

TRANSPORT FOR LONDON
FINANCE COMMITTEE – OPEN SESSION
THURSDAY 11 OCTOBER 2007 AT 9.00AM
BOARDROOM, 14TH FLOOR, WINDSOR HOUSE, LONDON, SW1H 0TL

AGENDA

| Item | | Sponsor |
|-------------|---|-------------------|
| 1. | Apologies for Absence and Declarations of Interest | - |
| 2. | Open Minutes of the Meeting held on 14 September 2007 | - |
| 3. | Matters Arising and Actions List. | - |
| 4. | Business Plan 2008/09 [ORAL] | Steve Allen |
| 5. | Target Setting in TfL | Stephen Critchley |
| 6. | Project Monitoring – Project Approvals | Stephen Critchley |
| 7. | Any Other Business | - |

Date of next meeting: Wednesday 14 November

**Transport for London
Open Minutes of the Finance Committee
Boardroom, Windsor House, London, SW1H 0TL
Friday 14 September 2007, 9.00am**

Members:

| | |
|---------------------|---------------------|
| Sir Mike Hodgkinson | Chair, Board Member |
| Honor Chapman | Board Member |
| Eva Lindholm | Board Member |
| Rana Roy | Board Member |

Staff:

| | |
|-------------------|---|
| Steve Allen | Managing Director, Finance |
| Richard Browning | Director of Group Business Planning and Performance |
| Howard Carter | General Counsel |
| Stephen Critchley | Chief Finance Officer |
| Mary Hardy | Director of Internal Audit |
| Ellen Howard | Director of Corporate Governance |
| Gareth John | Director of Legal and Compliance |
| Alistair Miller | Head of Finance, Surface Transport |
| Stuart Munro | Finance Director, London Rail |
| Sam Richards | Commissioner's Chief of Staff |
| Mike Robinson | Head of Secretariat |
| Mike Weston | Operations Director, Surface Transport (24/09/07) |

19/09/07 Apologies, Announcements and Declarations of Interest

Apologies had been received from Peter Anderson, Stephen Glaister and Judith Hunt.

Members confirmed they had no interests to declare in respect of items on the agenda.

A number of papers had been despatched late and Members stressed the importance of having sufficient opportunity to consider the reports. The practice of sending the agenda and available papers out on time, with outstanding items sent 'to follow' was preferred.

20/09/07 Minutes of the Meeting Held on 7 June 2007

The minutes of the open meeting held on 7 June 2007 were approved as a correct record and signed by the Chair.

21/09/07 Matters Arising and Actions List

A matter arising was raised in relation to minute number 17/06/07 on the Best Value Performance Plan BAME workforce diversity targets. Rana Roy confirmed that he had received an update and there were issues which should be discussed when the matter went to the Corporate and Equalities Advisory Panel.

The Committee noted the actions list and the updates provided.

**22/09/07 Operational and Financial Performance Report
First Quarter 2007/08**

Members noted the report. It was noted that revenues were down against the budget in Surface Transport. In respect of congestion charging, it was noted that revenues were lower than expected. A report was requested at a future meeting on the correlation between charge income and congestion.

[ACTION: Graeme Craig]

A copy of the Congestion Charging Impact Monitoring Fifth Annual Report would be sent to Rana Roy.

[ACTION: Secretariat]

The Committee noted the Operational and Financial Performance Report for the first quarter 2007/08.

23/09/07 Investment Programme Report – First Quarter 2007/08

The Investment Programme Report was noted and Members discussed the implications for the project timescale for the Thames Gateway Bridge Project following the Secretary of State's recent decision.

The Committee noted the Investment Programme Report – First Quarter 2007/08.

24/09/07 Hybrid Bus Programme

The Committee noted that hybrid bus reliability had improved and was satisfactory. It was likely to improve further as more manufacturers embraced the technology across a wider number of sectors.

Hybrid buses were expected to break even with diesel on a whole life cost basis by 2015. This would be significantly earlier if oil prices increased. It was noted that the DfT was looking to review fuel duty and this could also be beneficial as current subsidies to public transport did not currently encourage fuel economy.

The Committee noted the report and requested further updates on the programme in the future.

[ACTION: Mike Weston]

25/09/07 Prudential Code – Indicators of Prudence and Affordability

The Committee noted the update for the year ended 31 March 2007.

The Committee noted:

- 1) that the TfL approved indicators for prudence and affordability had not been exceeded; and**
- 2) that the Group indicator for capital expenditure had been marginally exceeded, due to higher PPP investment expenditure which was outside the direct control of the Group.**

26/09/07 Project Monitoring – Project Approvals

The Committee noted the report. Stephen Critchley explained that in respect of the West London Tram Project, not all the authorised expenditure would necessarily be incurred.

The Committee noted the report.

27/09/07 Before and After – London Through the Lens

The Committee discussed the ‘before’ and ‘after’ photos of infrastructure that TfL had improved. It noted that the ‘before’ images needed to be captured on a comprehensive basis in the future.

The Committee noted the progress made on compiling images of the Investment Programme projects.

28/09/07 Any Other Business

No other additional items of business were raised.

Chair: _____

Date: _____

TRANSPORT FOR LONDON

**FINANCE COMMITTEE - OPEN SESSION
11 OCTOBER 2007
ACTIONS LIST**

Actions from the Last Meeting

| Minute No. | Description | Action By: | Target Date | Status/ note: |
|------------|---|--------------|-------------|---------------|
| 22/09/07 | Congestion Charging. The correlation between charge income and congestion to be reported. | Graeme Craig | 11.10.07 | Completed. |
| 22/09/07 | Annual congestion charging report to be sent to Rana Roy. | Secretariat | | Completed. |
| 24/09/07 | Hybrid Bus Project. Further reports to be made as appropriate. | Mike Weston. | tbc | |

Actions from Previous Meetings

| Minute No. | Description | Action By: | Target Date | Status/ note: |
|------------|--|------------------------------------|-------------------------|---|
| 10/05/07 | Explanation of framework of targets used by TfL. | Steve Allen | 11.10.07 | Completed – on agenda for this meeting. |
| 16/06/07 | Re-evaluate the Benefit cost Ratio for the Low Emission Zone. | Graeme Craig | 11.10.07 | Completed. |
| 17/06/07 | Best Value Performance Plan: <ul style="list-style-type: none"> • Further work required to understand BAME targets. • Review BV100 targets. Update Committee on road closure powers and new permit & control software. | Steve Allen Alistair Miller | 25.9.07 11.10.07 | Complete - report has gone to CEAP. Completed. |

TRANSPORT FOR LONDON**FINANCE COMMITTEE****SUBJECT: TARGET SETTING IN TfL****MEETING DATE: 11 OCTOBER 2007**

1. PURPOSE

- 1.1 The purpose of this paper is to provide the Finance Committee with an overview of how performance targets are set as part of TfL's annual business planning process.

2. OVERVIEW

- 2.1 As part of TfL's annual business planning process, performance targets over the plan period are reviewed, challenged and updated where appropriate before being presented in the Business Plan.
- 2.2 Performance indicators and targets are grouped under a series of relevant performance outcomes which in principle align to TfL and Mayoral priorities (set out in the Mayor's Transport strategy). As an example, **Appendix 1** details the set of KPIs that TfL presently monitors on a period to period basis and the headings under which they are grouped.
- 2.3 However, as presented by the MD Planning at the recent Board away day work is currently being undertaken, to further develop the corporate objectives around which these (and other new) performance indicators and targets will be presented, so that there is a clearer link between Mayoral priorities, TfL's objectives and TfL's performance.
- 2.4 Long term targets will be set against these objectives and once approved will be taken into account during each iteration of the Business Plan. In the meantime the overall objective framework will be used to review what KPIs are reported and monitored both at a Board and modal level, with changes being proposed as part of future year business plan and budget processes.

3. TARGET SETTING APPROACH**Business Plan**

- 3.1 TfL monitors and reports performance at both a modal and group level. Although the approach to setting targets differs depending on the type of indicator, TfL has in place overarching processes to ensure that all targets are reviewed with the aim of ensuring they are stretching but realistic and achievable before being finally set.
- 3.2 Operational performance targets, for indicators such as Excess Journey Time in London Underground and Excess Wait Time in London Buses are set on the basis of modelling of the constituent elements of data, which make up the indicator, at a line-by-line or route-by-route level. On an annual basis, each of the constituent elements are reviewed and adjusted for anticipated changes in conditions which are likely to improve or impact performance. Some of the main factors which are taken into

account include increases in passenger demand, planned improvement works, timetable changes and completion of upgrades or improvements. Longer-term targets are also linked back to improvements set out in the Mayor's Transport Strategy.

- 3.3 Passenger journeys targets are modelled at an overall level on the basis of a number of factors including estimated ticket sales, estimated number of journeys based on ticket validity and standard trip per ticket factors derived from surveys. Passenger journey models are also adjusted for any changes to fare policy decisions and macro-economic factors which are likely to impact demand.
- 3.4 Targets for indicators monitoring areas such as road safety, accessibility, climate change and air quality are set at an overall level and have a strong link to longer-term improvements set out in the Mayor's Transport Strategy. On an annual basis, targets are reviewed in light of past trends and current performance and are adjusted to take into account the impact of planned improvement initiatives.
- 3.5 Customer satisfaction is monitored through surveys. The annual review of the targets take into account the likely impact of service changes as well as likely changes to customers relative perception over time (for example, as customers get used to a certain level of service their expectations are likely to be higher and will be harder to satisfy).
- 3.6 Workforce targets for indicators including % women, % BAME and % disabled staff take into account modelling done at a Directorate level and long term benchmark targets specified by the GLA group. Modelling at the Directorate level takes into account factors such as changes in staff numbers and anticipated levels of churn as well as local and pan-TfL initiatives which aim to influence changes to the proportional makeup of the workforce.

Budget adjustments

- 3.7 All targets are set on the basis that, taking into account both improvement initiatives and any contextual changes, they provide a stretching yet achievable level of performance to ensure overall continuous improvement where possible from year to year. Performance against target is forecasted quarterly for the majority of indicators, and this forecast is used where appropriate to update future years' targets, to ensure a consistent level of stretch is maintained. For example if performance in the second quarter of the year is better than expected at the time the Business Plan is agreed in November, then future year targets are reviewed to ensure they remain sufficiently stretching. Conversely if performance is below expectations, a review is conducted to determine if future year targets are now proving unrealistic. Any changes to targets for the forthcoming year are incorporated into the Budget document which is submitted to the Board in the following March. It is proposed that the 2008/09 budget document contain a brief explanation of the basis for each target in comparison to current performance. These targets then form the basis of in-year performance monitoring, reported to the Finance Committee and Board via the quarterly performance papers, and to the Advisory Panels.
- 3.8 All the main KPIs have been defined in terms of their key attributes, including; Title, Owner, Mode, Frequency, Definition, Measurement, Data Quality processes and Dissemination. Performance data itself is stored centrally within the central data system (SAP).

4. RECOMMENDATION

- 4.1 The Finance Committee is asked to **NOTE** this report. If there are any particular indicators or associated targets that members would like to understand in more detail prior to the 2008/09 budget paper as mentioned in 3.7 above, please contact Richard Browning.

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|-----------------------------------|---|
| Authors | Gareth Powell , Head of Group Business Performance Richard Browning , Director, Group Business Planning & Performance. |
| Sponsor | Stephen Critchley , Chief Finance Officer. |
| For queries please contact | Richard Browning , Director, Group Business Planning & Performance. (020) 7941 4740 richardbrowning@tfl.gov.uk |

Appendix 1: Periodic Barometer scorecard

| Category | Page No. | Key Performance Indicator | Unit | P5 Actual | P5 Target | Variance | Prior Year | YTD Trend (Variance) |
|-----------------------------------|----------|---|-------|-----------|-----------|----------|------------|----------------------|
| SERVICE DEMAND | 6 | Passenger Journeys - TfL Group (higher is better) | m | 254.7 | 242.9 | 11.8 | 219.8 | ↑ |
| | 6 | Passenger Journeys - London Underground | m | 82.0 | 74.5 | 7.5 | 74.0 | ↑ |
| | 6 | Passenger Journeys - Buses* | m | 165.3 | 161.0 | 4.3 | 138.9 | ↑ |
| | 6 | Passenger Journeys - DLR | m | 5.1 | 5.1 | (0.0) | 4.7 | ↑ |
| SUPPLY (SERVICE PROVISION) | 7 | % Scheduled Services Operated - London Underground (higher is better) | % | 94.9 | 95.1 | (0.2) | 94.2 | ↓ |
| | 7 | % Trains Operated in Peak Hours - London Underground | % | 97.0 | No Target | - | 96.8 | ↔ |
| | 7 | Train Kilometres Operated - London Underground | m | 5.5 | 5.5 | (0.0) | 5.3 | ↓ |
| | 8 | % Scheduled Services Operated - Buses | % | 98.2 | 98.2 | (0.0) | 98.2 | ↑ |
| | 8 | Bus Kilometres Operated - Buses | m | 36.3 | 36.4 | (0.1) | 35.5 | ↑ |
| | 8 | Train Kilometres Operated - DLR | '000s | 360.0 | 355.3 | 4.7 | 338.0 | ↑ |
| RELIABILITY | 9 | Overall Delay (Index) - TfL Group (lower is better) ** | # | 95.5 | 78.8 | 16.7 | 78.3 | ↓ |
| | 9 | Excess Journey Time (Weighted) - London Underground | Mins | 7.5 | 7.5 | 0.0 | 7.6 | ↑ |
| | 9 | Excess Wait Time - Buses | Mins | 0.9 | 0.9 | - | 0.9 | ↓ |
| | 9 | % On-time performance - DLR (higher is better) | % | 97.3 | 96.0 | 1.3 | 99.3 | ↓ |
| SAFETY | 10 | Major Injuries & Fatalities - London Underground (lower is better) | # | 11 | No Target | - | 9 | ↔ |
| | 10 | Major Injuries & Fatalities - Buses | # | 131 | No Target | - | 151 | ↔ |
| | - | Major Injuries & Fatalities - DLR | # | 2 | No Target | - | 3 | ↔ |
| | 10 | Killed & Seriously Injured (Londonwide) - Road Network ++ | # | 305 | 284 | 21 | 310 | ↔ |
| CUSTOMER SATISFACTION | 11 | Overall Customer Satisfaction - TfL Group (higher is better) +++ | Score | 79.1 | 78.3 | 0.7 | 78.4 | ↔ |
| | 11 | Overall Customer Satisfaction - London Underground +++ | Score | 78.0 | 78.0 | - | 78.0 | ↔ |
| | 11 | Overall Customer Satisfaction - Buses +++ | Score | 79.0 | 78.0 | 1.0 | 78.0 | ↑ |
| | 11 | Overall Customer Satisfaction - DLR +++ | Score | 97.4 | 90.0 | 7.3 | 96.7 | ↔ |
| PEOPLE | - | Number of Staff - TfL Group | FTE | 21,303 | 21,255 | 48 | 20,217 | ↓ |
| | 12 | Number of Temporary Contractors: more than 12 mths service- TfL Group | FTE | 574 | 643 | (69) | 575 | ↓ |
| | - | Sickness Absence per Employee - TfL Group *** | Days | 3.78 | 4.13 | (0.35) | 4.45 | ↑ |
| | 13 | Sickness Absence per Employee - London Underground *** | Days | 4.04 | 4.43 | (0.40) | 4.85 | ↑ |
| | 13 | Sickness Absence per Employee - Surface Transport *** | Days | 3.72 | 3.53 | 0.20 | 3.79 | ↑ |
| | 13 | Sickness Absence per Employee - London Rail *** | Days | 1.14 | 1.93 | (0.78) | 1.25 | ↑ |
| | 13 | Sickness Absence per Employee - Group Directorates *** | Days | 2.22 | 2.52 | (0.30) | 3.16 | ↓ |
| | 14 | % of Women Staff - TfL Group (higher is better) | % | 23.7 | 24.3 | (0.6) | 22.5 | ↓ |
| | 14 | % of BAME Staff - TfL Group**** | % | 34.0 | 26.8 | 7.2 | 33.1 | ↑ |
| | 14 | % of Disabled Staff - TfL Group | % | 6.9 | 8.0 | (1.0) | 7.6 | ↓ |

TRANSPORT FOR LONDON

FINANCE COMMITTEE

SUBJECT: PROJECT MONITORING – PROJECT APPROVALS

MEETING DATE: 11 OCTOBER 2007

1. PURPOSE

To inform the Finance Committee of approvals given by the Commissioner (and in his absence the Managing Director, Finance) in accordance with delegated authority under the TfL Standing Orders.

2. BACKGROUND

The Commissioner has the delegated authority to approve project submissions less than £100m, and which contain less than £25m of unbudgeted expenditure. (The MD Finance approves those less than £25m gross or £10m unbudgeted.)

3. PROJECT APPROVALS

Since the last Finance Committee on 14 September 2007, there have been two approvals, namely, (a) East London Transit – Phase 1A and (b) London-wide Oyster Roll-Out. Further details are set out in Appendix 1.

Set out in the attached Appendix 2 is a list of planned projects which are expected to seek formal approval under delegated limits in the current financial year.

4. RECOMMENDATIONS

The Finance Committee is recommended to NOTE the contents of this report.

| | |
|-----------------------------------|---|
| Authors | Marek Banasiak , Head of Investment Programme Office Richard Browning , Director, Group Business Planning & Performance. |
| Sponsor | Stephen Critchley , Chief Finance Officer, Finance and Planning |
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APPENDIX 1

Summary of the projects approved by Commissioner.

| ST-PJ24 | East London Transit – Phase 1a | Total Approval = £26M |
|-----------------------------------|--|------------------------------|
| Outcomes and Business Case | <p>£26.47m is requested to construct and implement a high quality bus link in this part of the Thames Gateway.</p> <p>The business case has a BCR of 2.1:1, mostly from bus passengers' time savings (typically 5%) but with accident reduction also contributing a third of the project's social benefits. This BCR is fairly robust, remaining better than 1.7:1 against a 20% increase in costs, or reduction in benefits.</p> | |
| Outputs and Schedule | <p>The project will provide:</p> <ul style="list-style-type: none"> • Traffic management improvements, primarily comprising traffic signals and bus lanes, with segregated route in Barking town centre; • Improved accessibility, boarding, real-time information, and urban realm; • New 'terminal' facilities at Choats Rd and Dagenham Dock station; and • New buses with latest commercially viable engine technology, providing higher frequency than existing services along the route. <p>Construction is due to complete in September 2009, with services commencing the following month.</p> | |
| Approval | <p>The project sought an authority of £26.47m. £17.10m is budgeted. Of the balance, £3.83m is being contributed by London Thames Gateway Development Corporation (£2.71m) and LB Redbridge (£1.12m). The remaining unfunded expenditure of £5.54m will be found in the current Business Planning round.</p> | |

| | | |
|-----------------------------------|---|--------------------------------|
| LR-PJ31 | London-wide Oyster Roll-Out | Total Approval = £44.6M |
| Outcomes and Business Case | <p>£39.61m is requested to pay for Oyster validation and Pay as you go acceptance on all National Rail stations, London wide.</p> <p>The business case is financially positive through cost savings and increased revenue. Passenger benefits will come through more seamless journeys with the rest of the transport network on National Rail services. Time savings will come from reduced queuing, increased ticketing flexibility and single journeys now having the same time advantages as a travelcard.</p> | |
| Outputs and Schedule | <p>The project will provide:</p> <ul style="list-style-type: none"> • Procurement and installation of 1200 Oyster validators; • Changes to existing Oyster readers; • Software upgrade and testing; • Oyster and Rail Settlement Plan system costs; and • Project Management costs and Communications. <p>This will be delivered on Chiltern, c2c and One (inner service) by January 2008. Oyster validation and PAYG will be provided on the remaining Train Operating Companies by January 2009.</p> | |
| Approval | <p>This project sought an additional authority of £39.61m, to take total authority to £44.6m. £20.4m is budgeted in the Investment Programme and £3.4m will be recovered from Train Operating Companies. The remaining funding is to be resolved as part of this year's Business Plan deliberations.</p> | |

APPENDIX 2

Projects expected to seek authority from the Commissioner during 2007/8

| | Investment Programme Number | Current Approval £m | Expected Approval £m |
|-----------------------------|------------------------------------|----------------------------|-----------------------------|
| London Underground | | | |
| Tunnel Cooling | LU-PJ49 | 64 | 96 |
| London Rail | | | |
| <i>None</i> | | | |
| Surface | | | |
| Blackwall Tunnel Northbound | ST-PJ08 | 2 | 42 |
| Renwick Road * | ST-PJ185 | 2 | 50 |
| Corporate | | | |
| <i>None</i> | | | |

* Additional funding is being sought to allow the implementation of this project.