Financial Control Environment Trend Indicators, Quarter 4, 2022/23

Appendix 1

TfL Audit and Assurance Committee

5 June 2023

Forecasting accuracy Q4, 2022/23

In 2022/23 we successfully delivered the Revised Budget, setting us on the path to financial sustainability in 2023/24. Performance on both income and costs was strong despite only receiving a long term funding settlement part way through the year in August 2022.

Revenue is £46m better than Budget. At the end of the year, journeys are 84% of pre-pandemic levels. Underlying passenger income was £50m higher than the Revised Budget, but lower than the DfT revenue scenario. RUC income was £97m better than Revised Budget, mainly resulting from an accounting change at year end to LEZ and DVS income (£90m).

Operating costs are £54m lower than the Revised Budget from £75m of cost reductions, £9m of efficiencies following the purchase of London Overground (LO) trains and tailwinds of £41m driven by Bus and London Overground performance. These savings were partly offset by the accounting change for LEZ and DVS income.

Total capital spend (excl. Crossrail and TTLP) was £1,707m, £250m higher than Revised Budget. This was a result of the purchase of LO trains in the final period of the year. After adjusting for this, capital spend was within 3% of the Revised Budget.

Quarterly Forecasting Accuracy*

£m	Q1 2023	Q2 2023	Q3 2023	Q4 2024
Operating Income	**1,264**	**1,274**	**1,430**	**1,858**
Variance to reported Budget	5	(4)	34	12
Operating Cost	**(1,633)**	**(1,590)**	**(1,602)**	**(2,229)**
Variance to reported Budget	18	51	23	31
Capital Delivery**	**(293)**	**(283)**	**(312)**	**(819)**
Variance to reported Budget	4	29	11	(252)
Net Cashflow	**(39)**	**(187)**	**(25)**	**202**
Variance to reported Budget	(77)	(94)	(150)	151

YTD Forecasting Accuracy - Q4 2022/23

£m	YTD
Operating Income	
Actual	5,826
Revised Budget	5,780
Operating Cost	
Actual	(7,055)
Revised Budget	(7,109)
Capital Delivery	
Actual	(1,707)
Revised Budget	(1,467)
Net Cashflow	
Actual	(50)
Revised Budget	(51)

FY Operating Income £m

FY Operating Cost £m

FY Capital Delivery £m

FY Net Cashflow £m
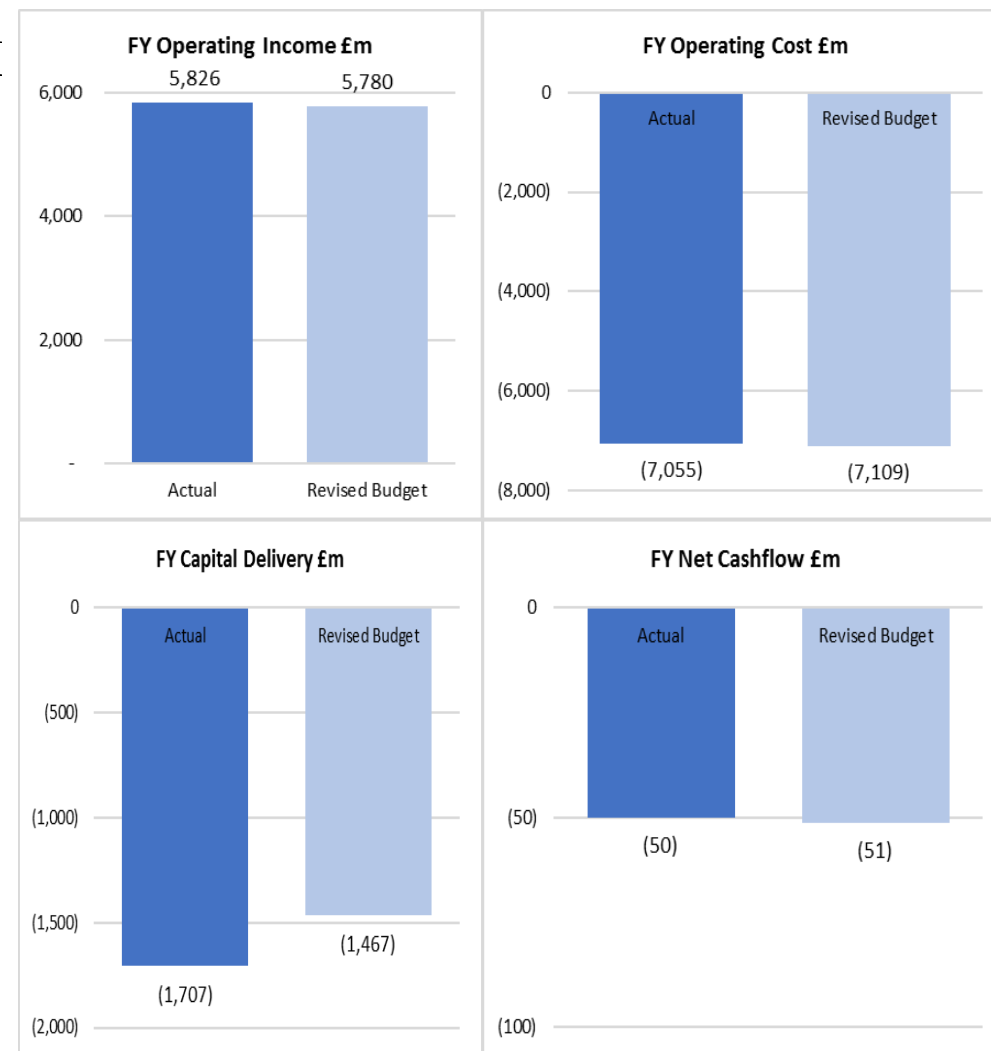
* Reported Budget - the 2022/23 Budget for Q1–Q2 2023 and the 2022/23 Revised Budget for Q3-Q4 2023
** Total TfL capital expenditure excludes amounts relating to Crossrail and TTL Properties Limited

Processing payments Q4, 22/23

Open items indicate the extent to which the balance on the accounts are accurate thus allowing for the actual reconciling items on the account to be revealed. Reconciling the accounts is a particularly important activity because it is an opportunity to check for fraudulent activity and to prevent financial statement errors.

Value of open items > 30 days on the bank reconciliation sits at £370k for Q4. The volume of open items in Q4 > 30 days sits at 1504.

Automated Posting % measures the proportion of transactions which are automatically reconciled in SAP. Manually checking and matching transactions and preparing / posting journals is time consuming and increases the risk of error and inconsistency.

The volume of manual postings increased as the museum's Eventbrite payment system failed. This resulted in an increase to 29%. A new system has since been introduced in P1 and this % should drop significantly next quarter.

We have seen a decline in performance of SME payments meeting the 10 day terms, largely resulting from the change in the purchase to pay system to SAP Ariba during Q3/Q4. The processing of legacy orders for which interim processes were introduced delayed the payment of SMEs. The change has now been completed and we expect this to improve next quarter.

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Processing payments

Quarterly Figures

£m	Q1 22/23	Q2 22/23	Q3 22/23	Q4 22/23
Open Items < 30 days (£m Value)	(15.53)	(10.66)	(5.97)	6.69
Open Items > 30 days (£m Value)	(0.22)	(0.27)	(0.79)	(0.37)
Open Items < 30 days (Volume)	2,182	1,575	1,494	144
Open Items > 30 days (Volume)	1,744	1,312	1,434	1,504
Automated Postings %				
Automated	10,785	10,747	12,143	21,593
Manual	2,004	1,970	3,033	6,198
Automated	81%	82%	75%	71%
Manual	19%	18%	25%	29%
Target	**85%**	**85%**	**85%**	**85%**

Open Items > 30 days (Value)

Open Items > 30 days (Volume)

Automated Postings %

SME Payments meeting 10 day terms
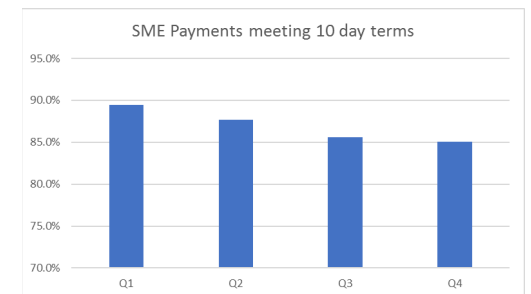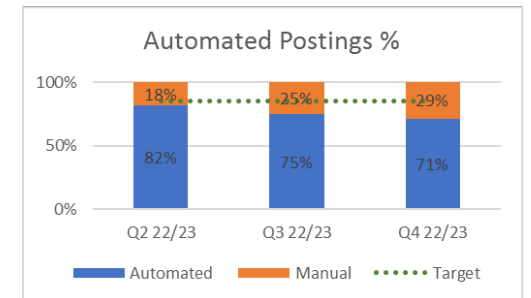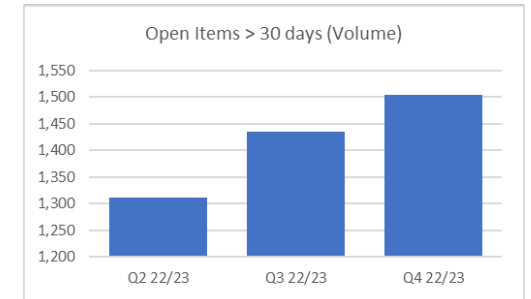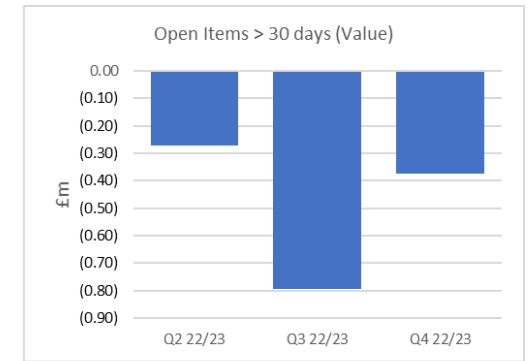
Procurement activity Q4, 22/23

Benefits delivery:
P&C delivered £113m of validated benefits in FY22/23, exceeding the £85m target. Targets are in the process of being set for FY23/24.

Direct awards by value and volume:
Highest value direct awards approved in Q4 were SSL signalling capital delivery framework agreement (£50m derogation), agreement between LUL and Network Rail for Power consumption (£32m derogation) and extended fleet support agreement for SSL and VLU (£16m derogation)
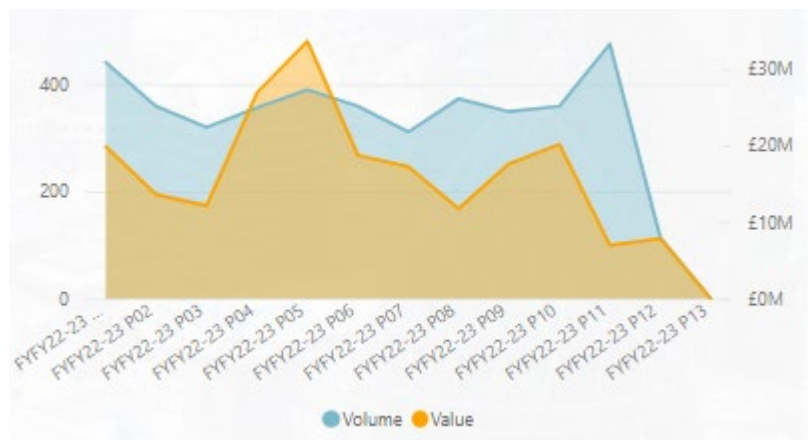
CAM compliance:
Started being tracked in P11. Low initial compliance rates were due to challenges in the adoption of Ariba and adjusting to the new process. People are better understanding the CAM paper submission deadlines and the CAM submission requirements. A target of 80% and floor of 75% have been set for the 23/24 Procurement & Commercial scorecard.

Retrospective spend:
Shopping cart creation date is not available for Ariba POs which began to be created from the implementation of guided buying (30/01) so it is not a like-for-like comparison with previous periods. To be replaced with a measure on timeliness of audit action completion.
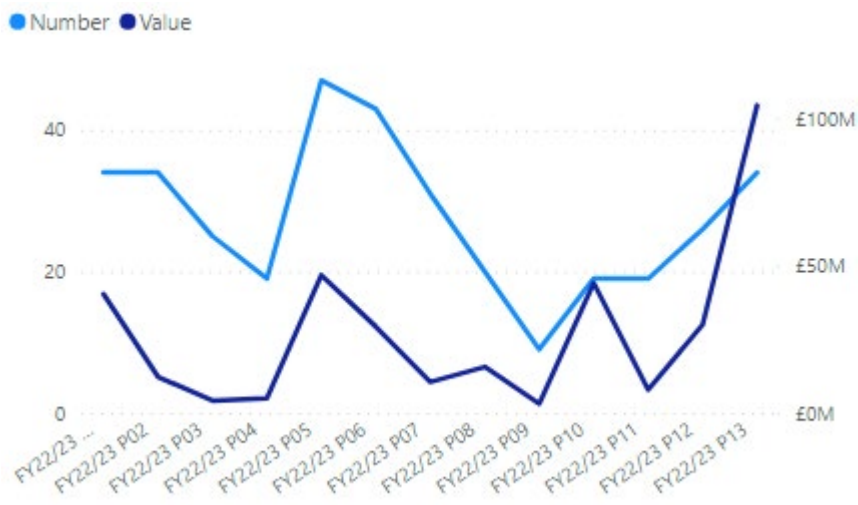
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Benefit delivery (£m)
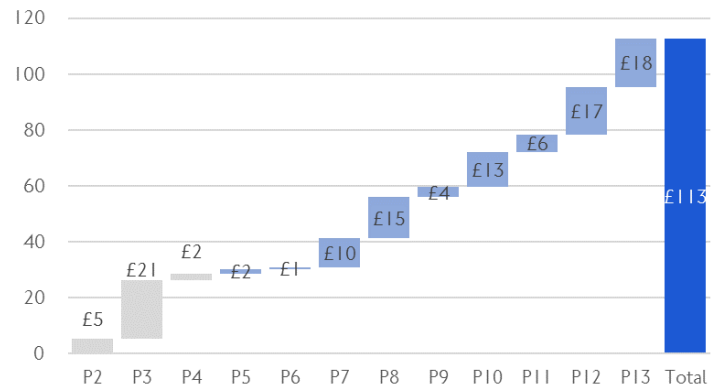
Retrospective spend

Single sources and derogations

Commercial Assurance Meeting compliance