

**TRANSPORT FOR LONDON**

**BOARD**

**SUBJECT: BUSINESS PLAN AND GLA BUDGET SUBMISSION**

**DATE: 7 DECEMBER 2011**

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**1 PURPOSE AND DECISION REQUIRED**

- 1.1 The purpose of this paper is to set out the context to TfL's draft submission to the Mayor's Budget, which covers the period to 2014/15 (Appendix 1). The submission includes financial tables in the same format as the TfL Business Plan published in March 2011, updated to reflect changes that have arisen through the quarterly forecast process. It also reflects the recent announcement, following the Chancellor's Autumn Statement, that the January 2012 fares increase in London will be held down to 5.6 per cent, rather than the 7 per cent (RPI + 2 per cent) originally planned.
- 1.2 The draft Budget submission was considered by the Finance and Policy Committee at its meeting on 23 November 2011, which recommended that the Board approve it.
- 1.3 The Board is asked to approve the Budget submission, following which a final version will be published on the TfL website.

**2 BACKGROUND**

- 2.1 Every autumn, the Mayor publishes a draft consolidated Budget and Business Plan for the GLA and its functional bodies, covering three years. Publication is expected on 15 December this year. A statutory consultation and scrutiny period then follows, before consideration by the London Assembly in January and February. Although the funding TfL receives from the GLA through the council tax precept is a small part of TfL's overall funding (£6m per annum), the Mayor's Budget process is still the main opportunity for the Assembly to debate TfL's Business Plan.
- 2.2 In most years, TfL has published an annual Business Plan in the autumn, the first three years of which are then submitted for inclusion as part of the Mayor's consolidated Budget. This year, following the October 2010 Spending Review, TfL published an updated Business Plan alongside its annual Budget in March. TfL has not gone through a comprehensive re-planning exercise since then; however, the financial forecasts have been updated, as set out in section 3 below.
- 2.3 TfL expects to undertake a comprehensive update of its Business Plan to reflect the priorities of the new Mayoral term next autumn.

### 3 KEY CHANGES SINCE THE PUBLISHED BUSINESS PLAN

The Budget submission is based on TfL's Quarter 2 forecast. The key changes since the March Business Plan are set out in the table and discussed below.

#### **Key Drivers of forecast movements in Operating Expenditure**

	£m, 11/12 – 14/15 (+ = favourable)
Inflation: estimated impact on operating costs	-169
Other changes to operating costs	+51
Debt interest (including premium paid to acquire Tube Lines debt)	-150
<b>Total Operating Expenditure</b>	<b>-267</b>
Fares income	+140
Other Operating Income changes	+11
<b>Total Income</b>	<b>+151</b>
<b><u>Net Operating Expenditure</u></b>	<b><u>-116</u></b>
General Grant	+136
Revenue Grants (ODA)	+20
<b>Net Operating Expenditure, after Revenue Grants</b>	<b>+40</b>

\* Note that totals in this table may appear to be incorrect due to rounding

#### *Operating Costs*

- 3.1 As described below, higher inflation has increased TfL's costs, the majority of which are linked to inflation – either directly (for example, wages, bus contracts and PFI contracts) or indirectly/over time (such as office accommodation and other services). This increase is estimated at £169m to 2014/15, and is partly offset by reductions in operating costs not linked to inflation.
- 3.2 In addition, the acquisition of Tube Lines debt – a transaction which is NPV positive overall – required an upfront premium to be paid. Over the period of the business plan, the impact of this is partially offset by lower interest costs and the continued success of TfL's Commercial Paper programme, resulting in a £150m overall increase in debt service and related costs to 2014/15.
- 3.3 Total operating expenditure is therefore forecast to increase by £267m to 14/15.

## *Income*

- 3.4 The Chancellor's Autumn Statement reduced the cap on national rail fares to RPI+1 for 2012, reverting to RPI+3 for national rail in January 2013. The DfT have confirmed an increase in our grant of £136m in the years to 2014/15, enabling the Mayor to hold the January 2012 increase in London to 5.6 per cent, instead of RPI+2. Our planning assumption remains RPI+2 for the subsequent years of the Plan.
- 3.5 The fares income projections are based, as always, on independent forecasts of RPI, as well as GLA Economics projections for London's economy. These were provided on 3 November, and suggest a slower rate of economic growth than at the time of the Business Plan, shown in Table 1 below which, other things being equal, has a downwards impact on passenger demand (this has been offset by other factors in TfL's favour, including changes in the apportionment of Travelcard revenue between TfL and the Train Operating Companies). However, given the close link between economic growth and passenger demand, any further deterioration, particularly in City employment, represents a key downside risk, and the GLA projections may not fully take into account the lower projections for growth of the UK economy published by the Office of Budget Responsibility as part of the Autumn Statement.

**Table 1: Real Growth in Gross Value Added (GVA) or Gross Domestic Product (GDP), %**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
London GVA Growth, November '10 Forecast, GLA Economics (used for March Business Plan)	1.6	2.4	2.9	3.4
London GVA Growth, 3 November '11 Forecast, GLA Economics (used for Budget submission)	1.1	1.4	2.0	2.4
OBR Forecast for UK GDP growth, 29 Nov '11		0.9	0.7	2.1

- 3.6 Reflecting the factors described above, total fares income to 2014/15 is forecast to be £140m higher than was forecast in the Business Plan. The increase can be attributed to inflation being higher than at the time the Business Plan was published in March, shown in Table 2 below (the fares increase each January is linked to RPI the previous July).

**Table 2: Retail Price Index (RPI) assumption:**

	July 2011	July 2012
March Business Plan	3.2%	3.2%
Mayor's Budget submission	5 per cent	3.5%

- 3.7 Including minor changes to other income sources, the overall increase in total income to 2014/15 since the March Business Plan is £201m to 14/15.

*Net Operating Expenditure*

- 3.8 Overall therefore, Net Operating Expenditure over the period of the Business Plan – which is broadly equivalent to the ‘Margin’ line in the Quarter 2 Operational and Financial Report (the latter includes interest earned on balances held in the Crossrail Sponsors Funding Account, which are ringfenced to the Crossrail project) – increases by £116m over the period to 2014/15. This increase is offset by a £136m increase in the General Grant, as set out in paragraph 3.4 above, as well as a £20m increase in ODA grant funding to fund the Travel Demand Management programme. This results in a small favourable variance of **£40m** over the period to 2014/15. This is very small in the context of TfL’s annual budget of £8bn (excluding Crossrail), and well within the margin of forecast accuracy – particularly in the context of the significant downside risk to revenues following the OBR’s latest forecast for the economy.

**Capital Plan**

- 3.9 Overall net capital expenditure on a like-for-like basis is little changed over the period to 2014/15, although there are differences in timing, including a reprofiling of expenditure on the Northern Line Upgrade.
- 3.10 Changes in the timings of debt service payments following the acquisition of the Tube Lines debt has allowed the acceleration of a number of items of essential maintenance of TfL’s road infrastructure, including the temporary strengthening of Hammersmith Flyover and a package of renewal initiatives, primarily comprised of essential works on bridges, reducing whole life cost and risk. In addition, it allows for the acceleration of Vauxhall Station congestion relief / Step Free Access project, previously proposed for completion in 2018 but now due for completion in 2015. This enables an agreement with a local developer which expires in 2013 to be utilised, allowing the project to proceed at lower cost. The project has a high BCR, and supports development in a key Opportunity Area.
- 3.11 These items are included in the Mayor’s Budget submission. The Budget submission includes updated financial tables in the same format as the published Business Plan, and is structured as a condensed Business Plan update, highlighting any changes or updates since the Plan was published. The specific GLA requirements are contained as an appendix to the main

submission.

3.12 Following Board approval, the Budget submission will be published on TfL's website as an update to the Business Plan. The GLA will publish the draft consolidated Mayor's Budget on 15 December, which will include a description of TfL's plans based on this submission.

#### **4 RECOMMENDATIONS**

4.1 The Board is asked to:

- (a) APPROVE TfL's Submission to the Mayor's Budget; and
- (b) DELEGATE to the Managing Director, Finance the authority to make editorial or other minor changes as necessary prior to publication and submission to the GLA.


#### **5 CONTACT**

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#### **Appendices**

Appendix 1: TfL's draft Submission to the Mayor's Budget, 2012/13-2014/15

# Business Plan - GLA Budget Update 2011/12 – 2014/15



**DRAFT SUBJECT TO  
BOARD APPROVAL**



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*Note that totals in the tables may appear to be incorrect due to rounding*

## Introduction

London relies on a dependable and efficient transport system more than anywhere else in the country. The excellent outcome Transport for London (TfL) secured from the 2010 Spending Review, which enabled Crossrail and the Tube upgrade to proceed and protected London's extensive bus network, reflects both London's position as the engine of the UK economy and TfL's reputation for effective delivery.

In March 2011, following the Spending Review, TfL published a Business Plan to 2014/15 setting out its plans to modernise London's transport system, supporting the Mayor's vision for London as a world-class city. This Business Plan update, for consideration as part of the Mayor's Budget for 2012/13 - 2014/15, reflects TfL's latest financial forecasts, and highlights progress made towards achieving the milestones set out in the published Business Plan together with any new developments. TfL remains on target to deliver against all its key milestones. By reaffirming TfL's ongoing commitment to operational delivery and investment in London's infrastructure, this update provides vital stability and continuity for customers, business groups and other stakeholders.

The Tube upgrades and Crossrail represent the backbone of TfL's investment programme. The Tube is carrying record passenger numbers, and the figure is set to continue rising. Once complete, the upgrade programme will deliver a 30 per cent increase in capacity, with Crossrail increasing London's rail capacity by 10 per cent alone. The investment programme includes vital works to renew and upgrade existing assets (trains, stations, track, civil infrastructure, lifts and escalators), which are key to increasing capacity and improving reliability. Major works to increase capacity at key stations such as Victoria, Tottenham Court Road and Bond Street are now under way. In addition, this Business Plan update brings forward a project to increase ticket hall capacity and provide step-free access at Vauxhall, allowing the work to be undertaken at lower cost and supporting local development in a key Opportunity Area.

Construction of the cable car river crossing linking the Greenwich Peninsula with the Royal Docks, to be known as the 'Emirates Air Line', has begun and will complete in 2012. Additional capacity is being provided on the busiest section of the Tramlink network between central Croydon and Beckenham Junction and Elmers End termini, and work has already started on the second phase of the East London line extension to Clapham Junction, completing London's orbital railway in 2012.

TfL's efficiency drive continues unabated, helping to ensure value for every pound of fare and tax payers' money. Since the Business Plan was published in March 2011, TfL has carried out its third annual Continuous Savings Exercise, and has made excellent progress towards meeting its £7.6bn savings target. More than two thirds of the target has now been secured, through measures that have been implemented and are delivering savings in current and future years. Project Horizon, a fundamental review of TfL's back office and corporate functions designed to protect investment and front line services by saving 20 per cent of non-frontline staff costs, is now undergoing consultation. The new organisation, including a 25 per cent reduction in the number of director posts, is expected to go live in January 2012.



## **2012 Games**

Transport planning for the London 2012 Olympic and Paralympic Games is now in the advanced stages. Our aim is to support a spectacular event while keeping London moving.

Following some £6.5bn of investment, new transport infrastructure serving Stratford, the Olympic Park and London as a whole is either already complete, or will open shortly, delivering a substantial transport legacy. The Docklands Light Railway (DLR) extension to Stratford International, in the heart of the Olympic Park, opened in August and work on the east route between Custom House and Beckton is also complete, enabling three-car trains to serve ExCeL London (an important Games venue). Both support the regeneration of important development sites along the route.

Within London, TfL is delivering the Olympic Route Network (ORN) and Paralympic Route Network (PRN), the network of roads that connect competition venues along which athletes, officials, media and those working for the Games will travel. This includes traffic infrastructure, enforcement regimes, control of roadworks and vehicle removal services. The Metropolitan Police Service (MPS) Safer Transport Command (STC), which TfL funds, will provide key on-street enforcement and compliance activity on the ORN and PRN, to ensure smooth access between venues. British Transport Police (BTP) and STC resources will be deployed to key transport hubs, and initiatives are under way to reduce crime and disorder further and to tackle opportunist criminal activity in the lead up to and throughout the Games. TfL will also be providing and preparing the road network for certain events, such as the marathons and road cycling.

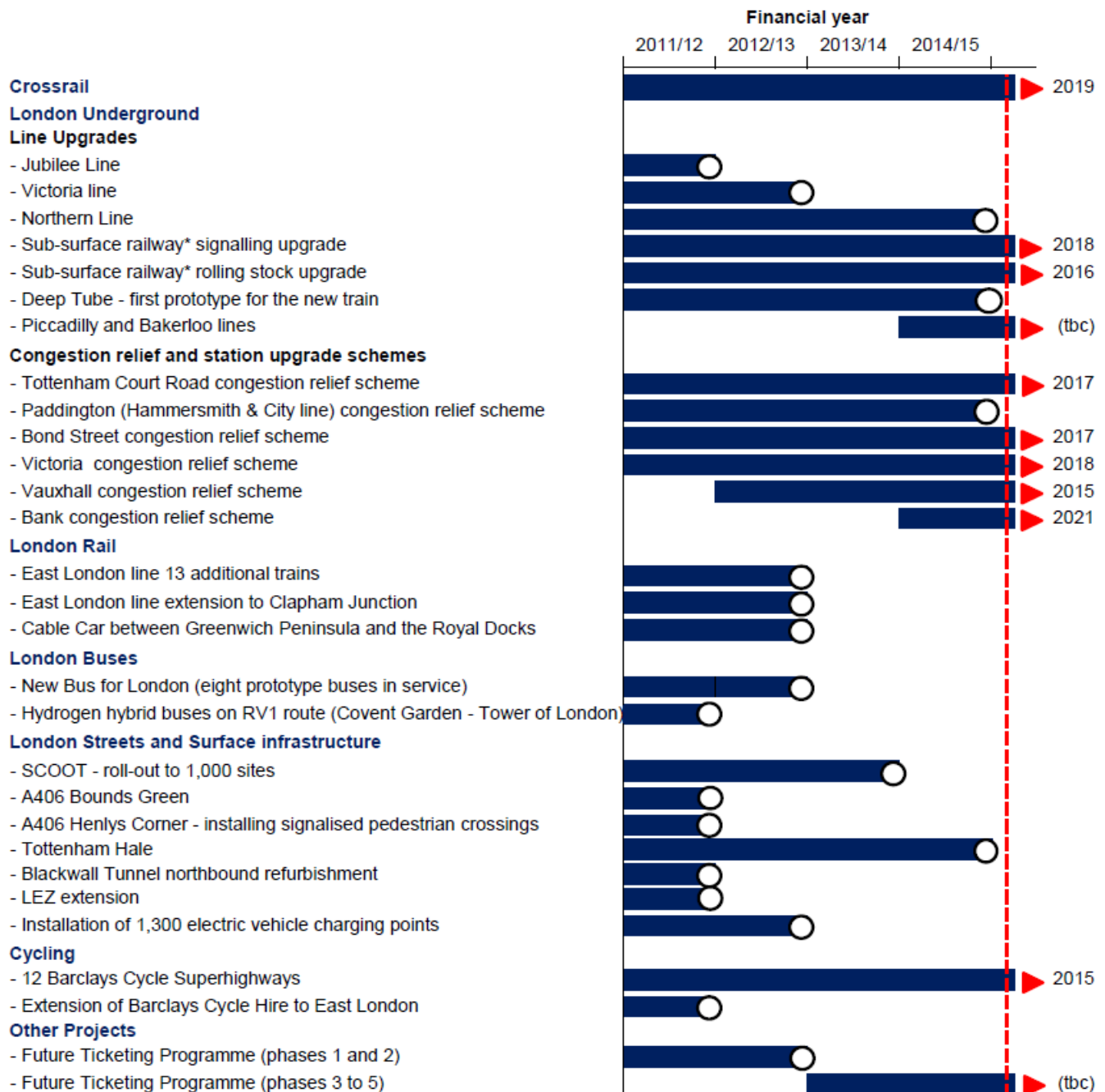
The aim is for 100 per cent of spectators to get to the Games by public transport, walking or cycling. To help achieve this, TfL is enhancing greenway routes for cyclists and pedestrians, linking the Olympic Park and River Zone venues. 'Legible London', a wayfinding information system, is being rolled out across the Olympic Park and other Olympic and Paralympic venues. The bus network will have extra capacity on key routes.

In addition, in order to manage the background demand for travel during the Games, TfL is working to influence people's behaviour by providing travel advice to businesses, marketing, communications and travel information. All of these will contribute to a legacy of sustainable transport from which future generations will benefit.

## Figure A

### Delivery schedule summary for key TfL infrastructure schemes

This diagram sets out the planned delivery timetable for key TfL infrastructure schemes supporting delivery of the Mayor’s Transport Strategy (MTS) for which significant activity is planned during the period of the Business Plan.



\* Sub-surface railway includes the District, Circle, Hammersmith & City and Metropolitan lines

## Efficient and effective business operations

TfL has a comprehensive and ambitious savings programme, stemming from successive years of focus on cost reduction and improving efficiency:

- In 2008, the Operating Cost Review was undertaken: a 'top down' programme that led to more than 60 change projects, targeting savings of £2.4bn to 2017/18.
- In 2009, TfL introduced an annual savings drive known as the Continuous Savings Exercise, which targets savings (or additional non-fare revenues) of 2.5 per cent of operating costs without impacting frontline delivery through manager-led reviews of budgets. As a result, TfL's 2009 Business Plan saw the savings target increase to £5.2bn over the same period.
- In 2010, following the 2010 Spending Review, the Commissioner launched Project Horizon: a fundamental review of TfL's back office and corporate functions, designed to protect investment and front line services and deliver a 20 per cent reduction in support staff costs (on top of previous measures). This has reached its consultation phase, and the new organisation (including a 25 per cent cut in director posts) is expected to go live in January 2012.

The March 2011 Business Plan set out an increased target of £7.6bn over the same period (2009/10 - 2017/18). This encompasses the savings that are forecast to be delivered as a result of the many hundreds of individual efficiency and cost reduction initiatives across TfL, ranging from small scale local initiatives to high value TfL-wide programmes, such as Project Horizon. The initiatives are at varying stages of maturity, ranging from 'secured' (initiatives already implemented and delivering savings), to proposals which are still to be implemented. More than two thirds of the £7.6bn target has already been secured.

Since the Business Plan was published, TfL has carried out its third annual Continuous Savings Exercise. Key savings include:

- Renegotiation of major contracts delivering front line services, including Congestion Charging and highway maintenance
- Commercial procurement savings on projects
- London Underground capital programme savings through improved contract arrangements, simplified technical standards and process improvements
- Bus network contract price savings, while maintaining current overall levels of bus service provision
- Carrying out maintenance in a more efficient manner and negotiating better maintenance contracts

- Initiatives to increase secondary revenue on London Overground and London Underground

This Business Plan includes funding for phases 3 - 5 of the Future Ticketing Programme, which will deliver savings by reducing the cost of revenue collection and unlock additional operational savings by further reducing the demand for ticket office transactions, consistent with London Underground's (LU) Operational Strategy. It will provide significant benefits to customers in how they engage with TfL to purchase tickets for travelling. The Business Plan also enables self-financing investment in TfL assets, such as LU car parks and station retail units, intended to increase the commercial revenues generated from those assets, with a target payback period of no longer than 8 years.

**Table 1**

**Savings and efficiencies forecast in the Plan period are as follows**

(£m)	2011/12 Forecast	2012/13	2013/14	2014/15	Total 2009/10 -2014/15
London Underground	528	567	579	635	2,308
Surface Transport	258	301	312	340	1,211
Corporate and Group-wide	247	248	252	251	997
London Rail	17	18	19	22	75
<b>Total gross savings</b>	<b>1,050</b>	<b>1,133</b>	<b>1,161</b>	<b>1,247</b>	<b>4,592</b>

**Table 2**

**The proportion that these efficiency savings represent as a total of TfL's reducible costs**

(£m)	2011/12 Forecast	2012/13 Budget	2013/14	2014/15
Reducible costs	5,912	6,062	6,134	6,247
Gross savings	1,050	1,133	1,161	1,247
<b>Percentage</b>	<b>18%</b>	<b>19%</b>	<b>19%</b>	<b>20%</b>

A proportion of TfL's expenditure is committed through the Private Finance Initiative (PFI) and other long-term contracts. These items are excluded from reducible expenditure.

## Crossrail

As well as providing much-needed additional rail capacity, Crossrail has an important role to play in supporting regeneration and the economy, and in creating a skills legacy.

A total of 21km of new tunnels will be built and the tunnel boring machines are due to start operating in the first half of 2012. Crossrail has already awarded the first main station contract at Paddington. The remainder of the station contracts will be let during the course of the next 12 months.

Crossrail services will begin in phases, with the first new trains coming into passenger service in May 2017 on existing Network Rail suburban services into Liverpool Street station. They will start operating in the central tunnel section at the end of 2018.

More than 85 per cent of excavated material from tunnelling will be removed by rail and river, while construction material from stations and station-related work will generally be removed by road before being transferred to the river. During the project, a total of 7.3 million cubic metres of material will be excavated, more than five million of which will be transported by boat along the Thames for use in landscaping projects. These include a new 1,500 acre RSPB nature reserve at Wallasea Island in Essex.

Construction work started in November 2010 on a Tunnelling and Underground Construction Academy at Aldersbrook sidings near Ilford Town Centre. It will be open in early 2012, and over the lifetime of the project will offer training in underground construction to at least 3,500 people. After Crossrail has been completed, the academy will remain as a lasting legacy for London.

Crossrail is fully funded within TfL's Business Plan. This is set out, including Department for Transport (DfT's) funding commitment, in table 3. The remainder of the construction cost will be met by third-party finance, including from Network Rail.

**Table 3**
**Crossrail financial summary**

(£m)	Prior Years	2011/12 Forecast	2012/13	2013/14	2014/15	2015/16 - 2018/19	Total 2008/09 - 2018/19
Income	0	0	0	0	0	512	513
Operating expenditure	0	(0)	(1)	(1)	(14)	(860)	(877)
<b>Net operating expenditure</b>	<b>0</b>	<b>(0)</b>	<b>(1)</b>	<b>(1)</b>	<b>(14)</b>	<b>(348)</b>	<b>(364)</b>
Sponsors' funding commitment	(2,246)	(1,180)	(1,904)	(2,247)	(2,002)	(2,652)	(12,231)
<b>Cash required (incl. Crossrail train operations)</b>	<b>(2,246)</b>	<b>(1,180)</b>	<b>(1,905)</b>	<b>(2,248)</b>	<b>(2,017)</b>	<b>(3,000)</b>	<b>(12,596)</b>
<b>Funded by:</b>							
<b>External funding sources of which:</b>							
DfT committed funding	(392)	(517)	(1,205)	(1,123)	(1,082)	(800)	(5,119)
GLA funding (incl. Crossrail Business Rate Supplement)	(832)	(1,038)	(829)	(886)	(518)	0	(4,103)
Developer contributions	0	(5)	(24)	(58)	(93)	(395)	(575)
Sale of surplus land	0	0	0	0	0	(445)	(445)
Cash funding from TfL Group	(1,022)	380	153	(181)	(324)	(1,360)	(2,354)
<b>Total funding</b>	<b>(2,246)</b>	<b>(1,180)</b>	<b>(1,905)</b>	<b>(2,248)</b>	<b>(2,017)</b>	<b>(3,000)</b>	<b>(12,596)</b>

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# London Underground and London Rail

## London Underground

By 2014/15, London Underground (LU) will carry around 110 million more passengers a year than current levels, while reducing delays on the network by 18 per cent and maintaining the current record-high levels of customer satisfaction. During the period to 2014/15, LU will improve the service offered while carrying record customer numbers, as well as continuing the on-going renewal of core-assets and the key upgrades of the sub-surface Railway and Northern line. At the same time, the foundations will be laid for the Deep Tube Programme, which will replace the trains and signalling on the Bakerloo, Piccadilly, Central and Waterloo & City lines.

### Progress update since the March 2011 TfL Business Plan

**Sub-surface railway upgrade** – The largest of TfL's Tube investment programmes continues on target. Since the last Business Plan, 14 new walk-through, air-conditioned trains have been delivered. A key milestone for the upgrade has been achieved with the signing of the contract to replace the current life-expired signalling with a modern computer-controlled signalling system that will enable more frequent trains and faster journeys.

**Jubilee line upgrade** – Following the successful implementation of the first of two new timetables (allowing reliability to be maintained as performance is enhanced), LU is on target for the second incremental timetable, which will be introduced in early 2012, ahead of the Olympic Games. This will increase service frequencies by 33 per cent compared with 2010. The lessons learnt from the Jubilee line are now being applied to successfully upgrade the Northern line by 2014, and resources are now transferring between the lines to support the main delivery phase of the Northern line upgrade.

**Victoria line upgrade** – With the roll-out of the new Victoria line trains complete, new timetables will be introduced in stages. The first peak capacity increase will be introduced in spring 2012 and the full upgrade timetable will be introduced on the line in 2013, resulting in a 21 per cent increase in capacity compared with 2010. By the end of the Business Plan period, cooling schemes will be in operation at Oxford Circus and Green Park stations, reducing temperatures and making travel more comfortable for customers.

**Paddington (Hammersmith & City line) station** – The new station entrance, ticket hall and gateline to serve Paddington (Hammersmith & City line) station will open in 2013 ahead of schedule. The project will provide step-free access, reduce congestion throughout the station and support the enhanced service on the Circle and Hammersmith & City lines.

**Bank station** – A new entrance to the Waterloo & City line at Bank will open in partnership with the third-party Walbrook Square development. Subject to the developer's programme, construction is expected to begin in 2012. By March 2015, the site will have been handed over to TfL for fitting out.

**Vauxhall station** – TfL is advancing the scheme, previously proposed to complete in 2018, to reduce congestion substantially and deliver step-free access at Vauxhall station. Vauxhall is a key interchange between London Underground, National Rail and buses and serves a rapidly-developing London Plan Opportunity Area. Accelerating the project reduces the construction cost to TfL and supports local developments, and integrates better with existing improvements to the Network Rail station. TfL aims to complete the scheme in 2015.

**Station congestion relief** – TfL is continuing work on three major congestion relief schemes currently under construction that deliver outside of the Business Plan period. Tunnelling to create new passageways that will relieve congestion at Bond Street will begin in 2013, where the whole scheme will complete in 2017. At Tottenham Court Road, partial opening of the new Plaza ticket hall is scheduled for March 2015, which will substantially improve access to the Northern line. At Victoria station, piling for the new northern ticket hall will complete in 2013 – this new entrance will open in 2016, relieving the daily overcrowding at the existing station.

**Table 4**

**London Underground and Tube Lines income, operating and capital expenditure plan**

(£m)	2011/12 Forecast	2012/13	2013/14	2014/15	Total 2011/12 - 2014/15
<b>Income</b>					
Traffic revenue	1,956	2,106	2,287	2,488	8,837
Secondary revenue	164	178	192	205	740
<b>Total income</b>	<b>2,121</b>	<b>2,284</b>	<b>2,479</b>	<b>2,694</b>	<b>9,578</b>
<b>Operating expenditure (incl. third-party contributions)</b>					
Operating expenditure	(1,862)	(1,909)	(1,943)	(1,986)	(7,700)
Tube Lines operating expenditure	(353)	(376)	(424)	(423)	(1,576)
<b>Total operating expenditure</b>	<b>(2,215)</b>	<b>(2,285)</b>	<b>(2,367)</b>	<b>(2,409)</b>	<b>(9,276)</b>
<b>Net operating (expenditure)/income</b>	<b>(94)</b>	<b>(1)</b>	<b>113</b>	<b>284</b>	<b>302</b>
<b>Capital expenditure (incl. third-party contributions)</b>					
Capital expenditure	(1,030)	(1,187)	(1,275)	(1,199)	(4,691)
Tube Lines capital expenditure	(202)	(259)	(265)	(263)	(989)
<b>Net capital expenditure</b>	<b>(1,232)</b>	<b>(1,446)</b>	<b>(1,540)</b>	<b>(1,462)</b>	<b>(5,680)</b>
<b>Net expenditure</b>	<b>(1,326)</b>	<b>(1,447)</b>	<b>(1,428)</b>	<b>(1,177)</b>	<b>(5,378)</b>



**Table 5**
**Capital projects directly managed by London Underground and Tube Lines**

(£m)	2011/12 Forecast	2012/13	2013/14	2014/15	Total 2011/12 -2014/15
Stations	(208)	(335)	(385)	(384)	(1,312)
Power	(103)	(126)	(107)	(91)	(427)
Track	(142)	(179)	(216)	(203)	(740)
Civils	(11)	(35)	(14)	(13)	(73)
Lifts and escalators	(14)	(17)	(31)	(29)	(91)
Sub-surface railway line upgrade	(501)	(545)	(572)	(532)	(2,150)
JNP line upgrades	(124)	(149)	(145)	(156)	(574)
BCV line upgrades	(119)	(49)	(62)	(31)	(260)
Infrastructure management	(23)	(9)	(7)	(3)	(42)
Other (including over-programming)	11	(2)	(1)	(20)	(12)
<b>Total capital expenditure</b>	<b>(1,232)</b>	<b>(1,446)</b>	<b>(1,540)</b>	<b>(1,462)</b>	<b>(5,680)</b>

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## London Rail

By 2014/15, London Rail will carry around 38 million more passengers a year compared to current levels – an increase of around 17 per cent. On the DLR, passenger numbers will increase by around 20 million to 104 million by 2014/15. On London Overground, demand will reach almost 120 million by 2014/15, up by 15 million on current levels and effectively doubling since the introduction of the East London line in 2010, while Tramlink passengers will increase by around three million reaching more than 31 million a year in 2014/15.

### Progress update since the March 2011 TfL Business Plan

**Croydon Tramlink** – In order to meet recent demand, Tramlink is planning to run more services by purchasing six additional trams and increasing service frequency on the busiest route between central Croydon and the Beckenham Junction and Elmers End termini. An infrastructure project will be carried out through to 2012 to modify the track and tramstops to allow the new trams to run on the network.

**Cable car** – A new cable car river crossing, which will now be known as the 'Emirates Air Line', is being constructed to connect the Greenwich Peninsula with the Royal Docks. The service will make it easier for pedestrians and cyclists to cross the Thames in east London and will provide direct access between the O2 arena and ExCeL. The service will open in 2012 and is expected to carry around two million passengers per year, with crossings taking around five minutes.

**East London line extension** – Works on the new link to complete the London Overground's orbital route are under way and will complete in 2012. The service will provide a new route from Dalston to Clapham Junction via Surrey Quays and enable Overground services, including the introduction of new trains, to provide passengers with links to key locations in London without transferring in the centre of the Capital.

**Table 7**
**London Rail income, operating and capital expenditure plan**

(£m)	2011/12 Forecast	2012/13	2013/14	2014/15	Total 2011/12 - 2014/15
<b>Income</b>					
DLR	100	111	126	139	477
London Overground	91	102	110	116	419
Trams	22	24	26	28	100
Other income	6	11	11	12	39
<b>Total income</b>	<b>219</b>	<b>248</b>	<b>274</b>	<b>295</b>	<b>1,036</b>
<b>Operating expenditure (incl. third-party contributions)</b>					
DLR	(133)	(146)	(134)	(136)	(549)
London Overground	(140)	(161)	(167)	(169)	(637)
Trams	(23)	(26)	(27)	(28)	(104)
LR Development & HQ	(12)	(9)	(8)	(8)	(38)
Other operating expenditure	(26)	(16)	(6)	(14)	(64)
<b>Total operating expenditure</b>	<b>(334)</b>	<b>(359)</b>	<b>(343)</b>	<b>(355)</b>	<b>(1,391)</b>
<b>Net operating expenditure</b>	<b>(114)</b>	<b>(111)</b>	<b>(69)</b>	<b>(61)</b>	<b>(355)</b>
<b>Capital expenditure (incl. third -party contributions)</b>					
DLR	(63)	(20)	(11)	(10)	(104)
Trams	(16)	(10)	(5)	(2)	(33)
London Overground	(141)	(28)	(1)	20	(150)
Other capital expenditure	(45)	(15)	(0)	(0)	(60)
<b>Net capital expenditure</b>	<b>(265)</b>	<b>(73)</b>	<b>(16)</b>	<b>7</b>	<b>(347)</b>
<b>Net expenditure</b>	<b>(379)</b>	<b>(185)</b>	<b>(85)</b>	<b>(54)</b>	<b>(702)</b>

**Table 8**
**Capital projects directly managed by London Rail**

(£m)	2011/12 Forecast	2012/13	2013/14	2014/15	Total 2011/12 -2014/15
DLR safety/security	(12)	(0)	(0)	(0)	(12)
DLR Infrastructure	(29)	(12)	(10)	(9)	(60)
DLR Stratford International extension	(9)	(1)	(0)	(0)	(10)
DLR stations	(10)	(9)	(1)	(1)	(21)
Overground infrastructure projects	(141)	(28)	(1)	20	(150)
Trams	(16)	(10)	(5)	(2)	(33)
Cable Car	(44)	(15)	(0)	(0)	(60)
Other	(3)	1	(0)	(0)	(2)
<b>Total capital expenditure</b>	<b>(265)</b>	<b>(73)</b>	<b>(16)</b>	<b>7</b>	<b>(347)</b>

## Surface Transport

Surface Transport provides and manages a broad range of sustainable transport services and choices, including buses, cycling and walking. By 2014/15, Surface Transport is expected to carry around 52 million more passengers on its bus network than the current levels. This is alongside supporting the 500,000 cycling journeys and six million walking trips taking place each day and carrying 30 per cent of London's road traffic on the TfL road network.

During the Business Plan period, the bus network will remain under regular review to ensure it continues to respond to changes in travel requirements. Surface Transport will also continue to improve the coordination of road works and effectively manage and develop all of London's 6,000 traffic signals. This work will contribute to smoothing traffic flow, improving journey time reliability and reducing congestion.

### Progress update since the March 2011 TfL Business Plan

**New Bus for London** – Following the successful testing of the engineering test vehicle in 2011, work continues to bring the next eight prototype vehicles into operational service in early 2012.

**Barclays Cycle Hire** – By March 2012, the scheme will be extended eastwards as far as Bow and hundreds more docking points added in central London. TfL is also considering the potential expansion of the scheme westward in 2013 and will be carrying out feasibility works including site identification, site design and borough liaison.

**Barclays Cycle Superhighways** – Since the publication of the Business Plan, a further two cycle superhighways have been completed. A total of four out of the 12 routes are now complete, providing safer, faster and more direct routes into the city. Of the eight remaining routes, four will be completed in 2013 and a further four by 2015.

**Lane rental scheme** – The DfT and TfL went out to consultation on regulations that would allow the introduction of a lane rental scheme for roadworks. This would enable TfL to charge companies for digging up the busiest roads at the busiest times on the Transport for London Road Network (TLRN), according to the time they take up road space. The scheme will therefore incentivise companies to work more efficiently and at less disruptive times. Subject to approval of the scheme by the Secretary of State for Transport, TfL is aiming to have a scheme in place on the TLRN by spring 2012.

**Traffic signals** – Split Cycle Offset Optimisation Technique (SCOOT) is a traffic signal control technology, which aims to relieve congestion and smooth traffic flow at traffic junctions. The current programme to install SCOOT at a further 1,000 traffic signal sites is ahead of schedule, with more than 450 sites already completed. The programme is now due to complete by 2013.

**Safety camera enforcement operations** – Speed and red light cameras that use wet film technology are becoming obsolete and will be replaced by 2015 with a digital alternative. This will maintain the road safety benefits that camera enforcement currently provides.

**Blackwall Tunnel** – Essential safety works on the northbound Blackwall Tunnel have been completed more than a year ahead of schedule and with fewer weekend closures than originally planned. An over-height vehicle detection lane is also being implemented, which will ensure over-height vehicles are identified and diverted while maintaining two lanes at full flow. Construction will be completed in 2012 and will bring significant journey time savings and smoother traffic flows.

**Henlys Corner** – Major improvements to the busy Henlys Corner junction are well under way, and will deliver a new signal-controlled pedestrian and cyclist crossing facilities as well as a new junction design to improve traffic flow. Construction is due to complete in 2011.

**Bounds Green** – The A406 Bounds Green Road to Green Lanes improvement scheme will result in smoother traffic flow, safer crossing facilities and will stimulate regeneration of the area. The work is ahead of schedule and the completion date has been brought forward to spring 2012.

**A4 Hammersmith Flyover** – The four lane Hammersmith Flyover was constructed in the 1960s and elements of the structure are approaching the end of their operational life. Temporary strengthening works will be completed by 2012 and will allow the structure to remain open to the public while a more permanent option is developed.

**Working with London boroughs** – TfL is working with the London Technical Advisory Group, London Councils and Capital Ambition on a project to develop a collaborative approach to highways maintenance and management. The project will deliver efficiencies across the capital in highway maintenance and management services, with new contracts commencing in 2013.

**Tottenham Hale Gyratory** – TfL is working with Haringey Council to improve Tottenham Hale's gyratory. This includes changing traffic flow from a one-way to a two-way system, and creating a new public square and bus station outside Tottenham Hale station. Construction will complete in 2014.

**TLRN capital renewals** – TfL will carry out a package of essential renewal initiatives on TfL's road network, primarily works on bridges. The proposed works will ensure the continued safe operation of these assets and remove the need for restrictions, while minimising whole life costs. The works include refurbishment of the Grade II listed Chiswick Bridge, reconstruction of the A406 Woodlands Retaining Wall to enable reopening of the footway, and reconstruction of the A406 Power Road bridge (road-over-rail) to avoid traffic restrictions. Works are programmed to start in 2012/13, 2013/14 and 2014/15 respectively.

**Table 9**
**Surface Transport income, operating and capital expenditure plan**

(£m)	2011/12 Forecast	2012/13	2013/14	2014/15	Total 2011/12 - 2014/15
<b>Income</b>					
Bus Network	1,344	1,420	1,507	1,592	5,863
Congestion charge, LEZ and enforcement	294	284	301	295	1,174
Other	66	86	92	95	339
<b>Total income</b>	<b>1,703</b>	<b>1,791</b>	<b>1,900</b>	<b>1,983</b>	<b>7,377</b>
<b>Operating expenditure (incl. third-party contributions)</b>					
Bus network contracts	(1,736)	(1,792)	(1,877)	(1,976)	(7,381)
Bus network infrastructure, operations and support	(92)	(83)	(83)	(86)	(343)
Dial-a-Ride and Assisted Transport Services	(47)	(49)	(51)	(53)	(200)
London Streets	(207)	(234)	(187)	(190)	(818)
Better routes and places	(182)	(162)	(165)	(125)	(633)
Congestion charge, LEZ and enforcement	(256)	(260)	(269)	(274)	(1,058)
Other	(113)	(115)	(93)	(98)	(419)
<b>Total operating expenditure</b>	<b>(2,633)</b>	<b>(2,695)</b>	<b>(2,724)</b>	<b>(2,800)</b>	<b>(10,853)</b>
<b>Net operating expenditure</b>	<b>(930)</b>	<b>(904)</b>	<b>(824)</b>	<b>(818)</b>	<b>(3,476)</b>
<b>Capital expenditure (incl. third-party contributions)</b>					
London Streets	(128)	(85)	(93)	(87)	(393)
Better routes and places	(36)	(31)	(31)	(26)	(124)
Congestion charge, LEZ and enforcement	(3)	(1)	(1)	(5)	(9)
Other	(47)	(83)	(95)	(147)	(372)
<b>Net capital expenditure</b>	<b>(214)</b>	<b>(200)</b>	<b>(220)</b>	<b>(265)</b>	<b>(899)</b>
<b>Net expenditure</b>	<b>(1,144)</b>	<b>(1,104)</b>	<b>(1,044)</b>	<b>(1,083)</b>	<b>(4,375)</b>

**Table 10**
**Capital projects directly managed by Surface Transport**

(£m)	2011/12 Forecast	2012/13	2013/14	2014/15	Total 2011/12 -2014/15
Better routes and places	(36)	(31)	(31)	(26)	(124)
Countdown and iBus	(12)	(7)	(0)	(0)	(19)
Bus infrastructure	(8)	(5)	(5)	(4)	(23)
Cycle hire	(32)	(10)	(1)	(1)	(43)
Traffic signals	(21)	(21)	(15)	(15)	(72)
Highways, tunnels and structures	(99)	(67)	(110)	(166)	(442)
Other (including over-programming)	(7)	(58)	(57)	(53)	(176)
<b>Total capital expenditure</b>	<b>(214)</b>	<b>(200)</b>	<b>(220)</b>	<b>(265)</b>	<b>(899)</b>

**Table 11**
**TfL funding, income, operating and capital expenditure plan**
**TfL operating plan**

(£m)	2011/12 Forecast	2012/13	2013/14	2014/15	Total 2011/12 -2014/15
Fares income	3,511	3,762	4,057	4,363	15,692
Congestion charge, LEZ and enforcement income	294	284	301	295	1,174
Other operating income	290	329	360	398	1,377
Interest income	5	7	11	15	39
<b>Total income</b>	<b>4,100</b>	<b>4,383</b>	<b>4,729</b>	<b>5,071</b>	<b>18,283</b>
<b>Operating costs (incl. third-party contributions)</b>	<b>(5,563)</b>	<b>(5,893)</b>	<b>(6,008)</b>	<b>(6,118)</b>	<b>(23,582)</b>
Debt service	(487)	(312)	(340)	(365)	(1,505)
Group items	(38)	(42)	22	41	(16)
<b>Total operating expenditure</b>	<b>(6,088)</b>	<b>(6,246)</b>	<b>(6,326)</b>	<b>(6,442)</b>	<b>(25,103)</b>
<b>Net operating expenditure</b>	<b>(1,989)</b>	<b>(1,863)</b>	<b>(1,597)</b>	<b>(1,371)</b>	<b>(6,820)</b>
General grant	1,943	1,948	1,840	1,541	7,272
Overground grant	26	26	28	28	109
GLA precept	6	6	6	6	24
Other revenue grants	12	105	(0)	(0)	117
<b>Total revenue grants</b>	<b>1,987</b>	<b>2,086</b>	<b>1,874</b>	<b>1,575</b>	<b>7,522</b>
<b>Surplus/ (deficit) to fund capital plan</b>	<b>(2)</b>	<b>223</b>	<b>277</b>	<b>204</b>	<b>702</b>

**TfL capital plan**

(£m)	2011/12 Forecast	2012/13	2013/14	2014/15	Total 2011/12 -2014/15
Capital expenditure	(1,850)	(1,890)	(1,889)	(1,772)	(7,401)
Third-party contributions - capital	86	46	31	15	179
<b>Net capital expenditure</b>	<b>(1,764)</b>	<b>(1,844)</b>	<b>(1,858)</b>	<b>(1,757)</b>	<b>(7,222)</b>
Crossrail sponsors' funding commitment	(1,180)	(1,904)	(2,247)	(2,002)	(7,333)
Crossrail funding sources	1,560	2,058	2,067	1,693	7,378
<b>Net Crossrail contribution</b>	<b>380</b>	<b>154</b>	<b>(180)</b>	<b>(309)</b>	<b>44</b>
<b>Net capital expenditure (incl. Crossrail contribution)</b>	<b>(1,384)</b>	<b>(1,690)</b>	<b>(2,038)</b>	<b>(2,066)</b>	<b>(7,178)</b>
<b>Financed by:</b>					
Operating surplus/ (deficit) from above	(2)	223	277	204	702
Investment grant	861	881	904	928	3,574
Metronet grant	424	352	184	(0)	960
Other capital grants	53	24	(0)	(0)	77
Sales of property and other assets	56	113	133	71	373
Working capital released/ (created)	(102)	(80)	(7)	(56)	(245)
Net borrowing, other financing and reserve movements*	93	177	547	919	1,736
<b>Total</b>	<b>1,384</b>	<b>1,690</b>	<b>2,038</b>	<b>2,066</b>	<b>7,178</b>

\*Excluding Crossrail Sponsor Funding Account

## Appendix: GLA tables and notes to tables

In addition to being an update to the Business Plan, this document also forms the basis of TfL's submission to the GLA for the 2012/13 GLA Budget and Business Plan. Any GLA requirements that are not covered by the Business Plan update are included in this appendix.

### Explanations of budget changes

The key changes in income and expenditure areas between the 2011/12 and 2014/15 budgets, as required for inclusion in the Mayor's Consolidated Budget, are set out in the table below.

### Changes to TfL's spending plans

(£m)	2012/13 (vs 2011/12)	2013/14 (vs 2012/13)	2014/15 (vs 2013/14)
<b>Budget requirement:</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>
Changes due to:			
Inflation	(90)	(71)	(96)
Fares, charges and other income	213	167	101
Increases in PPP/PFI payments	6	(1)	4
Net operational increases/(decreases)	58	97	99
Capital projects	151	45	162
Debt servicing, contingency and other Group items	5	35	(6)
Funding and working capital	(343)	(272)	(265)
<b>Budget requirement</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>

### Inflation

Inflation is estimated to increase TfL's net costs in 2012/13 by £90m. This change represents the overall impact of inflation on TfL's finances - both:

- The benefit to TfL of higher inflation, through the RPI-linked component of the increase in fares income. The above inflation component of the fares increase is shown separately, under fares, charges and other income below; and
- The increase in costs attributable to inflation. Where appropriate, published indices have been used that differ from RPI, such as EC Harris estimates of construction cost inflation.



## Fares, charges and ticket/ trading revenues

TfL's plans assume that fares in January 2012 will rise at 5.6 per cent (RPI plus 0.6 per cent), and at two per cent above RPI in future years.

The estimates for traffic income reflect the above inflation element of the fares package for 2012, in addition to the impact of increased passenger demand.

## Net operational increases and decreases

Planned increases and decreases in operational expenditure are detailed below.

(£m)	2012/13 (vs 2011/12)	2013/14 (vs 2012/13)	2014/15 (vs 2013/14)
London Underground Operations	14	(1)	3
London Underground Central Services Programme	15	(21)	17
Better routes and places	58	53	(4)
Bus network	25	2	45
Road space management - 2012 Games	25	(19)	(30)
DLR - Games 2012	(26)	44	(0)
Group Information Management	(8)	12	(0)
Group property and facilities	12	10	8
Fares and Ticketing	12	(8)	15
Other	(21)	(10)	12
	(48)	36	32
<b>Total</b>	<b>58</b>	<b>97</b>	<b>99</b>

The table below illustrates the calculation of the budget requirement by reference to the income and expenditure incurred by service.

## Service Analysis

(£m)	Actual 2010/11	Budget 2011/12	Forecast 2011/12	Budget 2012/13	Plan 2013/14	Plan 2014/15
<b>Income</b>						
Traffic income	3,167	3,460	3,511	3,762	4,057	4,363
Congestion Charge, LEZ, enforcement income	352	265	294	284	301	295
Other income	500	307	290	329	360	398
Interest income	6	8	5	7	11	15
	<b>4,025</b>	<b>4,040</b>	<b>4,100</b>	<b>4,383</b>	<b>4,729</b>	<b>5,071</b>
<b>Operating costs</b>						
London Underground and Tube	(2,127)	(2,316)	(2,215)	(2,285)	(2,367)	(2,409)
Surface Transport	(2,560)	(2,637)	(2,633)	(2,695)	(2,724)	(2,800)
London Rail	(286)	(336)	(334)	(359)	(343)	(355)
Corporate Directorates	(291)	(436)	(381)	(554)	(574)	(554)
	<b>(5,263)</b>	<b>(5,725)</b>	<b>(5,563)</b>	<b>(5,893)</b>	<b>(6,008)</b>	<b>(6,118)</b>
<b>Capital expenditure</b>						
London Underground and Tube	(1,460)	(1,510)	(1,291)	(1,478)	(1,559)	(1,472)
Surface Transport	(279)	(231)	(236)	(209)	(232)	(270)
London Rail	(178)	(193)	(270)	(78)	(16)	7
Corporate Directorates	(43)	(74)	(54)	(125)	(81)	(37)
	<b>(1,960)</b>	<b>(2,007)</b>	<b>(1,850)</b>	<b>(1,890)</b>	<b>(1,889)</b>	<b>(1,772)</b>
<b>Other</b>						
Property sales	57	40	56	113	133	71
Third-party contributions	80	74	86	46	31	15
Debt servicing	(257)	(304)	(487)	(312)	(340)	(365)
Group items	10	(54)	(38)	(42)	22	41
	<b>(3,309)</b>	<b>(3,937)</b>	<b>(3,696)</b>	<b>(3,594)</b>	<b>(3,322)</b>	<b>(3,057)</b>
<b>Net services expenditure</b>						
Movements in working capital	(695)	(93)	(102)	(80)	(7)	(56)
Specific grants	3,293	3,293	3,319	3,337	2,956	2,497
Crossrail cash commitment	(1,052)	(1,205)	(1,180)	(1,904)	(2,247)	(2,002)
Crossrail funding sources	1,052	1,390	1,560	2,058	2,067	1,693
Net borrowing other financing and reserves	699	546	93	177	547	919
<b>Budget requirement</b>	<b>(12)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>	<b>(6)</b>

The 'utilisation of cash reserves' figure reflects the cash reserves used to fund net expenditure, including the cash commitment for Crossrail. The full TfL Group reserves, including those held to fund future expenditure on Crossrail, are set out in on pages 22 and 23.

## Grant Funding

The Budget and Business Plan is shown in the table below. This is based on the 2010 settlement, updated to reflect the additional Grant funding following the Chancellor's Autumn Statement, which confirmed a lower fares increase than the RPI + 2 per cent in January 2012 originally assumed.

(£m)	Budget 2011/12	Forecast 2011/12	Budget 2012/13	Plan 2013/14	Plan 2014/15
General grant	1,943	1,943	1,948	1,840	1,541
Investment grant	861	861	881	904	928
Metronet grant	424	424	352	184	0
Overground grant	26	26	26	28	28
Other	45	65	129	0	0
<b>Total external grants</b>	<b>3,299</b>	<b>3,319</b>	<b>3,337</b>	<b>2,956</b>	<b>2,497</b>

## Managing risk

A key aspect to delivering TfL's operations is understanding the possible risks and ensuring appropriate actions and resources are in place to manage them and mitigate any impact.

- Safety risks are at the core of TfL's operations and are managed as part of the safety case for each asset or service
- Strategic risks are managed through the annual business planning and associated in-year reporting and monitoring processes

Previous plans have identified a number of key risks, including the impact of the economic slowdown, greater contributions to TfL's Pension Fund caused by the volatility in global asset values, higher than anticipated cost inflation and increased Tube Lines costs. Although some of these risks have crystallised over the past year and are provided for in this plan, the following risks remain:

- The future performance of the economy and its effect on fares and secondary income. Weaker economic growth could have a significant impact on passenger demand. A further risk would be a sustained period of high inflation or marked increase in the cost of borrowing
- A total of £7.6bn of efficiencies and other cost savings that are assumed in the Business Plan. This involves significant underlying initiatives involving organisational change and restructuring
- Delivery of milestones set out in TfL's Spending Review settlement to cost and time

- TfL’s plans to sell property and other assets. These are dependent on market conditions and may have legislative requirements which would be subject to securing appropriate Parliamentary time
- Unexpected events or acts of terrorism which could have a larger impact than the available reserves included in the Business Plan to cover such attacks

TfL will manage these and other risks by continuously reviewing assumptions and updating risk specific mitigation strategies that address any negative impacts.

TfL seeks to maintain a General reserve balance of at least £150m (and a minimum cash balance of £250m), to protect it from short-term effects that may arise from the crystallisation of specific risks, and to ensure sufficient liquidity. Should there be a significant call on the fund, provision would be made in future years’ budgets to restore the reserve to this target level.

## Reserves

Total reserves are forecast to increase in the current year from the opening 2011/12 level of £673m to a closing level of £1,077m. They will then increase to £1,417m by the end of 2012/13. The closing balances include General reserve balance at a constant £154m with the remainder being earmarked reserves. This is considered appropriate to meet general requirements.

## TfL Reserves

(£m)	Budget 2011/12	Forecast 2011/12	Budget 2012/13	Plan 2013/14	Plan 2014/15
<b>Opening balances</b>	<b>(673)</b>	<b>(673)</b>	<b>(694)</b>	<b>(883)</b>	<b>(567)</b>
Transfers (to)/from:					
Earmarked reserves	230	(21)	(189)	316	355
General reserves	0	0	0	0	0
<b>Closing balances</b>	<b>(443)</b>	<b>(694)</b>	<b>(883)</b>	<b>(567)</b>	<b>(212)</b>

## Earmarked reserves

In order to manage its investment and borrowing programme, TfL has created an earmarked capital reserve that will be required to meet its capital commitment over the plan period.

(£m)	Forecast 2011/12	Budget 2012/13	Plan 2013/14	Plan 2014/15
Opening balance	(518)	(540)	(729)	(412)
Transfers (to)/from:	(21)	(189)	316	355
<b>Closing balance</b>	<b>(540)</b>	<b>(729)</b>	<b>(412)</b>	<b>(57)</b>

## General reserves

TfL's general reserves are expected to remain level during 2012/13. It is considered that this level of reserves is appropriate to meet general requirements.

(£m)	Forecast 2011/12	Budget 2012/13	Plan 2013/14	Plan 2014/15
Opening balance	(154)	(154)	(154)	(154)
Transfers (to)/from:	0	0	0	0
<b>Closing balance</b>	<b>(154)</b>	<b>(154)</b>	<b>(154)</b>	<b>(154)</b>

## Capital financing

(£m)	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Debt servicing costs</b>					
Debt servicing	(257)	(304)	(487)	(312)	(340)
<b>Total financing costs</b>	<b>(257)</b>	<b>(304)</b>	<b>(487)</b>	<b>(312)</b>	<b>(340)</b>

## Capital Spending Plan

The Capital Spending Plan presentation includes the actual expenditure by the Crossrail project. This differs from the TfL Business Plan format which includes Crossrail on a cash requirement basis.

(£m)	2011/12	2012/13	2013/14	2014/15
Capital expenditure*	(1,764)	(1,844)	(1,858)	(1,757)
Crossrail Capital expenditure	(915)	(1,366)	(1,425)	(1,891)
<b>Total capital expenditure including Crossrail</b>	<b>(2,680)</b>	<b>(3,209)</b>	<b>(3,282)</b>	<b>(3,647)</b>
<b>Funding:</b>				
Capital receipts	143	159	164	86
Capital grant	477	376	184	(0)
Borrowing	403	425	319	379
Crossrail funding sources	1,560	2,058	2,067	1,693
Revenue contribution (including reserves and third party contributions)	97	191	548	1,490
<b>Total funding</b>	<b>2,680</b>	<b>3,209</b>	<b>3,282</b>	<b>3,647</b>

\* excluding Crossrail

## Capital projects

Detailed capital projects for the operational business can be found on page 11 for London Underground, page 13 for London Rail and page 16 for Surface Transport.

## Corporate

### Capital projects directly managed by Corporate directorates

(£m)	2011/12 Forecast	2012/13	2013/14	2014/15	Total 2011/12 -2014/15
Group Customer Services	(5)	(2)	(2)	(1)	(11)
Property development	(14)	(68)	(49)	(33)	(164)
Integrated transport smartcard	(12)	(7)	(0)	(0)	(19)
Future Ticketing project	(17)	(30)	(11)	(0)	(58)
Group IM	(2)	(1)	(1)	(3)	(7)
Group property and facilities	0	(14)	(14)	(0)	(28)
Other	(3)	(4)	(3)	(0)	(10)
<b>Total capital expenditure</b>	<b>(53)</b>	<b>(125)</b>	<b>(81)</b>	<b>(37)</b>	<b>(297)</b>

## Borrowing

The TfL capital programmes would require new borrowing of some £459m for 2012/13.

(£m)	2010/11	2011/12	2012/13	2013/14	2014/15
TfL	607	363	459	425	319
<b>Total</b>	<b>607</b>	<b>363</b>	<b>459</b>	<b>425</b>	<b>319</b>

**TfL deliverables**

Initiative	Commentary	Delivery
<b>London Underground</b>		
Sub-surface railway upgrade - Power	Contract Award	2012
	All Metropolitan Line sub-stations - delivered	2012
	National grid connections to Edgware Road Bulk Supply Point - delivered	2013
	Circle and Hammersmith Traction Package - delivered	2014
Sub-surface railway upgrade - Rolling stock	Roll out of new air-conditioned trains on Metropolitan line complete	2013
	Roll out of new air-conditioned trains on Circle, Hammersmith & City lines complete	2014
Sub-surface railway upgrade - Signalling	Completion of new service control building	2011
	New signalling system - test track demonstration complete	2013
	Test track - tested, commissioned and handed over to new signalling supply	2013
Northern line upgrade	Northern line upgrade complete, delivering 20 per cent increase in capacity	2014
	High Barnet branch - ready for passenger service	2013
	Camden Junction area - ready for passenger service	2014
Piccadilly line life-extension	Life-extension work to Piccadilly line signalling completed	2014
Victoria line upgrade	Twenty-one per cent capacity increase on the Victoria line (rise in peak capacity into central London)	2013
Deep Tube upgrade	Delivery of prototype for a low energy, higher capacity train for Piccadilly and Bakerloo lines	2015
Track	Annual programme of track replacement, and points and crossing	Annual
Civils	Annual programme of embankment, bridges and structures works	Annual
Cannon Street station	Station capacity improvements completed	2011
Blackfriars station	Re-opening of Blackfriars station after Thameslink works to deliver congestion relief, step-free access and ambience improvements	2011
Victoria station upgrade	Completion of design phase	2011
	Commence widening of Network Rail to LU ticket hall stairs (Sussex stairs)	2012
	Complete Northern ticket hall piling	2013
Escalator replacement	Underpass (District and Circle lines part of station) Civils complete (2015)	2015
	Piccadilly Circus escalators (nos. E1-11) refurbished and returned to service	2011
Step-free access at stations	Bank station escalator replacement programme (nos. E6-15) complete	2012
	Green Park station made step free (2012 Games commitments)	2012
Cooling the Tube	Completion of all mid-tunnel ventilation shafts on the Victoria line	2012
Bond Street congestion relief	Demolition works complete	2012
Bank congestion relief	Tunnelling works begin at Bond Street (congestion relief / Crossrail interchange)	2013
Tottenham Court Road	Close escalators nos. 1 and 2 in preparation for tunnelling works	2014
	Developer to finish construction of station box for LU	2014
Bank Waterloo & City line	Completion of scheme (including new ticket hall and step-free access)	2013
Bank	New entrance to Waterloo & City line platforms opens at Bank (subject to agreement with Legal & General)	2015
Bank station – Walbrook	Complete Phase 1 (partial opening of new Plaza Ticket Hall)	2015
Paddington Hammersmith & City	Transport and Works Act submission	2012
Bond Street	Works start on site	2015
	Completion of works to Central line overbridges	2012
Reliability improvement	Completion of scheme (including more spacious ticket hall and step-free access)	2014
	Investment in existing signalling, trains, safety critical station equipment and civil assets (eg bridges, tunnels, embankments) resulting in 18 per cent improvement in reliability of passenger journeys compared with 2010 (as measured by lost customer hours per passenger journey)	2015
<b>London Rail</b>		
East London line extension – New South London line	Extension from Surrey Quays to Clapham Junction	2012
North London Railway (NLR) Overground stations	Completion of the NLR infrastructure project, including link to the East London line	2011
	Refurbished stations for all Overground routes	2011
New trams	Trams delivered	2011-2012
Cable car	Cable car opens for service	2012

**TfL deliverables continued**

Initiative	Commentary	Delivery
<b>Surface Transport</b>		
New Bus for London	Delivery of first eight vehicles	2012
Barclays Cycle Superhighways	Remaining eight routes complete	2015
Hammersmith Flyover	Temporary bridge strengthening	2012
21st century traffic signals communication	Replacement solution and pilot deployment of an IP enabled communications network for existing analogue systems	2014
Blackwall Tunnel over-height vehicle detection lane	Construction of over-height vehicle detection lane	2012
Systems relocation	Migration of 25 CCTV roadside sites to new communications network complete and transition to new disaster recovery enabled infrastructure	2012
Safety camera enforcement operations	Replacement of wet film cameras to digital camera technology	2015
Lane rental	Targeted, avoidable lane rental scheme on most congested parts of TLRN	2012
Energy efficient street lighting	Central management system to remote control energy consumption	2015
Signals modernisation	Programme to replace London's traffic signals equipment as it becomes life-expired or uneconomical to maintain	Annual
SCOOT deployment	SCOOT installed on 1,000 traffic signal sites	2013
Countdown project	2,500 new signs at bus stops	2012
Pedestrian countdown project	Wider scale implementation	2014
East London Transit phase 1b infrastructure	Infrastructure to provide service between Barking Town Centre to Barking Riverside	2013
TLRN capital programmes	Maintenance and improvement of the TLRN	Annual
Bridge safety improvement programme	Bridge parapet safety improvements	Annual
Tunnels safety enhancement programme	Programme to implement prioritised safety enhancements to TfL's 13 road tunnels	Annual
Legible London	All base maps, 3D building production and database complete	2012
Electric vehicles	1,300 charge points installed	2013
Hydrogen hybrid buses on RV1 route (Covent Garden - Tower of London)	Eight zero emission buses in operation	2012
A406 Bounds Green	Improvements scheme for carriageways, signals and footbridge for a safer and better environment	2012
Tottenham Hale	Two-way gyratory system to improve interchanges between transport modes	2014
LEZ extension	Extension to larger vans and minibuses	2012
Blackwall Tunnel northbound refurbishment	Improvements to safety systems, ventilation, fire detection, lighting, communications and road surface	2011
Extension of Barclays Cycle Hire to East London	Extension of existing network to Tower Hamlets and part of Hackney	2012
Henlys Corner	Traffic signals and pedestrian crossing scheme to improve traffic flow	2012
<b>Other projects</b>		
Future Ticketing project (phases 1 and 2)	TfL aims to introduce contactless payment cards for travelling on TfL's transport network.	2013



## Subjective Analysis

(£m)	Actuals 2010/11	Budget 2011/12	Forecast 2011/12	Budget 2012/13	Plan 2013/14	Plan 2014/15
<b>Income</b>						
Fares revenue	3,205	3,463	3,513	3,762	4,057	4,363
Congestion Charging	172	142	152	146	148	144
Enforcement income	156	98	118	113	115	113
PCO and VCS fees	36	35	35	34	34	35
Advertising income	107	109	120	131	144	160
Rental income	59	59	58	68	73	74
Other income	290	135	105	129	159	183
	<b>4,025</b>	<b>4,040</b>	<b>4,100</b>	<b>4,383</b>	<b>4,729</b>	<b>5,071</b>
<b>Operating expenditure</b>						
Employee expenses	(1,592)	(1,792)	(1,797)	(1,897)	(1,893)	(1,924)
Premises	(203)	(266)	(264)	(282)	(293)	(271)
PPP payments	(352)	(25)	(9)	(18)	(15)	(14)
PFI payments	(195)	(203)	(199)	(200)	(207)	(211)
Bus Contract payments	(1,663)	(1,704)	(1,695)	(1,748)	(1,829)	(1,924)
CCS and other road contracted services	(57)	(66)	(82)	(109)	(83)	(88)
Payments	(766)	(700)	(680)	(668)	(693)	(662)
Professional and consultancy fees	(50)	(79)	(86)	(72)	(49)	(50)
fees	(126)	(158)	(156)	(137)	(127)	(140)
Ticket commissions	(41)	(50)	(45)	(52)	(56)	(61)
Customer Information	(31)	(55)	(41)	(42)	(44)	(46)
National Rail payments	(7)	(9)	(8)	(9)	(8)	(8)
Franchise payments	(156)	(225)	(224)	(244)	(249)	(249)
Technology	(171)	(252)	(224)	(240)	(240)	(239)
Insurance	(74)	(48)	(55)	(49)	(50)	(53)
Traction current	(88)	(81)	(80)	(98)	(109)	(111)
Other expenses	374	30	131	21	(14)	(19)
Bad Debt provision	(63)	(44)	(50)	(49)	(48)	(48)
	<b>(5,263)</b>	<b>(5,725)</b>	<b>(5,563)</b>	<b>(5,893)</b>	<b>(6,008)</b>	<b>(6,118)</b>
<b>Net operating expenditure</b>	<b>(1,239)</b>	<b>(1,685)</b>	<b>(1,464)</b>	<b>(1,510)</b>	<b>(1,279)</b>	<b>(1,047)</b>
Capital expenditure	(1,960)	(2,007)	(1,850)	(1,890)	(1,889)	(1,772)
Third-party contributions	80	74	86	46	31	15
Capital receipts	57	40	56	113	133	71
Interest and other Group items	(247)	(358)	(525)	(353)	(318)	(324)
<b>Total net service expenditure</b>	<b>(3,309)</b>	<b>(3,937)</b>	<b>(3,696)</b>	<b>(3,594)</b>	<b>(3,322)</b>	<b>(3,057)</b>

## Application of net Congestion Charge revenue

It is anticipated that net revenue (after direct operating costs) of £118m will be generated from the Congestion Charge in 2012/13. This is after the removal of the Western Extension of the Congestion Charging zone. An indicative attribution on how this revenue will be applied in line with the Congestion Charging scheme order is shown below.

Congestion Charging	2012/13 £m
<b>Bus network</b> TfL will continue to keep the bus network under regular review. Priorities will be to maintain ease of use, attractive frequencies, adequate capacity, reliability of services and good coverage. A new generation of Countdown will be introduced which will deliver real-time arrival and service information for all routes and stops.	96
Ninety new hybrid buses will be entering service during 2011 with the hybrid fleet forecast to be 300 strong by December 2012. The New Bus for London completes the development stage in 2012/13 with the eight prototype buses due to enter passenger service in early 2012.	
<b>Borough plans</b> The boroughs control 95 per cent of the Capital's road network, so the successful delivery of innovative projects such as Barclays Cycle Superhighways will demand close partnership working to achieve the outcomes for which the Mayor strives.	8
<b>Roads and bridges</b> TfL will continue to support a programme for improving the quality of street conditions and bridges, including reconstructing and resurfacing carriageways and footways, plus upgrading and strengthening structures. Road maintenance and renewal will continue, while bridge and tunnel safety schemes at several locations will be developed.	10
<b>Road safety</b> Investment will continue in road safety measures on TfL and borough roads via LIP funding, in conjunction with measures adopted by the police and boroughs. Initiatives to reduce road casualties include engineering schemes at accident hotspots and road safety campaigns.	1
<b>Walking and cycling</b> TfL will continue a programme of improvements for pedestrians, both on its own roads and on borough roads. Investment will be made to promote the benefits of walking, making it easier to plan and undertake journeys on foot, and deliver a safe, comfortable, attractive street environment. Investment will continue in projects designed to create and sustain an environment that enhances the attractiveness of cycling including the Barclays Cycle Hire scheme and Barclays Cycle Superhighways.	3
<b>Congestion Charge net revenue</b>	<b>118</b>

## Games legacy

Transport schemes for the 2012 Games have been designed, where possible, to leave a lasting legacy, combining existing projects near the venues with additional improvements.

The schemes are split into two parts:

- Those which already formed part of TfL's 2005/06 five-year Investment Programme and would be delivered in time for the 2012 Games
- Additional Olympic-specific schemes funded wholly or partly by the Olympic Delivery Authority and the London Organising Committee of the Olympic and Paralympic Games

All schemes will have been completed and be operational by 31 March 2012 with the exception of ORN Junctions and Carriageways, which incurs £30m of expenditure in 2012/13.

## Authorised limits for external debt

The authorised limits below are statutory and determined under section 3 of the Local Government Act 2003. This is the expected maximum borrowing needed by each functional body and the GLA, with some headroom for unexpected developments such as unusual cash movements.

### Authorised limits

(£m)	2010/11 Approved	2011/12 Current approval <sup>1</sup>	2011/12 Proposed	2012/13 Proposed	2013/14 Proposed	2014/15 Proposed
TfL*						
Borrowing	(6,683)	(7,108)	(7,108)	(7,553)	(7,898)	(8,548)
Other long-term liabilities	(538)	(415)	(415)	(392)	(346)	(309)
<b>Total TfL</b>	<b>(7,221)</b>	<b>(7,523)</b>	<b>(7,523)</b>	<b>(7,945)</b>	<b>(8,244)</b>	<b>(8,857)</b>

\*TfL subsidiary companies are not directly covered by the prudential borrowing regime.

<sup>1</sup> This represents the limits for 2010-11 and 2011-12 which were approved in the 2009-10 Capital Spending Plan. They are included here for comparative purposes only.

## Operational boundary for external debt

The operational boundary for external debt is based on the same estimates as the authorised limit. However, it reflects an estimate of the most likely, prudent but not worst case scenario. It equates to the maximum level of external debt projected by the Capital Spending Plan set out earlier and excludes the headroom included within the authorised limit.

### Operational boundary

(£m)	2010/11 Approved	2011/12 Current approval <sup>1</sup>	2011/12 Proposed	2012/13 Proposed	2013/14 Proposed	2014/15 Proposed
TfL						
Borrowing	(6,483)	(6,908)	(6,908)	(7,353)	(7,698)	(8,348)
Other long-term liabilities	(538)	(415)	(415)	(392)	(346)	(309)
<b>Total TfL</b>	<b>(7,021)</b>	<b>(7,323)</b>	<b>(7,323)</b>	<b>(7,745)</b>	<b>(8,044)</b>	<b>(8,657)</b>

<sup>1</sup> This represents the limits for 2010/11 and 2011/12 which were approved in the 2009-10 Capital Spending Plan. They are included here for comparative purposes only.

## Changes to borrowing limits from last year's estimates

There have been no changes to borrowing limits from last year's estimates.