

TRANSPORT FOR LONDON

FINANCE AND POLICY COMMITTEE

SUBJECT: OPERATIONAL AND FINANCIAL REPORT – SECOND QUARTER, 2009/10

DATE: 24 NOVEMBER 2009

1 PURPOSE AND DECISION REQUIRED

- 1.1 To inform the Finance and Policy Committee of Transport for London's performance over the second quarter of 2009/10 (28 June – 19 September 2009).

2 BACKGROUND

- 2.1 This report covers the operational and financial performance during the second quarter of 2009/10.

3 RECOMMENDATION

- 3.1 The Finance and Policy Committee is asked to NOTE the Operational and Financial Report.

4 CONTACT

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The operating year 2009/10 comprises four quarters. Quarters one to three each cover three operating periods of four weeks. Quarter four covers four operating periods of four weeks. The dates are as follows:

Quarter one:	1 April 2009 - 27 June 2009	(Operating periods 1-3)
Quarter two:	28 June 2009 - 19 September 2009	(Operating periods 4-6)
Quarter three:	20 September - 12 December 2009	(Operating periods 7-9)
Quarter four:	3 December 2009 - 31 March 2010	(Operating periods 10-13)

On the front cover: First train over the GE19 bridge following the commencement of test running on the East London Line.

Operational and Financial Performance Report

Second Quarter, 2009/10 (28 June 2009-19 September 2009)

Performance Summary

Compared to last year demand continued to fall in quarter two 2009/10, with 770.5 million passengers travelling on the Transport for London (TfL) network, 2.2 per cent lower than last year. Due to the economic conditions, patronage on London Underground declined and a higher proportion of passengers used London Buses.

London Underground: During the quarter, passenger demand on the Underground continued to fall as a result of the economic climate. Underground passengers made 236.0 million journeys, 13.0 million (5.2 per cent) lower than last year and 6.6 million (2.7 per cent) lower than target. Using data which has been adjusted for the timing of public and school holidays, travelcard apportionment adjustments and other seasonal variations patronage compared to last year on London Underground declined by 5.4, 6.4 and 6.0 per cent in periods 4, 5 and 6 respectively.

London Buses: Demand for bus services also declined during the quarter. Bus passengers made 511.5 million journeys, 2.3 million (0.4 per cent) lower than the previous year and 10.4 million (2.0 per cent) below target.

Docklands Light Railway (DLR): In quarter two, DLR passengers made 15.6 million journeys, 0.3 million fewer than target, but 0.6 million more journeys than the same quarter of last year.

Financial performance: In the year to date, operating income was £56 million lower than budget, offset by operating expenditure of £108 million lower than budget and group items expenditure of £14 million lower than budget. Capital income was £35 million higher than budget and capital expenditure after third party reimbursements and overprogramming was £44 million lower than budget.

Efficiencies: The scope and ambition of TfL's savings programme has now more than doubled since last year and is set out in the recently published Business Plan, with £1.3bn in savings now assumed to 2011/12, and more than £5bn in total over the period of the Plan. Targets for 2009/10 have now been aligned to the published plan. Savings of £255 million are now forecast to be delivered in 2009/10 against a target of £259 million. In quarter two, savings of £65 million (year to date) have been delivered relating to Operating Cost Review (OCR) and Continuous Savings Exercise (CSE) initiatives.

Contextual Economic indicators

- Year-on-year inflation, as measured by the Retail Price Index, was -1.4 per cent in September compared with -1.3 per cent in August and -1.4 per cent in July;
- The Consumer Price Index measure was up 1.1 per cent in September, compared with 1.6 per cent in August and 1.8 per cent in July;
- The volume of UK retail sales in August was up 2.1 per cent year-on-year, compared with an increase of 2.9 per cent in July;
- Overseas visits to the UK were down 10.5 per cent year-on-year in August, compared with a revised year-on-year decrease of 8.5 per cent in July;
- Employment in London (amongst working age London residents) was down 1.5 per cent year-on-year in the quarter to August, compared with a year-on-year decrease of 2.3 per cent in the previous quarter;
- 9.0 per cent of working age London residents were unemployed in the quarter to August, compared with 7.8 per cent in the same quarter last year.
- Journeys on National Rail in London and the South East were down 2.8 per cent year-on-year in the quarter to mid September.
- Gross Domestic Product (GDP) decreased by 0.4 per cent in the third quarter of the 2009 calendar year, compared with a decrease of 0.6 per cent in the second quarter. GDP was 5.2 per cent lower than quarter three last year.

Performance Summary – Performance Indicators

2009/10 Key Performance Indicator	Unit	Quarter 2				Full Year			
		Actual	Target	Var	PY	Forecast	Target	Var	PY
Supporting Economic Development									
Excess Journey Time (Weighted) - LU	Mins	6.1	6.8	(0.7)	6.4	No forecast	6.8	n/a	6.6
Excess Wait Time, High Freq Routes - Buses	Mins	1.05	1.05	-	1.03	1.10	1.13	(0.03)	1.13
On Time Performance (PPM Moving Annual Average) - LO	%	92.5	92.8	(0.3)	92.1	93.4	93.4	-	92.2
On Time Performance - DLR	%	95.7	96.0	(0.3)	97.3	96.0	96.0	-	94.6
Person Journey Time									
Cycle usage on TLRN (Index Mar 2000 = 100)	Index	244.3	245.4	(1.1)	233.1	223.0	219.0	4.0	207.2
% Scheduled Services Operated - LU	%	97.2	96.3	0.9	96.3	96.3	96.3	-	96.4
% Scheduled Services Operated - Buses	%	97.6	97.7	(0.1)	97.4	97.4	97.5	(0.1)	97.0
% Scheduled Services Operated - DLR	'000s	98.5	98.5	-	99.4	98.5	98.5	-	98.4
% Scheduled Services Operated - Trams	%	97.3	98.0	(0.7)	99.2	98.0	98.0	-	98.4
% Scheduled Services Operated - River Services	%	99.2	98.5	0.7	98.7	98.7	98.5	0.2	98.3
Quality of Life									
Overall Customer Satisfaction - TfL Group (excl London Overground)	Score	79.5	79.9	(0.5)	80.6	No forecast	80.0	n/a	80.0
Overall Customer Satisfaction - LU	Score	80	79	1	79	No forecast	79	n/a	79
Overall Customer Satisfaction - Buses	Score	79	80	(1)	81	No forecast	80	n/a	80
Overall Customer Satisfaction - DLR	Score	92.2	92.0	0.2	89.5	92.0	92.0	-	91.9
Overall Customer Satisfaction - Trams	Score	85.0	84.0	1.0	87.0	85.5	85.5	-	-
National Passenger Survey - London Overground	Score	reported bi-annually, available in Q3				73.0	73.0	-	71.0
Ensuring Safety and Security									
Number of killed or seriously injured people (Londonwide) *	#	228	292	(64)	322	2,916	3,434	(518)	3,526
Number of killed or seriously injured people (TLRN) *	#	54	88	(34)	111	811	947	(136)	1,011
Customer Major Injuries & Fatalities - LU (per m journeys)	#	0.07	0.13	(0.06)	0.14	No forecast	0.13	n/a	0.12
Customer & Public Major Injuries & Fatalities - Buses (per m journeys)	#	0.54	No Target	n/a	0.60	No forecast	No Target	n/a	0.55
Recorded Crime (per million journeys) - LU/DLR ****	#	13.1	13.8	(0.7)	13.8	13.3	13.3	-	13.2
Recorded Crime (per million journeys) - Buses ****	#	10.2	11.0	(0.8)	11.0	11.0	12.0	(1.0)	12.0
Providing Better Transport Options for all Londoners									
Overall Customer Satisfaction - Dial-a-Ride	Score	91.0	92.0	(1.0)	91.0	No forecast	92.0	n/a	90.0
People									
Number of Staff - TfL Group (excl Crossrail) **	FTE	27,159	28,757	(1,599)	21,878	27,037	28,126	(1,089)	21,435
No of Temporary Contractors - TfL Group (excl Crossrail) **	FTE	2,327	2,426	(99)	1,507	1,738	1,675	64	1,284
No of Temporary Contractors - TfL Group over 12 months service (excl Crossrail) **	FTE	1,292	1,191	101	564	864	872	(8)	527
No of days sickness absence per employee: TfL Group ***	Days	4.6	4.2	0.4	4.4	9.6	9.5	0.1	9.7
No of days sickness absence per employee: TfL Group Operational ***	Days	5.8	5.2	0.6	5.5	11.8	11.7	0.1	12.1
No of days sickness absence per employee: TfL Group Non-Operational ***	Days	2.9	2.7	0.2	2.8	5.6	6.0	(0.4)	6.2
Contextual Indicators									
Service Demand									
Passenger Journeys - TfL Group (excl London Overground)	m	770.5	787.9	(17.3)	785.6	3,404.6	3,471.2	(66.6)	3,434.2
Passenger Journeys - LU	m	236.0	242.6	(6.6)	249.0	1,052.7	1,094.0	(41.3)	1,089.5
Passenger Journeys - Buses	m	511.5	521.9	(10.4)	513.8	2,252.0	2,274.0	(22.0)	2,246.6
Passenger Journeys - DLR	m	15.6	15.8	(0.3)	14.9	67.5	71.0	(3.5)	66.0
Passenger Journeys - Trams	m	5.8	6.0	(0.2)	6.2	27.3	27.5	(0.2)	27.0
Passenger Journeys (total)- River Services	'000s	1,407.5	1,089.0	318.5	1,350.6	3,738.0	3,000.0	738.0	3,892.7
Total Trips - Dial a Ride	'000s	284.2	322.2	(38.0)	271.4	1,340.0	1,400.0	(60.0)	1,178.3

GREEN: better than or equal to target; AMBER: within 5% of target; RED: 5% or more worse than target

Notes:

Tables may be subject to rounding errors.

FTE = Full Time Equivalents

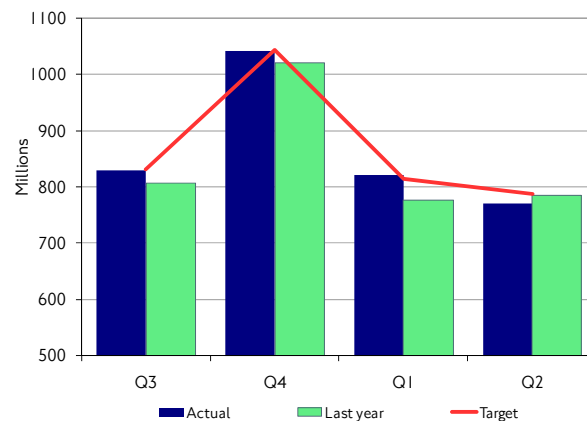
* Due to the reporting process and nature of road traffic accident data the latest data available is for May 2009. KSI data for quarter 2 is for May 2009 only as data to April 2009 was reported in the Q1 report.

** Prior year numbers exclude nominee companies and Crossrail

*** Sickness absence data excludes Crossrail staff. Sickness absence in the Q2 columns is year to date.

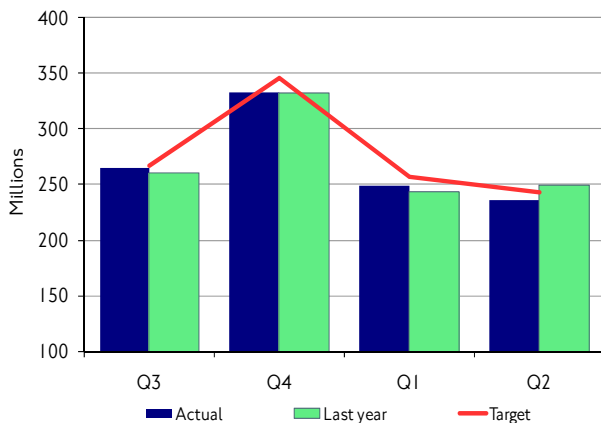
Service Demand

**Total Passenger Journeys –
Transport for London (excluding London Overground)**

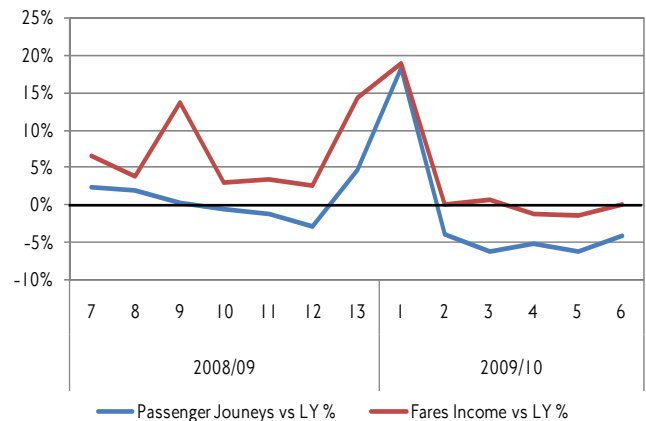


- 1.0 During the second quarter of 2009/10, TfL passengers made fewer journeys than target and last year. Following feedback from members this section has been augmented to show both revenue and passenger journey comparisons between the current and previous financial years. Note that in some cases variances are due to reporting artefacts, such as the different number of days in period one this compared to 2008/09. However, where possible these have been explained in the commentary.

**Passenger Journeys –
London Underground**



**Passenger Journeys and Fare Income vs last year
by period-
London Underground**



	Year to Date					Full Year				
	Actual	Budget	Vs Budget	Last Year	Vs Last Year	Forecast	Budget	Vs Budget	Last Year	Vs Last Year
LU										
Passenger journeys m	485	499	(14)	492	(7)	1,053	1,094	(41)	1,089	(37)
Fare Income £m	(740)	(775)	35	(721)	(19)	(1,609)	(1,692)	83	(1,613)	4

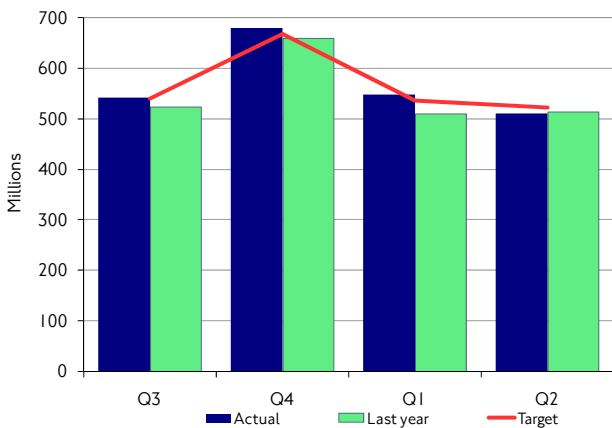
Table subject to rounding

- 1.1 On the Underground, passenger demand continued to decline in 2009/10. During the second quarter of 2009/10, there were 236.0 million passenger journeys, 13.0 million fewer journeys (5.2 per cent) compared with the second quarter of 2008/09, and 6.6 million, or 2.7 per cent, fewer journeys than target. In general, revenue has increased since last year due to the January fares rise, whereas journeys have been steadily declining. Period one was unusual due to the greater number

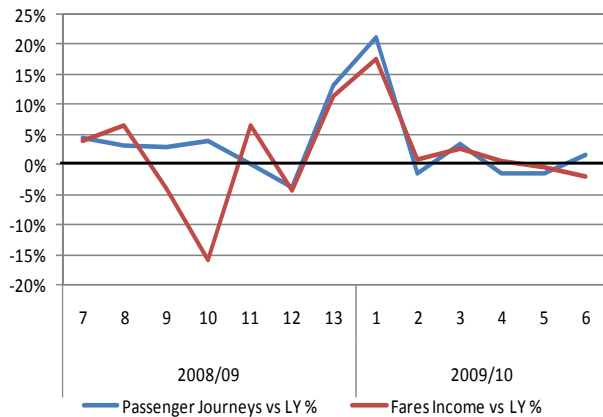
of days compared to period one in 2008/09 and the revenue spike in period 9 2008/09 was due to retrospective travelcard apportionment adjustments totalling £14 million in 2007/08.

- 1.2 Using data which has been adjusted for the timing of public and school holidays, travelcard apportionment adjustments and other seasonal variations patronage compared to last year on London Underground declined by 5.4, 6.4 and 6.0 per cent in periods 4, 5 and 6 respectively.
- 1.3 **Ticket mix on the Underground:** At the end of quarter two, 3.0 per cent of Underground passenger journeys were on cash fares and this was little changed over the last year. Oyster pay-as-you-go (PAYG) journeys comprised 36 per cent of all Underground journeys compared to 32 per cent a year ago.

Passenger Journeys – London Buses



Passenger Journeys and Fare Income vs last year by period- London Buses

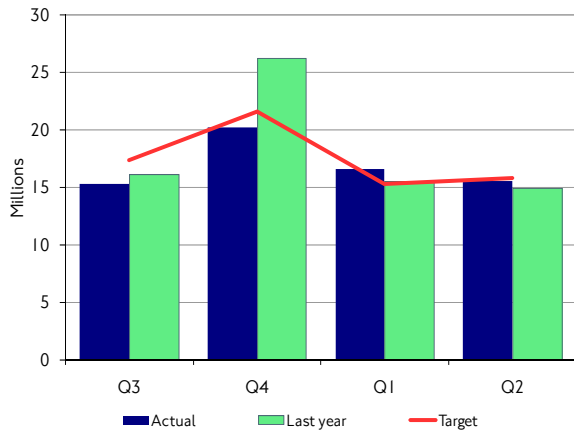


	Year to Date					Full Year				
	Actual	Budget	Vs Budget	Last Year	Vs Last Year	Forecast	Budget	Vs Budget	Last Year	Vs Last Year
Bus										
Passenger journeys m	1,060	1,058	1	1,024	36	2,252	2,274	(22)	2,247	5
Fare Income £m	(513)	(529)	16	(498)	(15)	(1,111)	(1,124)	13	(1,074)	(37)

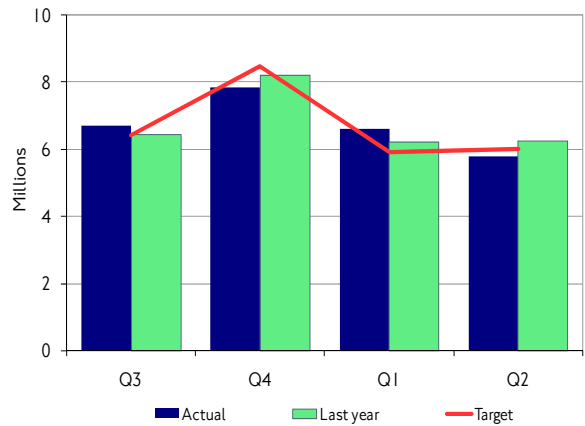
Table subject to rounding

- 1.4 At the end of 2008/09, demand for bus services had remained steady and demand was strong in the first quarter of this year, compared to last year. Since the end of quarter one, demand for bus services has declined. Bus passengers made 511.5 million journeys in the second quarter. This represented a fall of 2.3 million journeys, or 0.4 per cent, compared to 2008/09 and 10.4 million, or 2.0 per cent, lower than target.
- 1.5 Bus passenger journeys and fares income were broadly in line expect in period 10 last year when £15 million was repaid to London Councils in respect of the National Concessionary Scheme.
- 1.6 **Ticket Mix on London Buses:** At the end of quarter two, cash single fares on buses accounted for 1.5 per cent of all journeys compared to 1.7 per cent in quarter two last year. Oyster PAYG fares comprised 20.0 per cent of all bus journeys (19.0 per cent last year).

**Passenger Journeys –
Docklands Light Rail**

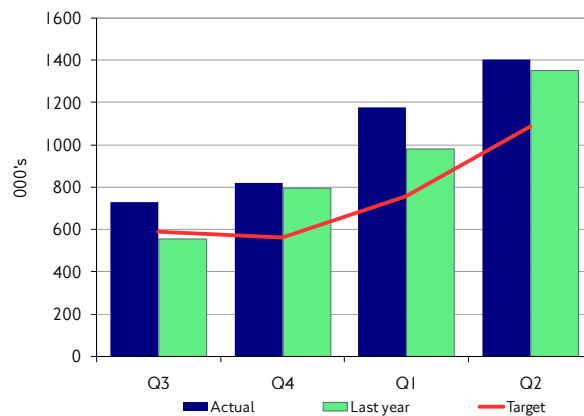


**Passenger Journeys –
London Trams**



- 1.7 In quarter two, Docklands Light Rail (DLR) passengers made 15.6 million journeys, 0.6 million (4.2 per cent) more journeys than last year, mainly due to the impact of engineering possessions at Lewisham and Tower Gateway in 2008. Passengers made 0.3 million (1.7 per cent) fewer journeys than target due to economic factors.
- 1.8 Tram passengers made 5.8 million journeys in quarter two. This was 0.2 million (3.9 per cent) fewer than target and 0.4 million (7.2 per cent) fewer than last year. This was partly due to engineering works in East Croydon that were carried out in the quarter. In the year to date, passengers made 12.4 million journeys by tram. This was 0.4 million (3.7 per cent) more than target, but 0.1 million (0.5 per cent) fewer than last year.

**Passenger Journeys –
London River Services**

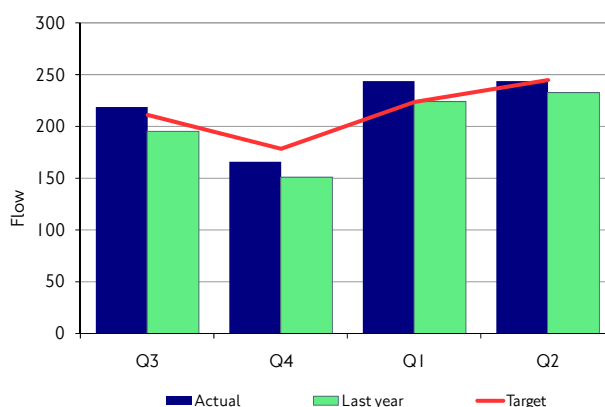


- 1.9 Passengers made 1.4 million journeys on London's river services during the quarter. This was 4.2 per cent more than last year and 29.2 per cent more than target, which has proved overly pessimistic in respect of the impact of the economic downturn. This was due to the increasing popularity of the successful Thames Clippers service between the London Eye and The O₂. Due to the weakness of the pound there was a large increase in the number of tourists using river transport. In the year to date, passengers made 2.6 million journeys on London's river services. This was 10.9 per cent more than last year and 40.0 per cent higher than target, which was overly pessimistic in respect of the impact of the economic downturn.
- 1.10 In quarter two, Dial-a-Ride operated 284,000 trips, 13,000 (4.7 per cent) more trips than last year, but 38,000 trips (11.8 per cent) fewer than target. Work is in progress to convert repeat bookings into regular trips, smooth peak demand, provide more flexibility in vehicle availability and establish

an on-line booking facility. In the year to date, Dial-a-Ride operated 578,000 trips. This was 36,000 (6.6 per cent) more than last year but 54,000 (8.5 per cent) fewer than target. It is expected that booking system stability will improve steadily and operational efficiencies will be derived from journey pattern data. This will support the anticipated increase in journey numbers to 1.34 million for 2009/10.

- 1.11 At the end of quarter two, there were 24,800 licensed taxi drivers, 100 more than target. There were 58,100 licensed private hire drivers at quarter two. This was 3,100 more than target and reflects a continued high level of new applicants to the trade.

Cycle flow on the TLRN



Cycling

1.12 In quarter two, the average index of cycle flows on the TLRN (TfL Road Network) was 244.3 points, marginally lower than target. However, this represents an increase of 11.2 points compared to the same quarter last year, where the index was on average 233.1. This increase is continuing the upward trend seen over the last eight years. In the year to date, the average index of cycle flows on the TLRN was 244.3, which was 9.8 points higher than target.

Traffic

1.13 In quarter two, London's traffic signal availability stood at 98.4 per cent. This was 0.2 percentage points lower than in quarter one and 0.7 percentage points lower than the target of 99.1 per cent. This is largely due to the underperformance of one of the three maintenance contractors. TfL officers have worked closely with them to address the performance issues and performance levels are now on the rise. TfL and the contractor are in regular contact to ensure the current increases in performance are sustained.

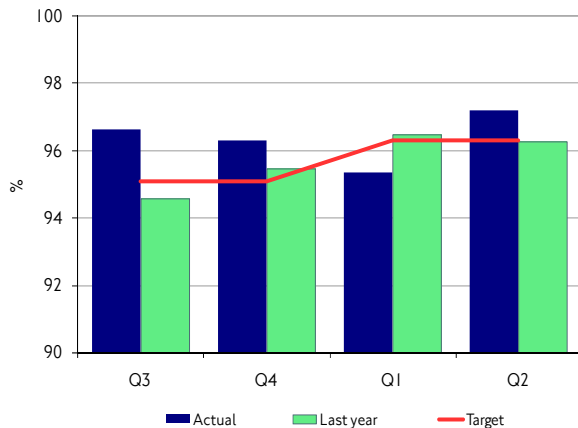
1.14 Traffic levels in Central and Inner London (average weekday flow over 24 hours) continued to follow a long term falling trend. In quarter two:

- The average 24 hour weekday traffic flows entering central London was 5.7 index points (5.9 per cent) lower than quarter two in 2008/09.
- The average 24 hour weekday traffic flows in inner London was 1.3 index points (1.3 per cent) lower than quarter two in 2008/09.
- The average 24 hour weekday traffic flows in outer London was 3.1 index points (3.3 per cent) higher than quarter two in 2008/09.

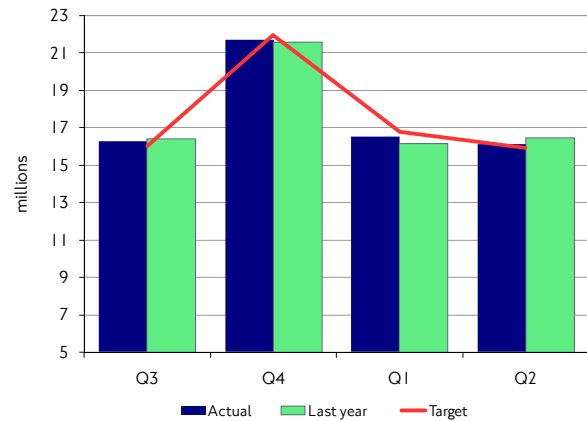
1.15 In quarter two, 99.5 per cent of TLRN emergency call-outs were attended within one hour. This was 1.5 percentage points higher than target and 0.5 percentage points higher than last year.

Service Provision

**Scheduled Services Operated –
London Underground**



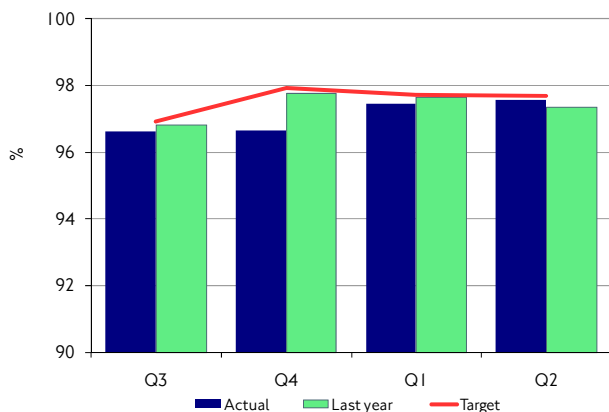
**Train Kilometres Operated –
London Underground**



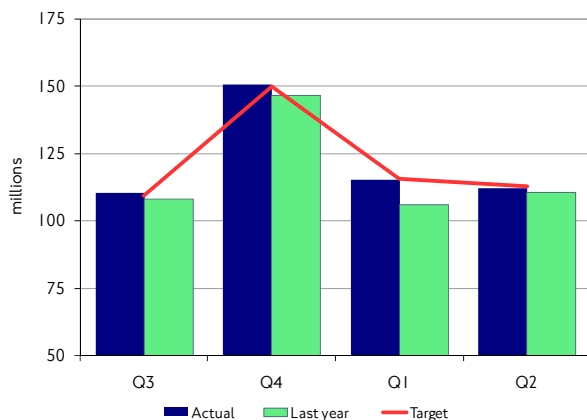
2.0 London Underground operated 97.2 per cent of scheduled services in quarter two. This was 0.9 percentage points better than both target and last year. Year to date performance is now in line with the target of 96.3 per cent, despite losses due to RMT strikes. Excluding the strike effect, year to date performance is 97.4 per cent, with all lines achieving or beating targets.

2.1 During quarter two, London Underground operated 16.1 million kilometres. This was 0.2 million (1.1 per cent) more than target but 0.3 million (2.1 per cent) less than last year, as the reduction in schedule due to engineering works was almost double that of quarter two 2008/09. In the year to date, London Underground operated 32.7 million kilometres, which was in line with target but 0.1 million kilometres more than last year. It is estimated that 0.4 million kilometres were lost as a consequence of industrial action in quarter one.

**Scheduled Services Operated –
London Buses**



**Kilometres Operated –
London Buses**

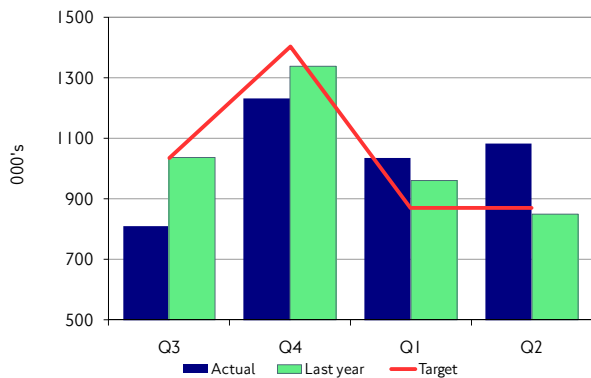


2.2 During the second quarter, 97.6 per cent of scheduled bus services were operated, 0.1 percentage points lower than target but 0.2 percentage points more than last year. Performance in quarter two last year was adversely affected by industrial action by drivers. In the year to date, London Buses operated 97.5 per cent of scheduled services, in line with last year but 0.2 percentage points less than target. This was attributable to larger than expected losses due to traffic delays in certain locations.

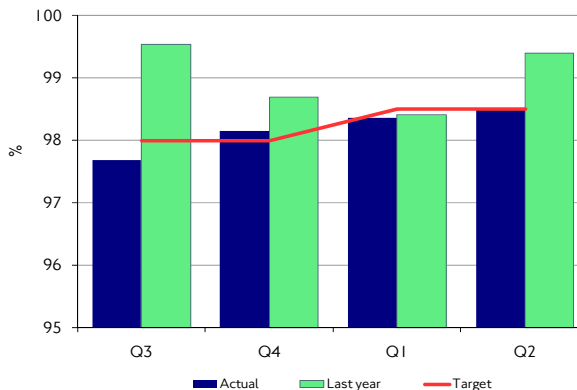
2.3 In quarter two, London Buses operated 112.1 million kilometres, an increase of 1.6 million kilometres (1.4 per cent) compared to last year but 0.7 million kilometres (0.6 per cent) less than

target. In the year to date, Buses operated 227.3 million kilometres, 1.2 million kilometres (0.5 per cent) less than target due to higher than expected losses due to traffic delays in certain locations. However, this was 10.6 million (4.9 per cent) more than last year, largely due to industrial action by drivers in 2008 and six additional days in period one this year.

**Train Kilometres Operated –
Docklands Light Rail**



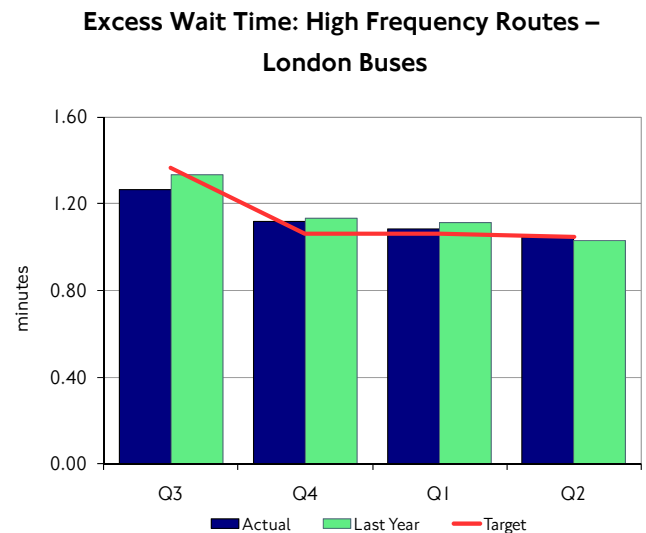
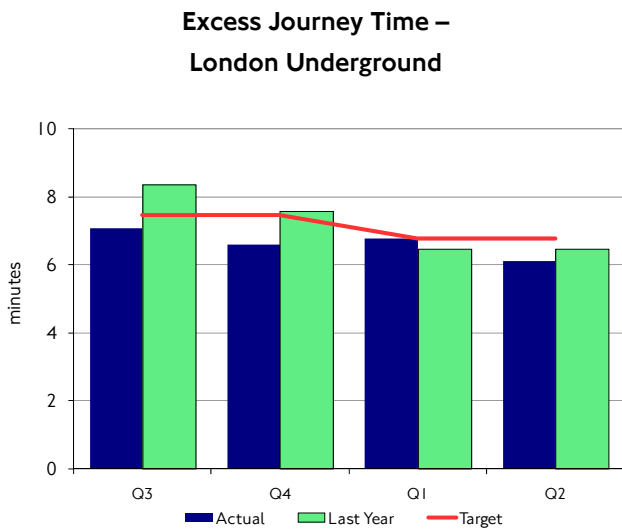
**Percentage of Schedule Operated –
Docklands Light Rail**



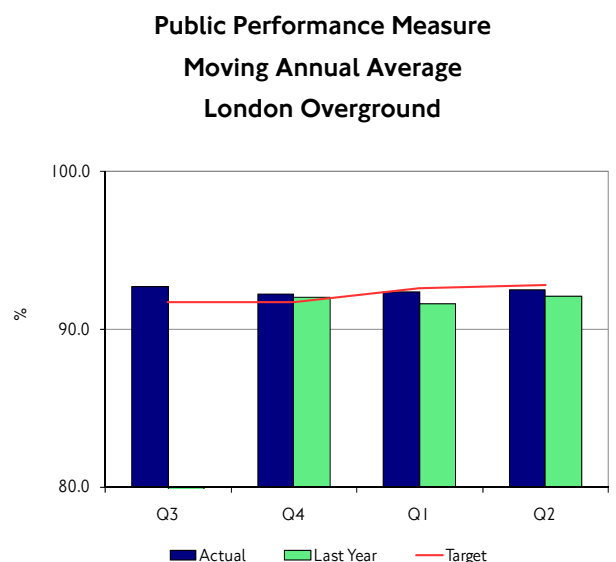
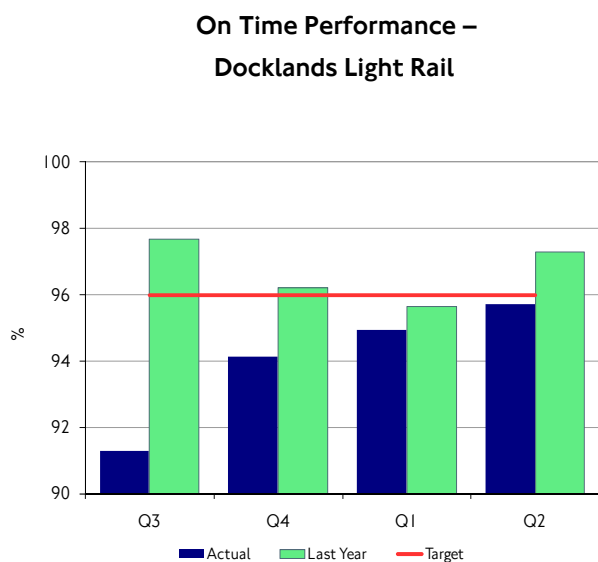
- 2.4 During the second quarter, 98.5 per cent of scheduled services were operated on the DLR. This was in line with target but 0.9 percentage points lower than last year. In the year to date, 98.4 per cent of DLR scheduled services were operated, 0.1 percentage points lower than target and 0.5 percentage points lower than last year. Performance in the quarter and the year to date was affected by signalling (mostly points) and rolling stock failures (mostly doors and communications).
- 2.5 The DLR operated 1,084,000 kilometres in quarter two, 214,000 (24.5 per cent) more than target and 236,000 (27.8 per cent) more than last year. In the year to date, DLR operated 2,120,000 kilometres, 380,000 kilometres (21.8 per cent) more than target and 312,000 (17.3 per cent) more than last year. Performance in the quarter and the year to date was affected by changes in assumptions on the service plan and possessions since the target was set.

Service Reliability

3.0 Excess journey time on the Underground averaged 6.1 minutes during the quarter. This was an improvement of 0.3 minutes compared to last year and 0.7 minutes better than target. In the year to date, excess journey time was 0.3 minutes better than target, at 6.5 minutes. This is the same as at the equivalent stage of last year. However, this year's result includes 0.3 minutes attributable to industrial action and a 0.2 minute increase due to line closures for engineering works.



3.1 During the second quarter, excess wait time on London Buses averaged 1.05 minutes. This was in line with target but 0.02 minutes worse than last year. In the year to date, excess wait time averaged at 1.07 minutes. This was in line with last year but 0.01 minutes worse than target.



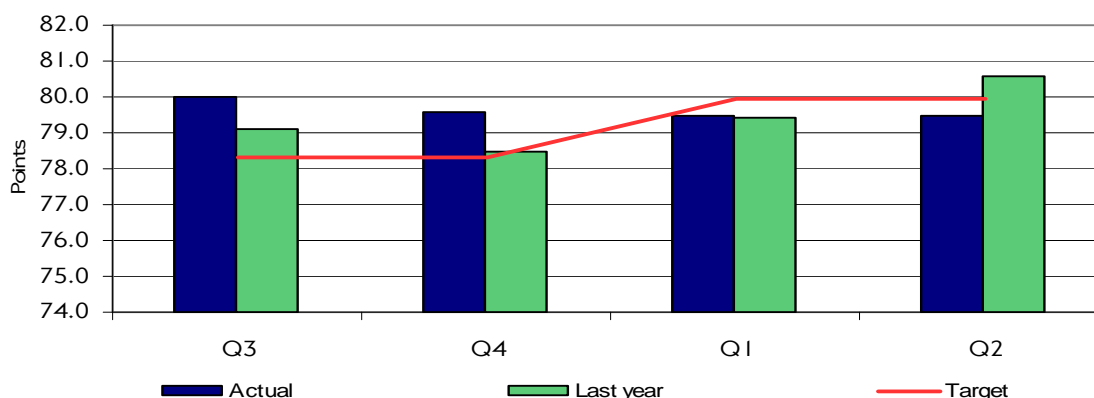
3.2 In the second quarter, 95.7 per cent of DLR trains were on time. Although on time performance improved compared to last quarter, it was 0.3 percentage points worse than target and 1.6 percentage points worse than quarter two last year. Signalling faults (mostly points) and rolling stock failures (door and communications faults) had the most significant impact on performance during the quarter. In the year to date, 95.3 per cent of DLR trains were on time, which was 0.7 percentage points worse than target and 1.2 percentage points worse than last year. A new timetable was

introduced on 24 August which will improve service reliability for quarter three, and an improvement was already evident in period 6. This will reduce the number of conflicting trains in the central section of the network by using the North Quay underpass.

- 3.3 The London Overground Public Performance Measure (PPM) is the percentage of trains arriving at their destination within five minutes of the arrival time stated in the timetable. The moving annual average PPM at the end of quarter two was 92.5 per cent. This was 0.3 percentage points below target, mostly due to unit and power failures, but 0.4 percentage points better than last year. Of the PPM failures on the London Overground in the year to date, London Overground Rail Operations Limited (LOROL) was responsible for 30 per cent, Network Rail for 50 per cent, London Underground for eight per cent and other operators for twelve per cent.

Customer Satisfaction

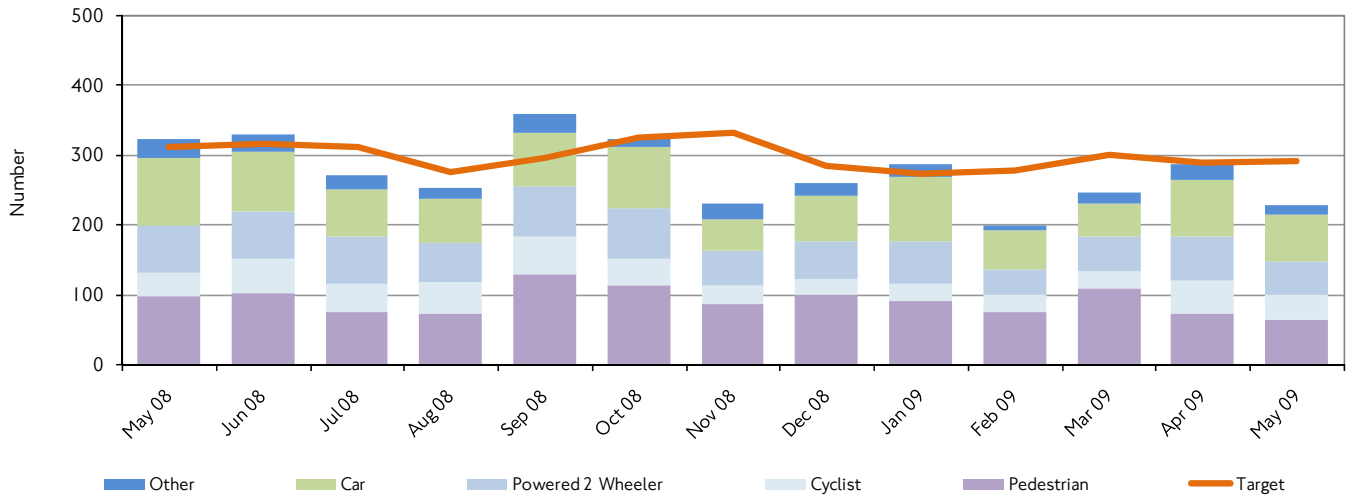
- 4.1 **Customer Satisfaction Survey:** The weighted average TfL Group customer satisfaction for quarter two was 79.5 points, 0.4 points lower than target and 1.1 points lower than last year.



- 4.2 In quarter two, LU achieved a customer satisfaction score of 80. This was one point higher than target and last year's score. This is a high score for the summer months, when satisfaction levels are usually lower, and represents a record achievement for the third consecutive quarter. Compared to last quarter, the score for staff helpfulness and availability increased by one point and the score for station and train cleanliness fell by one point. The scores in other categories remained the same. Compared to the same quarter last year, the scores in all categories increased by one point, except for Information, which remained the same. LU continues to run quarterly 'Customer Focus' campaigns, aimed at boosting satisfaction scores. In quarter three, the focus will be on journey time in the run up to Christmas, which is the busiest time on the network.
- 4.3 From quarter one 2009/10, the Customer Satisfaction Survey sample was reweighted to better reflect the profile of bus users, and changes in service and usage patterns. The change had the effect of slightly reducing average satisfaction scores. The quarter two customer satisfaction score for Buses was 79 points. This was one point lower than target and two points lower than last year. The satisfaction scores for information and personal safety and security on buses were two points and one point higher than target respectively. The score for reliability was in line with target but the bus station overall satisfaction score was two points below target. Most categories scored one point lower than last year, except satisfaction with night bus services which was two points higher than last year.
- 4.4 The quarter two customer satisfaction score for the DLR was 92.2. This was 2.7 points higher than last year and 0.2 points higher than target.
- 4.5 The National Passenger Survey for London Overground is conducted twice a year. The next result will be available for quarter three reporting.
- 4.6 London Trams' customer satisfaction score for quarter two was 85. This was one point higher than target but two points lower than last year, where lower scores were expected due to planned engineering works.
- 4.7 The quarter two customer satisfaction score for Dial-a-Ride was 91 points, in line with last year, but one point lower than target.

Safety and Security

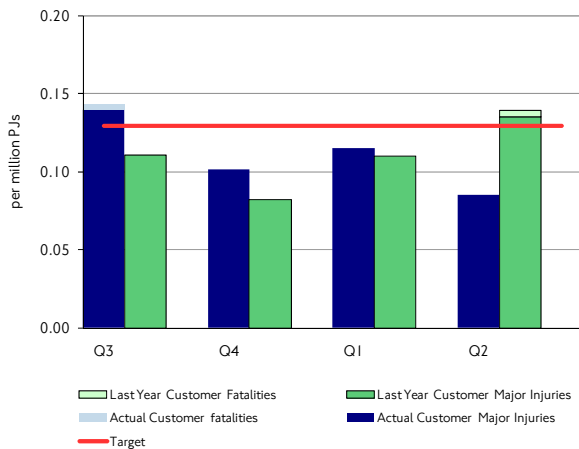
Road Traffic Accident Data (May 2008 – May 2009)



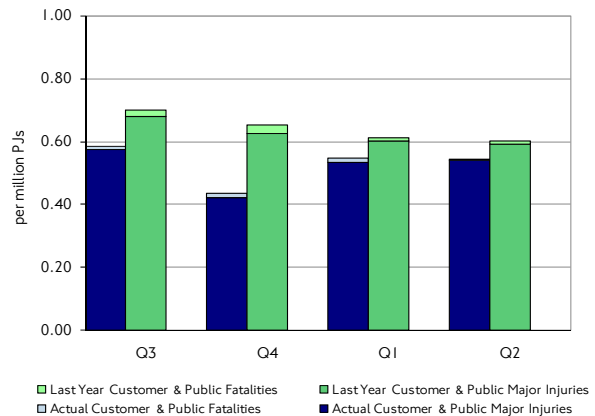
5.0 Due to reporting processes and the nature of road traffic accident data, results are reported months in arrears and results are subject to retrospective adjustments. The most recent results are for May 2009.

5.1 In May 2009, 228 people were killed or seriously injured on London’s roads. This was 64 fewer incidents than the reduction target. Of these, 64 were pedestrians, 34 were cyclists, 48 were motorcyclists, 67 were motorists and 15 were other road users. Compared to the same period last year, when there were 322 fatalities or serious injuries, there has been a decline of 29.2 per cent.

Customer Major Injuries and Fatalities – London Underground



Customer and Public Major Injuries and Fatalities – London Buses



5.2 On the London Underground, there were 16 major injuries and no fatalities to customers in quarter two of 2009/10. There were 0.07 reported major injuries and fatalities per million journeys to London Underground customers in the second quarter, 0.06 injuries below target and 0.07 fewer than last year.

- 5.3 On the bus network, there were 278 major injuries and one fatality in the second quarter of 2009/10. This was equivalent to 0.54 injuries or fatalities per million passenger journeys. This was 0.06 fewer than last year.
- 5.4 There were 13.1 crimes per million passenger journeys on London Underground and DLR in the second quarter of 2009/10 (based on official crime figures from the British Transport Police for July - September). This was 0.7 crimes per million passenger journeys lower than target and last year.
- 5.5 There were 10.2 crimes per million passenger journeys on the bus network in the second quarter of 2009/10 (July - September 2009). This was 0.8 crimes per million passenger journeys lower than target and last year.

Financial performance

Operating Income

2008/09 YTD Actual	Operating Income £m	2009/10 Year to date			2009/10 Full Year		
		Actual	Budget	Variance	Forecast at Q2	Budget	Variance
(776)	London Underground	(804)	(834)	30	(1,740)	(1,825)	85
(708)	Surface Transport	(711)	(736)	25	(1,535)	(1,559)	24
(52)	London Rail	(58)	(59)	2	(128)	(136)	8
(14)	Group Directorates	(10)	(10)	(1)	(28)	(23)	(5)
(1,550)	Total Operating Income	(1,583)	(1,639)	56	(3,431)	(3,543)	112

Table may be subject to rounding errors

- 6.0 London Underground operating income was £30 million lower than budget in the year to date. Fares income was £35 million (4.5 per cent) lower than budget in the year to date, reflecting reduced passenger numbers due to the economic conditions, as well as the effects of the RMT strike action at the beginning of June, which resulted in an estimated £5 million loss of income. These factors were partly offset by a favourable variance of £4 million on advertising, which will reduce by year end due to planned engineering works, and £1 million on car parking following retendering of the contract.
- 6.1 For the full year, London Underground operating income is forecast to fall below budget by £85 million. Fares revenue is forecast to be £83 million below budget as demand remains depressed, although this is partly offset by an increase in fares income (£9 million) as a result of the January 2010 fares increase announced by the Mayor. Advertising revenue is also forecast to be below budget by £2 million, mainly because work linked to Crossrail and Thameslink projects later in the year will reduce the number of available advertising sites.
- 6.2 Operating income in Surface Transport was £25 million lower than budget in the year to date and is forecast to be £24 million below budget for the full year.
- Bus fares income was £16 million or 3.1 per cent lower than budget, despite bus passengers making 1.1 million or 0.1 per cent more journeys than target. This is because of the combined effect of increased passengers from the two day RMT strike on London Underground and more journeys being made on season tickets, which generate no additional income. Bus fares income is forecast to be £12 million lower than budget, as a result of the February 2009 GLA economic projection predicting lower demand, coupled with current trends (£30 million), partly offset by £18 million increased income following the January 2010 fares increase announced by the Mayor.
 - Traffic enforcement income was £10 million lower than budget in the year to date (£4 million lower than budget net of bad debt provision). This is due to a combination of factors including the impact of implementing the new digital enforcement system, higher than forecast levels of sickness and unfilled vacancies. While the system faults have been addressed and productivity and absence management improvement plans have been devised and are being implemented, the full year income from traffic enforcement is forecast to be £17 million below budget (£8 million below budget net of bad debt provision), which is partly offset by increased enforcement income from congestion charging (£7 million) due to increased volumes.
- 6.3 London Rail's operating income was £2 million lower than budget in the year to date, due to a £4 million adjustment from the Rail Settlement Plan (RSP) for travelcard sales on London Overground and lower London Tramlink fares income of £1m. This was partly offset by higher DLR and London Overground fares income (£3 million and £1 million respectively). The full year forecast is expected to be £8 million lower than budget, mainly due to the RSP adjustment and lower fares income.

Operating Expenditure

2008/09 YTD Actual	Operating Expenditure* £m	2009/10 Year to date			2009/10 Full Year		
		Actual	Budget	Variance	Forecast at Q2	Budget	Variance
1,138	London Underground	1,126	1,176	(50)	2,459	2,502	(43)
1,170	Surface Transport	1,190	1,235	(45)	2,614	2,699	(85)
117	London Rail	128	151	(23)	295	323	(28)
159	Group Directorates	157	147	10	371	350	20
2,585	Total Operating Expenditure	2,601	2,709	(108)	5,739	5,874	(135)

*Net of third party contributions

Table may be subject to rounding errors

- 6.4 London Underground's operating expenditure in the year to date was £50 million (4.3 per cent) lower than budget. Maintenance expenditure was £19 million below budget due to rephasing of the Central line bogie overhaul, Victoria Line Upgrade and Stations work, while tight control on recruitment continues to deliver staff cost savings. Favourable variances in Central Services include £4 million unbudgeted compensation relating to Thameslink, a saving of £3 million on ticket sales commissions and staff cost savings of £13 million following the organisation change process. Other variances include rephasing of recharges to capital projects, and timing differences in areas such as contract reviews where expenditure arising from Tube Lines restated terms will be incurred later in the year.
- 6.5 The full year forecast for London Underground's operating expenditure is £43 million lower than budget. There has been a robust review of the maintenance forecast in the light of year to date performance, as a result of which savings of £13 million have been identified. PFI costs are forecast to be £16 million lower than budget, including an element for the agreement with the Connect contractor for claims. Unbudgeted compensation of £8 million from Network Rail for Thameslink-related closures at Blackfriars and Farringdon and staff cost savings throughout the support functions following the recent organisational change have more than offset the cost of replacement bus services for additional line closures, notably on the Jubilee line.
- 6.6 Surface Transport spent £45 million less than budget in the year to date. The largest variances were due to delays in the start of the Cycle Highways project (£6 million), slippage across the Road Safety programme (£6 million) and a lower Traffic Enforcement provision for bad debts (£6 million), reflecting current volumes. In addition, there were savings of £5 million on bus contract costs, including lower Contract Price Adjustments (CPA) and the roll-out of Hybrid buses, £5 million of savings in TLRN operations and maintenance and savings of £3 million on bus ticket sales commission due to changes in the ticket sales mix. Other favourable variances included reprofiling on Borough Principal Roads and Bridges (£3 million), lower spend on the A13 DBFO resulting from lower commercial vehicle usage combined with reduced road availability (£3 million) and reprofiled expenditure on the East London Transit (ELT1a) of £2 million, which will now be incurred later in the year.
- 6.7 Surface Transport operating expenditure is forecast to be £85 million lower than budget in the full year. The largest variance is due to savings identified as part of the Business Planning process, where £36 million has been identified through numerous initiatives across Surface Transport, including various back office costs, savings on QICs II contracts and a reduction in Streets contract costs. Other savings are also forecast on the Bus Network (£23 million), where lower than budgeted indices (RPI, earnings and fuel) have resulted in lower CPAs. Other favourable variances of £13 million include lower expenditure on the London Safety Camera Partnership and a reduced level of enforcement bad debt provision. There is also a reduction in operating expenditure due to the net reclassification of Cycle Highways and Cycle Hire expenditure to Capital (£15 million) and £11 million of rephased expenditure on projects, including the Olympic cycling and walking routes and Road

Safety. These have been partly offset by net increased costs on the Cycle Hire Scheme, following appointment of the contractor (£10 million).

- 6.8 London Rail spent £23 million less than budget in the year to date. The largest variances were on London Overground rolling stock costs (leasing, maintenance and commissioning) due to delivery delays (£6 million), £4 million due to re-phasing on the Overground station upgrade programme and reduced track access charges of £3 million. There was also an underspend of £2 million on London Wide Oyster due to re-phased central system upgrade costs.
- 6.9 London Rail operating expenditure is forecast to be £28 million less than budget, mostly due to a revised programme of station upgrades on the Overground (£13 million) and reduced track access charges of £7 million. A saving of £4 million is anticipated on London Wide Oyster following a review of the final costs, as well as lower London Overground rolling stock costs of £5 million, due to delivery delays. This is partly offset by increased track and maintenance costs on Trams of £4 million, due to the reassessment of works required to get the system into a good state of repair.
- 6.10 Group Directorates spent £10 million more than budget in the year to date and are forecasting £20 million more than budget for the full year. Finance spent £14 million more than budget in the year to date, principally through budgeted IM savings that have not been realised as quickly as was originally anticipated. This is partly offset by £2 million less than budget in the year to date in Planning, mainly due to costs related to the reprogramming of the Mayor's Transport Strategy. The full year forecast for Finance is £32 million higher than budget for a variety of reasons, including unrealised IM savings of £22 million and a greater demand by the business for accommodation (£5 million). This is partly offset by a forecast underspend in Planning of £11 million, mainly due to delays to various projects including the London Transport Study module upgrade and the proposed removal of the Congestion Charging Western Extension.

Group Items

2008/09 YTD Actual	Group Items £m	2009/10 Year to date			2009/10 Full Year		
		Actual	Budget	Variance	Forecast at Q2	Budget	Variance
(58)	Interest Income	(10)	(11)	1	(12)	(20)	8
85	Debt Servicing	73	63	10	168	166	2
(2)	Contingency/Other Group Items	(3)	22	(25)	10	59	(49)
26	Total Group Items	59	74	(14)	165	205	(40)

Table may be subject to rounding errors

- 6.11 Interest income was £1 million lower than budget in the year to date (see paragraph 9.5). The full year forecast is £8 million below budget, mainly due to lower than expected rates on new deposits.
- 6.12 Debt servicing was £10 million higher than budget in the year to date due to earlier than budgeted borrowing. This was to take advantage of favourable long-term interest rates. The full year debt service forecast is £2 million higher than budget because the costs for earlier borrowing have been offset by lower than budgeted fixed rates achieved. The effect of the favourable interest rates will be observed in future years.
- 6.13 Contingency and other group items expenditure was £25 million below budget in the year to date primarily due to unutilised General Contingency and other group provisions covering modal expenditure. The level of expenditure in the full year is anticipated to be £49 million lower than budget as a consequence an unbudgeted £35m Metronet third party debt in 2007/08, and the remaining variance includes climate change initiatives and OCR implementation costs, which are rephased into the next financial year.

Capital Expenditure

2008/09 YTD Actual	Capital Expenditure £m	2009/10 Year to date			2009/10 Full Year		
		Actual	Budget	Variance	Forecast at Q2	Budget	Variance
162	London Underground*	489	504	(15)	1,163	1,211	(48)
84	Surface Transport*	89	104	(14)	195	228	(33)
247	London Rail*	302	242	60	522	464	58
26	Group Directorates	31	44	(13)	76	77	(1)
-	Overprogramming (TfL Group)	-	(23)	23	-	(51)	51
518	Net Capital Expenditure (excl Crossrail)	911	870	42	1,956	1,930	26
n/a	Crossrail	323	409	(86)	1,003	1,038	(35)
518	Net Capital Expenditure (TfL)	1,235	1,279	(44)	2,959	2,968	(8)
(2)	Capital Income	(38)	(3)	(35)	(54)	(20)	(33)
516	Net Capital (TfL)	1,197	1,275	(79)	2,906	2,947	(42)

* Shown after delegated overprogramming and third party reimbursements
Table may be subject to rounding errors

- 6.14 London Underground capital expenditure was £15 million lower than budget in the year to date. This includes £18 million on the Victoria Line Upgrade as a result of late delivery of trains by Bombardier and rephasing of the purchase of train spares, £15 million lower expenditure on track and operational accommodation, as LU reassesses its future affordable spending plans, and £10 million on Information Management projects rephased from the first half of the year to the second. These variances have been partly offset by £5 million accelerated works on Cooling the Tube and use of £24 million from the overprogramming provision.
- 6.15 Net capital expenditure in London Underground is forecast to be £48 million lower than budget for the full year. In addition to delayed expenditure on the Victoria Line Upgrade (£40 million below budget), significant variances include Stratford station (£15 million), where the ODA/Network Rail programme has been delayed, Tottenham Court Road station (£5 million), for additional work being undertaken on behalf of Crossrail and £10 million savings on projects in support of Connect PFI. In total, the forecast expenditure on stations projects is £95 million less than budget as projects are rephased or stopped in order to meet future years' spending constraints. The overprogramming provision has been correspondingly reduced.
- 6.16 Net capital expenditure in Surface Transport was £14 million lower than budget in the year to date. This was mainly due to delayed expenditure on the Cycle Hire Scheme due to planning permission delays and continuing negotiations with the Boroughs (£19 million) and £8 million on the Blackwall Tunnel Northbound refurbishment due to delays in the tender process. These were partly offset by lower third party contributions for the West Ham Bus Garage of £15 million, as these are still being negotiated.
- 6.17 Net capital expenditure in Surface Transport is forecast to be £33 million lower than budget for the full year. This is mainly due to carry forwards of £24 million on the Cycle Highways and Cycle Hire schemes, as costs have been reallocated across project lifecycles, and £30 million on the Blackwall Tunnel Northbound refurbishment, Hanger Lane and the A406 Bounds Green. This has been partly offset by the net reclassification of Cycle Hire and Cycle Highways expenditure to capital (£15 million).
- 6.18 Net capital expenditure in London Rail was £60 million higher than budget in the year to date. The main reasons were phasing of the main works on the East London Line (ELL) Extension (£49 million) and higher design and implementation costs for the North London Rail Infrastructure Project (NLRIP)

of £19 million following programme changes since the budget was set. This was partly offset by underspends due to slippage on the DLR Three Car works of £5 million and accelerated receipt of developer contributions on Stratford International of £2 million.

- 6.19 Net capital expenditure in London Rail is forecast to be £58 million higher than budget in the full year, largely due to the rephasing of the NLRIP of £38 million, additional ELL rolling stock (£12 million) and costs of £11 million relating to the phasing of ELL main works.
- 6.20 Crossrail (CRL) was underspent by £86 million against budget in the year to date. Of this, £39m is due to the timing of a small number of land and property acquisitions. Further acquisitions will be made in future periods and the timing difference is expected to reduce to approximately £8 million at the end of the year. Programme Delivery and Capital Works spend is £31 million within budget. The new CRL Programme Director is undertaking a detailed review of current and forecast activities in this area with the responsible operational managers. Corporate expenditure is £16 million lower than the year to date budget with underspend in several areas.
- 6.21 Crossrail expenditure is forecast to be £35 million lower than budget in the full year, mainly due to lower delivery expenditure of £95 million. This includes underspends on third party works, enabling advanced works and deferred logistics costs. This is partly offset by £61 million of expenditure on property that was budgeted last year, as the property titles were not acquired until this financial year.
- 6.22 Capital expenditure in the Group Directorates was £13 million less than budget in the year to date:
- The Finance directorate spent £11 million less than budget in the year to date, primarily due to delays on the Integrated Transport Smartcard Organisation (ITSO) project of £8 million and £6 million savings on the IMSIP Applications programme.
 - Group Marketing and Communications was £2 million underspent against budget in the year to date. This was due to various delays in contract negotiations and supplier sign-off on the Journey Planner Integration Programme (JPIP) and the Lost Property Office system replacement project, as well as delays to the Source website project, which is now to commence in quarter three.
- 6.23 Capital expenditure in the Group Directorates is forecast to be £1 million lower than budget for the full year. This is primarily in Finance, where the £6 million saving on the IMSIP Applications programme will be partly utilised to fund £4 million of additional costs of the roll out of EUC (End User Computing). In addition, the ITSO spend profile has been reviewed and is expected to be £2 million ahead of budget by year-end.
- 6.24 Capital income was £35 million higher than budget in the year to date, mainly due to the sale of future rental income streams from the Westfield Shepherd's Bush site of £36 million. This is partly offset by the delayed receipt of income from the Aldgate property deal of £1 million, which is now expected in quarter three.
- 6.25 Capital income is forecast to be £33 million higher than budget for the full year. This is mainly due to the sale of future rental income streams from the Westfield Shepherd's Bush site, of £36 million and £5 million from the sale of East Thames Buses assets. This is partly offset by an £8 million reduction to the income expected from property, reflecting rephasing from current negotiations and increased uncertainty over the future of some properties.

Savings Programme

Savings £m	Actual YTD	Forecast at Q2	Target*	Variance
Corporate and Group Wide	24	85	94	(9)
London Underground	25	74	69	5
Surface Transport	16	93	93	-
London Rail	-	3	3	-
Total Gross Savings	65	255	259	(4)
Implementation Costs	(28)	(93)	(114)	21
Total Net Savings	45	180	161	19
LU Project Efficiencies	7	17	15	2

* Revised gross savings targets aligned to the approved Business Plan

- 7.0 Gross savings of £255 million are forecast to be delivered in 2009/10 against a target of £259 million. In quarter two, savings of £65 million have been delivered relating to a range of initiatives that include OCR, CSE amongst others.
- 7.1 Corporate and Group Wide is forecasting savings of £85 million against a target of £94 million. The reduced forecast is based primarily upon a reduction in IMSIP forecast savings. Corporate has achieved savings of £24 million year to date through a number of initiatives, for example:
- Phase one of the Group Planning OCR programme has been implemented and to date savings of £3 million have been achieved.
 - Marketing and customer research activities have been reviewed and focused on core activities leading to savings of over £8 million by quarter two in marketing expenditure across TfL.
 - Savings on the IMSIP programme amounting to £7 million.
- 7.2 London Underground is forecasting savings of £74 million against target of £69 million. This includes an additional £9 million in maintenance efficiencies and a further £5.6 million through CSE Support savings. These have been offset as Non Permanent Labour, and CSE Operations and Access, which are currently developing detailed delivery plans, reducing the 2009/10 savings variance by £5.0 million. The quarter two forecast reflects the latest economic circumstances and the consequent deterioration in revenues. To offset this LU has actively managed costs, seeking to accelerate efficiency opportunities where practicable to balance the budget. In the year to date, London Underground has delivered £25 million of savings and Metronet Integration remains on track to deliver gross savings of £30.6 million during 2009/10. In addition, London Underground has also identified initiatives to deliver efficiencies in the cost of capital projects.
- 7.3 Surface Transport is forecasting savings of £93 million, which is in line with target. Surface Transport has achieved savings of £16 million year to date, resulting from headcount reductions due to recent Organisational Change Programmes (OCP), maintenance savings, the renegotiation of Congestion Charging contracts and savings on bus contracts.
- 7.4 London Rail is forecasting savings of £3 million, which is in line with target. Savings totalling £0.3 million have been delivered year to date. London Rail has cancelled the contribution for additional New Year's Eve services, stakeholders have been informed and savings will be declared in quarter four.

Quarter Two Progress on Pan TfL Projects

Accommodation Strategy

- 7.5 Work is continuing across the business to agree accommodation requirements and seek to manage demand down.
- 7.6 Implementation of the desk sharing pilot for Surface Transport in Palestra commences shortly. This involves the Congestion Charging Directorate from 9 November and part of the Public Carriage Office that are relocating to Palestra from 16 November. Progress on the pilot will be reported as part of the wider Surface Transport employee engagement on desk sharing and its application in 2010.
- 7.7 During quarter two, the new high-quality low-cost accommodation at Greenwich went live and TfL disposed of surplus space at Euston Tower and Empress State Building.

Reduce Reliance on Non-Permanent Labour (NPL)

- 7.8 The reduction of reliance on consultants and temporary staff is a key part of TfL's efficiency programme, both to save money and to ensure that these resources can be used in a way that provides maximum value to TfL.
- 7.9 Tighter controls have been put in place to govern recruitment of temporary staff and changes to their terms. Where market rates have reduced, existing temporary staff are required to reduce their rates and consultant contracts are being reviewed to ensure they are providing value for money.
- 7.10 A review of activity has been undertaken and verified by a cross modal working group, chaired by the Chief Finance Officer. The working group has endorsed a recommendation to devolve NPL delivery to individual modes in conjunction with Group Procurement and Group HR. The review is also recommending that there is a six month transition to ensure that strategic and tactical initiatives are factored into future plans. As part of this transition, proposals on making consultants visible on SAP are in preparation.

Commercial Strategy

- 7.11 Work is underway to improve TfL's data governance to allow more effective commercial control and to focus on supplier category management to develop an approach that will leverage TfL's buying power. TfL Procurement staff are in the process of completing benchmarking visits to NHS, DHL, the Home Office and Royal Mail.
- 7.12 The delivery of £6 million savings targeted in 2009/10 will be dependent primarily on business as usual efficiencies reported through a separate controlled reporting process to ensure that savings have been captured and delivered.

Information Management Strategic Investment Programme (IMSIP)

- 7.13 IMSIP is forecast savings of £44 million against a target of £57 million. The year to date savings of £7 million has been realised. Key activities in quarter two to enable delivery of the target include:
 - a) End User Computing (EUC): 10,000 users were migrated by mid September.
 - b) Voice and Data Networks (VDN): Consolidation of the 33 computer rooms across the TfL estate into three industry standard bespoke facilities are being undertaken to improve resilience and reduce costs. 15 buildings were migrated from legacy network systems to the new network.
 - c) Data Centres (DC): TfL Data Centre (a) (formerly DC2) went live on 30 September 2009. The procurement of DC 1 has now been cancelled.

7.14 The project has now completed a Corporate Gate D review and PRG have approved the release of the final tranche of funding (£20.5 million). Deloitte Consulting conducted an independent review and concluded that the project should go through a period of stabilisation, that governance be strengthened and the business case updated. The review concluded that despite the reduction in the savings level achievable against the original business case the IMSIP portfolio of projects should continue and that the projects are the right projects to give TfL a stable IM platform across the estate.

HR Projects

7.15 The HR OCR programme consists of a several individual projects which are at different stages of life cycle delivery. It is expected the majority of the activity will take place in the next two years. The projects will be led at a local level by senior managers in the area of the business where the changes will take place.

7.16 The Equality & Inclusion (E&I) OCP completed on 31 August 2009. The transfer of People Management Advisor budgets from Corporate to the operational modes commenced in quarter two. This will enable savings to be delivered as budgets will now reside closer to the point of delivery.

7.17 The planned HR review has been broadened to include not only Group HR but all of the HR activities to provide a more holistic and integrated solution. This is at an advanced stage and is forecast to go live at the end of December 2009.

Finance & Management Reporting

7.18 Options are currently being examined to put more activities within the Finance Service Centre, consolidate Corporate business support functions, rationalise management reporting and the business planning process, and simplifying the complexity of cost centre structures. The profile assumed in the Business Plan has material savings to be delivered from 2010/11 onwards.

Balance Sheet

Transport for London Group Balance Sheet at end of Quarter 2 £m	Variance to Budget
Fixed Assets – <i>(higher) / lower than budget</i>	18
Stocks, Debtors and Payments in Advance – <i>(higher) / lower than budget</i>	143
Cash – <i>(higher) / lower than budget</i>	(967)
Creditors and Receipts in Advance – <i>higher / (lower) than budget</i>	52
Prudential Borrowings – <i>higher / (lower) than budget</i>	684
Deferred Capital Grant – <i>higher / (lower) than budget</i>	(166)
Provisions – <i>higher / (lower) than budget</i>	1
Total Net Assets – <i>(higher) / lower than budget</i>	(235)

- 8.0 The fixed assets variance reflects the net capital spend of £42 million higher than budget, third party contributions of £16 million lower than budget and associated variances in non activity items, such as depreciation. This is more than offset by Crossrail spend of £86 million lower than budget.
- 8.1 Stock, Debtors, payments in advance and accrued income are some £143 million under budgeted levels. Of this total, some £64 million is in Corporate, £60 million is for Crossrail property. TfL Corporate's variances include lower accrued interest of £26 million following the shortening of maturity dates on investments, meaning that interest is received earlier than assumed in the budget. The budget also included a £23 million accrual for DfT funding of the East London Line, which has now been received. The LU variance is the net of lower trade debtors and payments in advance of £35 million reflecting reduced operating activity, off set by higher stock levels of £7 million and higher capital debtors of £13 million in respect of uninvoiced project accruals. Crossrail's variance follows the transfer of £60 million of 2009 property pre-payments and accruals into fixed assets.
- 8.2 Cash is £967 million above budget, largely due to the draw down £684 million of borrowings earlier than originally planned in order to take advantage of favourable interest rates. In addition, the activity underspends to date (see Annex 1) have increased cash by £146 million. An increase in the net creditor position over budget has led to a further £166 million increase in cash of which £40 million is for payments for Crossrail property purchases, now expected in future periods. Partially offsetting the above is a delay to receipt of ITSO and CIF grants totalling £29 million.
- 8.3 Creditors are £52m above budget. Interest payable accruals are £48 million higher, largely because of timing differences on interest payments. A higher PPP creditor in LU for JNP capital works of £17 million and higher accruals of £15 million for East London Line main works, reflecting higher than budget activity, are partially offset by lower Crossrail creditors of £22 million reflecting the below-budget levels of activity to date on the Crossrail project.
- 8.4 Deferred Capital Grants are £166 million lower than budget, nearly all of which is the non-cash effect of the grant accounting process reflecting the delay in the cash spend on the Crossrail properties and project, as outlined above in paragraph 6.20.

Transport for London Group Balance Sheet Forecast for the Year End £m	Variance to Budget
Fixed Assets – <i>(higher) / lower than budget</i>	(56)
Stocks, Debtors and Payments in Advance – <i>(higher) / lower than budget</i>	71
Cash – <i>(higher) / lower than budget</i>	(238)
Creditors and Receipts in Advance – <i>higher / (lower) than budget</i>	(105)
Prudential Borrowings – <i>higher / (lower) than budget</i>	-
Deferred Capital Grant – <i>higher / (lower) than budget</i>	(265)
Provisions – <i>higher / (lower) than budget</i>	190
Total Net Assets – <i>(higher) / lower than budget</i>	(403)

- 8.5 The forecast fixed assets variance reflects net capital spend of £26 million higher than budget, and associated variances in non activity items, such as depreciation. This is partly offset by Crossrail spend of £35 million lower than budget and third party contributions of £24 million higher than budget.
- 8.6 Stock, debtors etc are forecast to be £71 million lower than budget. Included within this variance is a £30 million effect for interest as referred to in the year-to-date, and £60 million lower variance in Crossrail are offset by a £30 million higher variance in LUL. LU's position is driven by higher stock levels, trade debtors, based on increased activity towards year-end and higher income accruals for CTRL from DfT. The Crossrail variance again relates to the 2009 property pre-payments transferring to fixed assets.
- 8.7 Cash is forecast to be above budget by £238 million mainly reflecting the lower cash payments expected for Crossrail property and project work.
- 8.8 Creditors are forecast to be £105 million lower than budget. In Surface Transport, the earlier payment of SME creditors allied to overall lower levels of operating expenditure has led to a forecast creditor position some £49 million below budget. In London Underground the PPP Lease creditor is forecast to be £19 million higher than budget and Capital creditors are expected to be £9 million higher as capital works are concentrated towards the year end, however, these are offset by lower revenue creditors of £60 million from lower operating spend and lower anticipated expenditure on risk items. Crossrail's creditor forecast is £33 million below budget, reflecting lower anticipated activity in the year, in line with overall changes to the project's forecast. London Rail is forecasting creditors above budget by £33 million at the year-end due to increased activity on major capital projects such as the East London Line works.
- 8.9 Deferred Capital Grant balance is forecast to be £265 million below budget. Once again nearly all of this is the effect of the grant accounting process reflecting the delay in the cash payments on the Crossrail properties and the timing of project expenditure.
- 8.10 The forecast for provisions includes £190 million in respect expected future cash payments for compensation to freeholders, tenants and other interested parties arising from Crossrail property acquisitions.

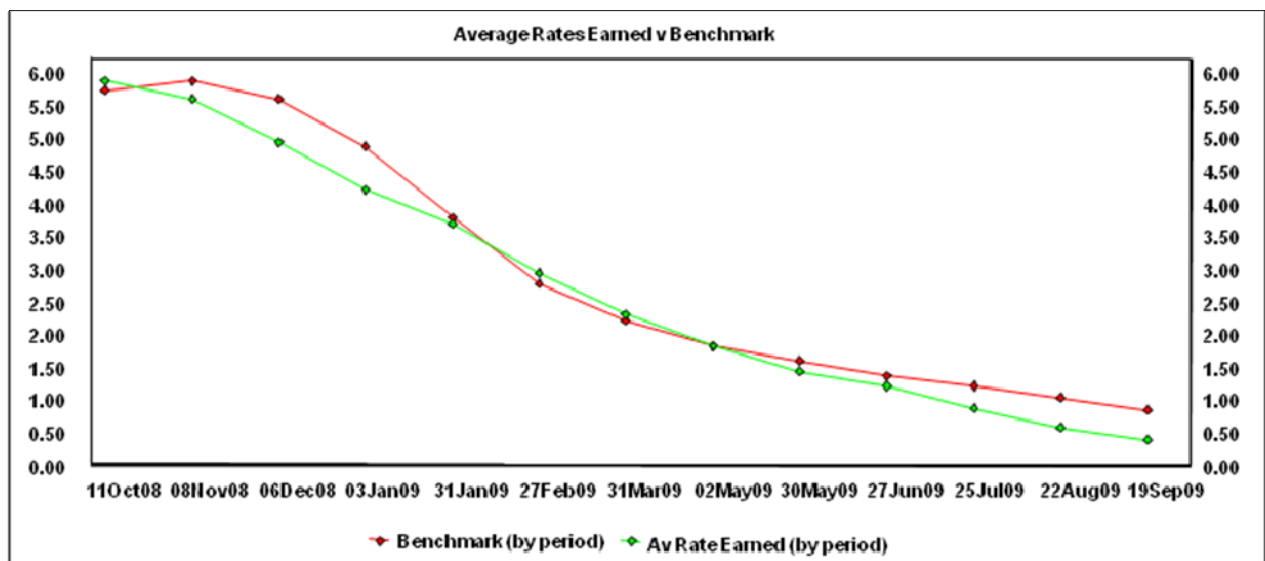
Cash Summary

Performance

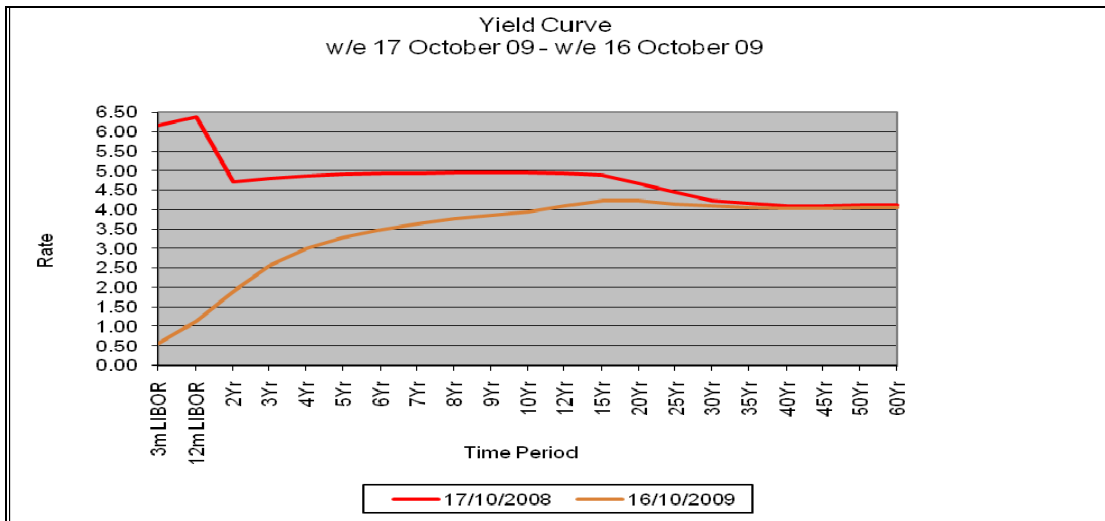
- 9.0 Interest receivable performance has been impacted by the decision to sacrifice yield in return for security. Earnings for the year to date have fallen short of the budget by 49 basis points.

	Period 4	Period 5	Period 6	2009/10 Year to date
Average Rate of Return (%)	0.88	0.58	0.39	1.06
Budget (%)	1.40	1.24	1.04	1.55
Variance To Budget (%)	0.52	0.66	0.65	0.49
Interest Earned (£ million)	1.3	0.8	0.6	10.1
Budget (£ million)	2.2	1.9	1.5	11.1

- 9.1 Actual interest earnings were less than budgeted for the year to date by £1.0 million. This adverse variance resulted from lower earnings (£2.8 million) due to lower than budgeted rates earned, offset by extra interest earned (£1.8 million) on higher than budgeted balances, mainly the proceeds from earlier than budgeted borrowing.
- 9.2 The chart below shows the decreasing interest rates earned from October 2008 onwards. The decline is a result of reduced base rates which dropped from 4.5 per cent in October 2008 to 0.5 per cent in March 2009.



- 9.3 TfL has historically measured interest receivable performance against a benchmark of three months LIBOR less 12.5bps. Under the current Treasury Management Strategy, the majority of TfL deposits are placed with the Debt Management office (which offers interest rates well below the benchmark level), and as a result TfL is underperforming the benchmark by 0.25bps.
- 9.4 Yield curve: The graph below shows the dramatic effect on short/medium-term yields over the past year. A year ago, three month rates were 6.16 per cent; they have currently dropped to 0.57 per cent. However, 60-year rates remain within the range of 4.06 per cent - 4.11 per cent. The chart now shows a traditional curve dropping slightly after 20 years when rates are at 4.22 per cent. TfL has borrowed at a weighted average rate of 4.19 per cent for maturities ranging between 9.5 and 30 years.



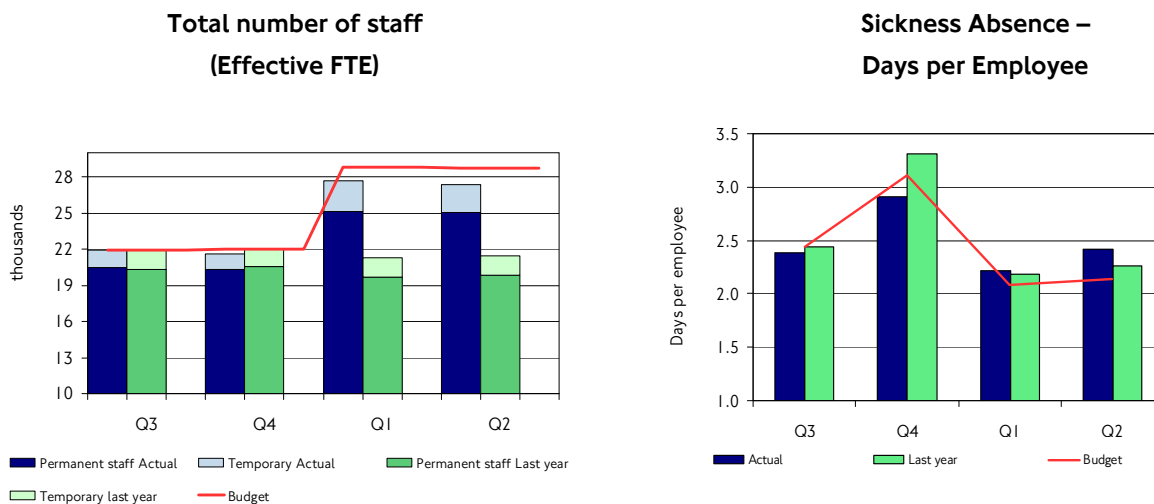
9.5 Legal and Regulatory Risk

i) Prudential Indicators for Prudence and Affordability, Capital Expenditure and External Debt: Prudential Indicators relating to borrowing for 2009-10 have not been exceeded. In relation to debt service, the Prudential Indicator will be slightly exceeded due to reduced forecast interest income and reduced forecast net operating expenditure.

ii) Payment Card Industry Data Security Standards (PCI DSS): The Compliance Programme Board (an Internal Audit recommendation) meets quarterly to review progress on existing projects and to receive an assessment of new IT developments impacting on Group PCI DSS obligations. At its last meeting, a review of existing projects showed steady progress continues to be made.

TfL's merchant acquirer (Barclays) continues to receive a regular progress report and continues to express its satisfaction on its content and progress made.

People



Total number of staff and sickness absence data excludes Crossrail.

10.0 Staff numbers: At the end of the second quarter of 2009/10, TfL employed 27,159 full time equivalent (FTE) staff. This was 1,599 fewer than budget and 329 fewer than last quarter. Due to the integration of Metronet, it is not possible to make direct comparisons to last year for TfL and London Underground.

- London Underground's new organisational structure was implemented during the quarter, reflecting the outcome of the Operating Cost Review (OCR) and integration of the former Metronet staff. At the end of the quarter, there were 20,112 FTEs in London Underground which was 1,175 FTE fewer than budget. This reflects tight controls on recruitment across London Underground.
- There were 4,270 FTE staff in Surface Transport at the end of quarter two, 187 fewer than budget and 220 fewer than last year. There were a number of vacancies in Congestion Charging to be filled by December 2009 as well as ongoing recruitment for Dial-a-Ride drivers following a review of establishment levels. Bus Performance and Bus Operations have operational vacancies which are in the process of being recruited. Community Safety, Enforcement and Policing (CSEP) have lower staff numbers than target as a result of a recruitment freeze due to an organisational change.
- London Rail had 255 FTE staff, eight fewer than budget and six more than last year.
- There were 2,521 FTE staff in the Corporate directorates at the end of quarter two, 110 fewer than budget and 99 less than last year. The largest variance was in Finance with 90 fewer FTEs, mainly comprising of 60 in Group IM. There were 38 fewer FTEs than budget in Group Marketing and Communications. This was partly offset by 15 more FTEs in Planning.

Temporary staff: At the end of quarter two, there were 2,327 temporary staff in TfL, 99 fewer than budget. There were 1,292 temporary workers with over twelve months of service, 101 more than budget. At the end of quarter two:

- There were 1,655 temporary FTE in London Underground, 203 fewer than budget. Although total temporary staff numbers have fallen by over 200 since the beginning of the year, the number in service for twelve months or more has shown little change and ended the quarter at 1,042, which was 107 more than budget.
- At the end of quarter two, there were 293 temporary staff in Surface Transport. This was 80 more than budget, but 129 fewer than last year. Road Network Management continues to recruit for permanent employees in order to roll off temporary workers. In quarter two, there were more temporary staff than budget working in response to the needs of the Cycle Hire and Cycle Highways Scheme as well as Customer Services and Road Network Performance. There

were 117 temporary staff with service in excess of twelve months, which was 15 fewer than budget and 38 fewer than last year.

- There were 36 temporary FTEs in London Rail at the end of quarter two, 17 fewer than budget but eight fewer than last year. There were 15 temporary staff with more than twelve months' service, which was unchanged from last year and 8 fewer than budget. The majority of these are working on the East London Line project.
- There were 343 temporary FTEs in the Corporate Directorates, 49 more than target but 160 fewer than last year. Finance had 44 more temporary FTEs than budget, principally in IM. This is expected to reduce steadily, as permanent recruitment is ongoing. Corporate Directorates had 99 temporary staff with over twelve months of service, three fewer than budget but twelve more than last year.

10.1 **Sickness:** In the year to date, TfL staff were absent for an average of 4.6 days per employee, 9.8 per cent worse than target. Operational staff were absent for an average of 5.8 days per employee, which was 11.3 per cent worse than target, and non-operational staff were absent for an average of 2.9 days, 8.1 per cent worse than target. The increase in absence in TfL was mainly due to the medical advice given regarding Swine flu.

10.2 Workforce composition:

TfL Group	Q2 Actual	Q2 Budget	Q2 Last Year
% of Women Staff	24.5	24.7	24.7
% of Women Staff in Senior Management	22.2	21.7	21.3

TfL Group	Q2 Actual	Q2 Budget	Q2 Last Year
% of BAME Staff	31.5	29.0	31.1
% of BAME Staff in Senior Management	10.5	11.0	10.0

TfL Group	Q2 Actual	Q2 Budget	Q2 Last Year
# of Disabled Staff	609.0	697.7	643.0
# of Disabled Staff in Senior Management	28.0	37.5	36.0

Workforce composition data excludes Nominee companies and Crossrail staff

At the end of quarter two:

- The proportion of female staff in TfL was 0.1 percentage point lower than the previous quarter at 24.5 per cent. This was 0.2 percentage points lower than target and last year. The percentage of women in senior management was 22.2 per cent this quarter, an increase of 0.1 percentage point compared to last quarter. This was 0.5 percentage points higher than target and 0.9 percentage points higher than last year.
- The percentage of TfL staff from BAME communities was 31.5 per cent at the end of quarter two, 0.3 percentage points lower than last quarter. However, this was 2.5 percentage points higher than the target and 0.5 percentage points higher than last year. The percentage of BAME staff in senior management was 10.5 per cent, 0.1 percentage point lower than last quarter. This was 0.5 percentage points lower than target but 0.4 percentage points higher than last year.
- Representation of disabled staff in TfL is now reported by the number of disabled staff. At the end of quarter two, TfL employed 609 disabled staff, 19 fewer than last quarter. This was 89 fewer than target and 34 fewer than last year. There were 28 disabled senior managers at the end of quarter two, four fewer than last quarter. This was 10 fewer than target and eight fewer than last year. Ability to impact the number of disabled staff has been affected by the current tight controls on recruitment.

Annex One: Financial Summary

£m	2009/10 Year to date			2009/10 Full Year		
	Actual	Budget	Variance	Forecast at Q2	Budget	Variance
Fares Income - LU, Buses and LR	(1,310)	(1,363)	53	(2,846)	(2,950)	104
Other Income	(274)	(277)	3	(585)	(593)	8
Total Operating Income	(1,583)	(1,639)	56	(3,431)	(3,543)	112
Operating Expenditure net of 3rd party contributions	2,601	2,709	(108)	5,739	5,874	(135)
Gross Operating Margin	1,017	1,070	(52)	2,308	2,332	(23)
Interest Income & Debt Payments	63	52	11	155	146	9
Contingency/Other Group Items	(3)	22	(25)	10	59	(49)
Total Group Items	59	74	(14)	165	205	(40)
Margin	1,077	1,144	(67)	2,473	2,536	(63)
Capital Income (including Property Sales)	(38)	(3)	(35)	(54)	(20)	(33)
Capital Expenditure	1,298	1,381	(83)	3,135	3,178	(43)
Reimbursements from third parties	(63)	(79)	16	(176)	(160)	(16)
Overprogramming (TfL Group)	-	(23)	23	-	(51)	51
Net Capital Expenditure	1,235	1,279	(44)	2,959	2,968	(8)
Net Service Expenditure	2,274	2,419	(146)	5,379	5,484	(105)
By Mode:						
London Underground	812	846	(35)	1,882	1,888	(6)
Surface Transport	568	602	(34)	1,269	1,368	(99)
London Rail	372	334	39	690	652	38
Crossrail	323	409	(86)	1,003	1,038	(35)
Group Directorates	139	177	(38)	370	383	(14)
Overprogramming (TfL Group)	-	(23)	23	-	(51)	51
Group Items	59	74	(14)	165	205	(40)
Net Service Expenditure	2,274	2,419	(146)	5,379	5,484	(105)

Table may be subject to rounding errors

Annex Two: Balance Sheet

Balance Sheet £m	2009/10 Year to Date			2009/10 Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Fixed Assets						
Tangible Assets	19,530	19,548	18	21,070	21,014	(56)
Current Assets						
Stocks	24	17	(7)	23	17	(6)
Debtors	130	212	82	182	218	36
Capital Debtors	30	17	(13)	40	15	(25)
Payments in Advance	183	264	81	142	208	66
Cash at Bank and in Hand	2,032	1,065	(967)	1,357	1,119	(238)
Current Liabilities						
Revenue	(982)	(1,016)	(34)	(896)	(1,084)	(188)
Receipts in Advance	(255)	(237)	18	(276)	(267)	9
Capital	(416)	(391)	25	(453)	(415)	38
Long Term Liabilities						
Balances with Infracos	(1,723)	(1,706)	17	(1,822)	(1,805)	17
Creditors Due after One Year	(609)	(583)	26	(595)	(576)	19
Prudential Loans	(3,702)	(3,018)	684	(4,118)	(4,118)	-
Capital Grants	(9,310)	(9,476)	(166)	(9,829)	(10,094)	(265)
Other Provisions	(397)	(396)	1	(687)	(497)	190
Pension Provision	(1,037)	(1,037)	-	(1,037)	(1,037)	-
Total Net Assets	3,498	3,263	(235)	3,101	2,698	(403)
Capital and Reserves						
Earmarked Reserves	407	202	(205)	709	303	(406)
Pension Reserves	(1,037)	(1,037)	-	(1,037)	(1,037)	-
General Fund	155	155	-	155	155	-
Other Reserves	3,973	3,943	(30)	3,274	3,277	3
Total Capital Employed	3,498	3,263	(235)	3,101	2,698	(403)

Annex Three: Cash Summary

Cash Summary In/(Out) Flow £m	2009/10 Year to Date			2009/10 Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Margin (from Annex 1)	(1,077)	(1,144)	(67)	(2,473)	(2,536)	(63)
Working Capital Movements	169	15	(154)	352	253	(99)
Cash Spend on Operating Activities	(908)	(1,129)	(221)	(2,121)	(2,283)	(162)
Net Capital Expenditure (from Annex 1)	(1,235)	(1,279)	(44)	(2,959)	(2,968)	(9)
Capital Income (from Annex 1)	38	3	(35)	54	20	(33)
Working Capital Movements	-	(12)	(12)	27	14	(13)
Cash Spend on Capital Activities	(1,197)	(1,288)	(91)	(2,878)	(2,934)	(56)
Funded by:						
Transport & Other Grants	1,446	1,475	29	3,242	3,222	(20)
Precept Funding	5	5	-	12	12	-
Prudential Borrowing	684	-	(684)	1,100	1,100	-
Total Funding	2,135	1,480	(655)	4,354	4,334	(20)
Net Movement in Cash	30	(937)	(967)	(645)	(883)	(238)

Annex Four: Subjective Analysis

Analysis of operating expenditure by cost category is provided below. For details of variances in operating income, please see paragraphs 6.0 to 6.3.

Some of the actual expenditure has been re-categorised since the budget was approved and following the integration of the nominee companies within LU. This is particularly apparent in Premises and Asset Maintenance.

The main variances are:

- Bus contract payments for the full year are forecast to be £23 million below budget. This is principally due to £15 million of savings arising from lower Contract Price Adjustments (CPAs) due to lower than budgeted indices (RPI, Earnings and Diesel) and savings to the Quality Incentive Contracts (QICs) scheme of £5 million.
- Full year PPP payments are forecast to be £46 million higher than budget. This is predominantly due to Tube Lines' claims which will be funded from the London Underground risk budget within Other expenses.
- The full year forecast for PFI payments is £18 million below budget as is the year to date expenditure. The forecast variances are mainly due to a lower Connect claim than provided for, following negotiation with the Connect contractor, and reduced new ticket media base contract costs.
- Employee expenses are forecast to be £39 million below budget in the full year following the Operating Cost Review (OCR) and the impact of the sale of East Thames Buses on staff numbers.
- Full year premises expenditure is forecast to be £91 million below budget. This is mainly due to the reclassification of expenditure to asset maintenance as part of incorporating the nominee companies within LU (£93 million).
- Asset Maintenance expenditure is forecast to be £82 million higher than budget for the full year and £18 million higher than budget in the year to date. This is due to the reclassification of expenditure from premises of £93 million, partly offset by savings due to reduced maintenance activity.
- Payments to Boroughs are forecast to be £17 million below budget, primarily on non Local Implementation Plan (LIPs) funded expenditure. This mainly relates to carried forward of Cycle Highways and Olympic cycle and walking routes.
- Professional Fees and Management Consultancy Costs are forecast to be £11 million higher than budget for the full year but £3 million lower than budget in the year to date. The largest full year variance relates to an increase in legal expenditure of £13 million within London Underground in respect of Connect claims and Periodic Review fees. There is also an above budget spend of £2 million relating to Asset Financing. These variances were partly offset by the reclassification of expenditure of £10 million to Information and Communication Technology following integration of the nominee companies with LU.
- Engineering, Project Management and Other Technical Consultancy expenditure associated with project development is forecast to be £26m lower than budget in the full year. This mainly relates to rephasing of London Overground station enhancements (£13 million) to future years and £3 million of delays in the setup of the East London Line Infrastructure Maintenance facility and Asset Management System. Further reductions of £8 million are a result of reprogramming Planning projects.
- Ticket Commission is forecast to be £11 million lower than budget in the full year due to reduced bus ticket sales and changes to the way that commissions are apportioned across TfL modes since the budget was approved.
- The Bad Debt Provision is forecast to be £9 million lower than budget for the full year. This is mainly due to reduced traffic enforcement revenue, combined with improved compliance and better debt recovery rates.
- Information and Communication Technology expenditure for the full year forecast is £26 million higher than budget. This mainly relates to £22 million of IMSIP savings to be achieved in future years and the reclassification of £10 million of expenditure from Management Consultancy. This is partly

offset by £3 million of efficiency savings from reduced IM spend on third party contracts as a result of in-sourcing a number of IT services from Computer Sciences Corporation (CSC).

- Other expenses are forecast to be £58 million below budget in the full year. This is mainly due to Tube Lines' claims, which are budgeted within risk but incurred under PPP payments. There are also reduced costs of £8 million forecast on the London Overground Train Service Agreement (TSA) and leasing costs, due to rolling stock delivery delays, and reduced interest rates, as well as savings on the London Wide Oyster project of £4 million.

Subjective Analysis

£m	2009/10 Year to date			2009/10 Full Year		
	Actual	Budget	Variance	Forecast at Q2	Budget	Variance
Operating Income	(1,583)	(1,639)	56	(3,431)	(3,543)	112
Operating Expenditure						
Bus Contract Payments	754	759	(5)	1,635	1,658	(23)
PPP Payments	318	298	21	678	632	46
PFI Payments	152	170	(18)	329	346	(18)
Employee Expenses	793	813	(20)	1,687	1,726	(39)
Premises	122	162	(40)	265	356	(91)
CCS & Other Road Contracted Services	38	45	(7)	85	85	(0)
Asset Maintenance	128	110	18	319	237	82
Payments to Boroughs	61	66	(6)	177	194	(17)
Professional Fees and Mangement Consultancy	38	41	(3)	104	94	11
Engineering, Project Management and Other Technical Consultancy	22	39	(17)	65	91	(26)
Ticket Commissions	17	23	(6)	37	49	(11)
Customer Information	18	25	(7)	46	55	(9)
Insurance	16	21	(5)	44	43	1
Bad Debt Provisions	36	41	(5)	77	86	(9)
Information and Communication Technology	52	30	21	90	64	26
Traction Current	31	35	(3)	74	71	2
National Rail Payments	5	6	(0)	11	11	(1)
Franchise Payment	88	91	(3)	193	194	(2)
Other (including Intercompany)	(88)	(63)	(25)	(177)	(119)	(58)
Operating Expenditure	2,601	2,709	(109)	5,739	5,875	(136)
Net Operating Expenditure	1,017	1,070	(53)	2,308	2,332	(24)

Table may be subject to rounding errors