18.1m of in-year savings as a result of innovative use of financing on projects such as the DLR Woolwich extension and railcar upgrade.
- Bus contract savings of £20m achieved against a target of zero, due to continuing favourable operating conditions partly enabled by the declining usage of cash on buses.
- Increased savings in London Underground as a result of additional rebates being agreed with the Infracos in respect of PPP completion accounts and special projects (£4m), and the operational communications project – TIMIS (£17m). It should be noted that £8m was an additional rebate, and £9m was for the early settlement of future years' rebates hence reducing future plan years' targets by the same amount.

12.6 These increases more than offset the lower than budgeted savings in the London Underground 'other' efficiencies (£5m). London Underground now has a firm strategy in place to deliver the specific operational efficiencies in future plan years.

ANNEX 1: PERFORMANCE SUMMARY

Performance Indicators		Fourth Quarter				Full Year			
		Actual	Target	Var	Prior Year	Actual	Target	Var	Prior Year
TFL GROUP									
Total passenger journeys	Millions	872.6	855.8	16.8	860.4	2,865.9	2,850.2	15.8	2,842.8
Operating cost per passenger journey	£	2.3	1.8	0.6	1.2	2.3	1.8	0.6	1.2
Reliability of service (Delay Index)	#	79.9	80.0	(0.1)	79.8	83.1	80.0	3.1	79.8
CSS: Overall Satisfaction	Score	78	78	-	79	78	78	-	79
Major Injuries and Fatalities	#	330	n/a	-	279	1,168	n/a	-	898
Number of Staff	#	20,069	19,533	536	19,340	20,069	19,533	536.0	19,340
Percentage of Women Staff	%	22.3	24.3	(2.0)	21.0	22.3	24.3	(2.0)	21.0
Absence per Employee	Days	12.0	11.9	0.1	12.5	12.0	11.9	0.1	12.5
LONDON UNDERGROUND									
Passenger Journeys	Millions	295.2	280.5	14.7	291.0	971.1	947.0	24.1	975.9
Train Kilometres Operated	Millions	20.9	21.5	(0.6)	20.5	68.8	70.8	(2.0)	69.4
Percentage of Scheduled Service Operated	%	94.8	95.1	(0.3)	95.7	93.6	95.1	(1.5)	95.3
Peak Hour Trains Cancelled due to ONA	%	0.2	0.6	(0.4)	0.1	0.2	0.6	(0.4)	0.1
Excess Journey Time - Unweighted	Minutes	3.20	3.25	(0.05)	3.15	3.34	3.25	0.1	3.23
CSS: Overall Satisfaction	Score	78	78	-	78	78	78	-	78
Lost Customer Hours	M Hours	3.6	5.0	-1.4	4.0	15.6	16.2	(0.6)	14.1
LONDON BUSES									
Passenger Journeys	Millions	551.7	549.8	1.9	531.4	1,815.6	1,824.3	(8.7)	1,793.4
Bus Kilometres Operated	Millions	138.6	141.4	(2.8)	135.2	454.0	461.2	(7.2)	449.6
Percentage of Scheduled Service Operated	%	98.1	98.0	0.1	98	97.7	97.8	(0.1)	97.7
Excess Wait Time - High Frequency Routes	Mins	1.1	1.2	(0.1)	1.0	1.1	1.2	(0.1)	1.1
On Time Performance - Low Frequency Routes	%	78.0	77.1	0.9	77.8	77.2	77.0	0.2	77.1
On Time Performance - Night Buses	%	84.4	82.3	2.1	82.9	83.6	82.0	1.6	81.9
CSS: Overall Satisfaction	Score	77	78	(1.0)	77	77	78	(1.0)	77
Percentage of 'Low Floor' Buses	%	100	100	-	95.5	100	100	-	95
LONDON TRAMS									
Passenger Journeys*	Millions	6.6	n/a	-	5.7	21.1	21.1	-	19.3
Percentage of Scheduled Service Operated	%	98.8	98.0	0.8	95.5	97.4	98.0	(0.6)	95.4
CSS: Overall Satisfaction	Score	80	86	(6)	86	85	86	(1)	86
PUBLIC CARRIAGE OFFICE									
Number of Taxi Drivers Licensed	'000	24.7	24.7	-	24.7	24.7	24.7	-	24.7
Number of Private Hire Drivers Licensed	'000	28.8	30.0	(1.2)	16.3	28.8	30.0	(1.2)	16.3

Notes/Key:

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

* Passenger journey targets are estimated, due to the service being provided by a third party
 n/a = KPI data not available / not measured.

ANNEX 1: PERFORMANCE SUMMARY (CONTINUED)

Performance Indicators		Fourth Quarter				Full Year			
		Actual	Target	Var	Prior Year	Actual	Target	Var	Prior Year
LONDON RIVER SERVICES									
Passenger Journeys (Multi stop)	'000	141	95	46	95.2	524	350	174	372
Passenger Journeys (Excluding Multi Stop)	'000	268	240	28	295	1,849	1,750	99	1,887
Percentage of Scheduled Service Operated	%	99.5	98.5	1.0	99.0	98.3	98.5	(0.2)	98.5
VICTORIA COACH STATION									
Number of Coach Departures	'000	56.9	66.3	(9.4)	63.9	198.6	226.6	(28.0)	215.3
CSS: Overall Satisfaction	Score	77	72	5	77	77	72	5.0	75
DIAL-A-RIDE									
Total Costs per Trip	£	19.2	14.6	4.6	17.0	19.1	13.9	5.2	17.0
CSS: Overall Satisfaction	Score	92	93	(1)	95	92	93	(1)	95
ROAD NETWORK									
No. of Major Injuries and Fatalities (TLRN)	#	n/a	n/a	-	306	n/a	1,058	-	1,093
No. of Major Injuries and Fatalities (Londonwide)	#	n/a	n/a	-	1,139	n/a	4,031	-	4,169
Cycling on TLRN (Index April 2000 = 100)	#	145.7	137.0	8.7	122.5	172.0	150.0	22.0	141.8
Journey Time Reliability (TLRN)**	%	n/a	n/a	-	n/a	30.6	19.7	10.9	18.7
Traffic Signals Operating Effectively (Londonwide)	%	98.6	97.0	1.6	97.3	98.6	97.0	1.6	97.3
DOCKLANDS LIGHT RAILWAY									
Passenger Journeys	Millions	17.0	16.9	0.1	14.8	53.9	53.8	0.1	50.1
Train Kilometres Operated	Millions	1.3	1.0	0.3	0.9	3.6	3.4	0.2	3.3
Percentage of Scheduled Service Operated	%	98.5	98.0	0.5	98.7	98.7	98.0	0.7	98.5
On-Time Performance - Adherence to Schedule	%	96.6	96.0	0.6	97.4	97.3	96.0	1.3	97.1
CSS: Overall Satisfaction	Score	96	84	12	95	95	84	11	95
Percentage of System Accessible	%	100	100	-	100	100	100	-	100

Notes/Key:

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

** Measured annually

n/a = Data not available/not measured

ANNEX 2: MODAL SUMMARY OF FINANCIAL PERFORMANCE

£'m	Full Year			Full Year	
	Actual	Budget	Variance to Budget	P9 Forecast	Variance Actual to Forecast
OPERATING BUDGET					
London Underground					
Income	(1,402)	(1,344)	(57)	(1,379)	(22)
Operating expenditure	2,362	2,472	(111)	2,434	(73)
Gross margin	960	1,128	(168)	1,055	(95)
Surface Transport					
Income	(1,312)	(1,291)	(21)	(1,272)	(40)
Operating expenditure	2,234	2,243	(9)	2,196	38
Gross margin	922	952	(30)	925	(2)
London Rail					
Income	(51)	(48)	(2)	(49)	(2)
Operating expenditure	129	117	13	128	1
Gross margin	79	68	10	80	(1)
Group Directorates					
Income	(88)	(77)	(11)	(78)	(10)
Operating expenditure	250	266	(16)	243	7
Gross margin	162	189	(27)	165	(3)
Total					
Income	(2,852)	(2,761)	(91)	(2,778)	(74)
Operating expenditure	4,975	5,099	(124)	5,002	(27)
Overprogramming (operating)	-	(20)	20	-	-
Gross margin	2,123	2,318	(195)	2,224	(101)

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

ANNEX 2: MODAL SUMMARY OF FINANCIAL PERFORMANCE (CONTINUED)

£'m	Full Year		Variance to Budget	Full Year	
	Actual	Budget		P9 Forecast	Variance Actual to Forecast
CAPITAL BUDGET					
London Underground					
Capital expenditure	318	376	(57)	335	(17)
Capital receipts/reimbursements	(121)	(142)	21	(119)	(2)
Property sales	(15)	(13)	(2)	(13)	(2)
Total Capital Expenditure	183	221	(38)	203	(20)
Surface Transport					
Capital expenditure	267	345	(78)	262	5
Capital receipts/reimbursements	(15)	(12)	(3)	(15)	-
Total Capital Expenditure	252	333	(81)	247	5
London Rail					
Capital expenditure	83	93	(10)	83	-
Capital receipts/reimbursements	(2)	(0)	(2)	(2)	(1)
Total Capital Expenditure	81	93	(13)	81	(1)
Group Directorates					
Capital expenditure	12	70	(58)	12	-
Capital receipts/reimbursements	(9)	(30)	21	(10)	2
Total Capital Expenditure	4	40	(37)	2	2
Total					
Capital expenditure	680	884	(204)	693	(12)
Capital receipts/reimbursements	(147)	(184)	37	(146)	-
Property sales	(15)	(13)	(2)	(13)	(2)
Overprogramming (capital)	-	(140)	140	(5)	5
Net Capital Expenditure	519	547	(28)	528	(10)

NET EXPENDITURE					
London Underground	1,143	1,349	(206)	1,258	(115)
Surface Transport	1,174	1,285	(111)	1,171	3
London Rail	159	162	(2)	161	(2)
Group Directorates	166	229	(64)	167	(1)
Central Overprogramming	-	(160)	160	(5)	5
Contingency	-	26	(26)	-	-
Net Service Expenditure	2,642	2,891	(249)	2,752	(111)

() variance is a below budget for capital expenditure but not for capital receipts/reimbursements
Table may be subject to rounding accuracy.

ANNEX 3: BALANCE SHEET

£'m	Full Year		
	Outturn	Budget	Variance to Budget
Fixed assets			
Tangible assets	14,213	13,933	280
Current assets			
Stocks	5	5	-
Debtors	249	200	49
Payments in advance	106	60	46
Cash at bank and in hand	1687	1,269	418
	2,047	1,534	513
Current liabilities			
Revenue	(885)	(807)	(78)
Receipts in advance	(165)	(155)	(10)
Capital	(174)	(223)	49
	(1,224)	(1,185)	(39)
Long term liabilities			
Balances with Infracos	(1,589)	(1,178)	(411)
Prudential loans	(746)	(738)	(8)
Creditors due after one year	(370)	(378)	8
Capital grants	(6,720)	(6,604)	(116)
Pension liabilities	(1,003)	(1,004)	1
Provisions for liabilities and charges	(216)	(223)	7
Total net assets	4,392	4,157	235
Capital reserves			
Reserves	3,240	2,992	248
Earmarked reserves	986	999	(13)
General fund	166	166	-
Total capital employed	4,392	4,157	235

ANNEX 4: CASH FLOW STATEMENT

£'m	Full Year		
	Actual	Budget	Variance to Budget
Net revenue expenditure	(1,831)	(1,722)	(109)
Working capital movements	172	(110)	282
Cash spend on operating activities	(1,659)	(1,832)	173
Net capital expenditure	(664)	(908)	244
Working capital movements	42	130	(88)
Cash spend on capital activities	(622)	(778)	156
Funded by:			
Transport grant	2,162	2,143	19
Precept funding	20	20	-
Other grants	32	25	7
Prudential borrowing	551	543	8
Capital payments on finance leases	(292)	(359)	67
Third party contributions	145	157	(12)
Total funding	2,618	2,529	89
Net movement in cash	337	(81)	418

ANNEX 5: CASH BALANCES

Approved Investments and Cash £'m	Period 10	Period 11	Period 12	Period 13
Period end	7 Jan	4 Feb	4 Mar	31 Mar
Budget	1,103	1,105	1,077	1,269
Cash Balances	1,048	1,140	1,194	1,687
Increase/(Decrease)	(55)	35	117	418

Net Cash Balances comprise:				
Investments	996	1,086	1,143	1,636
Investments-Guernsey	32	32	32	33
Cash & Credits in Transit	20	22	19	18

Investment Profile				
Up to 1 Month	112	168	175	307
1-2 Months	76	45	45	-
2-3 Months	232	195	191	211
3-4 Months	44	44	44	113
4-5 Months	40	40	-	-
5-6 Months	165	165	178	111
>6 Months	327	429	510	894