

TRANSPORT FOR LONDON
BOARD MEETING – OPEN SESSION
TO BE HELD ON 8 FEBRUARY 2006
AT 1000 HOURS
IN THE CHAMBER
CITY HALL, THE QUEEN’S WALK, LONDON SE1 2AA

AGENDA

A Meeting of the Board will be held to deal with the following business:

Procedural Matters

- 1.1 Apologies for Absence
- 1.2 Minutes of the Previous Meeting held on 7 December 2005
- 1.3 Any Matters Arising from the Minutes

Business Items

Sponsor

- | | | |
|----|---------------------------------------|---|
| 2. | The Commissioner’s Report | Peter Hendy, Commissioner of TfL |
| 3. | Finance and Performance Report | Jay Walder, Managing Director
Finance & Planning |
| 4. | Public Carriage Office – Taxi Fares | Peter Hendy, Commissioner of TfL |
| 5. | TfL Membership of Urban Design London | Peter Hendy, Commissioner of TfL |

Procedural Items

- | | | |
|----|---|--|
| 6. | Interim Arrangements in Surface Transport | Peter Hendy, Commissioner of TfL |
| 7. | Interim General Counsel Organisation Issues | Peter McGuirk, Interim Director of
Governance & Assurance |
| 8. | Audit Committee Report
- Meeting 18 January 2006 | John Ormerod, Chair of the Committee |

Items for Noting

- | | | |
|-----|-----------------------------------|--|
| 9. | Documents Sealed on Behalf of TfL | Peter McGuirk, Interim Director of
Governance & Assurance |
| 10. | Any Other Business | |

TRANSPORT FOR LONDON

Minutes 77/12/05 – 87/12/05

MEETING OF MEMBERS OF THE BOARD – OPEN SESSION

MINUTES of the Board Meeting held in Committee Rooms 4 & 5, City Hall, The Queen's Walk, London, SE1 2AA at 11.30 am on Wednesday, 27 December 2005

Present:	Ken Livingstone Dave Wetzel David Begg Honor Chapman Stephen Glaister Kirsten Hearn Sir Mike Hodgkinson Paul Moore Patrick O'Keeffe John Ormerod Tony West	Chair of the Board Vice Chair
In Attendance:	Bryan Heiser Murziline Parchment Lynn Sloman Valerie Todd Stephen Critchley Peter Hendy Tim O'Toole Ben Plowden Fiona Smith Howard Smith Duncan Symonds Jay Walder Jo Chance Peter McGuirk	Special Adviser to the Board Special Adviser to the Board Special Adviser to the Board Acting Managing Director, Group Services Chief Finance Officer Managing Director, Surface Transport Managing Director, London Underground Managing Director, Group Communications General Counsel Chief Operating Officer, London Rail Commissioner's Chief of Staff Managing Director, Finance & Planning TfL Secretariat TfL Secretariat

77/12/05 Apologies for Absence

Apologies for absence were received from Sir Gulam Noon, Lord Toby Harris, Bob Kiley, Nicky Gavron and Ian Brown.

Declaration of Interests

There were no interests declared.

78/12/05 Minutes of the Last Meeting held on 26th October 2005

The minutes of the last meeting were approved and signed by the Chair as a correct record.

TRANSPORT FOR LONDON

79/12/05 Matters Arising

28th September 2005 Meeting – Minute No. 61/09/05 – Door to Door Strategy

At the September Board Meeting, the Mayor had confirmed that he would speak with the Boroughs about their willingness to transfer funding and administration of Taxicard and Capitalcard schemes to TfL. The Mayor updated Board Members that this meeting had not yet occurred but was being actively sought and that Peter Hendy would also attend.

Minute No. 71/10/05 – Crossrail

The Board NOTED that the remit of Sir Michael Lyon's enquiry had been broadened and a meeting with Sir Michael would be arranged with Dave Wetzel, on behalf of TfL, to discuss among other issues, land value tax.

Action: Jay Walder

80/12/05 The Commissioner's Report – T(2005)19

NOTED the Commissioner's Report for December 2005.

AGREED to consider holding an event to celebrate fully inclusive bus transport. This followed the end of the use of Routemasters in normal service and the introduction of fully accessible school buses from January 2006.

Action: Peter Hendy

81/12/05 2nd Quarter Finance and Performance Report – T(2005)20

Jay Walder introduced the report and in particular highlighted that TfL's operations had shown overall a strong recovery in levels of revenue and patronage since the events of 7th and 21st July 2005.

NOTED that bus contract costs were less than budget due to the reduced cost of tendering processes and a tightening of margins by the operators in a competitive market, which was beneficial to TfL.

NOTED TfL's operational and financial performance and TfL's progress on the Investment Programme over the second quarter 2005/06.

82/12/05 Finance Committee Report – Meeting 16 November 2005 – T(2005)22

Sir Mike Hodgkinson, Chair of the Finance Committee introduced the report which was NOTED by the Board.

83/12/05 Safety, Health & Environment Committee Report – Meeting 18 November 2005 – T(2005)23

Dave Wetzel, Chair of the Safety, Health & Environment Committee introduced the report which was NOTED by the Board.

TRANSPORT FOR LONDON

84/12/05 Audit Committee Report – Meeting 23 November 2005 – T(2005)24

John Ormerod, Chair of the Audit Committee introduced the report which was NOTED by the Board.

85/12/05 Mayoral Direction and Delegation: Voter Registration Project – T(2005)25

Fiona Smith introduced the report and the Board NOTED receipt of the Direction and Delegation from the Mayor.

86/12/05 Documents Sealed on Behalf of TfL – T(2005)26

The Board NOTED the documents sealed on behalf of Transport for London between 27th October and 28th November 2005.

87/12/05 Any Other Business

DLR London City Airport Extension

NOTED the successful opening of the DLR London City Airport Extension running from Canning Town to King George V Station at North Woolwich via London City Airport. The extension opened on time and on budget and the Board congratulated the team involved in delivering this.

NOTED that the Board considered the Disability Press should be informed that the Mayor had insisted on two lifts for this station whereas the original plans inherited had only provided for one lift.

Appointment of new Commissioner of TfL

NOTED that the Board would interview candidates for the position of Commissioner of TfL in week commencing 16th January 2006.

Signed by the Chair: _____

Date: _____

COMMISSIONER'S REPORT FOR FEBRUARY 2006

1. PURPOSE

This report provides an overview of major issues and developments since 7 December Board meeting and updates the Board on significant projects and initiatives.

2. INTRODUCTION

I took up the post of Commissioner on 1 February 2006. I pay tribute to all that Bob Kiley achieved in setting up TfL and making it one of the most effective public transport authorities in the world. I am determined to continue this work by demonstrating that we will run a tight ship financially, deliver on our promise of a programme of both renewal and new projects delivered on time and within budget whilst maintaining our record of significant operational improvements. In meeting the challenge of addressing a growing population and ever greater economic activity, we must also commit to environmental sustainability, social and economic inclusion, and improving London's public realm.

We will only be successful if we bring all of our stakeholders with us by demonstrating that we listen to and learn from the boroughs and the communities they serve, as well as to all the myriad of different interests which make up London. I believe we have the vision, leadership and team to deliver these objectives.

I would also like to take this opportunity to thank David Begg for all the support and guidance he has given to this organisation over the past five years. David, who is to become the Chairman of Tube Lines, stood down from the board on 31 January 2006.

Crime and Disorder Act

The Mayor has asked that all organisations within the GLA Group sign up to the principles of Section 17 of the Crime and Disorder Act 1998 - which currently requires local authorities, police authorities, fire authorities and other key public agencies to have due regard to doing all they reasonably can to prevent crime and disorder within their sphere of activity. TfL is already committed to reducing crime and disorder on and around London's transport network and recognises the importance of working closely with police organisations and other key agencies. We already invest over £100m annually in direct policing services and our investment programme is delivering significant community safety benefits through improved infrastructure, better lighting and use of technology.

The most significant impact on TfL of signing up to Section 17 on a voluntary basis would be to ensure that TfL explicitly considers crime and disorder issues in making significant investment and operational decisions. We will be submitting a report to a future TfL Board meeting to set out these issues in more detail.

3. OPERATIONS

3.1 Surface Transport

3.1.1 Period 9 Bus Ridership

During period 9, bus journeys increased by 5.8% year-on-year, compared to an increase of 1.9% in period 8. These growth rates include revised estimates for under 16's free travel. 7.7% of bus journeys were paid for "on bus" compared to over 10% before the introduction of free travel for under 16's. Oystercard pre-pay increased to account for 3.5 % of all bus journeys.

3.1.2 Bus Accessibility

The entire mainstream London Bus network is now fully accessible, the only exception being the two heritage Routemaster services. A marketing campaign promoting the accessible bus network is planned to commence in February. The target of 100% on-bus CCTV coverage was also achieved, as planned, at the end of 2005.

3.1.3 Battersea Bridge Re-opens Ahead of Schedule

Battersea Bridge fully re-opened to all traffic on 15 January 2006, following repairs to the damage incurred following a vessel colliding with the structure in September. The contractor will complete the remaining non-structural repairs by the end of March 2006. The team and contractors have been congratulated for their response and effort, especially over the festive period, enabling the bridge to re-open well ahead of the original spring forecast.

3.1.4 Pedicabs

The Opposed Bill Committee has rejected Part 4 of the London Local Authorities and Transport for London Bill, which was intended to permit police and local authorities to enforce parking and traffic regulations against Pedicabs. Efforts to insert enforcement clauses into the Road Safety Bill have also been unsuccessful. Hence Pedicabs will not, for the time being, be subject to enforcement by police or local authorities for parking on the footway and will remain subject only to the control of the police for moving traffic offences, which have not yet been decriminalised. A consultation document outlining a proposed licensing regime is being prepared and a judgement is being sought in respect of the legal status of pedicabs.

3.1.5 iBus Trial

On 17 January 2006 the iBus project successfully launched a trial of on-bus next stop signs and audio announcements on route 149. Five buses have been fitted with the temporary sign and announcement facility for an eight week trial period. Feedback on the system will be sought from a range of bus users, including people with learning difficulties, visual and hearing impairments, and those whose first language is not English.

3.1.6 Road Safety

The London Road Safety Unit published casualty figures for the first six months of 2005. When compared to 2004, the figures show that fatalities decreased in Inner London by 11% and by 10% in Outer London. There was a 29% decrease

in serious injuries in inner London and a 38% fall in outer London. Overall casualties decreased by 10% in inner London and 8% in outer London. The statistics demonstrate that good progress is being made to achieve the revised Mayoral road safety target of 50% reduction in casualties.

3.1.7 Government Safety Camera Announcements

DfT have announced that, from April 2007, Safety Camera Partnerships will be managed and funded via Local Transport Plans (LTPs). London does not have an LTP, so it remains to be confirmed how the London Safety Camera Partnership (LSCP) will be managed and funded after March 2007. The LSCP are currently in negotiation with DfT. TfL have recently funded 66 new digital cameras for the LSCP. These have now been manufactured, sites identified and the installation schedule finalised. The LSCP have DfT agreement that these cameras can be incorporated into the LSCP approved sites in 2006/07, which would allow TfL to buy more cameras in 2006/07, if required.

3.1.8 Limehouse Link Tunnel

Following the fire in the eastbound bore on 30 October 2006, the Limehouse Link Tunnel re-opened, ahead of schedule, on 15 November 2006. The contractor responded well to pressure to complete sufficient repairs to allow the tunnel to re-open safely. Meanwhile the tunnel will continue to be closed each month for routine, night maintenance. Consequently, a review has been undertaken of TLRN tunnels to assess the adequacy of provision to protect the asset, as well as human life.

3.1.9 National Audit Office / Audit Commission Report

The key findings in the National Audit Office / Audit Commission report, published in December 2005, into Delivery Chain for Bus Services in England vindicates the bus policies of the Mayor and TfL. The reports highlights that the DfT is likely to meet its target of achieving 12 per cent growth in bus and light rail use in England by 2010, but only because the number of bus journeys is increasing in London. The delivery chain inside London is deemed fit for the purpose of achieving growth in passenger numbers. The report also concluded that the significant growth in bus use in London, which by 2004-05 accounted for 44 per cent of all bus use in England, is due to a combination of increased investment in bus services and the introduction of measures that support growth and discourage car use.

3.2 London Underground

3.2.1 Jubilee line seventh car upgrade

From mid-December peak train services on the Jubilee line were reduced as trains began to be taken out of service to allow the introduction of a seventh carriage to all Jubilee line trains. After rigorous testing of both the signalling and the newly extended seven carriage trains, a reduced passenger service was introduced on 29 December rather than on New Year's Eve. Services were then progressively increased and the full 7-car timetable was introduced from Sunday 8 January. The lengthened trains increase capacity on the line by 17

per cent, equivalent to an additional 6,000 passengers in both directions every morning and evening peak.

3.2.2 Northern Line Performance

On 22 December 2006 LU issued a Corrective Action Notice (CAN) to Tube Lines in relation to Northern line performance, prompted by poor availability performance on the line since transfer. For 26 successive periods from period 4 of 2003/04 performance was worse than the PPP Contract Benchmark, with 15 periods being worse than the 'Unacceptable' level specified in the Contract.

Tube Lines have raised several issues in response to the CAN and LU has responded to these, reiterating its view that the CAN is an appropriate course of action under the PPP Contract and that the CAN will be viewed as remedied by Tube Lines delivering, on average, benchmark levels of performance for a period of one year commencing on 28 April 2006.

3.2.3 CTRL works at King's Cross

The Restated Works Agreement for Phase 2 of the works – the Northern Ticket Hall, deep level tunnels and MIP access – was signed by LU and the Department for Transport (DfT) during December. Phase 1 remains on target for completion in September 2006.

3.2.4 Shorter Working Week

Some members of the RMT union took industrial action on 31 December/1 January over the introduction of new rotas as part of the 35-hour week agreement that was reached with the RMT and TSSA Unions in November 2004. Despite some resultant station closures, train services operated through the night as planned.

A second strike over the same issue caused 12 stations to close early on 8 January 2006 and, after some initial start up problems, there was a maximum of 21 stations closed on 9 January. On the same day an unconnected dispute involving train crew at Morden over a dismissed colleague caused disruption to the Northern line, while Piccadilly line services deteriorated to some degree as some train staff refused to work on the grounds of health and safety. Services on other lines were unaffected.

Following further discussions with the RMT, the union has agreed to recommend arrangements for the shorter working week to its members. The new staff rosters will therefore be implemented from 5 February, as planned, at all 44 station groups. The agreement is exactly the same as it was before the strike action; it ensures safe staffing levels at all LU stations, with no job cuts and no extra cost to fare-payers.

3.3 London Rail

3.3.1 Silverlink Metro Transfer

TfL and DfT have now reached agreement in principle on the transfer of Silverlink Metro to TfL. The terms of the transfer are currently being finalised.

The concession procurement programme will result in an ITT being issued to pre-qualified bidders in April 2006 with a programme for the concession to commence in July 2007.

3.3.2 DLR London City Airport Extension

As noted in a verbal update to the last Board Meeting, the City Airport Extension opened formally on 6 December 2005, two weeks ahead of schedule.

4. MAJOR PROJECTS AND INITIATIVES

4.1 East London Line

Good progress continues with the Enabling Works contract with bridge reconstruction well underway and bids have now been received for the purchase or lease of rolling stock for the extended line.

In December 2005 a grant of £10m from the ODPM Community Infrastructure Fund was confirmed to help underpin the finances of the over station development at Dalston. Planning approval for this scheme is currently with the London Borough of Hackney.

An agreement was also reached in December 2005 for a finance facility of £450m for the East Line Extension provided by the European Investment Bank.

4.2 Crossrail

The Commons Select Committee charged with hearing petitions against the Hybrid Bill, started on 17 January 2006. Discussions continue between CLRL / DfT / TfL and other petitioners, notably railway passenger and freight interests who wish to be satisfied as to effect Crossrail will have on rail capacity available for others, these discussions are technical in nature and will take some time to conclude.

The project has received confirmation of £100m of further development funding from DfT and has consequently been able to go forward with procurement of contracts for development and engineering design consultancy.

4.3 Stratford Regional Station Upgrade

Delivery of the station works to meet the Olympic programme requires design development to commence in January 2006. This work is not in TfL's Five Year Investment Programme and was dependent upon the release of £8m from the Olympic Transport budget which has now been approved by DCMS.

4.4 Thames Gateway Bridge

TfL undertook additional traffic surveys in Autumn 2005, which showed that actual traffic counts were higher than originally anticipated. As such, TfL submitted supplementary evidence to the Inquiry (including an addendum to the Environmental Statement) on this issue, including information on environmental, regeneration and funding impacts, and explaining how TfL will manage the traffic (using methods consistent with TfL's policy of using mitigation measures and appropriate tolling levels to manage traffic effects).

Phase 3 of the public inquiry will now start on 21 February 2006 and is programmed to end in May 2006.

4.5 West London Tram

A TWO application is currently programmed for the summer of 2006. Additional modeling work is in hand for the submission and to prepare for the Public Inquiry.

Hillingdon Council voted on 26 January 2006 to object formally to the scheme. Though Hillingdon's decision is possibly unhelpful in terms of local media coverage the existing lack of cooperation by their officers is such that it will have little practical impact and in the longer term may actually weaken the Council's position at public enquiry as they have clearly prejudged the project.

4.6 East London Transit

The draft outline business case and feasibility study for Phase 1b (extension to serve Barking Riverside development) is to be completed by end January 2006. Consultation on Phase 2 ended on 23 January 2006. Initial results indicate that 66% are in favour of the TfL preferred option (extension from Barking to the northern end of the TGB).

4.7 Travel Demand Management

The Travel Demand Management strategy and budget has been agreed and approved for the remainder of FY 05/06. In December 2005 a separate Travel Demand Management Unit was created. This unit currently sits within Group Communications and has been allocated a £30m budget for FY 06/07.

4.8 Investment Programme Oversight

The interim oversight team, commissioned in May 2005 to develop and establish a permanent function, are now entering the final stage of their engagement. To planned schedule, a number of key work streams are being managed to successful conclusion; specifically, this includes the organisational design and recruitment of a permanent (TfL staffed) group and the procurement of Independent Engineer (IE) suppliers.

I am pleased to announce the appointment of David Hughes as the permanent Head of Oversight. David will be working to establish the permanent oversight team which will be in situ by 3 April 2006 in order to commence a 4-week transition 'handover' from the Interim Team.

In relation to the IE procurement exercise (OJEU compliant) initiated in September 2005, ten tenders were received for evaluation by a cross-representational TfL panel. Six of these suppliers were invited to present to the panel with the final outcome being a recommendation to establish an IE contractual framework with the three strongest vendors. The Interim oversight team, supported by TfL Procurement, are now in a final contract clarification stage with the successful suppliers with the aim of having the framework 'live' by mid February. Formal communication of this decision will take place on successful conclusion of this final commercial agreement.

5. GROUP SERVICES

5.1 Service Improvements

Group Services is driving forward improvement in key service areas. In HR, the 100 day Stabilisation Programme (to deliver March 2006) is under way to improve business engagement and delivery. IM has produced a draft strategy and appointed a Chief Information Officer to move it forward. And in Procurement, there is progress on efficiency savings and the roll out of pan-TfL framework contracts for consultancy and project management.

5.2 Equalities & Inclusion

A work experience programme for disabled people began on 9 January 2006 in customer service roles at three London Underground stations on the Piccadilly line. TfL and LU have been working closely with the Camden Society to deliver this project and provide opportunities to people with mental health impairments and learning difficulties. The placements last for three months and it is hoped that candidates will then be successful in applying for permanent positions.

Group E&I have developed a mentoring scheme in association with Clutterbuck Associates. Mentoring is seen as a key enabler for supporting people, especially those from under-represented groups in their career and personal development. The scheme is due to be launched at the end of February.

6. GROUP FINANCE & PLANNING

6.1 Oyster fares campaign

A seven-week marketing campaign to encourage customers to switch to Oyster was launched on 12 December 2005. Weekday Pay As You Go journeys have tripled since April 2005, and have increased almost 50% since the fare revision went into effect in January 2006. Between 2 January and 16 January 2006, more than 100,000 people switched to Oyster products.

7. GROUP COMMUNICATIONS

7.1 BSP Announcement

The Borough Spending Plan (BSP) announcement allocating money for boroughs to develop and implement local transport schemes was made by the Mayor on 12 December 2005. A record total of £159 million was allocated in order to support a wide range of projects including town centre, school travel, cycling, walking, bus priority, road renewal, bridge strengthening, freight, regeneration and environment projects.

Peter Hendy
Commissioner for Transport
Transport for London
February 2006

TRANSPORT FOR LONDON

STAFF SUMMARY

BOARD

SUBJECT: TfL OPERATIONAL, FINANCIAL AND INVESTMENT PROGRAMME REPORTS – 3RD QUARTER 2005/06

MEETING DATE: 8 FEBRUARY 2005

1. PURPOSE

- 1.1 To inform the Board of TfL's operational and financial performance, and progress of the Investment Programme over the third quarter of 2005/06 (18 September 2005 to 10 December 2005).

2 INTRODUCTION

- 2.1 Attached are two reports which detail TfL's performance over the third quarter of 2005/06. They are as follows:
- The TfL Operational and Financial Report – Appendix 1
 - The TfL 5-year Investment Programme Report – Appendix 2

3 RECOMMENDATION

- 3.1 The Board is asked to note:
- TfL's operational and financial performance over the third quarter, 2005/06
 - TfL's progress on the Investment Programme over the third quarter, 2005/06

4 CONTACTS

- 4.1 For detailed enquiries on the content of these reports, please contact:

Richard Browning – Director, Group Business Planning & Performance
Telephone: 020 7941 4740 or email richardbrowning@tfl.gov.uk

TRANSPORT FOR LONDON

STAFF SUMMARY

BOARD

SUBJECT: TfL OPERATIONAL AND FINANCIAL REPORT – 3RD QUARTER

MEETING DATE: 8 February 2006

1. PURPOSE

- 1.1 To inform the Board of TfL's financial position and highlight related performance issues arising during the third quarter of 2005/06 (18 September 2005 to 10 December 2005).

2 KEY HIGHLIGHTS

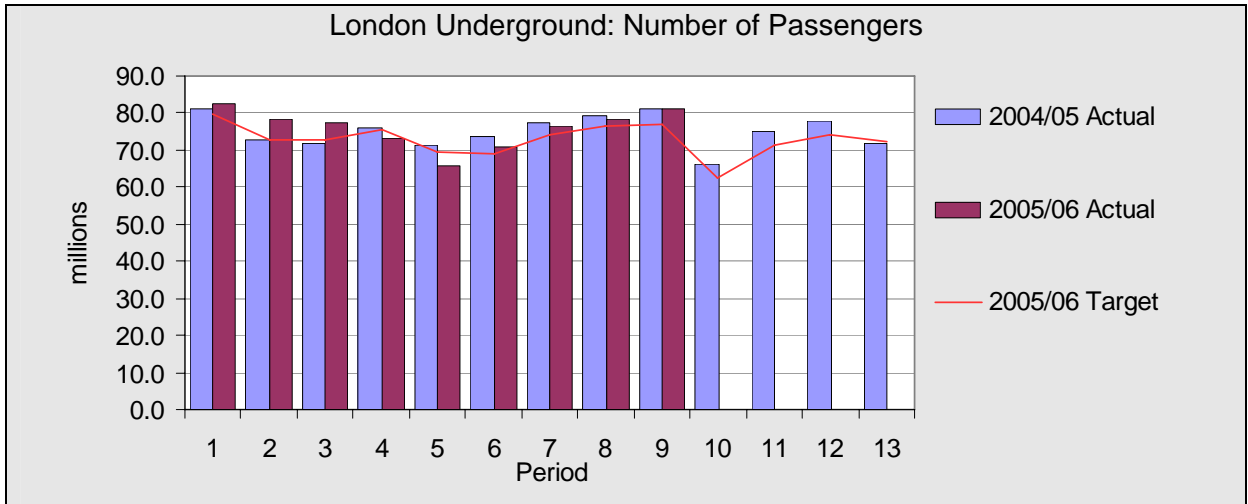
- 2.1 The principal highlights arising over the third quarter of 2005/06 are as follows:

- Passenger demand in the third quarter continued to show signs of sustained recovery and growth. Total journeys were 4% above budget for the third quarter led by strong demand for bus services following the introduction of free travel for under 16's in September.
- Income was 3% better than budget for the third quarter and is now 2% better year to date with strong results across most activities, except for bus network income which continued to remain below budget.
- Service delivery performance deteriorated slightly in the quarter due primarily to the tripcock problems on the Northern Line and closures of Battersea Bridge and Limehouse Link Tunnel.
- The DLR London City Airport extension commenced operation 13 days ahead of schedule on the 2 December, followed by a formal opening on the 6 December. Initial ridership numbers show nearly 27,000 passengers for the first nine days.
- The last Routemaster in standard service (two heritage routes will continue to operate) was withdrawn on 9 December 2005 replaced by modern, accessible buses. With the exception of the heritage routes, the entire bus network is now fully accessible and 100% fitted with CCTV.
- TfL's gross margin at the end of the third quarter at £1,345m which was £94m better than budget. Income was £44m above budget while operating expenditure was £64m below budget. Net capital expenditure at the end of the quarter of £339m was £40m below budget, after taking into account the budgeted overprogramming reduction.

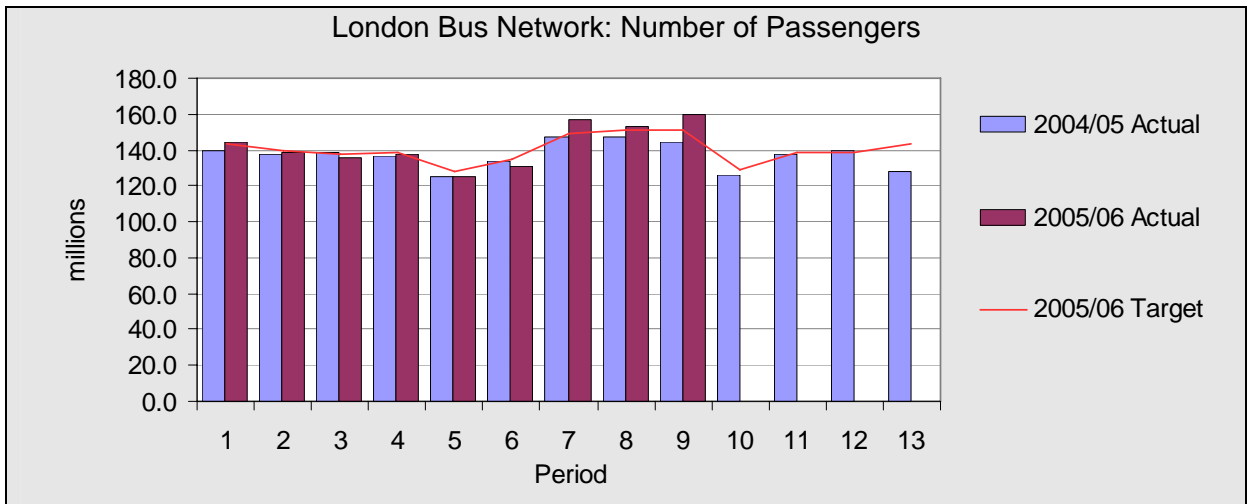
3 DELIVERY

Passenger Demand

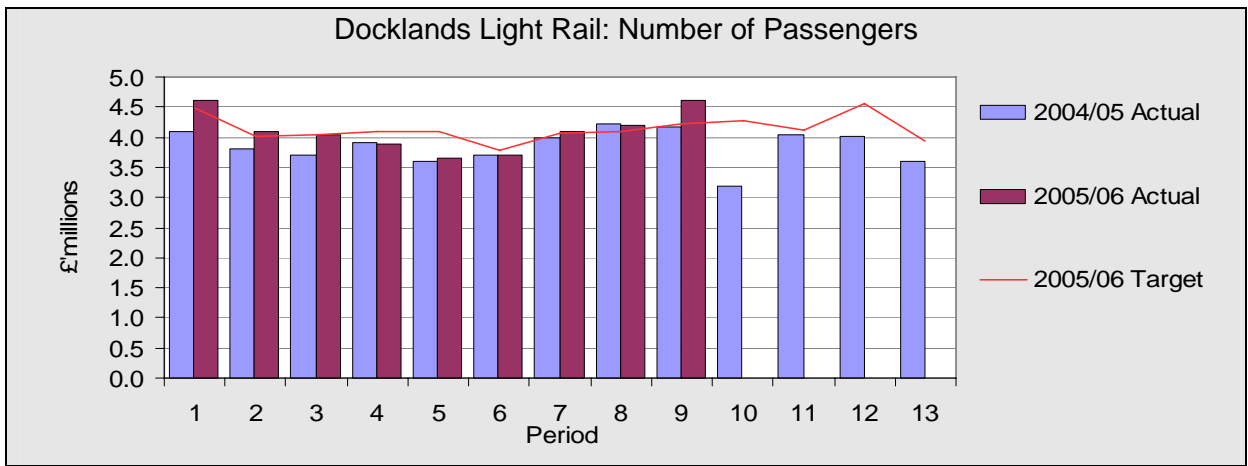
3.1 Overall passenger demand across the TfL network showed signs of strengthening during the third quarter. Total passenger journeys were up 4% against budget. Overall trends saw weekday demand return to near pre-July 7th levels, while weekend demand remained subdued.



3.2 Passenger journeys on the London Underground during the third quarter at 236m were ahead of budget, but down marginally on the same quarter last year. Following a review of the calculations there has been a retrospective reduction of 8m to the previously reported passenger journeys for the first two quarters of the year. Even so, the full year forecast of 954 million is some 7 million above the full year budget.



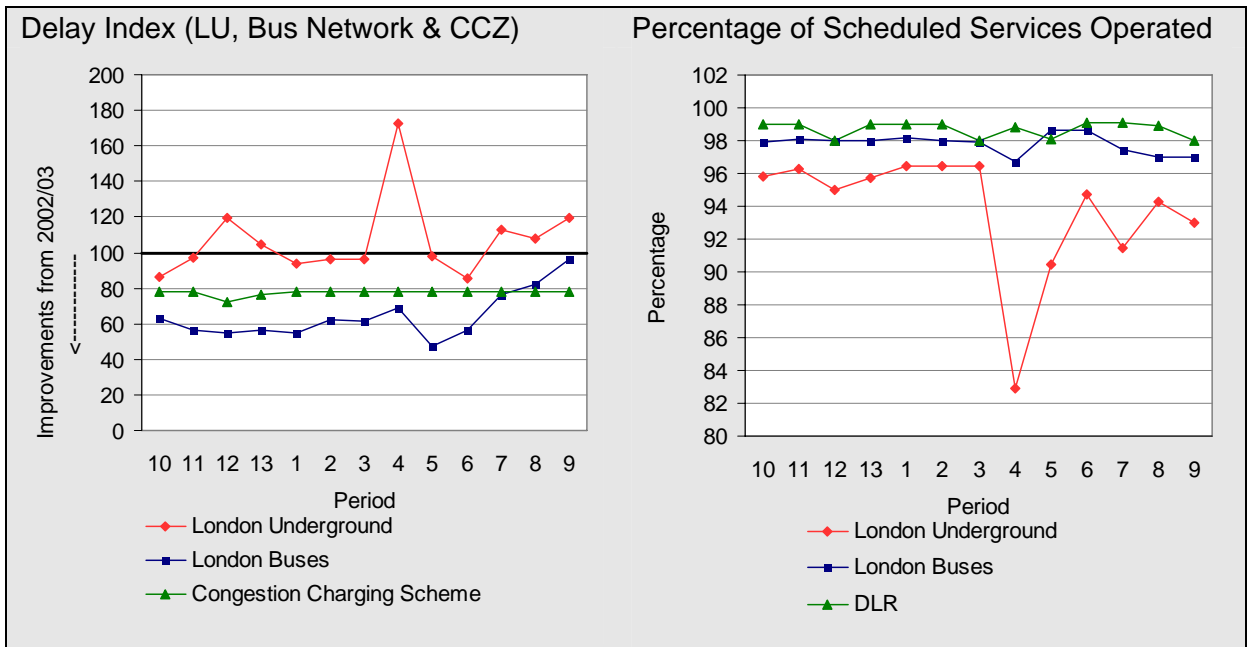
3.3 Passenger journeys on the bus network during the third quarter showed renewed levels of growth following a subdued second quarter. Passenger journeys at the end of the quarter were some 6% higher than the previous year and 3% above budget. This includes increases due to free travel for under-16's, which had seen around 200,000 Child Oyster photocard issued by the end of the third quarter.



3.4 Demand on the DLR during the third quarter, continued to recover and was 4% higher than both budget and last year reflecting recovery from the incidents of 7 and 21 July. The London City Airport extension commenced operation on 2 December, 13 days ahead of schedule. The initial response to the new service has been good with nearly 27,000 passengers recorded in the first nine days.

Service delivery

3.5 The delay index on the London Underground and bus networks trended unfavourably upwards during the third quarter, while the London-wide congestion flow rate (CCS delay index) remained largely unchanged. The Percentage of Scheduled Services Operated also declined over the quarter. This decline was most notable on London Underground, but was also seen on the bus network.



3.6 On London Underground, both the Kilometres Operated and Excess Journey Time (factors impacting the delay index) were below budget for the quarter. Network performance was considerably impacted early on in the quarter following a recurring tripcock problem on Northern line rolling stock which culminated in total suspension of services on the line from the evening of 12 October though to late on 15 October. Although this issue was resolved, rolling stock availability and reliability has remained poor and the line has also suffered from staff shortages and signal failures.

In addition, performance on the District line continued to be impacted by stock shortages, signal failures and ongoing industrial action at Acton Town over the issue of remote booking on and off.

- 3.7 Delay on the bus network, while still showing significant improvement compared to budgeted levels increased over the quarter. As well as the usual seasonal deterioration, this was due to the weather impacted by the temporary closure of the Limehouse Link tunnel and disruption caused by closure of Battersea Bridge.
- 3.8 On the DLR, service reliability and departure scores over the quarter remained well above target.
- 3.9 A summary of TfL's performance over the quarter against key indicators is provided in **Annex 1**.

Other operational issues

- 3.10 Other operational issues of note during the quarter are as follows:
- Within London Buses, further engine bay fires on buses during the quarter have resulted in discussions now being undertaken with bus operators to agree an accelerated programme for fitment of engine bay fire-suppression systems on all buses.
 - Following the Limehouse Link tunnel fire in the eastbound bore on 30 October, contractors were able to complete sufficient repairs to enable the tunnel to re-open safely ahead of schedule on the 15 November. As a consequence of the incident a review is being undertaken of all TLRN tunnels for adequacy of provisions to protect, as reasonably practicable, both the asset and human life.
 - In October, the Mayor announced that cycling journeys on the TLRN have doubled from 59,000 in 2000 to 119,000 in 2005, achieving the 2010 target for increased level of use. Subsequently targets are under review.
 - On DLR, re-franchising progressed during the quarter with the reappointment of Serco as the preferred bidder on 22 November 2005 which will start in April 2006.

4 CUSTOMER IMPACTS

- 4.1 TfL's third quarter Customer Satisfaction Score (CCS) overall evaluation was down slightly on last quarter to 78. This primarily reflects London Underground's overall score returning to 78, in line with target, after the record high of 79 seen in the previous quarter. While information scores have improved, both platform and train crowding scores have worsened, returning to more normal levels after being better than usual in the second quarter when the system was significantly less crowded following the bombings. Overall satisfaction levels on London Buses and the DLR remained unchanged and above targeted levels.
- 4.2 In terms of customer safety on London Underground, there has been a total of 83 customer major injuries on the network year to date, an average of 9 incidents per period which is broadly in line with the target of a maximum 113 in the year. The

majority of injuries during the third quarter resulted from falls on stairs and escalators.

- 4.3 The number of Killed and Seriously Injured on London Roads over the quarter was 33% worse than in the previous quarter. However, the number of incidents remained 11% better compared to the same quarter last year. The total number of KSI casualties for the year remains in line with meeting the proposed 50% casualty reduction target by 2010.

5 FINANCIAL REVIEW – THIRD QUARTER AND FULL YEAR 2005/06

- 5.1 Income from TfL's operations at the end of the third quarter of £1,957m was £44m above budget, an increase on the second quarter variance of £27m. Forecast income for the full year at £2,778m is £49m above budget.
- 5.2 Operating expenditure¹ at the end of the third quarter of £3,302m was £64m below budget, compared to a second quarter variance of £31m. Forecast operating expenditure of £4,918m was slightly higher than in the previous quarter.
- 5.3 The resulting gross margin position at the end of the third quarter of £1,345m was £94m better than budget.

£'millions	Year to Date Q3		Full Year	
	Actual	Variance to Budget	Forecast	Variance to Budget
Operating Budget				
Income	(1,957)	(44)	(2,778)	(49)
Operating expenditure	3,302	(64)	4,918	(55)
Overprogramming (operating)	-	14	-	20
Gross margin	1,345	(94)	2,140	(85)
Capital Budget				
Capital expenditure	460	(153)	777	(201)
Capital receipts/reimbursements	(114)	10	(172)	12
Property sales	(7)	2	(13)	-
Overprogramming (capital)	-	101	(5)	135
Net capital expenditure	339	(40)	586	(54)
Contingency	-	-	-	(26)
Net expenditure	1,684	(134)	2,727	(164)

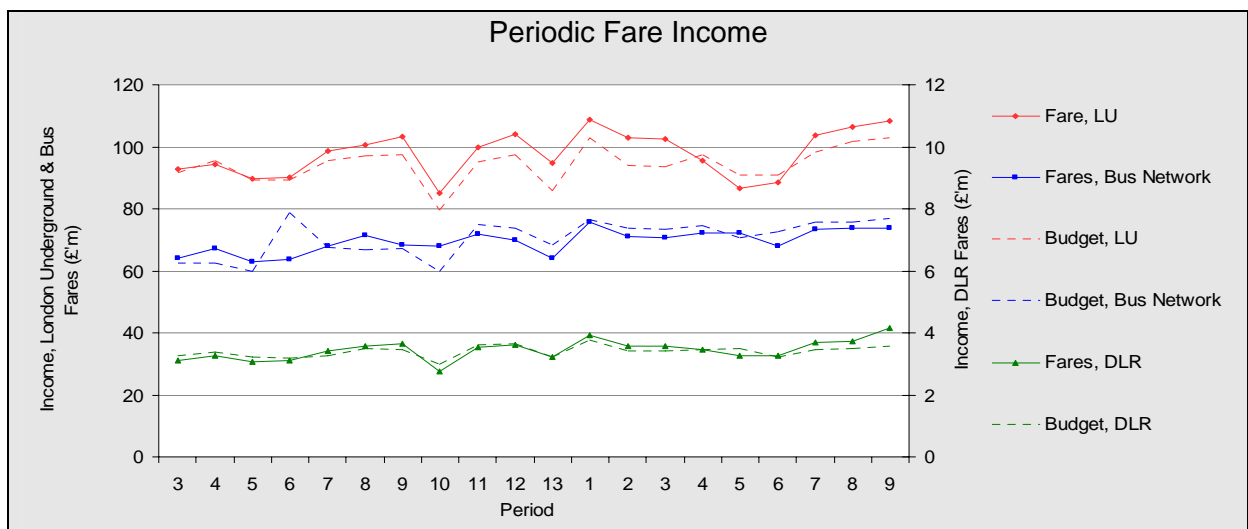
6 INCOME

- 6.1 TfL's total income year to date was £44m better than budget having recovered strongly from the incidents of 7 and 21 July. Forecast income for the full year is expected to be £49m better than budget, a £10m increase on the previous quarter primarily from increased London Underground advertising related income and improved TfL property sales.

⁽¹⁾ Note that TfL's operating expenditure results includes expenditure which relates to works carried out by PPP, PFI contractors, Boroughs and Bus Operators, which are of a capital nature (i.e. renewal or upgrading of assets)

Income (£m)	Year to Date Q3		Full Year	
	Actual	Variance to Budget	Forecast	Variance to Budget
Underground Traffic Income	(904)	(31)	(1,285)	(30)
Bus Network Income	(648)	23	(941)	-
Congestion Charging Income	(175)	(24)	(229)	(13)
Other	(231)	(11)	(323)	(6)
Total	(1,957)	(44)	(2,778)	(49)

- 6.2 Traffic income on the Underground strengthened in the third quarter and was better than budget. By ticket product there was continued strong growth in Ordinary and Prepay revenue – Prepay revenue broke the £3m per week mark for the first time during the quarter. Peak Travelcards have remained below pre-July levels with recovery over the quarter remaining subdued. Use of One & Three Day Off-Peak Travelcards, predominantly by discretionary users has also been slow to recover since July, possibly as a result of the ongoing effect of the price rise applied in January 2005 and the transfer to Prepay.
- 6.3 Bus network income of £648m at the end of the third quarter was £23m (or 3%) below budget. At the end of the quarter the number of Prepay tickets was 3.5%, up from 1% at the same time last year. The percentage of passengers paying by cash is now only 7.7%. There are additional costs incurred in handling cash in terms of security, collection and potential assaults on staff. The September 2005 quarterly fare evasion survey has indicated that open boarding routes continue to show fare evasion rates of 7.1% which is in line with the previous two quarters. The introduction of free travel for under 16's and the withdrawal of child ticketing products have seen a significant reduction in fare evasion rates on one person operated routes (3.1% down to 1.7%).
- 6.4 There remains some uncertainty on the impact of the innovative January 2006 fares package on the full year forecast. As a result, fare income forecasts are unchanged from the previous quarter.



- 6.5 Congestion Charging income remained ahead of budget primarily from better than estimated yield per Penalty Change Notices (PCN) issued and an improvement in the percentage of recoveries.

- 6.6 PCO income was £3m above budget reflecting increased churn rates within the market and ongoing effects from changes in the licensing fee structure in April 2005.

7 OPERATING EXPENDITURE

- 7.1 TfL's total operating expenditure year to date, after overprogramming, was £50m under budget. However there is expected to be an increase in expenditure towards the end of the year, with the full year result expected to be only £35m under budget.

Operating Expenditure (£m)	Year to Date Q3		Full Year	
	Actual	Variance to Budget	Forecast	Variance to Budget
London Underground	1,627	(81)	2,434	(40)
Surface Transport	1,452	17	2,112	(5)
London Rail	80	3	128	12
Group Directorates	143	(4)	243	(22)
Overprogramming (Operating)	-	14	-	20
Total	3,302	(50)	4,918	(35)

- 7.2 London Underground's operating expenditure was £81m below budget. This reflects lower than budgeted performance payments to Infracos (£16.1m BCV, £3.8m JNP and £4.7m SSL), reduced PFI contractor expenses in the current year, reduced Connect enabling works due to rephasing and savings in central expenses including rates, insurance and commissions. This has been offset by an increase in risk expense due to charges relating to the 7 July incidents and a provision for Metronet pension costs. The variance from budget is forecast to halve by year-end. The variance from budget is forecast to decrease to £40m by year-end. PPP and PFI cost reductions achieved during the year include one-off savings that are not expected to be repeated, while the impact of higher energy costs, phasing differences on corporate expenses and risk forecasts are expected to materialise.
- 7.3 Operating expenditure in Surface Transport was £17m above budget. This result reflects accelerated expenditure for Borough Principal Road maintenance, additional expenditure on unbudgeted accommodation within Streets related to increased staffing levels. Efficiency savings have been achieved on the bus network through continued retendering of contracts and performance related QIC payments. Delays in updating the communication system for the A13 DBFO² have resulted in the later commencement of usage based payments. There is also lower than budgeted expenditure on CCS operations due to savings achieved on ongoing operational expenses. Full year expenditure is forecast to be £5m lower than budget. The £22m forecast movement in the final quarter reflects anticipated reductions in bus network operations costs.
- 7.4 Year to date operating expenditure on London Rail was £3m over budget as a result of re-classification of capital expenditure to operating expenditure on National Rail security projects where the assets are being purchased, operated and maintained by the train operating companies (TOCs). Full year expenditure is forecast to be £12m above budget.

⁽²⁾ Accounted for as operational expenditure

- 7.5 Group Directorates were £4m below budget. This is primarily within Group Services where the variance has been caused by timing differences between actual and budgeted spend on property related costs. Full year expenditure is expected to be £22m less than budget primarily relating to group interest payable. The value and timing of Prudential borrowing draw-downs has resulted in lower than budgeted interest costs.

8 CAPITAL EXPENDITURE

Capital Expenditure (£m)	Year to Date		Full Year	
	Actual	Variance to Budget	Forecast	Variance to Budget
London Underground	213	(64)	335	(41)
Surface Transport	192	(44)	346	(92)
London Rail	52	(12)	83	(10)
Group Directorates	4	(33)	12	(58)
Gross Capital Expenditure	460	(153)	777	(201)
Capital receipts/reimbursements	(114)	10	(172)	12
Property sales	(7)	2	(13)	-
Overprogramming (Capital)	-	101	(5)	135
Net Capital Expenditure	339	(40)	586	(54)

- 8.1 Net capital expenditure year to date at £339m was £40m below budget. For further detail on capital expenditure please refer to the **Investment Programme Report**.

9 BALANCE SHEET

TfL Group Balance Sheet at the end of Period 9 (£m)	Variance to Budget
Fixed Assets (lower than budget)	(181)
Debtors and payments in advance (higher than budget)	149
Creditors (lower than budget)	76
Cash (i.e. a decrease in cash)	(65)
Prudential loans (lower than budget)	196
Provisions and deferred grant (higher than budget)	(94)
Total Net Assets	81

- 9.1 Net working capital balances, excluding provisions and deferred income, are £225m higher than budget, and, as can be seen above, the gross movements show an increase over budget of £149m in debtors and prepayments and a decrease in creditors of £76m.
- 9.2 Underground's variances include an increase of £53m in the finance lease creditor balance. This is largely as a result of rephasing following the cancellation of TIMIS. This is partially offset by higher debtors of £73m. Costs on the Connect PFI project are being held in debtors and will be released to the Profit and Loss Account as the assets it is delivering come into service, which was budgeted in the current year. However this has been rescheduled to future years and has contributed to a higher debtor position than originally budgeted.

- 9.3 London Buses net working capital position shows a net creditor of £97m compared to a budgeted net creditor of £69m. This is largely due to the lower than budgeted capital and revenue expenditure, a Quality Improvement Contracts payment which was paid one period earlier than budgeted and revised payment profiles.
- 9.4 Higher group working capital balances offset by lower than budget net expenditure resulted in an increase in net cash balances (i.e. cash net of borrowings) of £133m above budget, to £1,107m.
- 9.5 In period 9 the percentage of invoices paid within 30 days fell slightly to 86% from 88% in period 6. As a result this brought the cumulative figure to 85%, above the Best Value Performance Indicator target for Accounts Payable of 84%.

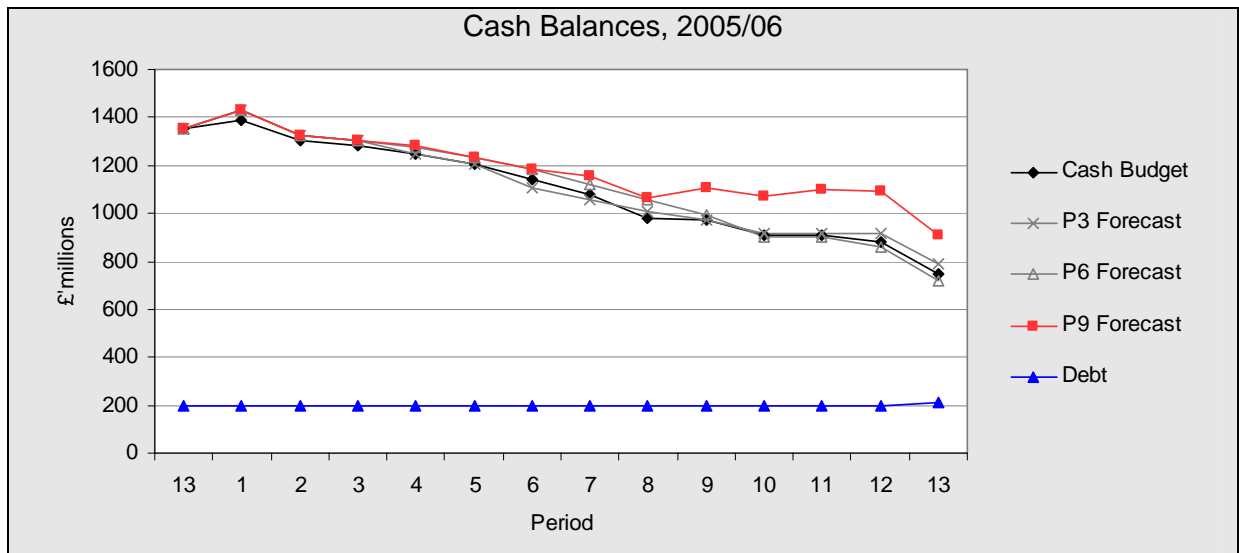
Forecast Position

TfL Group Balance Sheet Year End Forecast (£m)	Variance To Budget
Fixed Assets	158
Debtors and payments in advance	131
Creditors	(753)
Cash (i.e. a decrease in cash)	(302)
Prudential loans (lower than budget)	524
Provisions and deferred grant	(371)
Total Net Assets	(613)

- 9.6 The full year balance sheet contains material variances caused by the current assumptions for Prudential borrowing. This is covered in more detail in section 10.1.
- 9.7 The variance for fixed assets includes £400m in respect of Underground. The original budget was prepared in the summer of 2003, in the very early stages of the PPP contracts. The budget included very conservative estimates of the amount of capital spend that would be delivered under the contracts. The experience is now that higher amounts of expenditure are being incurred on capital projects. This variance, and the corresponding variance in the finance lease creditor arise therefore largely out of improvements in information flows and better accounting estimates.

10 CASH

- 10.1 Cash balances of £1,107m at 10 December are £133m higher than budget mainly due to lower than budgeted external payments in London Underground offset by lower than budgeted external receipts. Refer to **Annex 4** for periodic cash balance over the quarter.
- 10.2 Budgeted balances at 31 March 2006 are £745m on the assumption that TfL will borrow £18m from the European Investment Bank at the end of the financial year. The period 9 forecast on the same assumption is £967m an increase of £245m above the period 6 forecast and an increase of £222m above budget. This reflects higher cash receipts in addition to lower payments in London Underground. Lower than previously forecast cash payments are also anticipated in London Buses. The graph below shows the budget investment balances and debt compared to period 3, 6 and 9 forecasts at each period end throughout the year.



10.3 Performance against the earnings benchmark of average 3 month's LIBOR minus 15 basis points is tabled below. TfL continues to perform above this benchmark, currently within a range of 12 – 14 basis points. The average yield for the year to date is 4.79%, 8 basis points above benchmark.

Treasury Management Yield (%)	Period 7	Period 8	Period 9	Year
Period end	15 Oct	12 Nov	10 Dec	Budget
Benchmark	4.46	4.44	4.45	-
Average Rate of Return	4.60	4.58	4.57	5.00
Excess over Benchmark	0.14	0.14	0.12	-
Interest Earned	£4.0m	£3.8m	£3.6m	-
Interest year to date	£32.1m	£35.9m	£39.5m	£62m

10.4 The Base rate was budgeted at 5%. Rather than rise to 5% it fell to 4.5% in August. The current consensus is that interest rates will not move either way for the time being and is reflected in a flat yield curve. Forecast interest income has dropped progressively through the year reflecting lower than budgeted rates. The latest forecast is £52m and compares to budget of £62m.

10.5 Note that no cash flow has been included in this report due to difficulties with the new SAP system for producing consolidated financial data. Cash forecasts are however produced independently of this on a receipt and payments basis and support cash balance stated in the balance sheet.

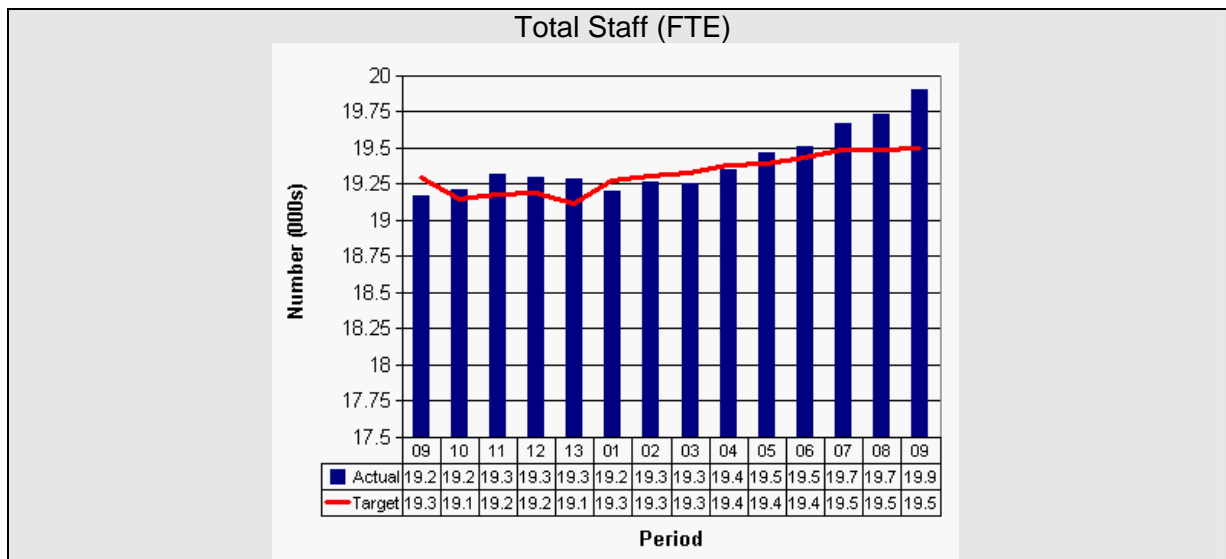
11 STAFF

Staff numbers

11.1 Total Staff FTE exceeded budget throughout the quarter finishing at 19,908, some 350 (1.8%) above the 2005/06 budget figure. The largest single component of this was British Transport Police (BTP) in London Underground, which was 135 above budget reflecting additional levels following the events of 7 and 21 July, for which costs are being contained with London Underground's overall budget. There was also some 150 additional staff in Surface Transport, primarily to address capacity issues in the Streets domain. Current staffing levels are under review following the

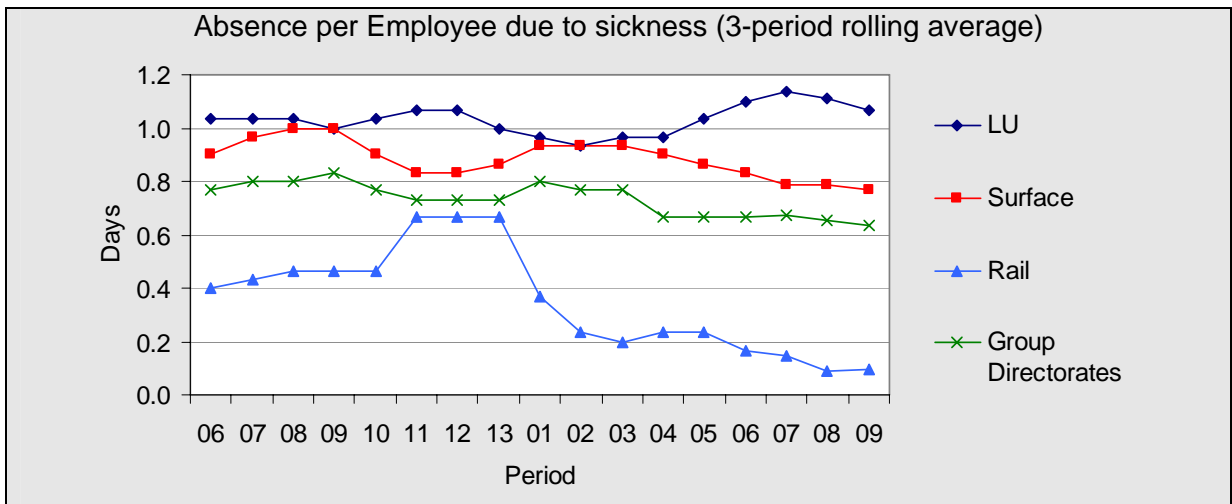
business planning process, which saw financial provisions for increased staffing levels within the plan. The period 9 total, whilst over the current approved budget for 2005/06, was some 300 below proposed levels for 2006/07.

- 11.2 Overall the year to date staffing cost across the TfL Group at period 9 was £692m, moderately (1.3%) above the budgeted figure of £683m.



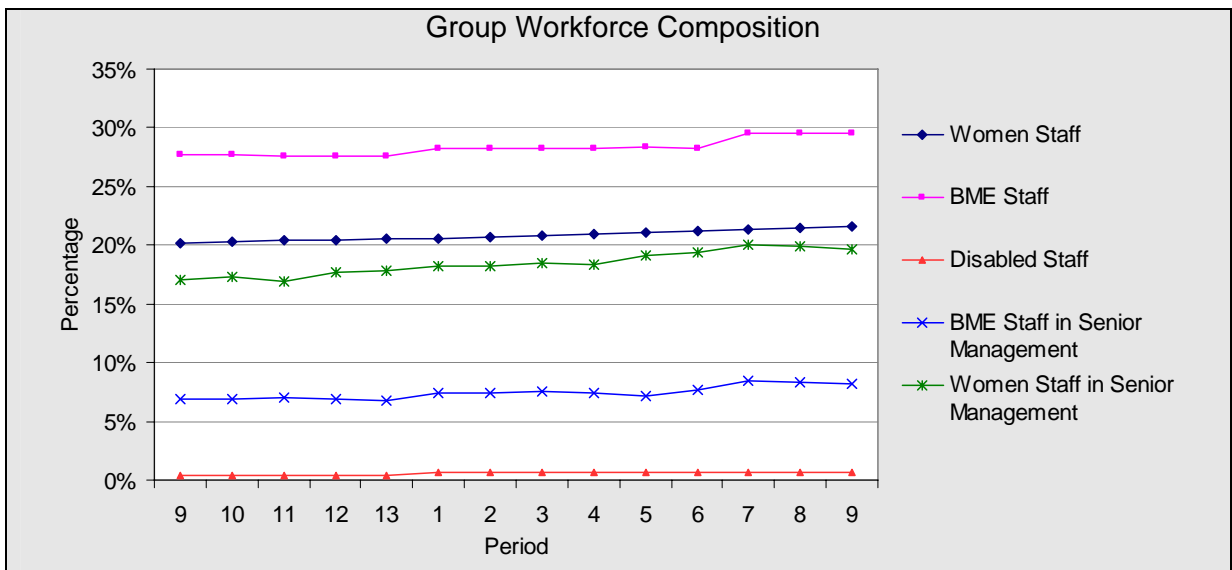
Sickness

- 11.3 This quarter sickness absence per employee is down 0.04 days down on the end of the second quarter. This is essentially driven by a recovery in London Underground Operations over the quarter (reversing upward trends in the first half of the year), combined with continuing falling trends in Surface and London Rail. Increased focus on attendance issues in London Underground and staff welfare pilots across the TfL Group are contributory factors.
- 11.4 This equates to 12.54 days of absence per employee on an annualised basis, against a target of 11.9 days. Within this sickness, non-operational staff was close to target at 8.3 days compared to the target of 7.5 days while operational staff sickness was at 16.5 days against a target of 13.8.
- 11.5 Overall TfL sickness levels are higher than the public sector average (10.3 days), including that of the health sector (11.6 days). Benchmarking sickness levels for TfL staff is difficult, not least since the unique nature (and safety issues) of the operating environment within London Underground make comparisons challenging. For non-operational staff TfL is broadly comparable with the GLA (7.3 days 2004/05) and ahead of other largely non-operational Passenger Transport Authorities/Executives (PTA/E) such as West Midlands (8.6 and West Yorkshire 8.9, 2004/05). When compared to PTA/Es with large operational components the overall TfL sickness is comparable (e.g. Nexus – Tyne and Wear, 14.9 days, 2004/5). However operational sickness is still worse than the London Fire Brigade (10.9 days 2004/05), and Metropolitan Police Officers (7.4 days 2004/05).



Workforce Composition

11.6 Although (with the exception of % disabled staff) there have been marginal increases across the board since the end of third quarter, levels have lagged behind target in all areas except that of % BME Staff which has comfortably exceeded its budget for the entire quarter due to high BME employment rates in London Underground. However, between them, London Underground and Surface Transport would need to recruit over 600 women before year end to meet the Women Staff full year target. A total of 43 FTE must be hired in order to meet full year target for disabled staff.



12 EFFICIENCIES

12.1 The efficiencies programme full year target is £148m. This includes £74m of savings sustained from previous years and £74m to be delivered within this current financial year. The table below presents in-year savings. At the end of period 9, £55m of in-year efficiencies had been delivered, with the full year forecast standing at £124m, £50m above target.

Initiative (£m)	Year to Date	Full Year		
	In year Actual	In year Forecast	In year Target	Variance Forecast to Target
Procurement	6	39	28	11
Staff & BIP	8	12	12	-
Other	4	6	1	5
Total Back Office	18	57	41	16
Bus Network	9	20	-	20
Tube lines refinancing	1	2	2	-
LUL Other Efficiencies	-	1	4	(3)
LUL Communications Infrastructure	27	44	27	17
Total Operational	37	67	33	34
CASHABLE TOTAL	55	124	74	50

12.2 The overall full year procurement savings target is £58m, of which £30m is sustained from previous years. Of the in-year target of £28m, £6m has been delivered to date. However, although a further £39m of procurement efficiencies have been identified, experience has shown that up to 15% of those identified are not realised. Therefore, the year end forecast for in year efficiencies is £39m which includes the £6m delivered to date.

12.3 The full year variance of £50m reflects:

- An increase in procurement related efficiencies identified by Surface Transport exceeding target by £13m, reflecting minor shortfalls in other areas, resulting in the net variance of £11m.
- Forecast bus contract savings of £20m against a target of zero, due to continuing favourable operating conditions partly enabled by the declining usage of cash on buses.
- Increased savings in London Underground as a result of additional rebates being agreed with the Infracos in respect of PPP completion accounts and special projects (£3m), and the operational communications project – TIMIS (£17m).

12.4 These increases more than offset the lower than forecast London Underground other efficiencies (£3m).

ANNEX 1: PERFORMANCE SUMMARY

Performance Indicators		Third Quarter				Full Year			
		Actual	Target	Var	Prior Year	F'cst	Target	Var	Prior Year
TfL GROUP									
Total passenger journeys	Millions	736.6	715.3	21.3	712.4	2886.1	2850.2	36.0	2842.8
Operating cost per passenger journey	£	1.57	1.61	(0.04)	1.47	n/a	1.75		1.23
Reliability of service (Delay Index)	#	97.8	86.4	11.4	122.0	80.0	80.0	-	79.8
CSS: Overall Satisfaction	Score	78	78	0.4	78	78	78	-	79
Major Fatalities and Injuries	#	393	n/a		215	n/a	n/a		898
Number of Staff	#	19,908	19,558	350	18,551	n/a	19,533		19,340
Percentage of Women Staff	%	21.5	24.3	(2.8)	21.1	n/a	24.3		21.0
Absence per Employee	Days	12.5	11.9	0.6	11.2	n/a	11.9		12.48
LONDON UNDERGROUND									
Passenger Journeys	Millions	235.8	227.4	8.4	238.1	953.7	947.0	6.7	975.9
Train Kilometres Operated	Millions	15.9	16.4	(0.5)	16.2	69.9	70.8	(0.9)	69.4
Percentage of Scheduled Service Operated	%	93.3	95.0	(1.7)	95.4	94.1	95.1	(1.0)	95.3
Peak Hour Trains Cancelled due to ONA	%	0.3	0.6	(0.3)	0.1	n/a	0.6		0.1
Excess Journey Time - Unweighted	Minutes	3.37	3.25	0.12	3.40	n/a	3.25		3.23
CSS: Overall Satisfaction	Score	78	78	-	76	n/a	78		78
Lost Customer Hours	M Hours	5.27	3.70	1.57	2.61	n/a	16.20		14.08
LONDON BUSES									
Passenger Journeys	Millions	464.7	452.4	12.3	438.8	1,853.4	1,824.3	29.1	1,793.4
Bus Kilometres Operated	Millions	104.7	106.8	(2.1)	104.5	455.7	461.2	(5.5)	449.6
Percentage of Scheduled Service Operated	%	97.0	97.3	(0.3)	97.2	97.8	97.8	-	97.7
Excess Wait Time - High Frequency Routes	Mins	1.4	1.4	(0.0)	1.3	1.2	1.2	-	1.1
On Time Performance - Low Frequency Routes	%	73.6	74.2	(0.6)	74.2	76.7	77.0	(0.3)	77.1
On Time Performance - Night Buses	%	83.5	81.5	2.0	81.5	82.8	82.0	0.8	81.9
CSS: Overall Satisfaction	Score	78	78	-	78	n/a	78		77
Percentage of 'Low Floor' Buses	%	98	97	1	94	100	100	-	95
LONDON TRAMS									
Passenger Journeys*	Millions	5.3	n/a		4.4	n/a	21.1		19.3
Percentage of Scheduled Service Operated	%	98.2	98.0	0.2	98.8	n/a	98.0		95.4
CSS: Overall Satisfaction	Score	87	86	1	87	n/a	88		86
PUBLIC CARRIAGE OFFICE									
Number of Taxi Drivers Licensed	'000	23.5	23.6	(0.1)	23.4	24.7	24.7	-	24.7
Number of Private Hire Drivers Licensed	'000	23.1	24.6	(1.5)	11.8	30.0	30.0	-	16.3

Notes/Key:

 Target achieved/ exceeded
 Less than 5% worse than target
 More than 5% worse than target

* Passenger journey targets are estimated, due to the service being provided by a third party
 n/a = KPI data not available / not measured.

ANNEX 1: PERFORMANCE SUMMARY (CONTINUED)

Performance Indicators		Third Quarter				Full Year			
		Actual	Target	Var	Prior Year	F'cst	Target	Var	Prior Year
LONDON RIVER SERVICES									
Passenger Journeys (Multi stop)	'000	125	75	50	81.9	456	350	106	372
Passenger Journeys (Excluding Multi Stop)	'000	315	270	45	276	1,879	1,750	129	1,887
Percentage of Scheduled Service Operated	%	97.9	98.3	(0.4)	97.3	98.1	98.5	(0.4)	98.5
VICTORIA COACH STATION									
Number of Coach Departures	'000	44.1	51.8	(7.7)	48.3	178.1	226.6	(48.5)	215.3
CSS: Overall Satisfaction	Score	81	72	9	81	76	72	4	75
DIAL-A-RIDE									
Total Costs per Trip	£	18.6	13.07	5.5	14.8	18.7	13.9	4.8	17.0
CSS: Overall Satisfaction	Score	93	93	-	92	93	93	-	95
ROAD NETWORK									
No. of Major Injuries and Fatalities (TLRN)	#	272	n/a		303	n/a	1,058		1,093
No. of Major Injuries and Fatalities (Londonwide)	#	1,014	n/a		1,134	n/a	4,031		4,169
Cycling on TLRN (Index April 2000 = 100)	#	179	n/a		141	n/a	150		142
Journey Time Reliability (TLRN)**	%	n/a	n/a		n/a	n/a	19.7		18.7
Traffic Signals Operating Effectively (Londonwide)	%	98.8	n/a		n/a	n/a	97.0		97.3
DOCKLANDS LIGHT RAILWAY									
Passenger Journeys	Millions	12.9	12.4	0.5	12.4	53.8	53.8	-	50.1
Train Kilometres Operated	Millions	0.8	0.8	0.0	0.8	3.4	3.4	-	3.3
Percentage of Scheduled Service Operated	%	98.7	98.0	0.7	98.5	98.0	98.0	-	98.5
On-Time Performance - Adherence to Schedule	%	98.0	96.0	2.0	97.0	96.0	96.0	-	97.1
CSS: Overall Satisfaction	Score	95	83	12	95	84	84	-	95
Percentage of System Accessible	%	100	100	-	100	100	100	-	100

Notes/Key:

Target achieved/ exceeded
 Less than 5% worse than target
 More than 5% worse than target

** Measured annually

n/a = Data not available/not measured

ANNEX 2: MODAL SUMMARY OF FINANCIAL PERFORMANCE

£'m	Year to Date		Full Year		
	Actual	Variance to Budget	Forecast	Budget	Variance to Budget
OPERATING BUDGET					
LONDON UNDERGROUND					
Income	(970)	(36)	(1,379)	(1,344)	(35)
Operating expenditure	1,627	(81)	2,434	2,474	(40)
Gross margin	657	(116)	1,055	1,130	(75)
SURFACE TRANSPORT					
Income	(899)	(6)	(1,272)	(1,258)	(13)
Operating expenditure	1,452	17	2,112	2,117	(5)
Gross margin	553	11	841	859	(18)
LONDON RAIL					
Income	(34)	(1)	(49)	(48)	-
Operating expenditure	80	3	128	117	12
Gross margin	46	2	80	68	11
GROUP DIRECTORATES					
Income	(54)	(1)	(78)	(78)	-
Operating expenditure	143	(4)	243	265	(22)
Gross margin	90	(5)	165	187	(23)
TOTAL					
Income	(1,957)	(44)	(2,778)	(2,729)	(49)
Operating expenditure	3,302	(64)	4,918	4,973	(55)
Overprogramming (operating)	-	14	-	(20)	20
Gross margin	1,345	(94)	2,140	2,225	(85)

() variance is an above budget for income, and below budget for operating expenditure
Table may be subject to rounding accuracy.

ANNEX 2: MODAL SUMMARY OF FINANCIAL PERFORMANCE (CONTINUED)

£'m	Year to Date		Full Year		
	Actual	Variance to Budget	Forecast	Budget	Variance to Budget
CAPITAL BUDGET					
London Underground					
Capital expenditure	213	(64)	335	376	(41)
Capital receipts/reimbursements	(98)	(1)	(145)	(142)	(3)
Property sales	(7)	2	(13)	(13)	-
Total Capital Expenditure	108	(63)	177	221	(43)
Surface Transport					
Capital expenditure	192	(44)	346	438	(92)
Capital receipts/reimbursements	(10)	(3)	(15)	(12)	(3)
Total Capital Expenditure	182	(46)	331	426	(95)
London Rail					
Capital expenditure	52	(12)	83	93	(10)
Capital receipts/reimbursements	(2)	(2)	(2)	-	(2)
Total Capital Expenditure	50	(15)	81	93	(12)
Group Directorates					
Capital expenditure	4	(33)	12	70	(58)
Capital receipts/reimbursements	(4)	15	(10)	(30)	19
Total Capital Expenditure	-	(17)	2	40	(38)
Total					
Capital expenditure	460	(153)	777	977	(201)
Capital receipts/reimbursements	(114)	10	(172)	(184)	12
Property sales	(7)	2	(13)	(13)	-
Overprogramming (capital)	-	101	(5)	(140)	135
Net Capital Expenditure	339	(40)	586	640	(54)

() variance is a below budget for capital expenditure but not for capital receipts/reimbursements
Table may be subject to rounding accuracy.

NET EXPENDITURE					
London Underground	765	(180)	1,232	1,351	(118)
Surface Transport	735	(35)	1,171	1,285	(114)
London Rail	96	(12)	161	162	(1)
Group Directorates	89	(22)	167	228	(61)
Central Overprogramming	-	115	(5)	(160)	155
Contingency	-	-	-	26	(26)
Net Service Expenditure	1,684	(134)	2,727	2,891	(164)

ANNEX 3: BALANCE SHEET

£'m	Year to Date		Full Year		
	Actual	Variance to Budget	Forecast	Budget	Variance to Budget
Fixed assets					
Tangible assets	13,304	(181)	14,091	13,933	158
Current assets					
Stocks	4	(1)	4	5	(1)
Debtors	325	120	358	200	158
Payments in advance	92	29	33	60	(27)
Cash at bank and in hand	1,107	(65)	967	1,269	(302)
	1,528	83	1,362	1,534	(172)
Current liabilities					
Revenue	(608)	172	(1,089)	(861)	(228)
Receipts in advance	(114)	(63)	(160)	(155)	(5)
Capital	(155)	20	(296)	(223)	(73)
	(877)	129	(1,545)	(1,239)	(306)
Long term liabilities					
Balances with Infracos	(1,131)	(53)	(1,637)	(1,178)	(459)
Prudential loans	(196)	196	(214)	(738)	524
Creditors due after one year	(228)	1	(364)	(378)	14
Capital grants	(7,069)	(54)	(6,932)	(6,605)	(327)
Pension liabilities	(1,004)	-	(1,004)	(1,004)	-
Provisions for liabilities and charges	(209)	(40)	(213)	(169)	(44)
Total net assets	4,118	81	3,544	4,157	(613)
Capital reserves					
Reserves	3,413	81	2,839	3,452	(613)
Earmarked reserves	539	-	539	539	-
General fund	166	-	166	166	-
Total capital employed	4,118	81	3,544	4,157	(613)

ANNEX 4: CASH BALANCES

Approved Investments and Cash £'m	Period 7	Period 8	Period 9
Period end	15 Oct	12 Nov	10 Dec
Budget	1,077	980	974
Cash Balances	1,155	1,061	1,107
Variance	78	81	133

Net Cash Balances comprise:			
Investments	1,100	1,009	1,057
Investments-Guernsey	31	32	32
Cash & Credits in Transit	24	20	18

Investment Profile			
Up to 1 Month	129	120	76
1-2 Months	115	101	88
2-3 Months	299	294	251
3-4 Months	101	56	100
4-5 Months	40	-	40
5-6 Months	112	120	190
>6 Months	304	318	312
Total	129	120	76

TRANSPORT FOR LONDON

BOARD

SUBJECT: TfL FIVE YEAR INVESTMENT PROGRAMME REPORT

MEETING DATE: 8 FEBRUARY 2006

1. PURPOSE

- 1.1 To inform the Board on the performance of the Investment Programme in the third quarter of 2005/06 (17 September 2005 to 10 December 2005). This first TfL 5 year Investment Programme will continue until 2009/10 and this report will be published quarterly.

2 KEY HIGHLIGHTS

- 2.1 Principal highlights of the Investment Programme arising over the third quarter of 2005/06 are as follows:
- London City Airport Extension opened ahead of schedule on 2 December 2005. The official opening was held on 6 December whilst ridership on the new extension exceeded 10,000 for the first time on 8 December.
 - LUL successfully introduced 7-car trains into passenger service on the Jubilee Line on 29 December. The line was due to be closed for five days from 26 December but re-opened two days ahead of schedule. This will increase capacity by nearly a fifth across the whole line, or an extra 6,000 passengers in both directions every morning and evening peak.
 - LUL achieved operational use of Wembley Park Station on 30 September ahead of the final completion of the station on 31 December 2005. Work is currently ahead of programme for completion of the Station Modernisation elements by May 2006.
 - Kings Cross/CTRL – Phase 1 handover remains on target to complete in September 2006. The Re-Stated Works Agreement was executed on 19 December 2005 as a result of agreement by DfT to progress the Phase 2 works.
 - London Underground Tunnel Cooling - The station survey is complete and several quick-win type solutions are being worked up. These include a new fan at Liverpool Street for the Central Line platforms and improving airflows in Charing Cross, Euston, Embankment and Holborn.

- Victoria Station Upgrade is approaching the end of the design phase to programme. The project has pioneered the use of 3D CAD with the procurement of a full 3D survey of Victoria Station and production of a 3D design model. Workstreams are being initiated in the New Year to explore the potential for future phases of work to improve the District and Circle line areas of the station and to integrate with the wider proposals of the Victoria Interchange Programme.
- A406 Hanger Lane Bridges and A40 Western Avenue Bridges have both suffered delays as a result of planning approvals. These are now largely resolved and the latter project is now planned to complete on schedule. Surface is facilitating work to explore mitigations against the systemic risk which planning approvals represents to all 'new asset' type projects across TfL.
- Good progress continues to be made in the early implementation stages of the Congestion Charging - Western Extension.

3 DELIVERY

3.1 The interim Oversight Group has made significant progress over the last quarter including:

- Completion of the 'develop function' stage and focus on the team becoming almost completely operational.
- Completion of early Independent Engineer reviews for West London Tram, Kings Cross/CTRL and Blackwall Tunnel Northbound. Whilst the introduction of these reviews has to a certain extent been a learning experience, they have achieved their aim in terms of demonstrating value to the projects reviewed and providing valuable experience in shaping the permanent process.
- The roll out of the full Investment Management Review process has gone to plan with London Rail transitioning to this arrangement in period 8. The Investment Programme Chief Officers meeting (IP COM) forum was felt to be particularly useful in relation to planning actions to mitigate the risks of strategic cross-modal working.
- Independent Engineer procurement progressed with 12 bidders short listed. 10 tenders were received and these are being evaluated, by a cross-TfL representative team, over the New Year period. This work stream, remains on schedule to have a framework contract in place (c 3-4 suppliers) by end of February 2006.
- A published Benchmark report (capturing 'best practice' observations of the Oversight team during its initial meetings with external organisations) has now been distributed across the business to enable the benefits to be shared.
- A Chief Officer's working group chaired by the Managing Director, Surface Transport has been established to address the issue of planning consents.

- The TfL relationship with the Olympic Delivery Authority and the Olympic Transport Authority has been established and preparation for the first Olympic focused report for submission to the ODA is on track for February 2006.
- One-to-one meetings with senior TfL staff have commenced to collect feedback that will influence the final configuration of the function.

3.2 The Interim team are in a firm position to 'hand over' the developed function to schedule and preparation for, and execution of, this transition will be the primary effort of the final quarter of this financial year (concluding by end April 2006).

PROJECTS OVER £100m

3.3 Major projects which have a total budget within the Investment Programme of more than £100m are listed in the table below. A more detailed summary of projects over £100m is provided in **Annex 1**.

Code	Project	Total Budget ¹	IP	Status
LU-PJ03	Sub-Surface Train Capacity	N/A ²	N/A ²	●
LU-PJ26	Camden Town Congestion Relief	£255m	£124m	■
LU-PJ110	Channel Tunnel Rail Link at Kings Cross	£765m	£101m	●
ST-PF39	Congestion Charging Western Extension	N/A ²	N/A ²	●
LR-PJ01	East London Line Extension	£896m	£896m	●
LR-PJ06	DLR Capacity Enhancements 3 Car	£102m	£102m	●
LR-PJ08	London City Airport DLR Extension	£150m	£80m	●
LR-PJ09	Woolwich Arsenal DLR Extension	£150m	£150m	●

Notes:

¹ Presently includes the 2005/6 budgeted amounts rather than the 2006/7 Business Plan values.

² Information is commercially sensitive

● = Will be delivered according to authorised plan

▲ = Variance exists but either the impact is not deemed significant or recovery plans are in place or no current variance but requires close management attention

■ = Variance will have significant impact on project delivery schedule and cost

Total Budget = Budget for the duration of the project

IP = Total project spend budgeted in the 5 year Investment Programme

Delivery highlights and key issues over the quarter are as follows:

3.4 **Camden Town Congestion Relief** – Work to rekindle the scheme is progressing. Anticipated claims from the objectors for cost reimbursement have been slower than expected with only two claims of the four anticipated received to date.

3.5 **Channel Tunnel Rail Link (CTRL) at Kings Cross** – Phase 2 Re-stated works agreement (construction of the Northern Ticket Hall and concourse access to St Pancras) was executed on 19 December 2006. Current handover of the Western Ticket Hall is due on 19 March 2006 in line with plan, with the Phase 1 handover in September 2006.

- 3.6 **Congestion Charging Western Extension** - Good progress is being made on the early stages of implementation. Savings have been secured as a result of successful negotiations with camera and communications service providers, and consultants. Go-live remains on track for February 2007.
- 3.7 **East London Line Extension** – Good progress is being maintained on all the major workstreams, however it should be noted that timescales are highly demanding. The Main Works terms and conditions have been reviewed by the legal team and have been issued to the tenderers. The Invitation to Tender for the Rolling Stock was issued on 2 November 2005, with replies received on 4 January 2006.
- 3.8 **DLR Capacity Enhancements** - Procurement remains on programme with tenders having been received from all four bidders for outline design works. Contracts were awarded at the end of the third quarter and design works have now commenced.
- 3.9 **London City Airport** - London City Airport Extension opened ahead of schedule on 2 December 2005, 13 days ahead of the contracted date of 15 December. The official opening was held on 6 December.
- 3.10 **Woolwich Arsenal DLR Extension** - Construction work for the tunnel boring machine launch chamber continues ahead of schedule. Work is also progressing with regard to land issues and detailed design.

PROGRAMMES/PORTFOLIOS AND PROJECTS UNDER £100m

These projects are defined as those whose expenditure is less than £100m over the 5 year Investment programme. It should be noted that some projects will have significant expenditure after the Investment Programme period which will lead to total project values above this level.

Delivery highlights and other key issues during the third quarter of 2005/06 for other projects under £100m include:

- 3.11 **Jubilee Line 7th car project** – All additional 7th cars are now ready and infrastructure works complete. On 1 December the first trains were taken out of service for conversion. The line was due to be closed for 5 days from 26 December but re-opened two days early on the 29 December with full 7 car trains introduced to passenger service. To further increase capacity 4 additional 7 car trains are being purchased with the first 2 delivered and being tested. The other 2 will be delivered in February 2006. This increases the fleet size from 59 to 63.
- 3.12 **Operational Accommodation** – Detailed designs of the priority schemes to improve capacity, condition and ambience for all four Operational Accommodation projects (South London House, Klondyke House/South Dock House and Earls Court) are now complete. A planned Independent Engineer's review is currently underway, and detailed outcomes are expected in the 4th Quarter. This project is slightly ahead of programme.
- 3.13 **Trackernet** – The software application that provides real time train movements has been extended to the Earls Court area. Logging of trains as they pass a specific point has been deployed in all nine signal cabins across the Metropolitan, Hammersmith & City and District lines (SSL lines). The project is on programme.

- 3.14 **Croxley Link** – The agreement to purchase the necessary land is complete but is unlikely to take place until early 2006.
- 3.15 **A 406 Bounds Green** – The scheme is delayed to avoid conflict with parallel work to the M25 Holmesdale Tunnel and to reflect Enfield's recent confirmation of requirement for a planning application. The new programme schedule reflects the likelihood of Public Inquiry given relevant boroughs' views that the proposed scheme is an insufficient response to congestion the A406. As a result of this a further design review is in progress and cost increases are expected which will require a revised business case to be produced.
- 3.16 **A 406 Hanger Lane Bridges/A40 Western Avenue Bridges** - Ealing Planning Committee considered the two planning applications relating to Hanger Lane Bridge on 19 October 2005 and have granted approval subject to completion of a section 106 agreement between TfL and Ealing Council. The Western Avenue Bridges contractor has now received the necessary permission for the erection of site accommodation and has begun setting up on site. Overall the project is now back on schedule.
- 3.17 **North Acton Bus Garage** – This project continues to be delayed as a result of planning consent from the London Borough of Ealing having been refused and thus going to appeal. Forecast completion date is now July 2007.
- 3.18 **Hounslow Bus Station** – This project is closely related to Hanworth Road Bus Garage, as it had been envisaged that the upgrade of Hounslow Bus Station would be facilitated by relocating the adjacent garage to a new facility in Hanworth Road. Problems with obtaining planning consent for Hanworth Road however mean that this option is no longer viable. The Hounslow Bus Station and Hanworth Road Bus Garage projects are therefore effectively 'on hold' pending identification of an alternative way forward.
- 3.19 **Low Emission Zone (LEZ)** – Funding received TfL Board approval in October. Consultation with the GLA Functional Bodies and the Assembly on the Strategy revisions finished on 14 November. Preparation for the public and stakeholder consultation between 13 February and 22 April is now underway.
- 3.20 **TLRN Capital Renewal Programme** - Latest programme reflects the impact of TLRN's 'Step Change' initiative. This is a series of activities to deliver rapid, visible and high quality improvement to the appearance of the TLRN in a very short period of time. Underlying delivery performance in this programme, and Surface Transport's other major 'annualised' capex programmes (i.e. the Traffic Management, Walking, Cycling and Road Safety programmes) is strong.
- 3.21 **Bus Priority** – TLRN Schemes - This programme has suffered some slippage primarily as a result of traffic system resource constraints. Attempts are being made to mitigate this by identifying new schemes which are less reliant on those resources which are in short supply. Additionally, significant improvements have been made to Surface's capacity planning processes, which will improve forward programming by providing better visibility of future resource constraints.
- 3.22 **Battersea Bridge** – Battersea Bridge fully re-opened to all traffic on 15 January, following repairs to the damage incurred following a vessel colliding with the

structure in September. The contractor will complete the remaining non-structural repairs by the end of March. The team and contractors have been congratulated for their response and effort, especially over the festive period, enabling the bridge to re-open well ahead of the original spring forecast.

- 3.23 **DLR Railcar Refurbishment** – Nine refurbished vehicles entered service during the quarter, with a total of 59 vehicles now completed. Final completion of the refurbishment programme is currently anticipated to be November 2006, eight months later than planned.
- 3.24 **Stratford Regional Station Modernisation** – Surveys and preliminary works for the provision on double track platforms have been completed. Hoardings are complete. The construction phase has commenced with LU pumping station temporary works, earthworks, train crew walkway diversion and LU pumping station temporary works ongoing.
- 3.25 **Stratford International DLR Extension** – Work continues on preparation for the public inquiry. The closure process for the North London Line between Stratford and Canning Town has commenced with notices appearing in the Evening Standard and National Press. Potential risk at public enquiry due to Union Railways/Newham Council dispute over travelator connection at Stratford.
- 3.26 **Stratford Regional Station Upgrade** – Stratford is an Olympic critical Interchange Station surrounded by a number of property developments, including the Stratford City Development. This work is not in TfL's five year Investment Programme. Delivery of the station works to meet the Olympic programme requires design development to commence in early January 2006, and funding to support the design has been released from the Olympic Transport budget. Funding for the capital works is expected to come from S106 agreements and the Olympic Transport budget.
- 3.27 **Thames Gateway Bridge** - Following the results of the traffic survey count in Bexley the inquiry has been adjourned until the end of January to allow TfL to submit measures to mitigate the effects of the high growth level detected. Completion of the inquiry is now forecast for the end of May 2006.
- 3.28 **West London Tram** - Progress is on target for a TWO application in the summer of 2006. Additional modelling work is in hand for the submission and to prepare for the Public Inquiry. A local consultation on specific issues started in October 2005 and 250 responses have been received to date. The local press has focused on 2 of the 27 identified storehouse locations as being cause for concern. The project team is working closely with the London Borough of Ealing to resolve this situation to develop a closer working relationship to prevent problems in the future. Hillingdon Council have voted to formally object to the scheme. TfL is dealing with this result accordingly.
- 3.29 **Cross River Tram** - Work has commenced on the options selection phase which will involve local public consultation and will result, by early 2007, in a single option for the whole route capable of being safeguarded by the Boroughs.
- 3.30 **East London Transit** – The draft outline business case and feasibility study for Phase 1b (extension to serve Barking Riverside development) is to be completed by

the end of January 2006. Consultation has commenced on Phase 2 (extension from Barking to the northern end of the TGB).

- 3.31 **Greenwich Waterfront Transit** - Resolution of the route through Woolwich town centre remains a significant concern and work is ongoing with councillors, officers from LB Greenwich and their consultants to resolve the GWT option through this key interchange point.
- 3.32 **Croydon Tramlink Extension** – Following a briefing with the Mayor at the GLA Integration Unit (GLAIU), the CTLE team met with the Managing Director, Finance & Planning and the Managing Director, Surface Transport to present the implications of terminating the tram at the rail station. A revised report has now been drafted and was presented to the Mayor during the week commencing 19 December 2005.

4 INVESTMENT PROGRAMME EXPENDITURE

- 4.1 The Investment Programme comprises both directly managed capital programmes by TfL and indirectly managed programmes where delivery is the responsibility of a third party under a PPP/PFI type contract or other arrangement.

DIRECTLY MANAGED

The table below now breaks out expenditure on projects included in the Investment Programme prior to the receipt of a Transport Works Order (TWO). These include projects such as West London Tram and Greenwich Waterfront Transit. This expenditure whilst part of the Investment Programme is treated as operating expenditure for the purpose of statutory accounting.

- 4.2 Net Value of Work Done (VOWD) on projects directly managed by TfL at the end the third quarter was is £34m under budget, after overprogramming. The full year forecast is anticipated to be £29m under budget, after overprogramming, capital receipts and reimbursements.

VOWD (Directly Managed) £'millions	Year to Date		Full Year	
	Actual	Variance to Budget	Forecast	Variance to Budget
London Underground	213	(64)	335	(41)
Surface Transport	192	(44)	346	(92)
London Rail *	59	(7)	99	4
Group Directorates *	33	(32)	70	(47)
Gross Directly Managed Exp	496	(147)	851	(176)
Capital receipts/reimbursements	(114)	10	(172)	12
Property sales	(7)	2	(13)	-
Overprogramming (capital)	-	101	(5)	135
Net Directly Managed Exp	375	(34)	661	(29)
Development Expenditure *	(36)	(6)	(74)	(25)
Net Capital Expenditure	339	(40)	586	(54)

* VOWD includes development expenditure that is treated as operating expenditure in London Rail and Group Directorates for statutory accounts purposes

A detailed modal breakdown of capital expenditure is provided in **Annex 2**.

London Underground

- 4.3 Expenditure for the year to date within London Underground's own managed works was below budget by £64m. Principal variances continue to be from cost savings and phasing differences in Connect enabling works of £27m and Phase 2 CTRL works at Kings Cross of £18m, which is matched by lower reimbursements from DfT. As mentioned earlier in the report DfT has now agreed to progress the Phase 2 works.
- 4.4 The London Underground full year forecast is £41m below budget, mainly consisting of CTRL works at Kings Cross of £14m, Connect enabling works of £12m, Power works of £7m and the Camden and Tottenham Court Road station schemes at £7m below budget.

Surface Transport

- 4.5 Expenditure for the year to date of £192m is £44m below budget with a current full year capital expenditure forecast some £92m below budget (a £23m improvement compared to the quarter 2 forecast). The main causes of this underspend include: (i) a £42m saving on Congestion Charging Western Extension as a result of successful contract negotiations with service providers and a rephrasing of traffic management and enforcement infrastructure works, (ii) a £14m year end underspend on iBus as a result of changes in the accountancy treatment of this programme (largely stemming from a revised payment profile agreed with the supplier at the time of the contract award) and (iii) £23m forecast year end underspend on the A406 Western Avenue and A40 Hanger Lane Bridges projects.

London Rail

- 4.6 The year to date variance of £7m is mainly due to delays to the commencement of construction on the Stratford Station (£4m) and slower than anticipated activity on the DLR Railcar Refurbishment project (£5m).
- 4.7 The current full year capital expenditure forecast is that London Rail will spend £4m above its budget, which includes the delays to Stratford Station (£5) and the Railcar Refurbishment project (£8m) but with additional forecast expenditure above budget on the East London Line Extension Project (£8m), backup and security on the DLR (£5m) and National Rail service and station security (£5m).

Group Directorates

- 4.8 As reported in the previous quarter, the actual and forecast reduction in spend is mainly as a result of the cessation of the Oyster Card National Rail validator Installation project, as the Train Operating Companies declined TfL's financing offer. As a result, TfL does not expect to finance the validators.

INDIRECTLY MANAGED

- 4.9 These are projects where delivery is the responsibility of a third party under a PPP/PFI type contract or other arrangements. Reportable values represent the assessed capital value of assets delivered.

London Underground

- 4.10 Work has continued with the Infracos, particularly Metronet since Tube Lines reporting structure is closely aligned, to populate London Underground's Master Projects Database (MPD) with information regarding the indirectly managed capital expenditure. A permanent solution enabling Metronet's use of MPD is still being implemented. For the purposes of this report, LU has robust information up to the end of quarter 3 for Tube Lines, but only for the year to the end of Period 8 for Metronet.
- 4.11 The VOWD as at the end of the quarter, at £768m was £32m above the latest Annual Asset Management Plans (AAMPs). Expenditure by the Infracos includes additional spend caused by slippage from prior years into this financial year. Expenditure under the PFI contracts is lower than budget due to revised work allocation on the Power PFI between directly managed and PFI funded expenditure.
- 4.12 The amounts included in the Investment Programme represent capital payments the Infracos plan to make to their subcontractors, which in some cases run ahead of the actual delivery of the capital work. London Underground has yet to formally approve the Infraco plans and the quality and validity of the data contained in those plans is yet to be proven.
- 4.13 Progress on renewals and upgrade works is as follows:
- **Tube Lines JNP** - Track renewals works are broadly in line with the revised plan over the first two years. Tube Lines has delivered two of the eleven station enhancements due this year ahead of the contracted dates (one in Q1 and one in Q2), with the remaining nine expected by the end of the financial year. Two lift replacements and 10 escalator refurbishments/replacements were delivered by the end of quarter 3, with one further escalator refurbishment completed subsequently.
 - **Metronet SSL** - Track renewals works are considerably behind the revised plan. Metronet SSL is contracted to deliver 13 station enhancements this year, plus 5 carried forward from last year. Two have been completed (one in each of quarter 2 and quarter 3), a further 10 are forecast to be completed by the end of the year with the remaining 6 expected to be delayed until 2006/07. Three escalator replacements have been delivered to date this year and a fourth is due in quarter 4.
 - **Metronet BCV** - Track renewals works are considerably behind the revised plan. Metronet BCV is contracted to complete 15 station upgrades in 2005/06, plus 3 carried over from last year. Two have been delivered (one in each of Q2 and Q3) and a further 3 are forecast to be completed in quarter 4. Completion of the remaining 13 is forecast to be delayed by between 10 and 95 weeks compared

with the contracted dates. Four escalator refurbishments were completed by the end of quarter 3 with a further 3 delivered into service subsequently.

Surface Transport

- 4.14 Indirectly managed capital expenditure in Surface Transport arises from to Improvements to the bus fleet, A13DBFO and Borough Principal Road renewal.

The full year forecast variance of £18m is the result of lower expenditure on bus network fleet improvements of £6m resulting from lower than expected contract price increases from retendering. £11m underspend on A13 DBFO caused by the problems the concessionaire has had completing the communications system. This work is not expected to be completed until the next financial year and therefore reduced payments will continue.

London Rail

- 4.15 Indirectly Managed capital expenditure in London Rail relates to the assessed capital value of assets delivered on the London City Airport, Woolwich Arsenal DLR Extension and Woolwich Arsenal DLR 3 Car Railcars. Currently there is no contractual mechanism in place to capture actual costs therefore quarter 3 will reflect budget values.

5 OLYMPICS

- 5.1. TfL is responsible for the delivery of a significant part of the Olympic transport portfolio. Projects amounting to £1.9b are already included in TfL's latest business plan however projects to the value of £98m will require additional funding. For both groups of projects it has been agreed that the current arrangements for assurance and reporting, already established at Modal and OVERSIGHT levels, should be harnessed for use by the Olympic Transport Authority and the Olympic Delivery Authority to track delivery progress of this portfolio.
- 5.2. TfL OVERSIGHT has worked closely with Modes and the 'shadow' OTA to define the Independent Assurance review and reporting mechanisms. Next steps are to clarify the proposed reporting timelines (1st live report to be available to ODA, and therefore public scrutiny, in Feb/Mar 2006) and identify issues and risks. This report will include an Independent Engineer's review of the East London Line thereby providing corroboration of Independent Assurance.

6 PROCUREMENT AND EFFICIENCY

6.1 Savings identified to Quarter 3 as a result of value engineering and similar exercises include:

Construction	£m
Westminster Bridge Facia Replacement	17.9
A 40 Bridge Works	12.1
Consultancy	
North Greenwich Station	0.4
Congestion Charging – Western Extension	3.2
Cross River Transit	1.6
Thames Gateway Bridge	1.9
West London Tram	0.4
Financing (NPV)	
DLR Woolwich Arsenal Extension	10.0
DLR 3 Car Railcars	6.5

7 RECOMMENDATION

7.1 The Committee is asked to note the progress of the Investment Programme.

Projects over £100m


ANNEX 1


The following Annex provides progress details of projects in excess of £100 million which are being implemented and are in the Investment Programme.


The overall project status reflects the Modes latest view of schedule and cost performance over the total life of the project (inclusive of and beyond the length of the Investment Programme).


Total Budget = Budget for the duration of the project


IP = Total project spend budgeted in the 5 year Investment Programme


LU-PJ03	Sub-Surface Train Capacity	Total Budget = N/A IP = Commercially Sensitive	
Baseline:	The aim of this project is to provide additional train capacity (above that already to be provided through PPP upgrades). The initial phase of the project is focused on the central area of the sub-surface network and the Wimbledon branch.		
Schedule:	Progress is on plan to deliver an additional car (7 th) to all new C Stock plus the lengthening of station platforms where needed, to accommodate the extra car. The Specified Right has now been exercised and Metronet Rail SSL will commence work on feasibility for the 4 major stations and design work will also commence on the platform extensions. The project has a revised completion date of 2018, three years later than the original baseline plan.		
Forecast:	Year to date expenditure totalled £0.4m against a budget of £0.7m with the full year forecast on budget at £1m.		
Approval:	Full authority was approved on 9 February 2005. The figures are confidential.		


LU-PJ26	Camden Town Congestion Relief	Total Budget = £255m IP = £124m	
Baseline:	The objectives of the station redevelopment are to develop a scheme that maximises the capacity of the station (expanded ticket hall and additional escalators) and provide step free access to platform level. The Secretary of State has refused the TWA application.		
Schedule:	LU are working with the LB Camden (LBC) to rekindle progress with the project. An outline plan of activities has been agreed with LBC to facilitate the securing of planning and conservation area consent for a revised over station development (OSD). LUL and LBC agree that resubmitting a TWA Order for the new station will be contingent upon planning consent for the OSD and station. Key activities include the preparation of an OSD design brief by LBC, a LUL funded redesign and full public consultation. Following this, planning consent has been programmed for mid 2007, with TWA assent some 18-24 months later in 2009. Main construction would follow in 2010 at the earliest and beyond the current 5 year plan.		
Forecast:	Year to date expenditure is £2.6m against a budget of £1.8m. The project whole year forecast is £2.7m against a budget of £6.6m resulting from the current planning delays.		
Approval:	Authority for preliminary design and supporting costs for securing formal planning application/TWA powers of £18.5m approved on 4 February 2004 by Managing Director Finance & Planning. No further authority will be sought until a solution to the planning issues has been found.		


LU-PJ110	Channel Tunnel Rail Link (CTRL) at Kings Cross	Total Budget = £765m IP = £101m (DfT funded)	
Baseline:	King's Cross Congestion Relief (Channel Tunnel Rail Link) covers increased capacity at King's Cross St Pancras. Phase 1 includes an expanded Tube ticket hall and new Western Ticket Hall. Phase 2 includes a new Northern Ticket Hall, step-free access to Metropolitan & Circle lines and links to the new Channel Tunnel Rail Link Terminal. The King's Cross project is funded by the DfT and contracted by London Underground to Metronet.		
Schedule:	Phase 1 handover remains unchanged and on target to complete in mid September 2006. The new Western Ticket Hall and the enlarged Tube Ticket Hall opening is now forecast for 19 March 2006. The Phase 2 Northern Ticket Hall, deep level tunnels and MIP access, high level programme has been agreed with DfT. The restated Works Agreement was executed on 19 December 2005 as a result of agreement by DfT to progress the phase 2 works.		
Forecast:	Year to date expenditure totalled £58.4m against a budget of £76.3m with the full year forecast £95.5m against a budget of £110m, reflecting delays in DfT approval of additional funds for phase 2,		
Approval:	Authority of £462m approved at London Transport Board on 6 February 2003. Additional authority of £465m was approved at IRMC 20 September 2005 for onward submission to PRG. TfL Board approval was received on 26 October 2005 with DfT approval received in December 2005.		

ST-PF39	Congestion Charging Western Extension	Total Budget = N/A IP = Commercially Sensitive	
Baseline:	The objective of the scheme is to further reduce congestion in a wider area of London (a Western Extension) by extending the benefits achieved in the Central London Congestion Charging Scheme.		
Schedule:	Good progress is being made on early stages of implementation. 'Go-live' remains on track for February 2007.		
Forecast:	Year to date expenditure totalled £14.6m against a budget of £26.0m with the full year forecast £22.5m against a budget of £64.8m.		
Approval:	The February 2005 TfL Board approved in principle the entering into of contracts required to implement the Western Extension.		

LR-PJ01	East London Line Extension	Total Budget = £896m IP = £896m	
Baseline:	This project scope covers the rail link between Dalston Junction, Crystal Palace and New Cross Gate. This includes 4 new stations, 6 refurbished stations and 3 major bridges.		
Schedule:	Good progress is being maintained on all the major workstreams, however it should be noted that timescales are highly demanding. The Main Works terms and conditions have been reviewed by the legal team and have been issued to the tenderers. The Invitation to Tender for the Rolling Stock was issued on 2 November 2005, with replies received on 4 January 2006.		
Forecast:	Accrued expenditure for the year amounts to £29.3m against a budget of £24.2m and the whole year forecast is £45.8m against a budget of 37.4m.		
Approval:	May 2005 – Approval in principle to the entering into of contracts and other expenditure exceeding £100m.		

LR-PJ06	DLR Capacity Enhancement 3 Car	Total Budget = £102m IP = £102m	
Baseline:	This scope of this project covers the structural works (platform extensions, track realignment, viaduct strengthening) necessary for 3 car operations between Bank/Tower Gateway & Lewisham.		
Schedule:	Procurement remains on programme with tenders having been received from all four bidders for outline design works and the evaluation process is underway.		
Forecast:	Accrued expenditure for the year amounts to £1.3m against a budget of £4.0m with the whole year forecast £4.5m against a budget of £4.6m		
Approval:	October 2005: DLR - Capacity Enhancements (3 Car). £1.5m approved to cover the development and outline design stage.		

LR-PJ08	London City Airport DLR Extension	Total Budget = £150m IP = £80m	
Baseline:	This scope of this project covers the extension of DLR to London City Airport and onward to King George V, including intermediate stations at West Silvertown and Pontoon Dock. This includes passive provision for two further stations to be opened in line with future development. It has been let as a 30 year DBFM concession.		
Schedule:	London City Airport Extension opened ahead of schedule on 2 December 2005. The official opening was held on 6 December whilst ridership on the new extension exceeded 10,000 for the first time on 8 December.		
Forecast:	Accrued expenditure for the year amounts to £3.0m against a budget of £2.9m and the whole year forecast is £4.2m against a budget of £5.6m		
Approval:	No additional approvals are required on this project.		

LR-PJ09	Woolwich Arsenal - DLR Extension	Total Budget = £150m IP = £150m	
Baseline:	The scope of this project covers extension of the railway under the Thames from King George V to Woolwich Arsenal with a new combined station at Woolwich Arsenal linking the town centre, buses, South Eastern rail services and Waterfront Transit.		
Schedule:	Construction work for the tunnel boring machine launch chamber continues ahead of schedule. Work is also progressing with regard to land acquisition issues and detailed design.		
Forecast:	Accrued expenditure for the year amounts to £11.7m against a budget of £11.5m and the whole year forecast is 14.0m against a budget of £11.9m		
Approval:	No further approvals 2005/06. Funding for construction is now under a concession agreement value £177m and no further capital funding will be sought.		

Modal Summary of Capital Expenditure

ANNEX 2

£'m	Year to Date		Full Year		
	Actual	Variance to Budget	Forecast	Budget	Variance to Budget
London Underground					
Capital expenditure	213	(64)	335	376	(41)
Capital receipts/reimbursements	(98)	(1)	(145)	(142)	(3)
Property sales	(7)	2	(13)	(13)	-
Net Capital Expenditure	108	(63)	177	221	(43)
Surface Transport					
Capital expenditure	192	(44)	346	438	(92)
Capital receipts/reimbursements	(10)	(3)	(15)	(12)	(3)
Net Capital Expenditure	182	(46)	331	426	(95)
London Rail					
Capital expenditure	59	(7)	99	95	4
Capital receipts/reimbursements	(2)	(2)	(2)	-	(2)
Net Capital Expenditure	56	(10)	98	95	2
Group Directorates					
Capital expenditure	33	(32)	70	117	(47)
Capital receipts/reimbursements	(4)	15	(10)	(30)	19
Net Capital Expenditure	29	(16)	60	87	(28)
Total					
Capital expenditure	496	(147)	851	1,027	(176)
Capital receipts/reimbursements	(114)	10	(172)	(184)	12
Property sales	(7)	2	(13)	(13)	-
Overprogramming (capital)	-	101	(5)	(140)	135
Net Directly Managed Expenditure	375	(34)	661	690	(29)
Development Expenditure	(36)	(6)	(74)	(49)	(25)
Total Net Capital Expenditure	339	(40)	586	640	(54)

() indicates variance is a below budget spend except for capital receipts/reimbursements and property sales

TRANSPORT FOR LONDON

STAFF SUMMARY

TRANSPORT FOR LONDON BOARD

SUBJECT: TAXI FARES

SUBMITTED BY: MANAGING DIRECTOR, SURFACE TRANSPORT

MEETING DATE: 8 February 2006

1. Introduction

- 1.1 The purpose of this paper is to seek approval from the Board for changes in April 2006 to taxi fares.
- 1.2 Taxi fares are determined by the TfL Board under paragraph 11(xxvi) of TfL Standing Order 2 Scheme of Delegation.
- 1.3 In accordance with section 9 of the Metropolitan Public Carriage Act 1869, decisions as to the level of taxi fares must be made in accordance with any directions that the Mayor has given to TfL as to the basis on which those fares are to be calculated. The Mayor has not given TfL any directions in this regard.

2. Background

- 2.1 Taxi fares are normally revised each April based on changes to a cost index in use since 1981. The index, agreed with the trade, combines changes in operating costs with national earnings to produce a change in average fares aimed at maintaining drivers' real earnings net of operating costs and fluctuations in overall demand.
- 2.2 Last year there was an increase in fares effective from 2 April across all three tariffs in line with the increase in the cost index of 3.3%. This compared with year-on-year increases of 3.5% in the headline retail price index and 3.8% in average national earnings.
- 2.3 The taxi emissions strategy announced by the Mayor on 20 December 2004 introduced an environmental charge of a flat rate fare of 20 pence per journey, raising the fixed minimum part of the fare (the flag-fall) to £2.20 from 2 April 2005. This charge, over and above the usual cost of living rise, was introduced, subject to a review after three years, to meet the cost of converting taxis to reach new environmental standards as part of the Mayor's commitment to make London a Low Emissions Zone.

3. Review of the cost index

- 3.1 As part of the consultation during 2004, the PCO agreed to a review of the cost index to ensure that it continues to provide a sound basis for use in determining the increase in average fares. This review was carried out by independent consultants and completed by the PCO in consultation with the trade, who have broadly accepted its conclusions.
- 3.2 The main conclusion was that, whilst the overall level of the index was about right, the weight given to earnings needed to be increased from 45% to approximately 60% and the weight to operating costs correspondingly reduced to make good an imbalance that had developed over the years. A number of other minor adjustments were also recommended.
- 3.3 The PCO has implemented the conclusions of the review into the index calculations used in guiding the proposed April 2006 tariff revision. Given that the adjustments to the index weightings almost exactly balance each other out, no retrospective changes will be made relating to earlier years. Details of the cost index are given in Appendix 1, including the effects of incorporating the review recommendations.

4. Fixed-fare taxi sharing

- 4.1 The taxi trade has operated fixed-fare taxi sharing informally at a number of locations and events for some years. These arrangements benefit passengers and taxi drivers. Following consultation, the London Taxi Sharing Scheme Order 2005 was made to formalise these arrangements. The Order covers shared journeys:
- from Paddington to locations in and around central London;
 - between the Wimbledon Tennis tournament and Wimbledon and Southfields stations; and
 - from Buckingham Palace at the end of garden parties.
- 4.2 The Order allows for several passengers to share a taxi on the basis of each paying a fixed fare. The level of the fare depends on the starting point and the destination, which may be a specific location (such as Wimbledon) or within a designated zone. Details of the Order are available on request.

5. Proposed changes for April 2006

- 5.1 This year it is proposed to increase fares with effect from Saturday 1 April across all three tariffs (excluding the 20p environmental supplement) by 3.7%, in line with the increase in the modified cost index. This compares with latest year-on-year increases of 2.2% in the headline retail price index for December 2005 and 4.1% in average national earnings for Quarter 3 2005.
- 5.2 The most significant operating cost change has been fuel prices, which have increased by 11% over the year. This has been offset by a decrease in total vehicle ownership costs of 2.7%, partly due to lower resale value of second hand vehicles and partly through reduced hire purchase rates. Total operating costs have increased by 3.2%. Further details are given in Appendix 1.

- 5.3 No change is proposed to the £2.20 flag fall, which includes the 20p environmental charge. The distances and times allowed for each 20p increment in the fare will be reduced so that the average fare in each of the three charging periods, excluding the 20p environmental charge, will increase in line with the cost index increase of 3.7%.
- 5.4 The effect of the proposals on average fares, together with examples of the impact on a range of fares across each of the three tariffs is attached at Appendix 2. Full details of the tariff charging rates are also included. Most of the example fares table shown will increase by between 3% and 5% although a few are outside this range. The percentages, particularly for shorter journeys, vary depending on their length in relation to where the 20p fare steps occur.
- 5.5 Some trade bodies have requested an increase to the Christmas and New Year supplement of £3 per hiring. The supplement is payable between 8pm on 24 December and 6am on 27 December, and between the hours of 8pm on 31 December and 6am on 2 January. The supplement was increased in 1999 from £2 to £3. It was extended to end at 6am on 2 January rather than 6am on 1 January in November 2001. The cost index has increased by 32% overall since 1999 and matching that would increase the supplement to £3.96. It is proposed to increase it to £4.
- 5.6 A similar request has been made for an increase in the £1 supplement introduced in April 2004 for a hiring beginning at Heathrow Airport and finishing in Greater London. The supplement is a contribution from passengers towards the costs incurred by drivers for serving the Heathrow ranks and providing the information and booking desks at the Heathrow terminals. The charge to drivers was £2.71 at the time the £1 supplement was introduced, and it is now £3.46 (an increase of 28%). Heathrow Airport Ltd (HAL) intend to review this charge again early in 2006 to ensure that they recoup the full costs of providing facilities to taxi drivers. They also intend to agree a cost price formula with the trade possibly linked to RPI to determine subsequent charges. It is proposed to increase the supplement to £2.
- 5.7 The fixed fare taxi sharing schemes covered by the London Taxi Sharing Scheme Order 2005 have been in operation without change in fares for a number of years. As a result of concerns expressed by the trade about the levels of remuneration, it is proposed to increase fares for shared journeys to some of the areas from Paddington and Buckingham Palace.
- 5.8 It is proposed to increase fixed-fares by 50p per person for shared journeys from Paddington to the W1 and City areas, and for journeys from Buckingham Palace to the WC1, SW1, City and W1 (North) areas. These proposals would be an increase of between 0% and 12.5% for journeys from Paddington, and an increase of between 0% and 20% for journeys from Buckingham Palace. Average taxi fares have increased by 20% (excluding the proposed 2006 increase) since these fares were introduced. The proposed changes to the Order are summarised in Appendix 3

6. Consultation and research

- 6.1 Taxi trade organisations, together with London TravelWatch (formerly known as LTUC), were asked to provide written responses to the outcome of the cost index

review and the proposal for across the board fare increases in line with the increase in the modified cost index, and invited to suggest and justify other changes. The increase in the cost index was originally forecast at 4.2%. Trade representatives and London TravelWatch are aware that this figure has been revised down to 3.7% in the light of more recent vehicle ownership cost data.

- 6.2 The responses have been reflected in the proposals above. In addition, one of the taxi radio networks has requested an increase in the maximum supplement allowed for a radio booking from £2 to £5. This request has not been supported by other trade organisations (including other radio networks) and this supplement is sometimes a cause of concern or confusion among passengers. No change in the supplement is therefore proposed.
- 6.3 A telephone survey conducted at the end of December/early January among 200 regular users of taxis found that passengers were reasonably satisfied with current taxi fares. This is broadly in line with results from the PCO Customer Satisfaction Survey (Quarter 2 05/06). Most (80%) of the sample claimed to have a clear expectation of what fares would be when they got into the taxi. There was a reasonable degree of acceptance for the supplementary charges relating to Christmas/New year and journeys from Heathrow Airport.
- 6.4 There was also confirmation from the research that passengers wanted information about fare tariffs but their awareness of the taxi fare display cards was low. This supports the PCO's decision to review the content and location of the fare display card.

7. Alternatives

7.1 Alternative options to implementing the proposed tariff changes are as follows.

- Not applying any revision this year. This would be contrary to long established practice. It would mean a real cut in 25,000 drivers' incomes and meet extreme opposition from the trade.
- Applying a revision over and above the proposed increase in the cost index of 3.7%. This would result in taxi drivers' net earnings increasing faster than that of workers in general, assuming that levels of demand are unchanged, rather than maintaining them, which is the intention of the cost index
- Applying a revision in line with the proposed increase in the cost index of 3.7% but not applying any of the other proposed revisions. This would have the potential to jeopardise taxi supply over Christmas and the New Year, and jeopardise fixed-fare taxi sharing schemes.

8. Impact on funding

8.1 There is no direct impact on TfL as passengers pay for fares. There is no TfL subsidy.

8.2 TfL makes a substantial contribution to the Taxicard scheme. There is a maximum combined subsidy by TfL and the boroughs of £10.30 per trip. Taxicard scheme members generally pay a flat fare of £1.50 and the balance of any fares above £11.80. There are currently around 1.2m Taxicard journeys each year,

with an average fare of £9.98. £2.38 of this is paid by Taxicard scheme members and £7.60 covered by the subsidy. Under the proposed tariffs the average fare on the meter would increase by about 37p (3.7%) resulting in a total increase in taxi fares of £0.44m assuming no change in the number of journeys made. If the £11.80 threshold is not changed roughly half of the increase would be funded by Taxicard users and half by an increase in subsidy payments. The agreement with the boroughs limits their contribution so the increase of about £0.2m in subsidy would have to be funded entirely by TfL, although it is possible that some boroughs may choose to increase their contribution voluntarily. The increase can be accommodated in the TfL Taxicard budget.

9. Taxi fare receipts

- 9.1 From January 2006, all London licensed taxis have been fitted with receipt printers. There is no requirement for drivers to issue a receipt at the passenger's request and refusal to issue receipts has been the subject of many complaints over the years. Now that all taxis are fitted with printers, the PCO is minded to introduce a regulation that requires drivers to give a receipt at the request of the passenger, but not necessarily to specify a printed receipt. This will be the subject of early consultation with the trade and passenger representatives.

10. Recommendations

- 10.1 The Board is asked to approve the following recommendations.

- (1) The proposed taxi tariff changes.
- (2) The making of a London Cab Order, to be signed by the Commissioner of Transport *for* London on behalf of Transport *for* London, to implement the new fares with effect from Saturday 1 April 2006.
- (3) The making of London Taxi Sharing Scheme Order, to be signed by the Commissioner of Transport *for* London on behalf of Transport *for* London, to implement the new fixed-fares with effect from Saturday 1 April 2006.

Annex A: Licensed Taxi Cost Index Changes 2006

Index Component ¹	Cost Increase ²	Weight ³		Contribution to Total ⁴
		2006 values	Last Year	
Vehicle Cost	-2.7%	10.0%	11.7%	-0.3%
Parts	2.6%	3.8%	6.9%	0.1%
Tyres	0.0%	0.6%	0.5%	0.0%
Garage & servicing – premises	-0.6%	0.6%	4.8%	0.0%
Garage & Servicing – labour	5.4%	1.9%	6.9%	0.1%
Fuel	11.1%	9.4%	8.4%	1.0%
Insurance	-1.1%	3.7%	7.4%	0.0%
Miscellaneous	-1.9%	1.2%	1.0%	0.0%
The Knowledge	4.1%	5.5%	4.9%	0.2%
Social Costs	4.1%	2.8%	2.5%	0.1%
Total Operating Costs	3.2%	40%	55.0%	1.3%
Average national earnings	4.1%	60%	45.0%	2.5%
Grand Total		100%	100%	3.7%

Notes

1. The index components are as normally used in the cost formula. Further details are available on request.
2. Cost increases are the latest available year-on-year percentage changes.
3. 'Weight' is the proportion that the component contributes to the total cost per mile. The '2006 values' column shows the weights used in calculating the total cost index change this year. The 'Last year' column shows for comparison the weights use in the April 2005 cost index, before the review was concluded.
4. 'Contribution to total' indicates the importance of each component's cost change in determining the overall cost change. It is calculated for each component as the product of its percentage cost increase and its revised weight. The Grand Total is the sum of the individual components' contributions.
5. The 'current' column under 'Data availability' indicates the dates to which data in the 'cost increase' column relates. The 'normally used' column shows the dates relating to the data traditionally used for an end of April tariff revision.

Comments

The table above takes account of changes recommended in the cost index review carried out by SDG. The main change is the re-weighting of national earnings from 45% to 60% of the total. The weights for parts and garaging and servicing components have been significantly reduced. If all last year's weights had been used instead the total cost index increase would have been 3.2% rather than 3.7%.

A previous draft of the cost index for April 2006 circulated to taxi trade organisations showed an increase of 4.2% compared with the actual final figure of 3.7%. The main reason for this reduction is a decrease in the vehicle cost component, caused by the sales value of older taxis and HP rates for vehicle purchase loans have turned out lower than forecast.

2006 Tariff Changes – 3.7% increase*

* Increase applied to base fares before addition of 20p environmental charge, which is unchanged.

Average Fares (excluding 20p environmental charge)

	Current average	New average	Increase (£)	Increase (%)
Tariff 1	£8.77	£9.09	£0.32	3.7%
Tariff 2	£10.17	£10.55	£0.38	3.7%
Tariff 3	£11.92	£12.37	£0.45	3.7%
All Week	£9.69	£10.05	£0.36	3.7%

Average Fares (including 20p environmental charge)

	Current average	New average	Increase (£)	Increase (%)
Tariff 1	£8.97	£9.29	£0.32	3.6%
Tariff 2	£10.37	£10.75	£0.38	3.6%
Tariff 3	£12.12	£12.57	£0.45	3.7%
All Week	£9.89	£10.25	£0.36	3.6%

Tariff Rates (including 20p environmental charge)

	Tariff 1		Tariff 2		Tariff 3	
	Current	New	Current	New	Current	New
minimum fare	£2.20	£2.20	£2.20	£2.20	£2.20	£2.20
minimum units	2	2	2	2	2	2
metres/unit < 6 miles	167.9	160.5	136.0	130.2	109.8	105.3
secs/unit < 6 miles	36.1	34.5	29.2	28.0	23.6	22.6
metres/unit > 6 miles	117.7	112.5	117.7	112.5	117.7	112.5
secs/unit > 6 miles	25.3	24.2	25.3	24.2	25.3	24.2
Units at lower rate	57	60	71	74	87	91
Metres at lower rate	9570.3	9630.0	9656.0	9634.8	9552.6	9582.3
changeover fare	£13.40	£14.00	£16.20	£16.80	£19.40	£20.20

Example Fares

Journey length Miles	Tariff 1			Tariff 2			Tariff 3		
	Current	New	Change	Current	New	Change	Current	New	Change
minimum	£2.20	£2.20	0.0%	£2.20	£2.20	0.0%	£2.20	£2.20	0.0%
0.5	£2.80	£3.00	7.1%	£3.00	£3.20	6.7%	£3.40	£3.40	0.0%
1.0	£3.80	£4.00	5.3%	£4.20	£4.40	4.8%	£4.80	£5.00	4.2%
1.5	£4.80	£5.00	4.2%	£5.40	£5.60	3.7%	£6.20	£6.40	3.2%
2.0	£5.80	£6.00	3.4%	£6.60	£6.80	3.0%	£7.80	£8.00	2.6%
2.5	£6.60	£7.00	6.1%	£7.80	£8.00	2.6%	£9.20	£9.60	4.3%
3.0	£7.60	£8.00	5.3%	£9.00	£9.40	4.4%	£10.60	£11.00	3.8%
3.5	£8.60	£9.00	4.7%	£10.20	£10.60	3.9%	£12.20	£12.60	3.3%
4.0	£9.60	£10.00	4.2%	£11.40	£11.80	3.5%	£13.60	£14.20	4.4%
4.5	£10.60	£11.00	3.8%	£12.60	£13.00	3.2%	£15.00	£15.60	4.0%
5.0	£11.40	£12.00	5.3%	£13.80	£14.20	2.9%	£16.60	£17.20	3.6%
6.0	£13.40	£14.00	4.5%	£16.20	£16.80	3.7%	£19.40	£20.20	4.1%
7.0	£16.20	£16.80	3.7%	£18.80	£19.60	4.3%	£22.20	£23.00	3.6%
8.0	£19.00	£19.60	3.2%	£21.60	£22.40	3.7%	£25.00	£26.00	4.0%
9.0	£21.60	£22.60	4.6%	£24.40	£25.40	4.1%	£27.60	£28.80	4.3%
10.0	£24.40	£25.40	4.1%	£27.00	£28.20	4.4%	£30.40	£31.60	3.9%
11.0	£27.20	£28.20	3.7%	£29.80	£31.00	4.0%	£33.20	£34.60	4.2%
12.0	£29.80	£31.20	4.7%	£32.60	£34.00	4.3%	£35.80	£37.40	4.5%
13.0	£32.60	£34.00	4.3%	£35.20	£36.80	4.5%	£38.60	£40.20	4.1%
14.0	£35.40	£36.80	4.0%	£38.00	£39.60	4.2%	£41.40	£43.20	4.3%
15.0	£38.00	£39.60	4.2%	£40.80	£42.40	3.9%	£44.00	£46.00	4.5%
16.0	£40.80	£42.60	4.4%	£43.40	£45.40	4.6%	£46.80	£48.80	4.3%
18.0	£46.20	£48.20	4.3%	£49.00	£51.00	4.1%	£52.20	£54.60	4.6%
20.0	£51.80	£54.00	4.2%	£54.40	£56.80	4.4%	£57.80	£60.20	4.2%

All example fares assume entire journey charged on distance rates

Typical fares 2006

Journey length	Tariff 1	Tariff 2	Tariff 3
1 mile	£4.20 - £5.80	£4.40 - £7.20	£5.00 - £7.20
2 miles	£6.20 - £9.20	£7.00 - £10.60	£7.80 - £10.80
4 miles	£11.00 - £15.00	£13.00 - £17.00	£15.00 - £18.00
6 miles	£14.00 - £19.00	£18.00 - £21.00	£21.00 - £24.00

London Taxi Sharing Scheme Order 2005

Proposed changes to Schedule 1 (Authorised places, destinations and fare zones for fixed-fare shared services) and Schedule 2 (Fares for fixed-fare shared services)

Schedule 1

Journeys from Buckingham Palace to SW1 area changed from Fare Zone B to C – effect is 50p increase from £2.50 to £3.00 (tariff 1)

Schedule 2

Zone D: fares increased from £4.00 to £4.50 (tariff 1); £4.50 to £5.00 (tariff 2); £5.00 to £5.50 (tariff 3). Applies to journeys from Paddington to W1 (North) area and Lords Cricket Ground and from Buckingham Palace to W1 (North), WC1 and City areas.

Zone E: fares increased from £4.50 to £5.00 (tariff 1); £5.00 to £5.50 (tariff 2); £6.00 to £6.50 (tariff 3). Applies to journeys from Paddington to W1 (South) area.

Zone H: fares increased from £7.50 to £8.00 (tariff 1); £8.50 to £9.00 (tariff 2); £10.00 to £10.50 (tariff 3). Applies to journeys from Paddington to City area.

TRANSPORT FOR LONDON

STAFF SUMMARY
BOARD MEETING

SUBJECT: FORMATION AND ORDINARY MEMBERSHIP OF URBAN
DESIGN LONDON (AN UNINCORPORATED ASSOCIATION)

MEETING DATE: 8 FEBRUARY 2006

1. PURPOSE / INTRODUCTION

A number of organisations including TfL, the Association of London Government (“**ALG**”), 33 London Boroughs (the “**Boroughs**”) and the Commission for Architecture and the Built Environment (“**CABE**”) wish to create a formal vehicle and forum to be known as Urban Design London (“**UDL**”) through which to promote and encourage an integrated approach to urban design in London. UDL has been operating on an informal basis with involvement of TfL Surface Transport representatives since September 2004.

The purpose of this paper is to briefly describe the objectives of UDL and to introduce the Constitution, Facilitation Agreement and Indemnity Side Letters through which UDL will:

- (i) formalise the management of its affairs;
- (ii) regulate the relationships between its members; and
- (iii) implement its objectives,

all through UDL as an ***unincorporated association***.

Pursuant to the TfL Standing Orders, the Board is required to approve formation and the constitutional documents of any unincorporated association.

Objectives

The objectives of UDL are:-

- to promote a comprehensive approach to the design and planning of high quality environments across London;
- to encourage an integrated approach to urban design taking account of architectural, planning, transport and environmental considerations;
- to provide advice on best practice in urban design and development and how to guide and influence the quality of new developments; and
- to increase knowledge and awareness of the benefits of raising standards in urban design and a co-ordinated approach to urban development in London.

As urban design includes consideration of the transport and public realm environments the objectives of UDL will invariably be aligned with TfL's functions and duties. It should be noted that the constitutional documentation of UDL provides that UDL cannot do anything that would conflict with the statutory powers or delegated authority of TfL or any of its members.

2. BACKGROUND

Role of UDL

UDL has been established (currently informally) by the Boroughs, TfL, ALG and CABE in direct response to the challenges posed by the unprecedented growth of London and the implications of the Government's Sustainable Communities Plan, The Mayors London Plan and London 2012 Olympics.

Through UDL, its key members will work together to build urban design skills and competence of officers and councillors, raise awareness and share best practice across London.

Formalisation of UDL is now deemed desirable by each of the initial promoters of UDL. This is to create certainty as to the decision making process (in relation to general administration, employment of staff paid by UDL funds and as to what projects UDL undertakes) and each member's share of the liabilities incurred by UDL.

Benefits of Membership

- The UDL programme and activities will directly support the work and objectives of The Mayor's Transport Strategy, The London Plan and TfL Streetscape Document.
- Promotion of wider Urban Design Agenda in London: to commission deliver and maintain a sustainable and well designed city. Also to ensure that delivery runs hand in hand with Design Quality.
- Liaison with the Boroughs, Sub Regional Public Sector Partnerships and Central Government.

For a summary of UDL achievements to date and key projects under way, please refer to Appendix D to this paper.

3. OPTIONS

Various business model options have been considered by the initial promoters of UDL for the formal formation of UDL, including:

- company limited by shares;
- company limited by guarantee;
- unlimited company;
- limited liability partnership; and

- unincorporated association

Solution proposed- an unincorporated association

The initial promoters of UDL have discussed at length and decided that the most appropriate business model for UDL is the unincorporated association (they do not want to form any type of incorporated company). They believe that an unincorporated association will provide the flexibility of membership, certainty of decision making procedures, certainty of share of liability and appropriate level of protection to its members which the initial promoters are seeking to achieve without the more formal structure, registration and accounting formalities of an incorporated company. For the avoidance of doubt the unincorporated association structure has the support of the TfL representatives involved in UDL. The TfL representatives do not think that the company limited by guarantee structure used for UK Tram Limited is a suitable option here as this would involve a level of formality which is deemed unnecessary.

UDL as an unincorporated association

The members of UDL will therefore agree to associate as independent contractors, rather than as shareholders in a company or partners in a legal partnership. When UDL as an unincorporated association wishes to enter into contracts with third parties, these must be entered into by the members either individually or collectively and it is the member or members concerned who will then be liable on such contracts.

The rights and duties of the members as between themselves and third parties, and the duration of their legal relationship, will basically derive from the provisions of the constitutional agreements between them (subject to general common law rules). These constitutional agreements will also specify those matters for which it is necessary to obtain the approval of a specified percentage of members (e.g. any change to the constitution of the association or the commencement of its winding-up or dissolution). In addition they will deal with all those matters usually dealt with in the articles of association of a company, namely arrangements for the acceptance and termination of memberships, the appointment of the management committee and the procedure for convening and holding meetings of members. The proposed terms of these constitutional agreements are discussed further under paragraph 4.3 below. As mentioned above, there are no formal registration or notification requirements for an unincorporated association.

4. FORMATION

4.1 Membership

The members of UDL will comprise those organisations promoting or wishing to take part in the management and direction of UDL. The members will be classified as ordinary or associate members and represented by nominated individuals from each organisation.

It is proposed that each such representative takes part, not in a personal capacity but, as a representative of his/her organisation in accordance with his/her authority to act on behalf of his/her organisation.

On this basis it is intended that, provided individuals appointed to the UDL board (the “**Executive Committee**”) or Management Committee act within the authority given to them by their respective organisations, such individuals should not attract any personal liability for any acts of omissions of UDL.

4.2 Unincorporated Association Constitutional Documentation

As an unincorporated association, UDL will have no separate legal identity and must therefore act through the collective co-operation of its members.

In order to operate effectively, UDL requires:

- (a) a **Constitution** which describes and regulates the internal arrangements and procedures between its members;
- (b) a **Facilitation Agreement** which enables one of its members (TfL) to undertake and provide the essential functions necessary to facilitate UDL’s objectives; and
- (c) **Indemnity Side Letters** between each ordinary member and TfL to indemnify TfL in its role as facilitator under the Facilitation Agreement and pay for any liabilities which UDL may incur.

Appendix A: contains a brief summary of the key features of the proposed Constitution.

Appendix B: contains a list of the key principles which will form the basis of the Facilitation Agreement.

Appendix C: contains a list of the key principles which will form the basis of the Indemnity Side Letters under which TfL will be indemnified by the other ordinary members for its role as facilitator. The initial promoters of UDL decided that they do not want indemnity to be covered in the Facilitation Agreement but desire separate Indemnity Side Letters with TfL instead.

5. IMPACT ON FUNDING

No additional funding by TfL required over and above Business Plan commitments. Support for UDL programmes has been included in the Streets budget. TfL’s risk of liability will be covered in the Indemnity Side Letters referred to in paragraph 4.2 above and Appendix C to this paper.

The business plan for UDL shows a recurring expenditure of £120k per annum plus various projects, typically around £100k in a given financial year.

TfL's current commitment is to find one third of the recurring expenditure and to consider giving financial support for projects on a case-by-case basis.

Through the Facilitation Agreement TfL will enter into commercial contracts and contracts of employment on behalf of UDL. The overall agreement provides that any unmet contractual liabilities under the Facilitation Agreement will be shared equally between the ordinary members of UDL. To put this into context, UDL envisages engaging only two employees and most contracts of supply will be for promotional and educational goods and supplies.

6. IMPACT ON EQUALITY & SOCIAL INCLUSION

The aim of UDL is to improve the urban environment and has a number of long-term outcomes for E&I and appropriate work will be done on this.

7. RECOMMENDATIONS

The Finance Committee has recommended and the Board is asked to:

- a) **NOTE** the contents of this paper and its appendices; and
- b) **APPROVE:**
 - the formation of UDL;
 - TfL's ordinary membership of UDL;
 - TfL's role as facilitator; and
 - delegate authority to the Director of Legal and Compliance or the Managing Director Surface Transport as appropriate to negotiate, agree and approve the final terms of the constitutional documentation (Constitution, Facilitation Agreement and Indemnity Side Letters) drafted substantially in accordance with the key principles set out in Appendices 1 to 3 to this paper and to enter into such documentation.

APPENDIX A KEY PRINCIPLES OF CONSTITUTION

The purpose of this appendix is to briefly explain the key features of the Constitution through which UDL will regulate the relationship between its members and the decision making process.

Key features

Parties: Each full 'ordinary' member and such persons who may be invited to participate as associate members of UDL.

Ordinary Members: The full members (referred to as ordinary members) will have rights as members to appoint and remove members of an Executive Committee (who will oversee and manage the activities of UDL), other than a Chief Executive and Treasurer whose appointment and removal will be a matter for the Executive Committee.

In order to become an ordinary member it will be necessary to pay a nominal annual subscription of £1 (certain members are not permitted to formally commit more than this for budgetary reasons).

Associate Members: Associate members will not have any voting rights on appointments to the Executive Committee but will be entitled to attend meetings of members.

There is a wide discretion as to the terms including payment, on which a person can be admitted to associate membership.

ALG rights: Association of London Government (ALG) as a representative body whose members include the Boroughs, will have special rights to appoint up to two members of the Executive Committee but will have no right to vote on the appointment or removal of any other member of the Executive Committee.

Executive Committee: The Executive Committee will have the power to do anything that may be necessary or desirable to achieve UDL's objectives. Its powers include the ability to secure the performance of its administrative, support and other functions by a third party (member or non-member) as in the case of the proposed Facilitation Agreement (below).

It can appoint one or more committees to carry out any function of the Executive Committee.

A limitation on the maximum and minimum number of persons who may be members of the Executive Committee will be decided.

A minimum number will be fixed as the quorum required for meetings of the Executive Committee.

Decisions of the Executive Committee will be decided by a majority vote and in the case of an equality of votes the Chairperson will have a casting vote.

Every member of the Executive Committee other than persons appointed by ALG and the Chief Executive and Treasurer will be required to stand for re-election annually at an annual general meeting of the ordinary members.

Chairpersons: There will be appointed by the Executive Committee two persons to act as Chairpersons of UDL who will take turns in chairing meetings of the Executive Committee.

Co-opted appointments: Other persons may be invited to serve as co-opted members of the Executive Committee provided the number of co-opted members does not exceed a fixed maximum (number to be decided). The co-opted members will have no right to vote on decisions of the Executive Committee.

Advisory Panels: The Executive Committee will be able to appoint Advisory Panels for the purposes of helping develop programmes and policies for recommendation to the Executive Committee and/or the members of UDL.

APPENDIX B KEY PRINCIPLES OF FACILITATION AGREEMENT

The purpose of this appendix is to briefly explain the key principles of the Facilitation Agreement through which UDL will implement its objectives.

Key Principles

Parties:	Each ordinary member of UDL (1) and TfL (2)
Purpose:	<p>To set out the basis upon which:</p> <ul style="list-style-type: none">• TfL will provide certain core administrative services;• TfL will act as agent for and on behalf of UDL (in accordance with objectives of UDL); and• the manner in which the costs and liabilities incurred by TfL are to be met by the members of UDL.
Core Administrative Services:	<p>TfL will provide the following services and facilities to enable UDL to conduct its business and achieve its objectives:</p> <ul style="list-style-type: none">• staff;• accommodation and office facilities;• treasury facilities and services; and• secretarial and administrative services. <p>The extent and duration of these services and facilities are to be agreed by TfL and UDL.</p>
Project Specific Services:	<p>In order to enable UDL to place orders, hold assets or have any dealings with third parties for the purpose of achieving its objectives:</p> <ul style="list-style-type: none">• TfL will undertake specific projects as required by UDL for and on behalf of UDL; and• the terms and scope of each project are to be agreed by TfL and UDL and must be within TfL's statutory powers.
Costs:	<p>All costs and expenses incurred by TfL in providing the Core Administrative Services, Project Specific Services or any other services or facilities shall be shared equally between each of the members of UDL. As far as practicable such costs and expenses are to be agreed in advance or as TfL reasonably determines.</p>

APPENDIX C KEY PRINCIPLES OF INDEMNITY SIDE LETTERS

The purpose of this appendix is to briefly explain the key principles of the Indemnity Side Letters through which TfL will be indemnified for its position as facilitator for UDL.

Key Principles

- Parties: Relevant ordinary member of UDL (1) and TfL (2)
- Relationship: TfL will have no liability to UDL or its members for anything done in relation to the Core Administrative Services or Project Specific Services or otherwise in pursuance of the objectives of UDL.
- Indemnity: Each of the members of UDL will jointly and severally indemnify TfL in its role as agent of UDL (except TfL which will be liable for its joint and several share but shall clearly not indemnify itself).
- Any liability arising out of TfL's actions or any other liability of UDL shall be met jointly and severally by each member.
- It is envisaged that such liability is likely to fall into the following general categories:
- contractual: the actual cost of paying third parties, such as a consultant, to provide services;
 - employment: re-imbusement of the actual cost to TfL of engaging any employees to work for UDL together with any liability TfL may incur to that individual for wages, injury, redundancy or the like; and
 - third party: claims from third parties that may arise if, for example, any advice or guidance issued by UDL is incorrect or negligent and results in a third party suffering loss.

APPENDIX D UDL PROJECTS

Achievements so far and key projects underway

- Following a High-level Pan London Design Champions Event held at The Tate Modern in September 2005, UDL has set up and established a Design Champions Group.
- Established a multi-disciplinary officer level network consisting of representatives from each London Borough.
- In partnership with TfL Urban Design & Architecture Team and CABE, UDL sponsored The Royal Institute of British Architects to host a major Pan London event entitled "Seeing London as One City".
- **Urban Design Skills Mapping Report** commissioned identifying specific deficits in urban design skills, capacity and knowledge within the Public Sector in London.
- Series of **Sub Regional Streetscape Workshops** has taken place hosted at London Boroughs. The aim is to facilitate (in the absence of a urban design training product) interdisciplinary working and understanding between Planning, Urban Design, Street Services and Transportation professionals.
- Developing a **Design Charter for London** and "**10 Point**" **Urban Design Action Plan**, designed to tackle procedural and operational barriers which are preventing the delivery of design quality on the ground.
- Development of a **UDL Website** to showcase best urban design practice.

Key projects/events planned for early 2006

- **Delivering High Density Housing Conference** in West London, considering barriers that are preventing the delivery of high density Housing in London.
- **Design and Crime Conference** in East London in association with TfL, CABE, ALG, The Metropolitan Police, TGLP and East London Boroughs.
- Developing **Public Realm Strategy for Central London** in association with TfL, CLP and partners. Once developed this Central London strategy may be used as a blue-print to co-ordinate and crystallise the efforts of various bodies and agencies to deliver high quality public realm in other sub regions of London.

- **Design and Historic Champions Group Event** held in association with London Open House and co-sponsored by CABE and EH, raising design awareness of key political decision-makers from the Local Authorities.

TRANSPORT FOR LONDON

**STAFF SUMMARY
TFL BOARD**

SUBJECT: Interim arrangements in Surface Transport
MEETING DATE: 8 February 2006

1. PURPOSE / INTRODUCTION

- 1.1 The purpose of this paper is to advise the Board of changes to the management arrangements in the Surface Transport Directorate and to note the consequent interpretation of TfL's Standing Orders.

2. BACKGROUND

- 2.1 On 31 January 2006 Peter Hendy stood down as the Managing Director of Surface Transport in order to take up the post of Commissioner on 1 February 2006.
- 2.2 A recruitment process is already underway to find a suitable person to be the Managing Director, Surface Transport. However, in order to ensure proper governance and decision making interim arrangements need to be put in place.
- 2.3 It is proposed that, on an interim basis, the functions of Managing Director of Surface Transport be shared between Peter Brown, currently Chief Operating Officer (Streets) and Richard Webster currently Director of Finance (Surface Transport).

In the interim, both officers will report to the Commissioner and will have Chief Officer status.

- 2.4 Under TfL Standing Orders various matters are delegated to Chief Officers both generally and specifically.
- 2.5 It is proposed that for the purpose of Paragraph 19 of Standing Order No 2 (general delegation to Chief Officers) both Peter Brown and Richard Webster will be regarded as Chief Officers and can exercise the relevant functions.
- 2.6 Paragraph 22 of Standing Order No 2 provides that "there is delegated from the Board to the Chief Officer with responsibility for Surface Transport.....the discharge of the functions of TfL as highway authority, local authority (in respect of matters within the managerial and professional responsibility of that

Chief Officer) traffic authority or street authority...". For the purposes of the Surface Transport interim arrangements it is proposed that both Peter Brown and Richard Webster have this delegated authority and that in paragraph 23 (in relation to procurement activity).

- 2.7 For the purposes of Paragraphs 24 and 25 of Standing Order No 2 (Chief Officer responsible for the Public Carriage Office) the responsible Chief Officer is Richard Webster.
- 2.8 All other references and delegations to the Managing Director Surface Transport (including financial authority) apply to both Peter Brown and Richard Webster.
- 2.9 All consents and authorities to Officers to exercise functions within the Surface Transport Directorate given by Peter Hendy as Managing Director, Surface Transport continue in place (insofar as they are not altered by the above interim arrangements).
- 2.10 Those consents and authorities given by the former Commissioner to the former Managing Director, Surface Transport continue in place to Peter Brown and Richard Webster.
- 2.11 It is proposed that any exercised function in anticipation of these arrangements is ratified by the Board at this meeting.

3. RECOMMENDATIONS

- 3.1 The Board is asked to:
 - NOTE the proposed arrangements;
 - CONFIRM the interpretation of Standing Orders as outlined above; and
 - RATIFY the exercise of functions within the Surface Transport Directorate in anticipation of these arrangements.

TRANSPORT FOR LONDON

TfL BOARD

**SUBJECT: INTERIM GENERAL COUNSEL ORGANISATION
ISSUES**

MEETING DATE: 8 FEBRUARY 2006

**SUBMITTED BY: INTERIM DIRECTOR OF GOVERNANCE &
ASSURANCE**

1. PURPOSE

The purpose of this paper is to confirm both the appointment of Peter McGuirk as Interim Director of Governance and Assurance and Secretary to the TfL Board and to confirm that he can exercise all functions of General Counsel and Secretary under Standing Orders or as otherwise delegated.

2. BACKGROUND

Fiona Smith, General Counsel has now left TfL.

Peter McGuirk has been appointed as Interim Director of Governance and Assurance to head up the General Counsel organisation until a new structure going forward is agreed. Peter has many years' experience in managing corporate governance and business, as Chief Executive of Essex Magistrates Courts and as Commission Secretary, Senior Manager and Field Manager at the Audit Commission.

Under these interim arrangements, direct reports Mary Hardy, Director of Internal Audit, Richard Stephenson, Director of Group HSE, Gareth John, Director of Legal & Compliance, Richard Bevins, Head of Information Access and Compliance and Tony Totts, Business Manager Finance will report to Peter McGuirk; Gareth John will be the senior lawyer in TfL and will be responsible for the provision of legal advice to the Commissioner and the Board.

While Peter McGuirk's appointment as Interim Director of Governance and Assurance is not a matter expressly reserved to the TfL Board under Standing Orders it is considered appropriate for the Board to confirm the

appointment as Peter will be undertaking this role as defined in Standing Orders, in the interim. The Board is therefore invited to confirm that Peter can exercise all specific functions given to General Counsel by the Board under Standing Orders or by specific delegation.

Under Standing Orders these are the following specific powers:

Standing Order 1

- | | |
|---------|---|
| Para 17 | to be present at Board meetings to provide advice |
| Para 44 | to report directly, or raise matters with the TfL Board, within professional jurisdiction |
| Para 46 | to be told if Board Members / Chief Officers seek external advice |
| Para 60 | to decline the inspection of documents by Board Members |
| Para 61 | to authenticate the TfL seal |
| Para 62 | to sign contracts /documents on behalf of TfL |

In addition the role of Director of Governance and Assurance carries Chief Officer status for the purposes of financial authorities as set-out in TfL Standing Order No. 2.

Peter will also carry out the function of Secretary to the TfL Board while he is Director of Governance and Assurance.

3. RECOMMENDATIONS

The Board is asked to –

- CONFIRM the appointment of Peter McGuirk as Interim Director of Governance and Assurance and Secretary to the TfL Board; and
- CONFIRM that Peter McGuirk can exercise all functions of General Counsel and Secretary under Standing Orders or as otherwise delegated.

TRANSPORT FOR LONDON

TfL BOARD

SUBJECT: AUDIT COMMITTEE REPORT

MEETING DATE: 8 February 2006

1. PURPOSE

To update the Board on the meeting of the Audit Committee held on 18 January 2006.

2. BACKGROUND

The Committee held a scheduled meeting on 18 January 2006 at which it considered the following matters.

In reviewing the Work Plan for 2006, the Committee requested overviews at some point in the next 12 months of HR, IM and the Business case Model. These reviews would be intended to give an overview of the business area together with a discussion of key risks and management processes and controls. These reviews will be scheduled into the work plan at appropriate times for the businesses as well as taking into account other items on the Audit Committee Agenda.

The Director of Internal Audit reported on the clearance of audit recommendations by management and noted that of the 27 final audit reports issued in the third quarter of 2005/06 the only outstanding item was the receipt of a completion certificate in respect of some works. Otherwise all management actions had been implemented. LU reported to the Audit Committee on the processes it has now put in place to ensure Internal Audit recommendations are actioned in a timely fashion. The Audit Committee noted that some actions in Group IM and Group HR had missed their deadlines and were informed that both departments had put processes in place to ensure actions were dealt with promptly. The Committee noted that they would monitor progress of this.

The Committee received and noted a report from Internal Audit on productivity and use of resources for the third quarter. This is the first time such a paper has been submitted to the Committee and items reported on will be developed over the coming year.

The business presented an update on the improvement plan which had arisen out of the Audit Commission's Initial Performance Assessment (IPA) in 2005. The Board will recall that the IPA assessment given to TfL was "excellent" but that, nonetheless, there were certain areas that could be improved. The Committee was pleased to note progress on all areas.

The next development from the IPA is for the Audit Commission to assess “use of resources”. This process has been developed for use in local councils and the assessments made have been audited. The Audit Commission is still considering how this should apply to the GLA family so, for this year, TfL has performed a self-assessment against the existing use of Resources Questionnaire and this had been audited, though not scored, by KPMG. The scoring system is 1 to 4, with 1 being the poorest performance and 4 being the best. The system has however been graded to make it very difficult to achieve the highest rating. Indeed, the feedback from local councils is that the standards set are too prescriptive and it is not good use of public funds to expend resources to ensure Grade 4 is achieved. In TfL’s self assessment, and the audit done by KPMG, it is the case that in some areas TfL would not achieve a Grade 4 but that what is being done is perfectly acceptable. We await further information from the Audit Commission as to when and how it intends scoring TfL and the rest of the GLA family on this next step in the IPA process.

The Audit Committee received a paper on Budgetary Control as part of its ongoing work to review the effectiveness of internal controls in place throughout TfL. The paper set out how expenditure is controlled via the three processes of business planning and budgeting, in the year financial control and procurement authority. The Audit Committee noted the contents of the paper and asked that an updated paper should be submitted on an annual basis.

The Committee also received its regular report on Strategic Risk Management progress. It noted that considerable progress has been made in embedding risk management within TfL but that there is still much work to be done including developing mechanisms for reporting key risks through to the Audit Committee and the Board.

Finally, the Audit Committee received a report on the internal and external staff reporting lines and their usage during 2005. This includes not only internal matters reported but also those matters reported to the anonymous external line operated for TfL by Safecall. There were a total of 43 calls made including 15 anonymous calls. The Committee was satisfied that all of these reports are dealt with in a timely and satisfactory fashion insofar as it is possible to do so.

The next meeting of the Committee is on 16 March 2006.

3. RECOMMENDATION

The Board is asked to NOTE the content of this report.

DOCUMENTS SEALED ON BEHALF OF TRANSPORT FOR LONDON
BETWEEN 29-NOVEMBER 2005 and 20 JANUARY 2006

- 2 LEASES / SERVICE AGREEMENTS – GLOBAL SWITCH DATA CENTRE / WEZ DATA CENTRE CO-LOCATIONAL OFFICE SPACE (GLOBAL SWITCH)
- 2 AGREEMENTS UNDER SECTION 106 TOWN AND COUNTRY PLANNING ACT 1990
- 1 SECTION 278 AGREEMENT UNDER HIGHWAYS ACT 1980
- 1 BOND PURSUANT TO SECTION 278 AGREEMENT UNDER HIGHWAYS ACT 1980 RELATING TO OLDFIELDS ROAD IN LONDON BOROUGH OF SUTTON – (1) TESCO STORES LIMITED
- 1 SECTION 8 AGREEMENT UNDER HIGHWAYS ACT 1980
- 1 LICENCE FOR ALTERATIONS, KING’S BUILDINGS, SMITH SQUARE
- 1 DEED OF ASSIGNMENT OF FRENCH TRADE MARK RE. TUBE AND ROUNDEL IN NAME OF BASANE TO TfL
- 1 DEED RELATING TO PROVISION OF RAIL SERVICES ON NEW YEAR’S EVE 2005
- 1 DEED OF VARIATION
- 1 LAND REGISTRY FORM – SALE OF LAND FRONTING 112 FALLODEN WAY, FINCHLEY – (1) LATCHLEY’S COMPANY LTD.
- 1 AGREEMENT RELATING TO A2012 GLA ROAD CPO – GALLEON’S REACH, BECKTON
- 1 DEED OF AGREEMENT FOR BLACKWALL TUNNEL NORTHBOUND BORE REFURBISHMENT DESIGN AND SUPERVISION

The TfL Seal Register will be available for inspection by Board Members at the meeting.