

TRANSPORT FOR LONDON

FINANCE AND POLICY COMMITTEE

**SUBJECT: OPERATIONAL AND FINANCIAL PERFORMANCE REPORT
SECOND QUARTER 2010/11**

DATE: 24 NOVEMBER 2010

1 PURPOSE AND DECISION REQUIRED

1.1 To inform the Committee of Transport for London's Performance during the second quarter of 2010/11 (27 June 2010 - 18 September 2010).

2 BACKGROUND

2.1 This report covers the operational and financial performance during the second quarter of 2010/11.

3 RECOMMENDATION

3.1 The Committee is asked to NOTE the report.

4 CONTACT

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Operational and Financial Performance Report

Second Quarter, 2010/11

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

This report covers quarter two (27 June 2010 - 18 September 2010), comprising operating periods four to six.

TfL performance summary

Service Demand: In quarter two, passengers made more journeys on London Underground, London Buses and Docklands Light Railway, compared to budget and the same quarter last year. Despite industrial action on the London Underground network on 6-7 September, passenger demand continued to grow.

Financial performance: Total operating income of £1,757m at quarter two, was £100m higher than budget. This was principally due to a higher level of passenger demand than was anticipated when the budget was set. Operating expenditure was £2,539m, £138m lower than budget. Net capital expenditure (excluding Crossrail) of £769m, £204m below budget, was mainly driven by timing changes in the year that have occurred since the budget was agreed. TfL net service expenditure for the full year, at £4,934m, is forecast to be £463m lower than budget. This incorporates current passenger demand expectations and economic forecasts. Tube Lines financials have been incorporated in this report, and consolidated in financial performance.

Efficiencies: On a gross basis, savings of £546m are forecast for the full year, £20m above target. This updated forecast redresses and exceeds the expected under delivery stated at the end of quarter one. The improvement is driven principally by the identification of an additional £50m of savings for this financial year by London Underground.

Staff: At the end of quarter two, TfL employed fewer staff than budget. This reflects ongoing efficiencies and recruitment freezes across the organisation. The number of temporary workers, including those with more than 12 months' service, continues to decline steadily and is now within budget.

London Underground (LU)

Operational Performance

London Underground Performance	unit	Quarter Two (Operating Periods 4-6)				Full year			
		Actual	Vs Target	Status	Vs Last Year	Forecast	Vs Target	Status	Vs Last Year
Passenger Journeys	m	250.1	18.0	○	13.0	1,098.0	61.0	○	33.3
Scheduled Service Operated	%	96.1	(0.2)	●	(1.1)	96.3	-	○	(0.3)
Excess Journey Time (Weighted)	mins	6.1	(0.6)	○	-	6.5	(0.2)	○	0.1
Overall Customer Satisfaction	Score	80.0	1.0	○	-	-	-	-	-

○: better than or equal to target; ●: within 5% of target; ●: 5% or more worse than target

Tables may be subject to rounding

- 1.0 In quarter two, LU passengers made 13.0 million (5.5 per cent) more journeys than last year and 18.0 million (7.8 per cent) more journeys than the target which was set before the recovery in demand became evident. This was despite industrial action on 6-7 September that is estimated to have reduced the passenger journey count by around 2.0 million. In the year-to-date, passengers made 32.2 million more journeys than target. However, in the light of further industrial action and continued economic uncertainty, the full-year forecast for passenger journeys remains unchanged from quarter one. At the end of the quarter, the underlying trend in passenger demand, after adjusting for seasonal factors and the industrial action, increased by 6.8 per cent.
- 1.1 The proportion of journeys made on the Underground by passengers who are not required to pay fares, was 0.3 per cent. These passengers include children and staff. They do not include journeys made using a Freedom Pass, as TfL receives payment from the Boroughs for these.
- 1.2 In the quarter, LU operated a lower percentage of scheduled service than target and the same quarter last year. This was mainly due to the industrial action on 6-7 September, which caused a loss of approximately 155,000 train kilometres. Other major causes of disruption included a maintenance train incident on the Northern line on 13 August, a cable fire at Barking on 2 July, two days of industrial action by some Metropolitan line train operators at Rickmansworth, signal failures on the Jubilee line and defective trains on the Victoria line. Nevertheless, the percentage of scheduled services operated in the year-to-date has exceeded target in every period, apart from the strike-affected period 6. In period 5 (25 July- 21 August), LU operated the highest percentage of schedule (97.9 per cent) in a single period for more than 15 years.
- 1.3 Excess journey time on LU remained better than target in the quarter despite the industrial action. In period 5, at 5.48 minutes, excess journey time was below 5.5 minutes for only the third time on record, the previous instance having occurred in period 10 last year when passenger demand was much lower. In the year-to-date, excess journey time has performed well, at 10.9 per cent lower than target. The industrial action in the quarter contributed 0.19 minutes of excess journey time in the year-to-date.
- 1.4 The Customer Satisfaction Survey (CSS) score remained at 80 for the second successive quarter, one point better than the target and the same as achieved in quarter two of last year.
- 1.5 There were no passenger fatalities on LU during quarter two but 22 passengers sustained major injuries, eight more than last year. In the year-to-date, the moving annual average of major injuries per million hours on LU infrastructure was slightly worse than target. This was because there have been more accidental injuries compared to last year, but passenger numbers are also higher.

- 1.6 In quarter two, there were 11.6 recorded crimes per million passenger journeys on the LU and Docklands Light Railway (DLR) networks. This was a slight reduction compared to quarter one and was lower than the target and the same quarter last year.
- 1.7 At the end of quarter two, there were 7.7 per cent fewer LU staff than budgeted. This reflects the trend of declining temporary and permanent staff numbers, which was first evident at the end of last year due to the suspension of recruitment campaigns across LU.

Financial Performance

London Underground £m	Year to date (Operating Periods 1-6)				Full year					
	Actual	Budget	Variance	Status	Forecast at Q2	Budget	Variance	Status	Forecast at Q1	Forecast variance
Operating Income	(860)	(816)	(44)	○	(1,887)	(1,792)	(95)	○	(1,882)	(5)
Operating Expenditure (net of third party contributions)	1,025	1,128	(104)	○	1,996	2,137	(141)	○	2,735	(740)
Net Operating	165	312	(147)	○	109	345	(236)	○	855	(744)
Net Capital Expenditure	511	605	(94)	○	1,259	1,261	(3)	○	1,270	(11)
Net Service Expenditure	676	917	(242)	○	1,368	1,606	(239)	○	2,123	(756)

(Underspend)/(Higher income) or equal to budget = ○ Overspend/Lower income by 5% or less = ● Overspend/Lower income by more than 5% = ●
Tables may be subject to rounding

LU net service expenditure is shown net of Tube Lines (for further detail, please see the Tube Lines summary in the next section)

- 1.8 Operating income was higher than budget in the year-to-date. This was mainly due to the fares income variance of £35m reflecting higher than budgeted passenger numbers.
- 1.9 The full-year forecast for operating income takes account of the recently announced January 2011 fares increase.
- 1.10 Operating expenditure in the year to date was £104m lower than budget. Central Services expenditure was £48m below budget, largely due to timing differences on overheads and savings in staff costs and insurance. Maintenance expenditure of £25m below budget was due to revised line maintenance regimes and rephasing of work in the Station and Civils programmes. Expenditure on Investment Programme revenue projects was £20m below budget, mostly due to revised programmes for Station Refurbishments, Track and Infrastructure.
- 1.11 The full-year forecast for operating expenditure is lower than budget. Savings of £50m were identified across Central Services and, as in the year-to-date, the variance includes benefits arising from TfL's acquisition of Tube Lines. Other savings include changes to revenue projects in the Investment Programme, revised maintenance regimes and reduced staff costs. The forecast movement in operating expenditure since quarter one is largely due to the acquisition of Tube Lines.
- 1.12 Capital expenditure in the year to date was £94m below budget:
- Expenditure on the Sub-Surface Rail (SSR) upgrade was £39m below budget, predominately due to re-profiling of expenditure on new trains.
 - Stations capacity expenditure, of £29m lower than budget, was largely due to a property purchase which was budgeted in quarter two, but which will now occur in quarter three. There were also savings on the Stratford station upgrade.

- An underspend of £16m on track projects was mainly due to changes in the delivery plan.
- Expenditure on the Victoria line upgrade was £17m below budget as a result of delayed rolling stock production, which is forecast to be recovered within the year.
- Other lower expenditure included a lower drawdown from Risk of £13m and reprofiling and savings of £8m on the SSR Major Power Works.

These were partly offset by release of £48m from the overprogramming provision.

- I.13 The full-year capital expenditure forecast at quarter two is in line with budget. Forecast underspends, including that on the new SSR rolling stock, are largely offset by release of overprogramming and the re-phased property purchase. These are also reflected in the forecast movement since quarter one.
- I.14 The full-year net service expenditure forecast at quarter two is £756m lower than quarter one. This mainly relates to Tube Lines expenditure being reflected separately as Tube Lines (see table below), release of risk provision in relation to Tube Lines and reduction in ISC payments post acquisition.

Tube Lines

Financial Performance

Tube Lines £m	Year to date (Operating Periods 1-6)				Full year					
	Actual	Budget	Variance	Status	Forecast at Q2	Budget	Variance	Status	Forecast at Q1	Forecast variance
Operating Income	(13)	(13)	-	○	(43)	(43)	-	○	-	(43)
Operating Expenditure (net of third party contributions)	81	85	(4)	○	307	316	(9)	○	-	307
Net Operating	69	72	(3)	○	264	272	(9)	○	-	264
Net Capital Expenditure	47	78	(31)	○	249	252	(4)	○	-	249
Net Service Expenditure	115	150	(34)	○	512	524	(12)	○	-	512

(Underspend)/(Higher income) or equal to budget = ○ Overspend/Lower income by 5% or less = ◐ Overspend/Lower income by more than 5% = ●
Tables may be subject to rounding

- I.15 The variance in operational expenditure variance mainly relates to activities on hold due to management focus on the re-organisation of Tube Lines.
- I.16 The capital expenditure variance relates to a significantly lower level of activity on the Northern Line Upgrade project than forecast in the early part of the year.
- I.17 Tube Lines financials have been included in the report for the first time. The budget figures reflect those approved by the Tube Lines Holdings Board on 28 June 2010 and incorporated in the revised budget that is being considered separately on this agenda.

Surface Transport

Operational Performance

Surface Transport Performance	unit	Quarter Two (Operating Periods 4-6)				Full year			
		Actual	Vs Target	Status	Vs Last Year	Forecast	Vs Target	Status	Vs Last Year
London Buses									
Passenger Journeys	m	520.8	28.2	○	9.1	2,284.0	101.0	○	26.6
Scheduled Service Operated	%	97.9	0.3	○	0.3	97.5	0.1	○	0.4
Excess Wait Time, High Freq Routes	mins	0.92	(0.13)	○	(0.13)	1.00	(0.13)	○	(0.12)
Overall Customer Satisfaction	Score	81.0	2.0	○	2.0	79.0	-	○	81.0
Performance - Other Areas									
Cycle usage on TLRN (Index Mar 2000 = 100)	index	281	8	○	37	242	2	○	25
River Journeys	'000	1,312.2	(2.8)	●	(95.3)	4,049.0	49.0	○	(120.2)
Dial-a-Ride trips	'000	307.2	(1.2)	●	23.0	1,350.0	-	○	95.3
Dial-a-Ride Overall Customer Satisfaction	Score	93	-	○	2	93.0	-	○	-

○: better than or equal to target; ◐: within 5% of target; ●: 5% or more worse than target
Tables may be subject to rounding

- 2.0 Bus passengers made more journeys than target in quarter two and 51.6m more journeys than target in the year-to-date. A revised method of counting journeys made by children was introduced in 2010/11, but this has not been retrospectively applied to data from last year, so a direct comparison to last year's figures cannot be drawn. The higher than expected ridership is expected to continue as reflected in the full-year forecast, which increased by a further 36m passenger journeys in the quarter. Industrial action on the Underground led to 0.5m Underground passengers switching to bus services.
- 2.1 Passengers who are not required to pay fares made 19.3 per cent of journeys on London Buses in the quarter. These include journeys made by children, staff and police travel, but they do not include journeys by Freedom Pass holders, as TfL receives payment from the London boroughs for these.
- 2.2 In the second quarter, London Buses operated more scheduled services than target and last year. Initiatives to protect bus services from delays due to planned major roadworks over the summer holidays, together with lower levels of traffic congestion, contributed to lower than forecast mileage losses. In the year-to-date, the percentage of scheduled services operated was higher than target and last year.
- 2.3 Due to the mitigation of major roadworks, bus excess wait time in the quarter was better than target and last year. This was despite disruption by events including the motorcyclists' demonstrations in Trafalgar Square and the Papal visit. The period 5 result was the best result for an individual period since surveys began over 30 years ago, ensuring that the year-to-date result remains better than target and last year. In the full year, excess wait time for the full year is forecast to be 0.13 minutes better than target and 0.12 minutes better than last year.
- 2.4 In quarter two, the overall CSS score for London Buses was two points higher than target and last year. However, this represented a decline of one point compared to the first quarter. This was due to lower scores for reliability (wait time and journey time) and personal safety and security at the bus stop.

- 2.5 On the bus network during quarter two, 258 major injuries were sustained by passengers and members of the public and one fatality occurred. This equates to 0.50 major injuries or fatalities per million passenger journeys. The number of major injuries has fallen compared to last year.
- 2.6 There were 10.4 recorded crimes per million passenger journeys on the bus network, based on July-September crime and passenger journeys data. This was a slight decrease compared to quarter one. The quarter two result is two per cent higher than the full-year target and reflects higher than predicted crime levels in July and August. This in turn reflects wider crime trends in London. Further analysis of changes in the levels of crime rate, in the context of overall crime and variations in passenger numbers will be available in quarter three.
- 2.7 In quarter two, the average index of cycle flows on the TLRN (TfL Road Network) exceeded target and continued to show steady growth compared to last year. In the year-to-date, year on year growth of 28 index points was also above target.
- 2.8 Quarterly journey data for the Barclays Cycle Hire scheme will be included in future reports. As of 1 November, over 1.3 million journeys had been taken by the members of the Barclays Cycle Hire Scheme, of which there were more than 100,000. There are over 340 docking stations now available, and over 4,500 bicycles in circulation.
- 2.9 There were fewer river journeys made than target in quarter two. The effects of the economic downturn are partly responsible for the decrease in river journeys, as river passenger journeys reflect the number of visitors to London. The reduced journeys on Thames Clippers can be attributed to fewer Jubilee line closures and the programme of events at the O₂.
- 2.10 The latest set of Londonwide road safety data is for March to May 2010. During this time, 757 people were killed or seriously injured. Of these casualties, most were pedestrians, at 242. 195 were motorists, 170 were motorcyclists, 117 were cyclists and 33 were other road users.
- 2.11 Compared to budget there were 5.6 per cent fewer Surface Transport staff at the end of quarter two. During the quarter the number of temporary workers fell below budgeted levels for the first time this year.

Financial Performance

Surface Transport £m	Year to date (Operating Periods 1-6)				Full year					
	Actual	Budget	Variance	Status	Forecast at Q2	Budget	Variance	Status	Forecast at Q1	Forecast variance
Operating										
Operating Income	(772)	(741)	(32)	○	(1,656)	(1,592)	(64)	○	(1,651)	(5)
Operating Expenditure (net of third party contributions)	1,158	1,179	(21)	○	2,605	2,612	(7)	○	2,621	(15)
Net Operating	386	439	(53)	○	949	1,021	(71)	○	970	(20)
Net Capital Expenditure	127	135	(9)	○	282	260	22	●	279	3
Net Service Expenditure	512	574	(62)	○	1,231	1,281	(50)	○	1,249	(18)

(Underspend)/(Higher income) or equal to budget = ○ Overspend/Lower income by 5% or less = ● Overspend/Lower income by more than 5% = ●
Tables may be subject to rounding

- 2.12 Operating income in the year to date was higher than budget. This was largely due to higher income of £33m from bus fares. This was driven by 5.8 per cent more journeys by passengers paying full fares. This is also reflected in higher forecast for operating income in the full year.

- 2.13 Operating expenditure in the year to date was lower than budget, with favourable variances resulting from the marketing freeze and slippage on borough highways asset management programmes, two Cycle Superhighways, and Behavioural Change campaigns for improving travel choices.
- 2.14 Operating expenditure in the full year is forecast to be slightly below budget. This includes the in-year effect of the marketing freeze, savings in the roads budget and bus contract payments. These are partly offset by expenditure carried forward from 2009/10 on Barclays Cycle Hire and Cycle Superhighways, as well as additional Congestion Charging costs for UK-based data administration. The lower operating expenditure forecast compared to quarter one is mainly due to the marketing freeze and savings in Roads expenditure.
- 2.15 Capital expenditure in the year to date was below budget. This is principally driven by the revised programme for the implementation of Barclays Cycle Hire, partly offset by accelerated spend for specialist ventilation equipment for the refurbishment of Blackwall Tunnel Northbound.
- 2.16 Capital expenditure in the full year is forecast to be higher than budget, largely due to accelerated expenditure of £10m on Blackwall Tunnel Northbound. This is also reflected in the forecast movement since quarter one, along with lower expenditure on Countdown II and bus stations and stands.

London Rail

Operational Performance

London Rail	unit	Quarter Two (Operating Periods 4-6)				Full year			
		Actual	Vs Target	Status	Vs Last Year	Forecast	Vs Target	Status	Vs Last Year
DLR									
Passenger Journeys	m	17.4	0.7	○	1.6	74.4	-	○	5.0
Scheduled Service Operated	%	97.7	(0.3)	◐	(0.6)	98.0	-	○	0.8
On-time Performance	%	97.7	1.7	○	2.3	96.0	-	○	1.2
Overall Customer Satisfaction	Score	82.0	2.0	○	not applicable	80.0	-	○	not applicable
London Overground									
Passenger Journeys	m	See note below							
On-Time Performance (PPM Moving Annual Average)	%	94.2	1.0	○	1.7	93.2	-	○	-
Overall Customer Satisfaction	Score	81.0	6.0	○	not applicable	75.0	-	○	(3.5)
Trams									
Passenger Journeys	m	6.2	-	○	0.4	26.8	-	○	0.3
Scheduled Service Operated	%	99.4	1.4	○	2.1	98.0	-	○	(0.6)
Overall Customer Satisfaction	Score	85.0	(1.0)	◐	-	86.0	-	○	(0.3)

○: better than or equal to target; ◐: within 5% of target; ●: 5% or more worse than target
 Tables may be subject to rounding

Docklands Light Railway (DLR)

- 3.0 In the quarter, passengers made more journeys on DLR compared to target and last year. This is driven by the conclusion of the closures associated with the major DLR upgrade programme.
- 3.1 The percentage of scheduled services operated by DLR narrowly missed target. This was largely due to a signal cabling failure in period 4 (27 June - 24 July) and four incidents involving the emergency services. The year-to-date result was also marginally below target.
- 3.2 DLR on-time performance remained higher than target and last year during the second quarter.
- 3.3 The DLR customer satisfaction score for quarter two was better than target, with the introduction of three-car trains having a positive effect on service satisfaction.

London Overground (LO)

- 3.4 Passenger journey data for LO is not reported at present because load-weight data from the new LO trains is being tested for reporting later in the year. Based on increasing pay as you go revenue, it is estimated passenger demand on the East London Line (ELL) is growing, albeit slower than had been expected. The North London Line (NLL) engineering works do not appear to have had any lasting effect on passenger demand, following the re-opening of the route last quarter. Revenue on the North London line is nine per cent higher than budget in the quarter.
- 3.5 The LO passenger performance measure (PPM) is the percentage of trains arriving at their destination within five minutes of the time stated in the timetable. In quarter two, the moving annual average continued to improve and was half a percentage point better than quarter one. Of the PPM underperformance on LO in quarter two, London Overground Rail Operations Limited (LOROL) was responsible for the majority, due to class 378 fleet failures. These are being actively addressed by London Rail and the manufacturer Bombardier.
- 3.6 The CSS survey for LO was carried out in August 2010 and shows an increase of three points from quarter one. This is the highest score for customer satisfaction since the survey started in 2006/07.

London Trams

- 3.7 In the quarter, tram passengers made slightly more journeys than target. This is higher than last year due to the engineering works that were undertaken in 2009 in East Croydon.
- 3.8 The percentage of tram services operated remained higher than target and last year in quarter two.
- 3.9 The CSS score of 85 for London Trams was lower than target and three points lower than last quarter, but it remains the highest CSS score of the TfL major operating divisions. London Trams is working with market researchers to identify the main areas of improvement and to develop a remedial action plan.
- 3.10 Compared to budget there were 3.2 per cent fewer London Rail employees at the end of quarter two, with higher numbers of permanent staff offset by fewer than budgeted temporary staff.

Financial Performance

London Rail £m	Year to date (Operating Periods 1-6)				Full year					
	Actual	Budget	Variance	Status	Forecast at Q2	Budget	Variance	Status	Forecast at Q1	Forecast variance
Operating										
Operating Income	(76)	(73)	(3)	○	(170)	(167)	(3)	○	(170)	-
Operating Expenditure (net of third party contributions)	144	150	(5)	○	329	337	(7)	○	337	(8)
Net Operating	68	77	(8)	○	159	169	(10)	○	167	(8)
Net Capital Expenditure	89	139	(50)	○	196	248	(52)	○	200	(4)
Net Service Expenditure	158	216	(58)	○	355	417	(62)	○	367	(12)

(Underspend)/(Higher income) or equal to budget = ○ Overspend/Lower income by 5% or less = ◐ Overspend/Lower income by more than 5% = ●
Tables may be subject to rounding

- 3.11 Operating income in the year-to-date was higher than budget. LO ticket commissions, received from other train operating companies, were higher than budget. Income was also higher on the North London Railway (NLR). DLR income benefited from increased patronage during the London Marathon and the industrial action on the Underground. These were partially offset by slower growth in demand on the ELL than was originally anticipated. These factors are also reflected in the full-year forecast.
- 3.12 Operating expenditure in the year to date was below budget, mainly due to delays to the NLR station upgrade due to delayed design submissions and on-site works.
- 3.13 The full-year operating expenditure forecast is also below budget. The NLR station upgrade is £14m below budget. It has been rephased in line with LOROL's revised programme. This is partly offset by additional expenditure of £4m reflecting higher inflation on the LU operating concession agreement. ELL infrastructure maintenance expenditure is also higher than budget, as a result of rephasing from 2009/10.
- 3.14 The full-year operating expenditure forecast was reduced at quarter two to reflect further rephasing of the NLR station upgrade, lower DLR franchise costs and savings in ticket-gating and Oyster maintenance charges.
- 3.15 Capital expenditure in the year to date was £50m below budget. The ELL project was underspent by £12m, as costs were incurred, earlier than budgeted, in 2009/10. The NLR Infrastructure Project also underspent by £12m, mainly due to non utilisation of risk and a delay in contract awards. Slower progress on Stratford International resulted in an underspend of £8m. Lower expenditure of £6m on the DLR was mainly due to new vehicle expenditure that was incurred, earlier than budgeted, in 2009/10. Other underspends included reduced costs for the DLR three-car project and delays to the Beckton Depot office building works.
- 3.16 The capital expenditure full-year forecast is £52m lower than budget. Lower expenditure of £28m on the ELL is due to revised phasing across years. A further forecast reduction arises from a review of overprogramming of £10m. Smaller reductions include DLR rolling stock, Beckton Depot office works and delays at Stratford International.
- 3.17 The capital expenditure forecast reduced at quarter two. This was largely due to rephasing of the ELL Phase 2 project into future years and the release of contingency for the DLR three-car project.

These were partly offset by: an increase in the NLR Infrastructure Project due to rephasing of the Latchmere Curve works; and delayed contributions for Phase I of the ELL.

Crossrail

Financial Performance

Crossrail £m	Year to date (Operating Periods 1-6)				Full year					
	Actual	Budget	Variance	Status	Forecast at Q2	Budget	Variance	Status	Forecast at Q1	Forecast variance
Net Capital Expenditure	213	316	(103)	○	663	734	(72)	○	727	(64)

(Underspend)/(Higher income) or equal to budget = ○ Overspend/Lower income by 5% or less = ◐ Overspend/Lower income by more than 5% = ●
Tables may be subject to rounding

- 4.0 Year-to-date expenditure was below budget, primarily due to a variance of £91m on land and property expenditure. The variance included a put option of £33m, which was not exercised, expenditure of £29m deferred into future years and a lower assessment of property compensation commitments.
- 4.1 The full-year forecast variance to budget is due to reductions in land and property expenditure of £70m, as a result of deferrals and a reduction in the provision for property compensation commitments.
- 4.2 The full-year forecast reduction at quarter two is due in part to slower than anticipated progress on procurement of tunnelling contracts, and a reduction in forecast land and property expenditure.

Corporate Directorates

Financial Performance

Corporate Directorates £m	Year to date (Operating Periods 1-6)				Full year					
	Actual	Budget	Variance	Status	Forecast at Q2	Budget	Variance	Status	Forecast at Q1	Forecast variance
Operating										
Operating Income	(36)	(14)	(22)	○	(61)	(37)	(24)	○	(55)	(6)
Operating Expenditure	131	137	(6)	○	341	294	47	●	356	(15)
Third party revenue contributions	(1)	(2)	2	●	(1)	(3)	2	●	(3)	2
Operating Expenditure (net of third party contributions)	131	135	(5)	○	339	291	48	●	352	(13)
Net Operating	95	121	(26)	○	278	254	24	●	298	(20)
Capital										
Capital Income	(18)	(12)	(7)	○	(34)	(29)	(5)	○	(29)	(5)
Third Party Capital Contributions	-	-	-	○	(1)	-	(1)	○	-	(1)
Capital Expenditure	14	27	(13)	○	73	53	20	●	57	16
Net Capital Expenditure	(4)	16	(20)	○	39	24	14	●	28	11
Net Service Expenditure	90	137	(47)	○	317	278	39	●	326	(9)

(Underspend)/(Higher income) or equal to budget = ○ Overspend/Lower income by 5% or less = ◐ Overspend/Lower income by more than 5% = ●
Tables may be subject to rounding

- 5.0 The operating income variance to budget in the year to date and in the full-year forecast, is mainly due to cash received for the surrender of accommodation leases and recovery of project costs.
- 5.1 Operating expenditure in the year to date and full year includes rephasing of implementation costs for the accommodation strategy and forecast savings shortfalls in Information Management (IM). Forecast reductions since last quarter include savings on IM contracts, reduced accommodation costs and efficiencies in Planning from bringing work in-house, as well as timing differences on Congestion Charging camera refurbishment.
- 5.2 Capital income in the year to date was higher than budget as a result of additional income from property sales. The full-year forecast has been increased to reflect this.
- 5.3 Capital expenditure in the year to date was below budget due to delays on the Integrated Transport Smartcard Organisation (ITSO) project and the delayed start of IM projects.
- 5.4 Capital expenditure is forecast to be £20m higher than budget in the full year. This is due to expenditure on the Future Ticketing Project brought forward and a timing difference on the ITSO project expenditure. The ITSO project is fully funded by the DfT. The quarter two forecast movement is due to expenditure on the Future Ticketing Project being brought forward.
- 5.5 Compared to budget, there were 4.7 per cent fewer staff in the Corporate Directorates at the end of quarter two.

Group items

Group Items £m	Year to date (Operating Periods 1-6)				Full year					
	Actual	Budget	Variance	Status	Forecast at Q2	Budget	Variance	Status	Forecast at Q1	Variance
Interest Income	(3)	(3)	-	○	(7)	(5)	(2)	○	(5)	(2)
Debt Servicing	102	104	(2)	○	259	270	(12)	○	200	58
Contingency/Other Group Items	3	82	(79)	○	237	291	(54)	○	289	(52)
Total Group Items	102	183	(81)	○	489	556	(67)	○	484	5

(Underspend)/(Higher income) or equal to budget = ○ Overspend/Lower income by 5% or less = ● Overspend/Lower income by more than 5% = ●
Tables may be subject to rounding

- 6.0 The debt servicing full-year forecast at quarter two is higher than the forecast at quarter one due to the transfer of the Tube Lines debt service budget, which was previously reflected in a higher infrastructure charge budget in LU.
- 6.1 Contingency and other group items expenditure was lower than forecast and lower than budget in the year to date. This is due to a reduced contingency requirement, in the light of performance to date, and the nature of contingency (where the budget is evenly phased and funds drawn down as required).

Savings Programme

Savings £m	Year to date Actual	Forecast at Q2	Target	Variance	Forecast at Q1	Forecast Variance
Corporate and Group Wide	73	137	141	(4)	141	(4)
London Rail	4	8	8	-	9	(1)
London Underground	104	259	241	18	209	50
Surface Transport	60	142	136	6	144	(4)
Total Gross Saving	241	546	526	20	503	43
Implementation cost	(10)	(67)	(79)	12	(82)	15
Total Net Savings	231	479	447	32	421	58

Highlights

- 7.0 On a gross basis £546m of savings are forecast for the year, £20m above target. This updated forecast redresses and exceeds the expected under delivery stated at the end of quarter one. The improvement is driven principally by the identification of an additional £50m of savings for this financial year by LU.
- 7.1 £241m (46 per cent) of savings has been secured in the first two quarters.
- 7.2 Implementation costs are forecast to be £12m below target this year. This leaves the expected net position for 2010/11 at £32m better than target.
- 7.3 These changes mean that the programme will deliver against its target, although there are some minor changes to spend profile.

Risks and Mitigation

- 7.4 The forecast for Information Management (IM) savings at quarter two is £24m against a target of £45m. IM is unlikely to fully close the savings gap in 2010/11. However during quarter two, nine new cost savings opportunities were identified as potential sources of mitigation.
- 7.5 The Accommodation Strategy forecast at quarter two for the full financial year is £9m short of target. The Strategy has now been re-focussed to concentrate occupation in, and make better use of, TfL's freehold and long lease portfolio (such as 172/200 Buckingham Palace Road and Victoria Station House), and works have begun to enable staff to be relocated accordingly.

Balance Sheet

Quarter Two

Transport for London Group Balance Sheet at end of Quarter 2 £m	Actual	Variance to Budget
Fixed Assets – (higher) / lower than budget	22,575	216
Stocks, Debtors and Payments in Advance – (higher) / lower than budget	824	(322)
Cash – (higher) / lower than budget	1,359	(70)
Creditors and Receipts in Advance-higher / (lower) than budget	(4,655)	(26)
Prudential Borrowings – higher / (lower) than budget	(4,118)	-
Deferred Capital Grant – higher / (lower) than budget	(10,656)	119
Provisions – higher / (lower) than budget	(2,664)	(150)
Total Net Assets – (higher) / lower than budget	2,665	(233)

- 8.0 It should be noted that the actual and forecast balance sheets shown in this report represent a consolidated position for TfL and its subsidiaries, excluding the Tube Lines subsidiaries. These will be incorporated for quarter three reporting once the audited acquisition balance sheet has been confirmed.
- 8.1 Fixed assets are £216m lower than budget mainly due to activity variances of £211m. In addition depreciation is marginally ahead of budget.
- 8.2 Stock, debtors, payments in advance and accrued income are £322m above budgeted levels. Of this, some £330m is within TfL centre and reflects the cash paid to date for the purchase of shares in Tube Lines (£160m) and settlement of Tube Lines (Finance) plc's Class C and Class D Loan Notes (£140m) both of which are being held in current assets until the fair value exercise for the acquisition is completed. In addition, the accrual for ODA grant is £30m above budget due to movement of payment milestones back to 2011. The remaining difference reflects minor trading fluctuations across the group.
- 8.3 Cash is £70m above budget as a result of lower net service expenditure (excluding Crossrail) of £523m, offset by the cash outflow for the Tube Lines purchase of £300m (as in paragraph 8.2 above), faster than budgeted settlement of liabilities for acquisition of properties for the Crossrail project (£49m), the non-receipt of the ODA grant referred to above (£30m), and working capital differences (£74m).
- 8.4 Creditors and receipts in advance are £26m lower than budget, reflecting activity underspends to date.
- 8.5 Deferred capital grants are £119m lower than budget. Of this, some £7m is in respect of lower contributions from third parties. The remainder is the non-cash effect of the grant accounting process.

- 8.6 Provisions are £150m below budget. This is as a result of revised assumptions and timing differences for property purchases in respect of the Crossrail project (£160m) offset by higher provisions in LU due to delays in the frontline change programme.

Full year Forecast

Transport for London Group Balance Sheet Forecast for the Year End £m	Forecast	Variance to Budget
Fixed Assets – (higher) / lower than budget	23,726	162
Stocks, Debtors and Payments in Advance – (higher) / lower than budget	805	(315)
Cash – (higher) / lower than budget	1,336	71
Creditors and Receipts in Advance-higher / (lower) than budget	(4,641)	37
Prudential Borrowings – higher / (lower) than budget	(4,949)	135
Deferred Capital Grant – higher / (lower) than budget	(11,207)	546
Provisions – higher / (lower) than budget	(2,494)	(298)
Total Net Assets – (higher) / lower than budget	2,576	338

- 8.7 The forecast for fixed assets is £162m below budget. Of this, some £95m is for lower cost of additions, primarily for Crossrail property where full advantage is being taken of favourable market conditions. The remainder of the variance is for higher depreciation and higher book value of disposals.
- 8.8 Stock, debtors etc are £315m higher than budget. As above, this is largely due to the effects full-year costs of the purchase of Tube Lines, subsequent settlement of the Class C and Class D Loan Notes (£300m, see 8.2 above), and repayment of Tube Lines' external borrowings (£327m), which is being temporarily held in current assets until the conclusion of the fair value exercise required following acquisition.
- 8.9 Cash is forecast to be below budget by £71m. This is due to acquisition costs relating to Tube Lines (£327m, as above) and earlier than budgeted settlement of liabilities for Crossrail properties (£217m), together with a £96m reduction in Transport and other grants following a revised settlement from the Government. Offsetting this is the cash impact of lower activity spend (excluding Crossrail) of £391m, together with £135m additional borrowings to fund the repayment of the Tube Lines Class C and Class D Loan Notes, and other working capital improvements of £43m.
- 8.10 Creditors and receipts in advance are expected to be £37m higher than budgeted at year end, with lower long-term and capital creditors offset by higher levels of revenue creditors across the Group.

- 8.11 Prudential borrowing is expected to be £135m higher than originally budgeted. This is due to the refinancing within the Corporation of the Tube Lines Class C and Class D Loan Notes.
- 8.12 The variance on deferred capital grant again results from the non cash effects of the grant accounting process.
- 8.13 Provisions are forecast to be £298m below budget again due to revised assumptions and timing differences on Crossrail related property purchases.

Appendix one: Operational summary

20010/11 Key Performance Indicator	Unit	Quarter 2				Full year			
		Actual	Var	Status	LY	Forecast	Var	Status	LY
Contextual Indicators									
Service Demand									
Passenger Journeys - LU	m	250.1	18.0	○	237.1	1,098.0	61.0	○	1,064.7
Passenger Journeys - Buses	m	520.8	28.2	○	511.7	2,284.0	101.0	○	2,257.4
Passenger Journeys - DLR	m	17.4	0.7	○	15.8	74.4	-	○	69.4
Passenger Journeys - Trams	m	6.2	-	○	5.8	26.8	-	○	26.5
Passenger Journeys - River Services	'000s	1,312.2	(2.8)	●	1,407.5	4,049.0	49.0	○	4,169.2
Total Trips - Dial a Ride	'000s	307.2	(1.2)	●	284.2	1,350.0	-	○	1,254.7
Supporting Economic Development									
Excess Journey Time (Weighted) - LU	Mins	6.1	(0.6)	○	6.1	6.5	(0.2)	○	6.4
% Scheduled Services Operated - LU	%	96.1	(0.2)	●	97.2	96.3	-	○	96.6
Excess Wait Time, High Freq Routes - Buses	Mins	0.92	(0.13)	○	1.05	1.00	(0.13)	○	1.12
% Scheduled Services Operated - Buses	%	97.9	0.3	○	97.6	97.5	0.1	○	97.1
On Time Performance - DLR	%	97.7	1.7	○	95.4	96.0	-	○	94.8
% Scheduled Services Operated - DLR	'000s	97.7	(0.3)	●	98.3	98.0	-	○	97.2
On Time Performance (PPM Moving Annual Average) - LO	%	94.2	1.0	○	92.5	93.2	-	○	93.2
% Scheduled Services Operated - Trams	%	99.4	1.4	○	97.3	98.0	-	○	98.6
Cycle usage on TLRN (Index Mar 2000 = 100)	Index	281	8	○	244	242	2	○	217
Quality of Life									
Overall Customer Satisfaction - LU	Score	80.0	1.0	○	80.0	not applicable			79.0
Overall Customer Satisfaction - Buses	Score	81.0	2.0	○	79.0	79.0	-	○	81.0
Overall Customer Satisfaction - DLR	Score	82.0	2.0	○	not applicable	80.0	-	○	not applicable
Overall Customer Satisfaction - Trams	Score	85.0	(1.0)	●	85.0	86.0	-	○	86.3
Overall Customer Satisfaction - London Overground	Score	81.0	6.0	○	not applicable	75.0	-	○	78.5
Overall Customer Satisfaction - Dial-a-Ride	Score	93.0	-	○	2.0	93.0	-	○	-
Ensuring Safety and Security									
Number of killed or seriously injured people (Londonwide) *	#	757	228	●	821	2,807	(535)	○	3,178
Recorded Crime (per million journeys) - LU/DLR **	#	11.6	(1.3)	○	13.0	11.7	(1.2)	○	13.2
Recorded Crime (per million journeys) - Buses **	#	10.4	0.2	●	10.4	10.5	0.3	●	11.1

○: better than or equal to target; ●: within 5% of target; ●: 5% or more worse than target

Tables may be subject to rounding

FTE = Full Time Equivalents

PY = Prior Year

* Due to the reporting process and nature of road traffic accident data the latest data available and included in the Q2 section above is for March - May 2010.

** The latest data available for recorded crime is for calendar months, July - September 2010.

Appendix two: Financial summary

£m	2010/2011							
	Year to date				Full year			
	Actual	Budget	Variance to budget	Status	Forecast at Q2	Budget	Variance to budget	Status
Fares income - LU, buses and LR	(1,435)	(1,367)	(68)	○	(3,159)	(3,005)	(153)	○
Other income	(322)	(290)	(32)	○	(659)	(626)	(33)	○
Total operating income	(1,757)	(1,657)	(100)	○	(3,817)	(3,631)	(186)	○
Operating expenditure net of third party contributions	2,539	2,677	(138)	○	5,577	5,693	(116)	○
Operating margin	782	1,020	(238)	○	1,759	2,061	(302)	○
Interest income and debt payments	99	101	(2)	○	252	265	(13)	○
Contingency/other group items	3	82	(79)	○	237	291	(54)	○
Total group items	102	183	(81)	○	489	556	(67)	○
Margin	884	1,203	(319)	○	2,248	2,618	(369)	○
Capital income (including property sales)	(23)	(12)	(11)	○	(37)	(29)	(8)	○
Capital expenditure	830	1,030	(200)	○	2,147	2,170	(23)	○
Third party contributions	(38)	(45)	7	●	(87)	(96)	8	●
Net capital expenditure (excl Crossrail)	769	973	(204)	○	2,023	2,045	(22)	○
Net service expenditure (excl Crossrail)	1,653	2,176	(523)	○	4,272	4,663	(391)	○
Capital expenditure - Crossrail	213	316	(103)	○	663	734	(72)	○
Net service expenditure (TfL)	1,866	2,492	(627)	○	4,934	5,397	(463)	○

(Underspend)/(Higher income) or equal to budget = ○ Overspend/Lower income by 5% or less = ● Overspend/Lower income by more than 5% = ●
 Tables may be subject to rounding

Operating Income

2009/2010

2010/2011

2010/2011

Prior Year

Year to date

Full year

Year-to-date	Operating Income £m	Actual	Budget	Variance	Status	Forecast at Q2	Budget	Variance	Status
(804)	London Underground	(860)	(816)	(44)	○	(1,887)	(1,792)	(95)	○
-	Tube Lines	(13)	(13)	-	○	(43)	(43)	-	○
(711)	Surface Transport	(772)	(741)	(32)	○	(1,656)	(1,592)	(64)	○
(58)	London Rail	(76)	(73)	(3)	○	(170)	(167)	(3)	○
(14)	Group Directorates	(36)	(14)	(22)	○	(61)	(37)	(24)	○
(1,587)	Total Operating Income	(1,757)	(1,657)	(100)	○	(3,817)	(3,631)	(186)	○

(Underspend)/(Higher income) or equal to budget = ○ Overspend/Lower income by 5% or less = ◐ Overspend/Lower income by more than 5% = ●
Tables may be subject to rounding

Operating Expenditure

2009/2010

2010/2011

2010/2011

Prior Year

Year to date

Full year

Year-to-date	Operating Expenditure - Net of third Party £m	Actual	Budget	Variance	Status	Forecast at Q2	Budget	Variance	Status
1,126	London Underground	1,025	1,128	(104)	○	1,996	2,137	(141)	○
-	Tube Lines	81	85	(4)	○	307	316	(9)	○
1,190	Surface Transport	1,158	1,179	(21)	○	2,605	2,612	(7)	○
128	London Rail	144	150	(5)	○	329	337	(7)	○
157	Group Directorates	131	135	(5)	○	339	291	48	●
2,601	Total Operating Expenditure	2,539	2,677	(138)	○	5,577	5,693	(116)	○

(Underspend)/(Higher income) or equal to budget = ○ Overspend/Lower income by 5% or less = ◐ Overspend/Lower income by more than 5% = ●
Tables may be subject to rounding

Capital Expenditure

2009/2010

2010/2011

2010/2011

Prior Year

Year to date

Full year

Year-to-date	Net Capital Expenditure £m	Actual	Budget	Variance	Status	Forecast at Q2	Budget	Variance	Status
489	London Underground	514	605	(92)	○	1,262	1,261	-	○
-	Tube Lines	47	78	(31)	○	249	252	(4)	○
89	Surface Transport	128	135	(7)	○	282	260	22	●
302	London Rail	90	139	(49)	○	196	248	(52)	○
31	Group Directorates	14	27	(13)	○	72	53	19	●
911	Net Capital Expenditure (excl Crossrail)	792	985	(193)	○	2,060	2,074	(14)	○
(38)	Capital Income (excl Crossrail)	(23)	(12)	(11)	○	(37)	(29)	(8)	○
874	Net Capital (Exc Crossrail)	769	973	(204)	○	2,023	2,045	(22)	○
536	Crossrail	213	316	(103)	○	663	734	(72)	○
1,410	Net Capital (TfL)	982	1,289	(307)	○	2,671	2,765	(94)	○

(Underspend)/(Higher income) or equal to budget = ○ Overspend/Lower income by 5% or less = ◐ Overspend/Lower income by more than 5% = ●
Tables may be subject to rounding

Appendix three: Balance sheet

Balance Sheet £m	Year to date			Full year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Fixed Assets						
Tangible Assets	22,575	22,791	216	23,726	23,888	162
Current Assets						
Stocks	29	18	(11)	24	18	(6)
Debtors	547	249	(298)	577	247	(330)
Capital Debtors	22	10	(12)	22	10	(12)
Payments in Advance	226	225	(1)	182	215	33
Cash at Bank and in Hand	1,359	1,289	(70)	1,336	1,407	71
Current Liabilities						
Revenue	(1,012)	(963)	49	(941)	(870)	71
Receipts in Advance	(278)	(275)	3	(305)	(305)	-
Capital	(356)	(429)	(73)	(398)	(406)	(8)
Long Term Liabilities						
Balances with Infracos	(1,932)	(1,938)	(6)	(1,935)	(1,953)	(18)
Creditors Due after One Year	(1,077)	(1,076)	1	(1,062)	(1,070)	(8)
Prudential Loans	(4,118)	(4,118)	-	(4,949)	(4,814)	135
Capital Grants	(10,656)	(10,537)	119	(11,207)	(10,661)	546
Other Provisions	(521)	(671)	(150)	(351)	(649)	(298)
Pension Provision	(2,143)	(2,143)	-	(2,143)	(2,143)	-
Total Net Assets	2,665	2,432	(233)	2,576	2,914	338
Capital and Reserves						
Earmarked Reserves	1,163	849	(314)	1,168	1,379	211
Pension Reserves	(2,143)	(2,143)	-	(2,143)	(2,143)	-
General Fund	154	154	-	154	154	-
Other Reserves	3,491	3,572	81	3,397	3,524	127
Total Capital Employed	2,665	2,432	(233)	2,576	2,914	338
Sponsor funding account	790	875	85	714	958	244
Other cash	569	414	(155)	622	449	(173)

Appendix four: Cash summary

Cash Summary In / (Out) Flow £m	Year to date			Full year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Margin (from Annex 1)	(884)	(1,203)	(319)	(2,248)	(2,618)	(370)
Working Capital Movements	(346)	122	468	(558)	(5)	553
Cash Spend on Operating Activities	(1,230)	(1,081)	149	(2,806)	(2,623)	183
Net Capital Expenditure (from Annex 1)	(769)	(973)	(204)	(2,023)	(2,045)	(22)
Crossrail (from Annex 1)	(213)	(316)	(103)	(663)	(734)	(71)
Working Capital Movements	(95)	(10)	85	(53)	(33)	20
Cash Spend on Capital Activities	(1,077)	(1,299)	(222)	(2,739)	(2,812)	(73)
Funded by:						
Transport and Other Grants	2,152	2,155	3	4,529	4,625	96
Precept Funding	5	5	-	12	12	-
Prudential Borrowing	-	-	-	831	696	(135)
Total Funding	2,157	2,160	3	5,372	5,333	(39)
Net Movement in Cash	(150)	(220)	(70)	(173)	(102)	71