Finance and Policy Committee

Date: **27 November 2012**

Item 5: **Operational and Financial Performance Report – Second Quarter 2012/13**

This paper will be considered in public

1 Summary

1.1 This paper informs the Committee of TfL's Operational and Financial Performance during the second quarter of 2012/13 (24 June 2012 – 15 September 2012).

1.2 The report will be considered by the Board at its meeting on 12 December 2012.

2 Recommendation

2.1 **The Committee is asked to note the report.**

List of appendices to this report:

Appendix 1 – Operational and Financial Performance Report – Second Quarter 2012/13

List of Background Papers:

None

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Operational and Financial Performance Report - Second Quarter, 2012/13

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

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

TfL performance summary

Demand: Quarter 2 saw incredibly high demand across the network, with buoyant Games demand more than offsetting changes to regular passengers' travel plans. On Tuesday 7 August, passengers made a record 4.52 million journeys on the Underground.

Service: Service reliability over the quarter was better than target across the network and remained robust during the Games period. On the Underground, Excess Journey Time (EJT) was less than five minutes for the first time ever in Period 6. Customer Satisfaction Survey (CSS) results were positive for Quarter 2, exceeding targets in many areas and reaching record highs on part of the network. During the Games, almost 4,000 of TfL's non-operational staff were deployed as Travel Ambassadors and Incident Customer Service Assistants (ICSAs), making an essential contribution to the smooth running of the service during the 2012 Games.

Customer feedback: Despite record demand during the Games, London Underground registered the lowest complaints figure that any UK rail operator has achieved in the past five years; just over one complaint per 100,000 passenger journeys. London Overground recorded its best ever complaints rate in a single quarter of 2.76 per 100,000 passenger journeys, while London Buses' complaints rate remained stable at 2.30 complaints per 100,000 passenger journeys. The complaints rate for Barclays Cycle Hire halved to 2.83 complaints per 100,000 trips in spite of an uplift in new membership applications and an increase in casual users during the Games. London River Services recorded only a single complaint in the quarter. Complaints data from across all TfL services can be found at: tfl.gov.uk/transparency/

Financial Performance: Operating income in the year to date was £22m above Budget. Fares income was 1.4 per cent higher than budget with higher demand growth across Underground, Docklands Light Railway (DLR), London Overground (LO) and Emirates Air Line (EAL) augmented by the effects of the Games. There was slightly lower fares income on Buses due to industrial action in June and, as expected, fewer fare paying passengers during the Games period as services in central London were reduced. Over the full year, demand increases are forecast to be slightly offset by a lower than budgeted fares change from January 2013, a result of lower than predicted inflation rates coupled with the Chancellor's announcement to restrict Travelcard increases to RPI plus one per cent. TfL will receive additional government grant of £96m to keep the fares package lower than expected. Despite the lower than anticipated fares rise, overall full-year fares income is forecast to be £12m up from the previous forecast.

Operating expenditure (net of third-party contributions) was £18m higher than budget in the year to date largely due to additional costs related to the Olympic and Paralympic Games, particularly the Games Bus Settlement which provided enhanced bonuses to Bus drivers. TfL expects to recover these costs from the

Olympic Delivery Authority (ODA) and London Organising Committee of the Olympic and Paralympic Games (LOCOG) through a combination of grant, third-party funding and payments for free travel. All Games operating enhancements were delivered at no additional cost to TfL or to fare payers. These cost increases were offset slightly by rephasing of projects in the Corporate Directorates.

Operating expenditure is forecast to increase in the full year compared to the Quarter 1 forecast by £16m, partly due to payments to Powerlink to terminate the Power Private Finance Initiative (PFI) contract which is forecast to provide significant savings in future years. This is partly offset by slippage on Local Implementation Plan major schemes and a reclassification of IT expenditure in Tube Lines.

Net capital expenditure (excluding Crossrail) was £224m less than budget in the year to date mainly because of revised phasing. However, the full-year forecast has increased by £128m since Quarter 1, reflecting re-profiling, including an acceleration of land purchase associated with the Bank capacity upgrade and property development income reprofiled to future years.

Crossrail capital expenditure was £46m less than budget in the year to date largely due to revised phasing including on tunnelling at the west portal.

Savings: In the year to date £649m (gross) savings have been delivered, which was £37m below target principally due to a reprofiling of property sales income into future years. This is reflected in the full-year forecast position of £101m (gross) below target, which also reflects the upfront cost of restructuring the Power PFI contract in London Underground. It is expected that this deficit will be fully offset by higher savings in future years.

Staff: At the end of Quarter 2, TfL employed 27,812 Full time equivalent (FTE) staff (excluding those on maternity leave). This was 209 fewer than budget due to delayed recruitment in LU and a high number of vacancies across Surface. These were partly offset by additional temporary project resource in Tube Lines and in Crossrail, where a number of agency staff that were previously employed by Programme Delivery Partners have transferred to Crossrail where a new cost reduction strategy in place.

London Underground

Operational Performance

London Underground Performance	Units	Quarter 2 2012/13			Full Year 2012/13		
		Actual	Vs target	Vs last year	Forecast	Vs target	Vs last year
LU							
Passenger Journeys	m	288.1	25.1	24.8	1,222.0	45.0	51.5
% Scheduled Services Operated	%	98.2	1.2	1.3	97.0	-	-
Excess Journey Time (Weighted)	Mins	5.01	(0.70)	(0.70)	5.82	(0.03)	(0.02)
Overall CSS – London Underground	Score	83	3	4	80	-	-
LU and DLR: recorded crime per million passenger journeys	#	9.5	0.1	(1.3)	9.6	-	-

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

1.0 Underground demand exceeded target in Quarter 2 with additional demand during the Olympic Games in Period 5 and the Paralympic Games in Period 6, more than offsetting weaker underlying demand growth. During the Games, for the first time in history, on Tuesday 7 August, Underground passengers made 4.52 million journeys.

1.1 Enhanced train timetables were operated and engineering works suspended during the Games period leading to record levels of performance. In Period 6, both the percentage of scheduled services operated and excess journey time were at record levels. Over Quarter 2 as a whole, the percentage of scheduled services operated was 98.2 per cent, bettering the target by 1.2 per cent. Excess journey time averaged 5.01 minutes over the quarter and was under 5 minutes for the first period ever in Period 6.

1.2 London Underground's Customer Satisfaction Survey improved by 1 point to a new record of 83 in Quarter 2, while during the Games period, Customer Satisfaction reached a record high score of 85. Staff visibility and helpfulness measures during the Games were enhanced by non-operational staff from across different disciplines being deployed as 'Travel Ambassadors' and Incident Customer Service Assistants (ICSAs) to support operations.

1.3 Crime rates this quarter remained at the same level as last quarter.

Financial Performance

London Underground £m	Year to date (Periods 1-6) 2012/13 Actual	Vs Budget	Full Year 2012/13 Forecast at Q2	Vs Forecast at Q1	Vs Budget
Fares Income	(957)	(12)	(2,147)	14	(14)
Other Operating Income	(77)	(3)	(168)	(2)	(6)
Total operating Income	**(1,034)**	**(15)**	**(2,315)**	**12**	**(20)**
Operating Expenditure (net of third-party contributions)	823	22	1,892	57	64
Net Capital Expenditure	483	(51)	1,004	64	(144)
Net Service Expenditure	**272**	**(43)**	**581**	**133**	**(100)**

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

1.4 Underlying passenger demand remains higher than budgeted, but is slightly below the levels forecast in the first quarter. The Quarter 2 full-year fares income forecast has been reduced to reflect the lower January fare change due to the revised fares policy and a lower RPI.

1.5 Operating expenditure to date is higher than budget due to additional maintenance and staff costs related to the Olympic and Paralympic Games. This will be funded through additional grant from the ODA. The full year is forecast to be £64m over budget, primarily as a result of the inclusion of the costs of bringing the Powerlink PFI contract in house, which will result in significant savings in future years. This is also reflected in the variance to the first quarter forecast.

1.6 Net capital expenditure was £51m below budget in the year to date, mainly due to rephasing of Track and Station works to after the Olympics. The full-year forecast is £144m lower than budget, primarily due to the adoption of a less aggressive forecast on major congestion relief schemes, most noticeably the Victoria Station Upgrade, which were incorporated in the previous forecast. The forecast at Quarter 2 also reflects some accelerated land purchases associated with the Bank Station Capacity Upgrade. The majority of the underspend will unwind in future years and there are no issues with regard to programme milestone delivery.

1.7 At the end of Quarter 2, London Underground employed 18,026 FTE, 191 FTE fewer than budget, as a result of delayed recruitment of Capital Programmes staff due to rephasing of project work as well as higher attrition rates of operational staff. The forecast for the end of the year is now 18,315 FTE, 298 FTE higher than budget. Additional operational staff to drive increased reliability plus lower than expected attrition rates in maintenance account for the majority of this increase.

Tube Lines

Financial Performance

Tube Lines £m	Year to date (Periods 1-6) 2012/13 Actual	Vs Budget	Full Year 2012/13 Forecast at Q2	Vs Forecast at Q1	Vs Budget
Operating Income	(5)	(0)	(12)	1	(1)
Operating Expenditure (net of internal income)	183	18	395	(22)	28
Net Capital Expenditure	88	(41)	231	9	(55)
Net Service Expenditure	**266**	**(23)**	**614**	**(12)**	**(28)**

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

2.0 Operating income forecast was reduced by £0.5m at Quarter 2 to reflect the delayed commencement of the management of an external fleet.

2.1 Operating expenditure was £18m above budget in the year to date due to the reclassification of certain items of group income and capital expenditure (£16m). The underlying variance of £2m relates to additional maintenance works in advance of the Olympic and Paralympic games. The full-year impact of these items is reflected in the Quarter 2 forecast.

2.2 Capital expenditure was £41m below budget in the year to date, due largely to rephasing of contractor costs for the Northern line Transmission Based Train Control (TBTC) upgrade (£23m), bridge painting and civil works (£9m) and the capital element of the reclassification noted above (£8m). These movements were largely reflected in the Quarter 1 full-year forecast. The additional increase from the Quarter 1 to Quarter 2 forecast is driven by a reclassification of IT expenditure.

2.3 At the end of Quarter 2, Tube Lines employed 2,637 FTE staff, 78 FTE (3 per cent) more than Budget. The full-year forecast of 2,679 FTE is 138 FTEs higher than budget. This is mainly due to additional temporary project resource required for additional works.

Operational Performance

London Rail Performance	Units	Quarter 2 2012/13 Actual	Vs target	Vs last year	Full Year 2012/13 Forecast	Vs target	Vs last year
DLR							
Passenger Journeys	m	27.2	4.1	8.2	102.6	9.3	16.5
% Scheduled Services Operated	%	98.7	0.7	1.1	98.0	-	0.4
On-time performance	%	98.9	1.7	1.4	97.2	-	(0.3)
Overall CSS – DLR	Score	85	3	2	82	-	(1)
London Overground							
Passenger Journeys	m	29.4	5.8	6.5	121.2	15.0	18.6
PPM London Overground (MAA)	%	96.7	0.9	1.2	95.8	-	(0.8)
Overall CSS – London Overground	Score	83	3	2	80	-	(2)
Trams							
Passenger Journeys	m	7.2	0.4	0.8	30.5	0.7	2.0
% Scheduled Services Operated	%	98.7	0.7	0.6	98.0	-	(1.0)
Overall CSS - Tramlink	Score	87	1	1	86	-	1

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

3.0 All areas of London Rail continued their excellent performance, reflected in the CSS results for the Quarter 2. DLR is three points above target and two points above last year. London Overground exceeded its target by three points with a score of 83, an increase of one point from the previous quarter, reflecting the positive impact of the Games and the enhanced services operated during the Games. The Trams score was 87, which was one point above both target and Quarter 2 last year.

3.1 DLR passenger journeys for the second quarter totalled 27.2 million, a 43 per cent improvement on the same period in 2011/12, driven by both the large numbers of passengers who travelled on the DLR network during the Games period and stronger underlying demand. The sixteen days of the Olympics saw growth of 105 per cent versus last year. The DLR full-year forecast has now increased by 19 per cent to 102.6 million passenger journeys for the full year.

3.2 Excellent DLR performance during the whole quarter (and particularly during the Games) resulted in On-time service reliability (at 98.9 per cent) beating target by 1.7 per cent and the Scheduled Services Operated score of 98.7 per cent being 0.7 per cent ahead of target.

3.3 London Overground (LO) continues to stand second in the national table for Public Performance Measure (PPM) MAA, with a score of 96.7 per cent, 0.9 per cent above target. Demand continues to increase to record levels, with 29.4 passenger journeys in Quarter 2, representing growth of 28 per cent against last year. Over the sixteen days of the Olympics, there were 57 per cent more Overground passenger journeys than on the same days last year. The LO forecast has been increased to 121.2 million passenger journeys for the full year (up by 19 per cent) as a result of this underlying demand growth and the impact of the Games.

3.4 Trams passenger journeys totalled 7.2 million for Quarter 2, which was 13 per cent higher than last year. This is matched by the high percentage of scheduled service operated, 0.7 per cent better than target at 98.7 per cent.

3.5 Total passengers on the Emirates Air Line (EAL) between the opening date of 28 June 2012 and the end of the Quarter 2, were 1.15 million, significantly higher than expected, with particularly high numbers during the Games period. The operational performance has been very good, with availability of 98.5 per cent to the end of Quarter 2. An initial customer satisfaction score of 92 has been recorded.

Financial Performance

London Rail £m	Year to date (Periods 1-6) 2012/13		Full Year 2012/13		
	Actual	Vs Budget	Forecast at Q2	Vs Forecast at Q1	Vs Budget
Fares Income	(120)	(13)	(272)	(19)	(25)
Other operating Income	(4)	2	(11)	(1)	4
Total Operating Income	**(124)**	**(12)**	**(283)**	**(19)**	**(21)**
Operating Expenditure (net of third-party contributions)	164	(3)	345	(1)	2
Net Capital Expenditure	55	(69)	82	(12)	(66)
Net Service Expenditure	**95**	**(83)**	**145**	**(33)**	**(85)**

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

3.6 Fares income to date is £13m above budget due to a combination of a greater number of passenger journeys on DLR and London Overground, arising from a series of high attendance events ahead of the Games, the Games themselves and initial passenger numbers on the Emirates Air Line being much greater than predicted. The full-year impacts are reflected in the latest full-year forecast of £272m, which is £25m above budget. Other operating income is £4m under budget mainly due to funding of station works which are now due to take place in 2013/14.

3.7 Operating expenditure net of third-party contributions to date is £3m under budget due to changes in the timing of DLR and London Overground costs more than offsetting additional DLR Games requirements. These latter requirements along with additional Trams and DLR maintenance are reflected in the full-year forecast being increased to £2m (1 per cent) above budget.

3.8 Net capital expenditure in the year to date is £69m under budget mainly due to revised phasing on East London Line (ELL) Phase 2 capital project, which is also reflected in the full-year forecast variance to budget.

3.9 The commencement of the previously unbudgeted, but now prioritised, London Overground Capacity Improvement Project accounts for the headcount of 183 FTE being 10 FTE over budget at the end of the quarter, as well as a year-end forecast of 186 FTE, which is 25 FTE over budget.

Crossrail

Financial Performance

Crossrail £m	Year to date (Periods 1-6) 2012/13		Full Year 2012/13		
	Actual	Vs Budget	Forecast at Q2	Vs Forecast at Q1	Vs Budget
Net Service Expenditure	598	(46)	1,481	3	14

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

4.0 In the year to date, Crossrail spent £46m less than budget. Timing differences included the delayed start of tunnelling at the west portal, deferrals and rephasing caused by a change in the procurement strategy for tunnelling at the west portal, incorrect forecast phasing for the fit-out of Tunnelling and Underground Construction Academy which was incurred in previous periods, and the deferral of property acquisitions until later in the year. There were also some savings following the implementation of the Network Rail Interim Funding arrangement and savings on design costs.

4.1 The full-year forecast increase reflects property commitment being brought forward, partly offset by revised phasing of direct construction costs.

4.2 At the end of Quarter 2, Crossrail employed 633 FTE staff which was 64 FTE more than budget. A number of agency staff that were previously employed by Programme Delivery Partners (PDP) have transferred to Crossrail and there is a new cost reduction strategy in place where Crossrail will be recruiting staff for roles that were previously included in the PDP budget. This also explains why the forecast for the end of the year of 798 FTE exceeds the original budget by 209 FTE.

Surface Transport

Operational Performance

Surface Transport Performance	Units	Quarter 2 2012/13 Actual	Vs target	Vs last year	Full Year 2012/13 Forecast	Vs target	Vs last year
London Buses							
Passenger Journeys	m	535.5	4.6	13.9	2,382.0	26.0	37.5
% Scheduled Services Operated	%	97.7	0.1	-	97.4	(0.2)	(0.2)
Excess Wait Time	Mins	1.0	(0.1)	0.1	1.1	-	0.1
Overall CSS – Buses	Score	82	2	2	81	1	1
London Buses: recorded crime per million passenger journeys	#	8.8	(0.4)	(0.5)	9.3	-	-
Performance - Other Areas							
Cycling levels on the TLRN*	Index	305	(15)	11	270	(19)	(3)
Number of trips - Dial a Ride	m	0.3	-	-	1.4	-	-
Overall CSS - Dial a Ride	Score	92	-	1	92	-	1
TLRN Journey Time Reliability (am peak)	%	N/A	N/A	N/A	89.3	0.1	0.4
Overall CSS - Congestion Charging Scheme	Score	83	1	6	82	-	-
Cumulative reduction in KSI Londonwide - % reduction (from 05-09 baseline) (March – May 2012)	%	(17.9)	11.5	3.4	(22.2)	10.6	3.0

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

5.0 Bus passenger journeys in Quarter 2 were slightly higher than target by 0.9 per cent and 2.7 per cent higher than the same quarter last year. Quarter 2 this year included 3.7 million free Games Spectator journeys. However, during the Games period non-Games journeys were 4.0 million lower when compared to the same period last year.

5.1 The full-year forecast for bus passenger journeys has been increased by 26 million to 2,382 million, reflecting a combination of factors including stronger than expected journey growth and free travel for over 60s.

5.2 Scheduled services operated during Quarter 2 were 0.1 per cent better than target and unchanged compared to last year. Operations during the Olympics and Paralympics generally ran smoothly, with significant losses confined to those expected due to road events and to signal timing changes. Industrial action by drivers in June is the reason for the full-year forecast being 0.2 percentage points below target.

5.3 Quarter 2 results for Excess Wait Time (EWT) on high frequency routes reflected the move to a greatly expanded Quality of Service Indicators (QSI) system from the start of 2012/13. The change in Excess Wait Time compared with a year ago was broadly in line with expectations.

5.4 In Quarter 2 the average index of cycle flows on the TfL Road Network (TLRN) was 305, 4.8 per cent down on target, but 3.8 per cent higher than Quarter 2 last year. The variance to target was primarily driven by unfavourable weather conditions during July; a total of 87 millimetres of rain fell, over twice the monthly average. Cycle flows in August and September saw positive changes, driven by more favourable weather conditions and changes in demand, including a large rise in casual users on the Barclays Cycle Hire scheme during the Games. The full-year forecast reflects reduced cycle flows from April to June 2012, the wettest months since records began in 1910.

5.5 The usual Transport for London Road Network (TLRN) Journey Time Reliability (JTR) (AM peak) target was replaced during the Games period with the 'Operational Games Performance - TLRN JTR (AM peak) during the 2012 Games, which at 90 per cent exceeded the target of 75 per cent. London 2012 delivered extremely reliable Games family journey times, causing no athlete or official to be late for their event. In addition, due to the flexible management of Games Lanes, active and responsive traffic management and widely disseminated travel advice, the impact on regular traffic was kept to a minimum ensuring the rest of London also enjoyed good reliability.

5.6 Provisional data for Quarter 2 2012/13 (March 2012 to May 2012) indicates that the reduction in people killed or seriously injured (KSI) on London's roads compared to the 2005-09 baseline was 17.9 per cent. This was an increase of 3.4 per cent compared to Quarter 2 2011/12, the lowest number since 1986 (the earliest year of police reported casualty data for Greater London), but lower when compared to the same quarter in 2010/11 and 2009/10 by 7.9 per cent and 10.6 per cent respectively.

5.7 The target for this year was based on prior year performance; winter 2010/11 was the coldest since records began in 1910 and consequently casualties were significantly suppressed. As a result, meeting the Quarterly KPI targets for the remainder of 2012/13 may present challenges. However, it should be noted that considerable KSI casualty reductions have been achieved during Quarters 3 and 4 of previous years. Also, it is anticipated that KSI casualties during the Games period (for which results will be available at Quarter 3) will be lower as a result of reduced regular travel. The forecast is on track to achieve the required 40 per cent reduction in KSIs by 2020.

Financial Performance

Surface Transport £m	Year to date (Periods 1-6) 2012/13 Actual	Vs Budget	Full Year 2012/13 Forecast at Q2	Vs Forecast at Q1	Vs Budget
London Buses					
Bus Fares Income	(641)	2	(1,417)	2	2
Bus Contract Costs and Ticket Commission	829	6	1,795	2	3
Direct Bus Subsidy	**188**	**8**	**379**	**4**	**5**
Other Bus Income	(12)	(0)	(25)	(0)	(1)
Bus Operating Expenditure (net of third-party contributions)	44	(0)	96	(5)	(3)
Bus Capital Expenditure	4	(5)	23	1	4
Net Bus Service Expenditure	**224**	**3**	**473**	**0**	**5**
Other Surface Transport					
Other Operating Income	(153)	2	(341)	0	6
Other Operating Expenditure (net of third-party contributions)	369	(4)	805	(16)	(5)
Other Net Capital Expenditure	48	(11)	116	2	(60)
Net Service Expenditure	**489**	**(10)**	**1,053**	**(13)**	**(54)**

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

5.8 Bus fares income during the first half of the year was below budget primarily because of industrial action in June and fewer fare paying passengers during the Games period. The full-year forecast has been slightly reduced due to revised RPI, January Fares Revision assumptions and the Games effect. These were partially offset by increases due to economic factors, underlying demand, Travelcard and Freedom Pass increases.

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

5.10 Other bus operating expenditure was in line with budget in the year to date. The full-year forecast has reduced largely due to New Bus for London expenditure (NBfL) being capitalised.

5.11 Bus capital expenditure was £5m below budget in the year to date, largely due to Countdown 2 savings achieved and rephasing of Countdown 2 web development expenditure. The full-year forecast is higher than budget mainly due to NBfL expenditure, following the decision for TfL to purchase the buses rather than the Bus Operators, partially offset by Countdown 2 savings. The variance from the Quarter 1 forecast is due to the NBfL reclassification from revenue, partially offset by Countdown 2 savings.

5.12 In the year to date, other operating income was lower than budget, most notably due to the revised go-live for a number of Highways advertising sites, lower Cycle Hire income due to lower volumes and a higher proportion of free trips. Lower income was partly offset by favourable Speed

Awareness driver training income as a result of higher volumes. The full-year forecast for other operating income is lower than budget, largely due to Highways advertising site income being transferred to Corporate and Cycle Hire income expectations partly offset by favourable Speed Awareness driver training income.

5.13 Year to date other operating expenditure was below budget mainly due to Local Implementation Plan (LIP) Programme works which were rephased to later in the year due to the Games. Further underspends included Taxicard savings, Games advertising savings and rephasing on Cycle Superhighways due to the Better Junctions review. The above were partially offset by phasing variances on Olympic expenditure.

5.14 The full-year forecast is £5m lower than budget mainly due to slippage on LIPs major schemes of £7m and savings on Olympic Road Management and Taxicard. These are partly offset by additional Games expenditure which is funded by LOCOG and the ODA.

5.15 Other net capital expenditure was below budget by £11m mainly due to rephasing including Cycle Hire Phase 2, Signal Modernisation, Bridge safety and Tunnels safety, partially offset by accelerated expenditure on Roads Capital Renewals and Hammersmith Flyover in order to complete works ahead of the Olympics.

5.16 The full-year forecast is £60m below budget principally due to savings and project rephasing, of which the most significant item is Cycle Superhighways (due to the Better Junctions review).

5.17 At the end of Quarter 2, Surface Transport employed 3,336 FTE which was 183 FTE fewer than budget. This was primarily due to a high number of vacancies across Surface, including Roads, Congestion Charging and Community Safety, Enforcement and Policing directorates, which are now expected to be filled later in the year. Vacancies were partly offset by a small increase in Traffic Control specialist contractors working on the Games and Fault Control Operators. The full-year forecast at 3,360 FTE is 31 FTE higher than budget primarily due to increases in the Traffic Directorate to manage the lane rental scheme introduced in Quarter 1 and extend operational shifts in the LSTCC and Fault Control to enable faster and better targeted response to faults and improved incident management and reporting.

Corporate Directorates

Corporate Directorates £m	Year to date (Periods 1-6) 2012/13 Actual	Year to date (Periods 1-6) 2012/13 Vs Budget	Full Year 2012/13 Forecast at Q2	Full Year 2012/13 Vs Forecast at Q1	Full Year 2012/13 Vs Budget
Operating Income	(16)	4	(46)	(5)	(3)
Operating Expenditure (net of third-party contributions)	208	(25)	487	(2)	(44)
Net Capital Expenditure	(2)	(48)	80	65	46
Net Service Expenditure	**191**	**(69)**	**521**	**58**	**(1)**

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

6.0 Operating income was £4m lower than budget in the year to date. This was mainly driven by the rephasing of Spend-to-Save income at Quarter 1. This was partly offset by higher income in Customer Experience, Marketing and Communications (CEM&C) reflecting the popularity of Oyster card schemes and the introduction of an on-line payment facility. In the full year, operating income is forecast to be £3m higher than budget, mainly reflecting higher income from the introduction of the 60+ scheme in November 2012, and £5m higher than previously forecast, mainly driven by the transfer of advertising income from Surface Transport and higher income from the Oyster card schemes.

6.1 At Quarter 2, operating expenditure, net of third-party contributions, was £25m lower than budget. This was mainly due to rephasing of projects in Finance, CEM&C and OneHR. Also, there were savings in HR due to lower demand for staff training and lower costs relating to graduates. These factors are largely driving the full-year forecast variance of £44m compared to budget, but the forecast remains broadly in line with the previous quarter.

6.2 Net capital expenditure was £48m lower than budget in the year to date at Quarter 2. This is due to higher sale proceeds from Lots Road Power station, reprofiling of Spend-to-Save initiatives, rephasing of property and IM projects in Finance and reprofiling of the Future Ticketing Project (FTP) into next year. In the full year, capital expenditure is forecast to be £46m higher than budget. This is mainly due to reprofiling of property development sales into future years, but is partly offset by the reprofiling of expenditure on the FTP and projects in IM and One HR. These factors are also reflected in the full-year forecast movement since last quarter.

6.3 At Quarter 2, there were 2,998 FTE in the Corporate Directorates. This was 15 FTE higher than budget, largely reflecting project support in IM and CEM&C. The full-year forecast of 3,160 FTE is 203 FTE higher than budget. This is mainly driven by a higher number of temporary staff in Finance delivering IM projects and, in CEM&C, staff to provide technical support to the ticketing projects and TfL Online.

Group Items

Group items £m	Year to date (Periods 1-6) 2012/13		Full Year 2012/13		
	Actual	Vs Budget	Forecast at Q2	Vs Forecast at Q1	Vs Budget
Interest Income and debt service	114	(29)	278	(9)	(38)
Contingency and Other Group items	(5)	(89)	(11)	(164)	(177)
Net service expenditure	**109**	**(118)**	**267**	**(173)**	**(215)**

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

7.0 At Quarter 2, debt service continues to be below budget because the issue of long-term debt assumed to take place at the start of the year did not take place until Period 5.

7.1 Contingency and Other Group Items expenditure is lower than budget and the Quarter 1 forecast due to the removal of contingency provisions and the identification of savings as part of the new Business Plan.

Savings

Savings and Efficiencies £m	Year to date (Periods 1-6) 2012/13			Full Year 2012/13		
	Actual	Target	Vs Target	Forecast at Q2	Target	Vs Target
Corporate and Group Wide	221	269	(49)	483	538	(55)
Rail and Underground	267	261	6	509	565	(56)
Surface Transport	162	157	5	301	291	10
Gross	**649**	**687**	**(37)**	**1,293**	**1,394**	**(101)**
Implementation Costs	(4)	(51)	46	(91)	(101)	10
Net	**645**	**636**	**9**	**1,202**	**1,293**	**(91)**

Tables may be subject to rounding
Savings and Efficiencies are reported as positive numbers which means that a variance in brackets indicates lower achieved savings or higher implementation costs

8.0 In the year to date, the gross position of £37m less than target is primarily due to corporate savings which are £49m below target. Property sales income has been reprofiled into future years, with this shortfall offset by in-year reprofiling in commercial development implementation costs and favourable variances within LU and Surface Transport.

8.1 In the full year, the programme is forecast to be £101m (gross) below target for the full year. This is driven by the reprofiling of property sales income into future years coupled with the inclusion of £107m upfront costs associated with terminating the LU Powerlink PFI contract. Both of these items are expected to be fully offset by savings in future years. In year, savings on staff costs in LU and early delivery of Surface Transport initiatives partially offset the deficit.

Balance Sheet

Transport for London Group Balance Sheet at Quarter 2 £m	Actual	Variance to Budget	Forecast at Q2	Variance to Budget
Non-current assets – (higher) / lower than budget	26,613	249	27,848	274
Current assets (exc. cash & investments) – (higher) / lower than budget	638	(62)	617	(20)
Cash & investments – (higher) / lower than budget	3,558	(809)	3,701	(529)
Creditors - higher / (lower) than budget	(3,009)	22	(2,933)	6
Derivative liabilities - higher / (lower) than budget	(112)	30	(111)	29
Borrowings – higher / (lower) than budget	(7,848)	482	(7,539)	(9)
Provisions – higher / (lower) than budget	(2,547)	59	(2,504)	29
Total Net Assets – (higher) / lower than budget	17,293	(29)	19,079	(220)

9.0 Non-current assets were £249m below budget at the end of Quarter 2. Lower than planned capital expenditure activity of £264m was offset by higher long-term debtors of £15m mainly due to the advance funding of works to be undertaken by Network Rail on the Crossrail project. The Quarter 2 non-current asset forecast is £274m below budget, consisting of lower capital spend activity of £302m off-set by lower than planned disposals due to a reduction in scope of track works and station upgrades and lower depreciation following a review of track, signalling rolling stock and power supply assets.

9.1 Current assets were £62m higher than budget at the end of Quarter 2. Of this, £59m was in respect of ODA grant accruals, with payment now being expected later than assumed in the budget. Current Assets are forecast to be £20m higher than budget, with higher debtor balances expected in Underground in respect of the Lots Road property deal (£15m) and higher income accruals in Surface for Borough traffic signals and CCTV camera maintenance and recoverable road schemes (£6m).

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

9.3 Creditor movements for the year to date position are close to budget and are within expected trading variances. Creditor balances are forecast to be within £6m of the budget. However, this variance is the net of a reduction in finance lease creditors of £73m, following the termination payment to the Power PFI provider, offset by higher trade and capital creditors, predominantly in Crossrail due the acceleration of works and additional pile removals at the Liverpool Street site.

9.4 The derivatives position at Quarter 2 is based on market values. TfL is obliged to record the fair value of its derivatives on the balance sheet. However, as TfL only enters into such contracts to fix interest rates on its future borrowings, hedge accounting applies and any movement in the fair value of the derivative liability is recognised directly in reserves. The fair value liability is expected to reverse by maturity.

9.5 External borrowings at Quarter 2 were £482m above budget, this is because TfL took advantage of market conditions and issued new long term debt during period 5, with this new debt replacing existing short-term debt. This is a timing variance only which will be completely eliminated over the next two periods as short-term debt matures.

9.6 Provisions at the end of Quarter 2 were £59m higher than budget, primarily due to timing changes for payments against the Crossrail property provision in TfL. Forecast provisions are £29m higher than budget, again mainly due to lower than budget payments in the year for Crossrail property compensation claims.

Appendix One: Financial Summary

TfL Group £m	Year to date (Periods 1-6) 2012/13 Actual	 Vs Budget	Full Year 2012/13 Forecast at Q2	 Vs Forecast at Q1	 Vs Budget
Fares income	(1,718)	**(23)**	(3,835)	(2)	(36)
Other income	(272)	**1**	(613)	(9)	(5)
Total operating income	**(1,991)**	**(22)**	**(4,448)**	**(12)**	**(41)**
Operating expenditure (net of third-party contributions)	**2,626**	**18**	**5,824**	**16**	**49**
Operating margin	**636**	**(5)**	**1,376**	5	7
Interest income & debt service	114	**(29)**	278	(9)	(38)
Contingency and Other Group Items	(5)	**(89)**	(11)	(164)	(177)
Total Group Items	**109**	**(118)**	**267**	**(173)**	**(215)**
Margin	**745**	**(122)**	**1,643**	**(169)**	**(207)**
Net capital expenditure (excl. Crossrail)	677	**(224)**	1,538	128	(276)
Net service expenditure (excl. Crossrail)	**1,421**	**(346)**	**3,180**	**(40)**	**(483)**
Capital expenditure: Crossrail	598	**(46)**	1,481	3	14
Net service expenditure: TfL	**2,019**	**(392)**	**4,662**	**(38)**	**(468)**

Tables may be subject to rounding

Appendix Two: Balance Sheet

Balance Sheet £m	Year to Date Actual	Year to Date Budget	Year to Date Variance	Full Year 2012/13 Forecast at Q2	Full Year 2012/13 Budget	Full Year 2012/13 Variance
Intangible assets	95	103	8	122	123	1
Property, plant & equipment	26,007	26,260	253	27,247	27,518	271
Investment properties	307	310	3	288	290	2
Long term derivatives	-	-	-	-	-	-
Long term debtors	204	189	(15)	191	191	-
Non Current Assets	**26,613**	**26,862**	**249**	**27,848**	**28,122**	**274**
Stocks	42	38	(4)	40	38	(2)
Short term debtors	596	537	(59)	577	558	(19)
Short term derivatives	-	1	1	-	1	1
Cash and Investments	3,558	2,749	(809)	3,701	3,172	(529)
Current Assets	**4,196**	**3,325**	**(871)**	**4,318**	**3,769**	**(549)**
Short term creditors	(1,954)	(1,941)	13	(1,961)	(1,899)	62
Short term derivatives	(1)	(8)	(7)	-	(8)	(8)
Short term borrowings	(2,177)	(2,177)	-	(2,176)	(2,176)	-
Short term lease liabilities	(68)	(68)	-	(68)	(68)	-
Short term provisions	(141)	(141)	-	(141)	(141)	-
Current Liabilities	**(4,341)**	**(4,335)**	**6**	**(4,346)**	**(4,292)**	**54**
Long term creditors	(60)	(51)	9	(57)	(52)	5
Long term borrowings	(5,671)	(5,189)	482	(5,363)	(5,372)	(9)
Long term lease liabilities	(927)	(927)	-	(847)	(908)	(61)
Long term derivatives	(111)	(74)	37	(111)	(74)	37
Other provisions	(121)	(54)	67	(84)	(52)	32
Pension provision	(2,285)	(2,293)	(8)	(2,279)	(2,282)	(3)
Long Term Liabilities	**(9,175)**	**(8,588)**	**587**	**(8,741)**	**(8,740)**	**1**
Total Net Assets	**17,293**	**17,264**	**(29)**	**19,079**	**18,859**	**(220)**
Capital and Reserves						
Usable reserves	3,155	2,484	(671)	3,582	2,829	(753)
Unusable reserves	14,138	14,780	**642**	15,497	16,030	533
Total Capital Employed	**17,293**	**17,264**	**(29)**	**19,079**	**18,859**	**(220)**

Cash and Investments:						
CRL Sponsor funding account	**1,481**	**1,380**	**(101)**	**1,328**	**1,414**	**86**
Other cash and investments	**2,077**	**1,369**	**(708)**	**2,373**	**1,758**	**(615)**
Total as above	**3,558**	**2,749**	**(809)**	**3,701**	**3,172**	**(529)**

Appendix Three: Cash summary

Cash Summary In / (Out) Flow £m	Year to Date			Full Year 2012/13		
	Actual	Budget	Variance	Forecast at Q2	Budget	Variance
Margin (from Appendix 1)	(745)	(867)	(122)	(1,643)	(1,850)	(207)
Working Capital Movements	(119)	(80)	39	(14)	(146)	(132)
Cash Spend on Operating Activities	**(864)**	**(947)**	**(83)**	**(1,657)**	**(1,996)**	**(339)**
Net Capital Expenditure (from Appendix 1)	(677)	(901)	(224)	(1,538)	(1,814)	(276)
Crossrail (from Appendix 1)	(598)	(644)	(46)	(1,481)	(1,467)	14
Working Capital Movements	(84)	(78)	6	(124)	(44)	80
Cash Spend on Capital Activities	**(1,359)**	**(1,623)**	**(264)**	**(3,143)**	**(3,325)**	**(182)**
Funded by:						
Grants, Precept & other contributions	2,384	2,404	20	5,423	5,406	(17)
Borrowings Raised	747	265	(482)	445	445	-
Borrowings Repaid	(11)	(11)	-	(29)	(20)	9
Total Funding	**3,120**	**2,658**	**(462)**	**5,839**	**5,831**	**(8)**
Net Movement in Cash	**897**	**88**	**(809)**	**1,039**	**510**	**(529)**