Operational and Financial Performance Report – Third Quarter, 2012/13

Purpose of Report: For the Managing Director, Finance, to inform the TfL Board and other stakeholders of TfL's financial and operational performance.

Quarter 1 (Periods 1-3) **1 April 2012 – 23 June 2012**
Quarter 2 (Periods 4-6) **24 June 2012 - 15 September 2012**
Quarter 3 (Periods 7-9) **16 September 2012 – 8 December 2012**
Quarter 4 (Periods 10-13) 9 December 2012 – 31 March 2013

TfL performance summary

Demand: Demand in London Underground, London Rail and Surface Transport was up year-on-year at Quarter 3, continuing this year's growth on all modes. This growth has been stronger on rail modes than bus. While it is expected that demand will continue to grow in the remainder of the year, this is expected to be at a slower rate than previously assumed, which is reflected in a reduced forecast.

Service: Service reliability in Quarter 3 was ahead of target for all modes of transport. Excess journey time in London Underground averaged 5.53 minutes over the Quarter, ahead of target by nearly three quarters of a minute. The introduction of more resilient schedules during major roadworks together with evidence of an improvement in general traffic conditions contributed to scheduled bus services operated during Quarter 3 being 0.5 per cent better than target and 0.3 per cent better compared to last year.

London Underground achieved an all time high customer satisfaction score this quarter, reflecting continued strong performance and maintaining the high levels achieved in Quarter 2.

Customer feedback: London Underground continued to receive just over one complaint per 100,000 journeys, better than any other rail operator has achieved in the last five years. The rate for London Buses also remained stable at 2.41 per 100,000 passenger journeys. London Overground has consistently had a lower rate of complaints than any of the other train operating companies in the Office of Rail Regulation rankings and in Quarter 3 received its best ever rating of 2.38 per 100,000 journeys, improving on the previous record set at Quarter 2. Tramlink recorded fewer than two complaints per 100,000 for the first time and the DLR's rate remained steady at 2.70 per 100,000 journeys. This quarter Dial-a-Ride has seen its complaints rate reduced by over half to 66.90 complaints per 100,000 passenger journeys when compared to the previous quarter.

Complaints data from across all TfL services can be found at: tfl.gov.uk/transparency/.

Financial Performance: Operating income in the year to date was £27m greater than budget, with London Underground and London Rail maintaining this year's stronger than expected demand trend. The revised projections in London Underground and London Rail have contributed to a reduction in the full year fares income forecast against Quarter 2. Strong performance by London Rail means that the year is expected to close slightly ahead of budget after allowing for the lower than anticipated increase in fares.

Operating expenditure (net of third-party contributions) was £89m higher than budget. This was driven by the one-off £107m upfront cost of bringing the London Underground Powerlink PFI contract in-house, which will result in significant savings in future years. It is expected that this will be partially offset in year by savings in London Underground operations and head office expenditure, and the reprofiling of Corporate expenditure to future years, with the year closing within 0.1 per cent of budget.

Net capital expenditure (excluding Crossrail) was £321m below budget in the year to date, due to revised phasing of projects across all business areas. The majority of this has been taken into account in the new TfL Business Plan. Although the year is forecast to close £384m below budget, again due to rephasing, spend is expected to catch up in future years.

Crossrail expenditure was £85m less than budget in the year to date due to deferral of works and property commitments to later in the project.

Savings: In the year to date, £835m (net) savings have been delivered, £106m less than target. TfL is still on track to deliver the long-term savings target. The year-to-date variance is largely due to the reprofiling of two programmes within the Corporate Directorates into future years, and the inclusion of upfront costs associated with the termination of the for LU Powerlink PFI contract.

The full year savings are expected to improve on the year to date position by £92m to be £14m (net) below target. This is due to accelerated delivery of commercial contracts and staffing efficiencies within Rail and Underground and the reprofiling of implementation costs in the Corporate Directorates into future years.

Staff: At the end of Quarter 3, TfL employed 28,060 full time equivalent (FTE) staff (excluding those on maternity leave). This was 287 FTE more than budget including additional temporary staff required for project based work in Tube Lines and the Corporate Directorates, and the transfer of staff previously employed by Programme Delivery Partners to Crossrail. This was partially offset by slower than expected recruitment in London Underground and a number of vacancies across Surface.

All tables in this report may be subject to rounding.

London Underground

Operational Performance

London Underground Performance	Units	Quarter 3 2012/13 Actual	Vs target	Vs last year	Full Year 2012/13 Forecast	Vs target	Vs last year
LU							
Passenger Journeys	m	293.0	6.3	7.0	1,215.0	38.0	44.5
% Scheduled Services Operated	%	98.2	1.2	1.0	97.2	0.2	0.2
Excess Journey Time (Weighted)	Mins	5.53	(0.73)	(0.49)	5.68	(0.17)	(0.14)
Overall CSS - London Underground Q3 2013	Score	84	4	4	81	1	-
LU and DLR: recorded crime per million passenger journeys Sep - Nov 2012	#	9.8	-	0.7	8.9	(0.7)	(0.7)

Green = better than or equal to target   Amber = within 5% of target   Red = 5% or more worse than target
CSS: Customer Satisfaction Survey

1.0 Underground demand, measured in passenger journeys, exceeded target by 2 per cent in Quarter 3, a 2 per cent improvement on the same period in 2011/12. Full-year demand is forecast to surpass full-year target by 3 per cent.

1.1 Over Quarter 3 as a whole, the percentage of scheduled services operated was 98.2 per cent, beating the target by 1.2 per cent and matching the previous quarterly result. There were 3.2 per cent more KMs operated this quarter than in the corresponding quarter of last year – equivalent to an extra 500,000 KMs.

1.2 Excess journey time averaged 5.53 minutes over the quarter, bettering target by nearly three quarters of a minute. This improvement was primarily due to a 40 per cent reduction in the impact of staff related disruption and a 25 per cent fall in the impact of asset based failures. Full-year forecasts show that both measures will better full-year targets.

1.3 The overall CSS score reflects continued strong performance, with individual scores maintaining the high levels achieved in Quarter 2. Train and Station Information scores saw particularly significant increases, including a two point improvement in the Helpfulness of PA at stations, and a three point improvement in Train Driver Announcements.

1.4 Crime rates remained at the same level as last quarter and are forecast to beat year end target.

Financial Performance

London Underground £m	Year To Date (Periods 1-9) 2012/13 Actual	Year To Date Vs Budget	Full Year 2012/2013 Forecast at Q3	Vs Forecast at Q2	Vs Budget
Fares Income	(1,470)	(8)	(2,123)	24	10
Other Operating Income	(117)	(5)	(171)	(3)	(9)
Total Operating Income	**(1,587)**	(13)	**(2,294)**	**21**	1
Operating Expenditure (net of third-party contributions)	1,319	125	1,880	(12)	52
Net Capital Expenditure	708	(85)	1,007	2	(141)
Net Service Expenditure	**440**	**27**	**593**	**12**	**(88)**

Green = (underspend)/ (higher income) or equal to budget
Red = Overspend/ Lower income by more than 5 per cent
Amber = Overspend/ Lower income by 5 per cent or less

1.5 Underlying passenger demand and associated income remained higher than budget in Quarter 3, however recent months have seen a decline in year-on-year growth compared to earlier in the year. The rate of passenger growth is expected to continue to fall in the remainder of the year; as a result the full year revenue forecast has been reduced by £24m to £2,123m, £10m lower than budget.

1.6 Operating expenditure (net of third-party contributions) for the year to date was £125m higher than budget, largely due to the £107m upfront costs of bringing the Powerlink PFI contract in house, which will result in significant savings in future years. In addition, costs associated with the Games were £18m higher than originally budgeted, but this has been recovered from the ODA. Savings resulting from operational vacancies being filled slower than expected are offset by higher spend on Games related maintenance work. The full year forecast is £52m higher than budget resulting from the Powerlink PFI costs partly offset by savings, mainly in head office costs and Operations.

1.7 The capital expenditure programme was revised in Quarter 1, which involved the rephasing of track and power works (including delaying works until post Games), a revised delivery plan for the Sub Surface Railway trains (S stock) and a less aggressive forecast on the Victoria Station Upgrade and other congestion relief schemes. The lower expenditure in 2012/13 reverses in future years with key delivery milestones not impacted. Expenditure continues to be in line with this forecast and was £85m below budget for the year to date; consequentially the full year expenditure forecast has seen little change.

1.8 At the end of Quarter 3, London Underground employed 18,098 FTE, 49 FTE fewer than budget mainly as a result of vacancies being filled slower than expected in Operations (41 FTE) and Capital Programmes (14 FTE) partly offset by small increase in Asset Performance. Headcount is expected to increase by the year end as vacancies are filled in Operations, and Stations and Permanent Way project staff are recruited to support the investment programme. The year end forecast of 18,228 is 87 FTE less than at Quarter 2.

Tube Lines

Financial Performance

Tube Lines £m	Year To Date (Periods 1-9) 2012/13 Actual	Year To Date (Periods 1-9) 2012/13 Vs Budget	Full Year 2012/2013 Forecast at Q3	Full Year 2012/2013 Vs Forecast at Q2	Full Year 2012/2013 Vs Budget
Operating Income	(8)	(0)	(12)	0	(0)
Operating Expenditure (net of internal income)	270	24	397	2	30
Net Capital Expenditure	142	(62)	215	(16)	(71)
Net Service Expenditure	**405**	**(37)**	**600**	**(14)**	**(42)**

Green = (underspend)/ (higher income) or equal to budget
Red = Overspend/ Lower income by more than 5 per cent
Amber = Overspend/ Lower income by 5 per cent or less

2.0 Operating expenditure was £24m above budget in the year to date due to the reclassification of group income and capital expenditure. Additional maintenance costs of £2m in advance of the Olympic Games have been offset by support cost savings.

2.1 Capital expenditure was £62m below budget in the year to date due largely to rephasing of £53m of contractor costs for the Northern line Transmission Based Train Control (TBTC) upgrade. This cost rephasing will not impact the overall delivery of the TBTC upgrade. Additionally £6m of renewal works have also be rephased. These movements were largely reflected in the Quarter 2 forecast for the full year with the reduction to Quarter 3 being driven by a more prudent view of IT capital expenditure, lower than anticipated contract costs to date on TBTC and savings identified on completed power projects.

2.2 At the end of Quarter 3, Tube Lines employed 2,715 FTE staff, 159 FTE (6 per cent) more than budget, and the revised year-end forecast of 2,783 FTE is 242 FTEs higher than budget. This is mainly due to additional temporary project resource undertaking development work relating to capital expenditure in future years.

Operational Performance

London Rail Performance	Units	Quarter 3 2012/13 Actual	Vs target	Vs last year	Full Year 2012/13 Forecast	Vs target	Vs last year
DLR							
Passenger Journeys	m	23.3	1.1	1.5	100.4	7.1	14.3
% Scheduled Services Operated	%	99.0	1.0	1.3	98.0	-	0.4
On-time performance	%	99.0	1.8	1.9	97.2	-	(0.3)
Overall CSS - DLR Q3 2013	Score	88	6	6	82	-	(1)
London Overground							
Passenger Journeys	m	29.5	4.6	3.0	122.1	15.9	19.5
PPM London Overground (MAA)	%	96.7	0.9	0.4	95.8	-	(0.8)
Overall CSS - London Overground Q3 2013	Score	81	1	(1)	80	-	(2)
Trams							
Passenger Journeys	m	7.1	(0.2)	-	29.8	-	1.2
% Scheduled Services Operated	%	97.0	(1.0)	(2.4)	98.0	-	(1.0)
Overall CSS - Tramlink Q3 2013	Score	89	3	6	86	-	-

Green = better than or equal to target   Amber = within 5% of target   Red = 5% or more worse than target
CSS: Customer Satisfaction Survey   PPM (MAA): Passenger Performance Measure (Moving Annual Average)

3.0 DLR passenger journeys for the third quarter totalled 23.3 million, a 7 per cent improvement on the same period in 2011/12. The DLR full-year forecast has been reassessed at 100.4 million passenger journeys.

3.1 DLR performance during the whole quarter resulted in on-time performance and scheduled services operated both scoring 99.0 per cent, beating target by1.8 per cent and 1.0 per cent respectively.

3.2 The Public Performance Measure (PPM) MAA for London Overground (LO) was 96.7 per cent, which was 0.9 per cent above target. London Overground remains at the top of the industry PPM MAA league table.

3.3 Demand continues to increase, with 29.5 million passenger journeys in Quarter 3, representing growth of 11 per cent against last year. The LO forecast has been increased to 122.1 million passenger journeys for the full year.

3.4 Trams passenger journeys totalled 7.1 million for Quarter 3, which was the same as last year and 0.2 million lower than target. The percentage of scheduled services operated were 1 per cent below target. Both measures were impacted by 9 days of unbudgeted engineering closures during period 8, a service suspension in period 7 and fleet performance issues, for which a plan to recover is in place and some improvement is now evident.

Financial Performance

London Rail £m	Year To Date (Periods 1-9) 2012/13 Actual	Vs Budget	Full Year 2012/2013 Forecast at Q3	Vs Forecast at Q2	Vs Budget
Fares Income	(188)	**(23)**	(270)	2	(23)
Other Operating Income	(7)	2	(10)	1	5
Total Operating Income	**(195)**	**(21)**	**(280)**	**3**	**(18)**
Operating Expenditure (net of third-party contributions)	241	1	347	1	4
Net Capital Expenditure	65	**(70)**	76	(6)	(73)
Net Service Expenditure	**111**	**(89)**	**143**	**(2)**	**(87)**

Green = (underspend)/ (higher income) or equal to budget
Amber = Overspend/ Lower income by 5 per cent or less
Red = Overspend/ Lower income by more than 5 per cent

3.5 Operating income for the year to date is £23m ahead of budget mainly reflecting the increased patronage on the Docklands Light Railway (DLR) and London Overground (LO), in particular during the 2012 Games. This is partially offset by other operating income being £2m below budget due to the postponement of accessibility works (and associated third-party income) at West Hampstead whilst a revised scheme is prepared for this station. The forecast assumes continued increases in Overground growth but with DLR levelling off. As with London Underground the forecast includes a lower than budgeted January fare rise.

3.6 Operating expenditure net of third-party contributions remains close to budget both year to date and for the forecast with the small overspend due to performance related payments to both London Overground and DLR concession operators.

3.7 Capital expenditure in the year to date is £70m under budget mainly due to savings and rephasing of project spend which also impact the full year forecast.

3.8 Unbudgeted staff to support the early stages of LO Capital Improvement Programme (LOCIP) and Crossrail operations preparatory work account for London Rail being some 10 FTE higher than budget at 179 FTE. Following its successful opening, East London Line Phase 2 staff will reduce by year end however this will be more than offset by continued recruitment to support LOCIP and Crossrail work. Year end staff numbers are expected to be, at 185 FTE, 24 FTE higher than budget which is 1 FTE less than forecast at Quarter 2.

Crossrail

Crossrail £m	Year To Date (Periods 1-9) 2012/13		Full Year 2012/2013		
	Actual	Vs Budget	Forecast at Q3	Vs Forecast at Q2	Vs Budget
Net Service Expenditure	934	(85)	1,424	(57)	(42)

Green = (underspend)/ (higher income) or equal to budget
Amber = Overspend/ Lower income by 5 per cent or less
Red = Overspend/ Lower income by more than 5 per cent

4.0 In the year to date Crossrail spent £85m less than budget, of which £45m was due to the deferral of property commitments to Financial Year 2013/2014. A further £17m was due to an underspend on direct construction costs caused in part by the delayed start of tunnelling and a change in procurement strategy at the West portal together with savings following the implementation of the Network Rail Interim Funding arrangement. Indirect costs are £23m below budget due to slower than planned increases in headcount, savings on property legal fees and management, and deferrals of training and communications campaigns.

4.1 Since last quarter the full year forecast has reduced by £57m, to £42m lower than budget, principally because of revised phasing of land and property commitments to Financial Year 2013/2014. Compared to the year to date position of £85m lower than budget there is expected to be some catch-up in the balance of the year on property commitments and direct construction costs.

4.2 At the end of Quarter 3, Crossrail employed 718 FTE staff which was 140 FTE more than budget. A significant number of agency staff that were previously employed by the Programme Delivery Partner (PDP) have transferred to Crossrail as part of a cost reduction strategy (PDP FTEs were not included in the Crossrail FTE budget). Crossrail will continue to implement this strategy, although at Quarter 3, fewer roles had been filled than anticipated, as reflected by the full year forecast of 798 FTE. The cost reduction strategy also explains why the forecast for the end of the year exceeds the original budget by 209 FTE.

Surface Transport

Operational Performance

Surface Transport Performance	Units	Quarter 3 2012/13 Actual	Quarter 3 2012/13 Vs target	Quarter 3 2012/13 Vs last year	Full Year 2012/13 Forecast	Full Year 2012/13 Vs target	Full Year 2012/13 Vs last year
London Buses							
Passenger Journeys	m	568.9	(5.0)	0.9	2,348.6	(7.4)	4.2
% Scheduled Services Operated	%	97.5	0.5	0.3	97.5	(0.1)	(0.1)
Excess Wait Time	Mins	1.1	(0.1)	-	1.1	-	0.1
Overall CSS - Buses Q3 2013	Score	81	1	1	81	1	1
London Buses: recorded crime per million passenger journeys Sep - Nov 2012	#	8.3	(0.8)	(0.6)	9.0	(0.3)	(0.3)
Performance - Other Areas							
Cycling levels on the TLRN*	Index	290	(9)	4	287	(1)	14
Number of trips - Dial a Ride	m	0.3	-	-	1.4	-	-
Overall CSS - Dial a Ride Q3 2013	Score	93	1	2	92	-	1
TLRN Journey Time Reliability (am peak)	%	89.2	0.3	1.1	89.2	-	0.3
Cumulative reduction in KSI Londonwide - % reduction (from 05-09 baseline) June - August 2012	%	(21.5)	14.1	5.3	(18.2)	14.6	7.2

Green = better than or equal to target   Amber = within 5 per cent of target   Red = 5 per cent or more worse than target
CSS: Customer Satisfaction Survey   KSI: Killed and seriously injured   TLRN: TfL Road Network
* Cycling levels on the TLRN - Indexed (March 2000 = 100) measures growth in cycle flows recorded at 60 locations on the TLRN. (NB: the sample count figures are not equal to the total amount of cycling taking place on the TLRN).

5.0 Bus passenger journeys in Quarter 3 were slightly lower than target by 0.9 per cent, primarily due to poor weather conditions. The industrial action in November also reduced journeys by circa 0.2 million.

5.1 The full year forecast for bus passenger journeys has been reduced to reflect a slight weakening in underlying demand growth in recent periods and new survey data showing fewer journeys than expected being made by the under 11s who do not need to use Oyster cards.

5.2 Scheduled services operated during Quarter 3 were 0.5 per cent better than target and 0.3 per cent better compared to last year. This was largely due to the reduced impact of traffic delays on scheduled kilometres operated; with contributory factors including the introduction of more resilient schedules during major roadworks together with evidence of an improvement in general traffic conditions compared with a year ago. Industrial action by drivers in June is the reason for the full-year forecast being 0.1 percentage points below target.

5.3 The index of cycle flows on the TLRN was 290 in Quarter 3, 1.5 per cent higher than Quarter 3 of last year, and demonstrating a growth of 4.6 per cent in the year to date. The full-year forecast indicates an increase of 5.2 per cent in cycling on the TLRN during 2012/13.

5.4 Minor corrections have been made to the TLRN cycling index methodology to ensure it accurately reflects recent cycle flows. This does not change the previous years' numbers; results for Quarter 1 and Quarter 2 show slight changes and have been updated accordingly. As such, revised cycle index flows on the TLRN in Quarter 1 2012/13 were 285 (replacing published figure of 269) and in Quarter 2 were 342 (replacing published figure of 305). TFL is reviewing its overall methodology for recording cycling trips and will be updating its approach over the coming year to more accurately reflect cycling trends and patterns.

5.5 Provisional data for June 2012 to August 2012 shows that the number of people killed or seriously injured (KSI) on London's roads was 5.3 per cent above the same period last year, nevertheless this was an improvement of 6.7 per cent on Quarter 2.

5.6 Full year 2012/13 forecast KSI performance remains below the target of 32.8 per cent reduction from the 2005-09 baseline, which was based on an unrepresentative period during winter 2010/11. This was the coldest winter since records began in 1910, resulting in a suppression of some journeys and casualties. KSIs fell to their lowest ever recorded number in 2011. However, while this year's target will be missed we believe the Mayor's longer term target established in the draft Road Safety Plan, of a 40 percent decrease in KSIs by 2020 from the 2005-09 baseline will be achieved.

Financial Performance

Surface Transport £m	Year To Date (Periods 1-9) 2012/13 Actual	Year To Date (Periods 1-9) 2012/13 Vs Budget	Full Year 2012/2013 Forecast at Q3	Full Year 2012/2013 Vs Forecast at Q2	Full Year 2012/2013 Vs Budget
London Buses					
Bus fares income	(981)	0	(1,417)	0	2
Bus contract costs & ticket commission	1,242	5	1,795	(1)	2
Direct Bus Subsidy	**261**	**5**	**378**	**(1)**	**4**
Other Bus Income	(18)	(1)	(25)	(0)	(1)
Bus operating Expenditure (net of third-party contributions)	62	(5)	94	(2)	(5)
Bus Capital Expenditure	9	(3)	17	(6)	(3)
Net Bus Service Expenditure	**314**	**(4)**	**463**	**(9)**	**(4)**
Other Surface Transport					
Other Operating Income	**(231)**	**9**	**(332)**	**9**	**15**
Other Operating Expenditure (net of third-party contributions)	533	(22)	793	(12)	(18)
Other Net Capital Expenditure	67	(42)	107	(9)	(69)
Net Service Expenditure	**684**	**(58)**	**1,031**	**(22)**	**(76)**

Green = (underspend)/ (higher income) or equal to budget
Amber = Overspend/ Lower income by 5 per cent or less
Red = Overspend/ Lower income by more than 5 per cent

5.7 Bus fares income in the year to date was in line with budget. Despite this, journeys made by fare payers were 13.7 million below budget. The overall average fare per journey was slightly higher than budget as a smaller proportion of journeys were made using season tickets. Season tickets produce less revenue per journey than other tickets.

5.8 Bus contract costs in the year were higher than budget due to the Bus Workers' Games settlement, partially offset by deductions for mileage not operated as a result of industrial action in June and ticket commission savings. These variances have been reflected in the full-year forecast.

5.9 Other bus operating expenditure was £5m lower than budget in the year to date due to non-recurring savings, in areas such as Countdown 2 and iBus, in year timing differences and capitalisation of New Bus for London (NBfL) expenditure following the decision for TfL to purchase the buses rather than the Bus Operators. The full-year forecast is £5m lower than budget largely due to capitalisation of NBfL expenditure and rephasing to future years.

5.10 Bus capital expenditure was £3m below budget in the year to date, largely due to Countdown 2 savings and some rephasing into future years, which were partially offset by capitalisation of NBfL expenditure. These variances have been reflected in the full year forecast.

5.11 In the year to date, other operating income was £9m lower than budget, most notably due to the revised go-live for a number of highways advertising sites and lower Cycle Hire income because of a higher proportion of free trips, and lower volumes attributed to the record level of rainfall in 2012.

The full-year forecast for other operating income is £15m lower than budget, largely due to Highways advertising site income being transferred to Corporate and Cycle Hire income expectations. The full year forecast when compared to Quarter 2 has been reduced by £9m mainly to reflect lower expectations for Cycle Hire and Lane Rental income, although the reduced Lane Rental income is offset by lower expenditure.

5.12 Year to date other operating expenditure was £22m below budget largely due to £11m of Local Implementation Plan (LIP) Programme works which were rephased to later in the year and into 2013/14 due to the Games. Further underspends included savings, notably on Games advertising and Congestion Charging and Enforcement, and rephasing on Cycle Superhighways due to the Better Junctions review. The above were partially offset by additional Games expenditure for which the funding by LOCOG and the ODA is held at Group level.

5.13 The full-year operating expenditure forecast is £18m lower than budget mainly due to £7m of slippage on LIPs major schemes and non-recurring savings, including lower expenditure on the Olympic Route Network (which will be reflected in the final settlement with the ODA) and savings on Travel Demand Management (not part of the ODA agreement). These are partly offset by additional Games expenditure which is funded by LOCOG and the ODA.

5.14 Other net capital expenditure in the year to date was £42m below budget mainly due to rephasing, including Cycle Hire Phase 2, Signal Modernisation, London Safety Camera Partnership, Bridge safety, Tunnels safety and Cycle Superhighways. There were also some non-recurring savings; the largest of which was £3m on Bounds Green improvement project.

5.15 The full-year forecast is £69m below budget principally due to non-recurring savings and project rephasing, of which the most significant items are Cycle Superhighways (due to the Better Junctions review), Cycle Hire, Woolwich Ferry Life Expansion, Signal Modernisation and London Safety Camera Partnership. Non-recurring savings included those identified on the finalisation of the Bounds Green improvement project. The full year forecast reduction from Quarter 2 of £9m is mainly due to further rephasing, including Cycle Hire and Woolwich Ferry Life Expansion expenditure partially offset by acceleration of the Roads Better Junction Review programme

5.16 At the end of Quarter 3, Surface Transport employed 3,243 FTE which was 90 FTE fewer than budget. This was primarily due to reduced headcount in Dial a Ride and a high number of vacancies across Surface, including Community Safety & Enforcement Policing, Performance, Congestion Charging and Roads which are expected to be filled later in the year. Vacancies were partly offset by increases in contractors working in Traffic and Taxi & Private Hire.

5.17 The full-year forecast at 3,381 FTE is 52 FTE higher than budget primarily due to increases in the Traffic Directorate to manage the Lane Rental scheme introduced in Quarter 1 and extended operational shifts in the LSTCC and Fault Control to enable faster and better targeted response to faults and improved incident management and reporting. Taxi & Private Hire have increased night compliance team headcount.

Corporate Directorates

Corporate Directorates £m	Year To Date (Periods 1-9) 2012/13		Full Year 2012/2013		
	Actual	Vs Budget	Forecast at Q3	Vs Forecast at Q2	Vs Budget
Operating Income	(30)	1	(39)	8	5
Operating Expenditure (net of third-party contributions)	313	(42)	468	(20)	(64)
Net Capital Expenditure	3	(60)	8	(73)	(26)
Net Service Expenditure	**286**	**(101)**	**436**	**(85)**	**(85)**

Green = (underspend)/ (higher income) or equal to budget
Amber = Overspend/ Lower income by 5 per cent or less
Red = Overspend/ Lower income by more than 5 per cent

6.0 Year to date operating income was £1m lower than budget. This was due to the reprofiling of Spend to Save income to future years. Full year operating income is forecast to be £5m lower than budget, a movement of £8m since last quarter to reflect an accounting adjustment to the reporting of secondary revenue which has already been recognised in London Underground

6.1 At Quarter 3, year to date operating expenditure (net of third-party contributions), was £42m lower than budget and is forecast to be £64m below budget for the full year. This was mainly due to the rephasing of projects in IM, Finance and Customer Experience Marketing and Communications (CEM&C). There were also savings in staff costs across the Corporate Directorates due to delayed recruitment and associated reductions in the demand for training and other related costs.

6.2 Net capital expenditure was £60m lower than budget in the year to date due to rephasing of Spend to Save activity and the Future Ticketing Project to future years and rephasing of property and IM projects to the last quarter of the year. Reprofiling of various property sales to future years was partly offset by higher than forecast sale proceeds from Lots Road Power station. Full-year net capital expenditure is forecast to be £26m lower than budget. This is mainly due to the reprofiling of project expenditure to future years which is partially offset by the deferral of property sales income, most of which is now expected in 2013/14.

6.3 At Quarter 3, there were 3,107 FTE in the Corporate Directorates, 117 higher than budget, mainly driven by temporary staff working on project based initiatives in IM and Planning. These factors, along with additional staff to deliver ticketing projects, are also reflected in the full-year forecast of 3,282 FTE which is 325 FTE more than budget.

Group Items and Other Companies

Group items and Other Companies £m	Year To Date (Periods 1-9) 2012/13 Actual	Year To Date (Periods 1-9) 2012/13 Vs Budget	Full Year 2012/2013 Forecast at Q3	Full Year 2012/2013 Vs Forecast at Q2	Full Year 2012/2013 Vs Budget
Interest Income and Debt Service	185	(31)	274	(4)	(41)
Contingency and Other Group Items	(8)	(128)	(12)	(1)	(178)
Net Service Expenditure	**178**	**(159)**	**262**	**(5)**	**(220)**

Green = (underspend)/ (higher income) or equal to budget
Amber = Overspend/ Lower income by 5 per cent or less
Red = Overspend/ Lower income by more than 5 per cent

7.0 In the first half of 2012/13, TfL deferred the budgeted issue of long-term debt in favour of short term debt. This resulted in a variance to budget for Interest Income and Debt Service of (£31m) in the year to date and (£41m) in the full year.

7.1 The year to date and full year variances to budget for Contingency and Other Group Items relate to removal of contingency provisions and identification of savings as part of the new Business Plan.

Savings and Efficiencies

Savings and Efficiencies	Year to date (Periods 1-9) 2012/13			Full Year 2012/13		
£m	Actual	Target	Vs Target	Forecast at Q3	Target	Vs Target
Corporate and Group Wide	325	404	(79)	490	538	(49)
Rail and Underground	421	391	30	618	565	53
Surface Transport	208	200	8	300	291	10
Gross	**954**	**995**	**(41)**	**1,409**	**1,394**	**14**
Implementation Costs	(120)	(55)	(65)	(129)	(101)	(28)
Net	**835**	**941**	**(106)**	**1,279**	**1,293**	**(14)**

Savings and Efficiencies are reported as positive numbers which means that a variance in brackets indicates lower achieved savings or higher implementation costs

8.0 Savings and Efficiencies reporting is based on the previous Business Plan and includes both secured and unsecured initiatives. To provide clear and challenging targets the new Business Plan, published in December 2012, does not include secured initiatives (those savings already achieved). This report will move to reporting on this basis from Quarter 1 2013/14.

8.1 In the year to date, the gross position is £41m less than target. Overall the Corporate Directorates remain on track to deliver their long-term savings target. The year-to date variance of £79m reflects the re-profiling of various initiatives within the Corporate savings portfolio into future years. These are mainly within the Spend to Save and the Property asset development and disposals programmes.

8.2 Whilst implementation costs within the year have increased due to the inclusion of upfront termination costs associated with the LU Powerlink PFI contract, the programme remains on course to achieve its savings target. The year-to-date adverse variance was partly offset by the over delivery of commercial contracts and staffing efficiencies within Rail and Underground.

8.3 In the full year, the savings programme is forecast to deliver £1.4bn of gross savings, efficiencies and additional secondary revenue, exceeding target by £14m. However the net forecast is £14m below target as implementation costs are expected to be £28m higher. This is an improvement on the net year to date position, due to the reprofiling of implementation costs in the Corporate Directorates. In addition, there is accelerated delivery of commercial contracts and staffing efficiencies within Rail and Underground.

Appendix One: Financial Summary

TfL Group £m	Year To Date (Periods 1-9) 2012/13 Actual	Vs Budget	Full Year 2012/13 Forecast at Q3	Vs Forecast at Q2	Vs Budget
Fares Income	(2,639)	(31)	(3,810)	25	(11)
Other Income	(415)	4	(596)	17	12
Total Operating Income	**(3,055)**	**(27)**	**(4,406)**	**43**	**1**
Operating Expenditure (net of third-party contributions)	**3,985**	**89**	**5,780**	**(45)**	**5**
Operating Margin	**930**	**62**	**1,374**	**(2)**	**6**
Interest Income & Debt Servicing	185	(31)	274	(4)	(41)
Contingency and Other Group Items	(8)	(128)	(12)	(1)	(178)
Total Group Items	**178**	**(159)**	**262**	**(5)**	**(220)**
Margin	**1,108**	**(97)**	**1,636**	**(7)**	**(214)**
Net Capital Expenditure (excl Crossrail)	994	(321)	1,429	(108)	(384)
Net Service Expenditure (excl Crossrail)	**2,102**	**(418)**	**3,065**	**(115)**	**(598)**
Capital Expenditure: Crossrail	934	(85)	1,424	(57)	(42)
Net Service Expenditure: TfL	**3,036**	**(502)**	**4,489**	**(172)**	**(641)**

Appendix 2: Balance Sheet

Transport for London Group Balance Sheet at Quarter 3 £m	Actual	Variance to Budget	Forecast at Q3	Variance to Budget
Non-current assets – (higher) / lower than budget	27,086	338	27,770	352
Current assets (exc. cash & investments) – (higher) / lower than budget	573	(100)	546	50
Cash & investments – (higher) / lower than budget	3,929	(843)	3,865	(693)
Creditors - higher / (lower) than budget	(2,912)	(81)	(2,989)	62
Derivative liabilities - higher / (lower) than budget	(118)	37	(117)	36
Borrowings – higher / (lower) than budget	(7,830)	473	(7,533)	(15)
Provisions – higher / (lower) than budget	(2,535)	33	(2,494)	19
Total Net Assets – (higher) / lower than budget	18,193	(143)	19,048	(189)

9.0 Non-current assets were £338m below budget at the end of Quarter 3, largely as a result of lower than planned gross capital expenditure activity of £405m. The Quarter 3 non-current asset forecast is £352m below budget. This includes lower capital spend activity of £474m offset by lower than planned disposals and changes in depreciation arising from the delays to capital works.

9.1 Current assets were £100m higher than budget at the end of Quarter 3. Of this, £63m was in respect of amounts owing from both the ODA and LOCOG for Olympics works which were assumed to have been paid by now in the budget. These amounts are expected to be received before year end. In addition, Rail and Underground held £36m of capital debtors over budget, in respect of the Lots Rd property contract, which includes deferred receipts which were not assumed at the time of the budget, and other contract amounts due for settlement. The forecast assumes current assets to be £50m lower than budget, arising from small variances in a number of subsidiaries.

9.2 A breakdown of the cash variances to date and forecast is shown in the table at Appendix 3.

9.3 Creditor balances for the year to date position are £81m below budget, mainly driven by the £74m reduction to lease creditors from the termination of the Power PFI. Creditor balances are forecast to be £62m higher than budget at year end. However, this variance is the net of a reduction in finance lease creditors of £73m, following the termination payment to the Power PFI provider, offset by higher trade and capital creditors, predominantly in Crossrail.

9.4 The derivatives position at Quarter 3 is based on market values. TfL is obliged to record the fair value of its derivatives on the balance sheet. However, as TfL only enters into such contracts to fix interest rates on its future borrowings, hedge accounting applies and any movement in the fair value of the derivative liability is recognised directly in reserves. The fair value liability is expected to reverse by maturity.

9.5 External borrowings at Quarter 3 were £473m above budget, as a result of new borrowings being taken out earlier than planned to take advantage of favourable interest rates. The variance at the full year represents the repayment of the WARE (Woolwich Arsenal Railway Enterprises) debt to the EIB (European Investment Bank) which was not in the budget and the fact that TfL Bonds were issued at a discount in line with market convention.

9.6 Provisions at the end of Quarter 3 were £33m higher than budget, primarily due to timing changes for payments against the Crossrail property provision in TfL, offset by a reduction to the Tube Lines pension provision. Provisions are forecast to be £19m higher than budget, again mainly due to lower than budgeted payments in the year for Crossrail property compensation claims, offset by a lower insurance claims provision.

Balance Sheet	Year to Date			Full Year		
£m	Actual	Budget	Variance	Forecast at Q3	Budget	Variance
Intangible assets	90	93	3	141	123	(18)
Property, plant & equipment	26,460	26,831	371	27,065	27,518	453
Investment properties	308	309	1	288	290	2
Long term derivatives	-	-		-	-	-
Long term debtors	228	191	(37)	276	191	(85)
Non Current Assets	**27,086**	**27,424**	**338**	**27,770**	**28,122**	**352**
Stocks	42	38	(4)	41	38	(3)
Short term debtors	531	435	(96)	505	558	53
Short term derivatives	-	1	1	-	1	1
Cash and Investments	3,929	3,086	(843)	3,865	3,172	(693)
Current Assets	**4,502**	**3,560**	**(942)**	**4,411**	**3,769**	**(642)**
Short term creditors	(1,936)	(1,961)	(25)	(1,997)	(1,899)	98
Short term derivatives	-	(8)	(8)	-	(8)	(8)
Short term borrowings	(1,422)	(2,176)	(754)	(2,176)	(2,176)	-
Short term lease liabilities	(56)	(68)	(12)	(101)	(68)	33
Short term provisions	(138)	(141)	(3)	(141)	(141)	-
Current Liabilities	**(3,552)**	**(4,354)**	**(802)**	**(4,415)**	**(4,292)**	**123**
Long term creditors	(64)	(52)	12	(77)	(52)	25
Long term borrowings	(6,408)	(5,181)	1,227	(5,357)	(5,372)	(15)
Long term lease liabilities	(856)	(912)	(56)	(814)	(908)	(94)
Long term derivatives	(118)	(74)	44	(117)	(74)	43
Other provisions	(114)	(68)	46	(75)	(52)	23
Pension provision	(2,283)	(2,293)	(10)	(2,278)	(2,282)	(4)
Long Term Liabilities	**(9,843)**	**(8,580)**	**1,263**	**(8,718)**	**(8,740)**	**(22)**
Total Net Assets	**18,193**	**18,050**	**(143)**	**19,048**	**18,859**	**(189)**
Capital and Reserves						
Usable reserves	3,519	2,697	822	3,648	2,829	(819)
Unusable reserves	14,674	15,353	**(679)**	15,400	16,030	630
Total Capital Employed	**18,193**	**18,050**	**(143)**	**19,048**	**18,859**	**(189)**

Cash and Investments:						
CRL Sponsor funding account	**1,466**	**1,441**	**(25)**	**1,381**	**1,414**	**33**
Other cash and investments	**2,463**	**1,645**	**(818)**	**2,484**	**1,758**	**(726)**
Total as above	**3,929**	**3,086**	**(843)**	**3,865**	**3,172**	**(693)**

Appendix Three: Cash summary

Cash Summary In / (Out) Flow	Year to Date			Full Year		
£m	Actual	Budget	Variance	Forecast at Q3	Budget	Variance
Margin	(1,108)	(1,205)	(97)	(1,636)	(1,850)	(214)
Working Capital Movements	(35)	67	102	(97)	(146)	(49)
Cash Spend on Operating Activities	**(1,143)**	**(1,138)**	**5**	**(1,733)**	**(1,996)**	**(263)**
Net Capital Expenditure	(994)	(1,315)	(321)	(1,429)	(1,814)	(385)
Crossrail	(934)	(1,019)	(85)	(1,424)	(1,467)	(43)
Working Capital Movements	(124)	(66)	58	(59)	(44)	15
Cash Spend on Capital Activities	**(2,052)**	**(2,400)**	**(348)**	**(2,912)**	**(3,325)**	**(413)**
Funded by:						
Grants, Precept & other contributions	3,766	3,739	(27)	5,438	5,406	(32)
Borrowings Raised	728	252	(476)	432	445	13
Borrowings Repaid	(21)	(18)	3	(22)	(20)	2
Total Funding	**4,462**	**3,962**	**(500)**	**5,848**	**5,831**	**(17)**
Net Movement in Cash	**1,267**	**424**	**(843)**	**1,203**	**510**	**(693)**