

Financial Control Environment Trend Indicators, Quarter 2, 2023/24

Appendix 1

TfL Audit and Assurance Committee

29 November 2023



Forecasting accuracy Q2, 2023/24

Our 2023 TfL Business Plan set out our strategy for rebuilding our finances, improving efficiency and helping to secure our future. The 2023/24 Budget built on this, demonstrating how we will become operationally financial sustainable this year. We have successfully delivered that strategy in Quarter 2, 2023/24.

Total revenue is (£20m) lower than Budget. Passenger income is (£25m) lower than Budget, a result of lower DfT revenue top up. We have also seen some lower roads enforcement income.

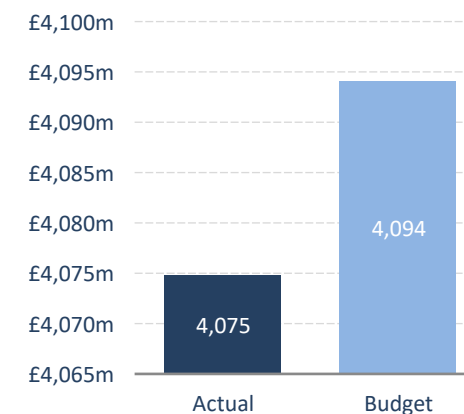
Operating costs are £57m lower than Budget. We are seeing some cost pressures including bus operators costs through improved performance – as well as timing differences in delivering savings. These cost pressures have been offset by staff cost savings, as well as central contingency to mitigate uncertainty on other operating income.

Capital renewals are £15m lower than Budget, but we expect to be in line with available funding of £736m over the full year. Capital enhancements are £78m lower than Budget, from release of provision for Bank station and slippage across Piccadilly Line Upgrade and DLR rolling stock.

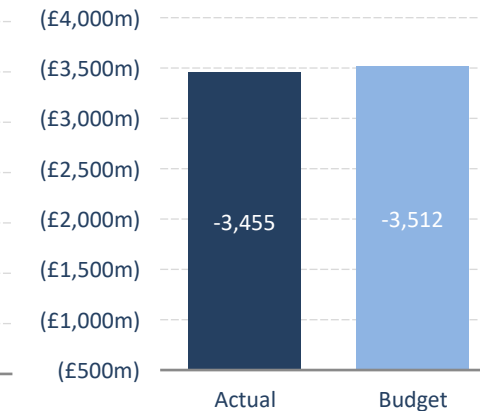
	£m	
Quarterly forecasting accuracy	Q1, 2023/24	Q2, 2023/24
Revenue	£2,006m	£2,069m
Variance to Budget	(£16m)	(£3m)
Operating costs	(£1,678m)	(£1,777m)
Variance to Budget	£33m	£24m
Capital delivery *	(£359m)	(£360m)
Variance to Budget	£34m	£59m
Cash flow	(£40m)	£23m
Variance to Budget	(£40m)	£30m

YTD forecasting accuracy	YTD, 2023/24
Revenue	
Actual	£4,075m
Budget	£4,094m
Operating costs	
Actual	(£3,455m)
Budget	(£3,512m)
Capital delivery *	
Actual	(£718m)
Budget	(£811m)
Cash flow	
Actual	(£17m)
Budget	(£8m)

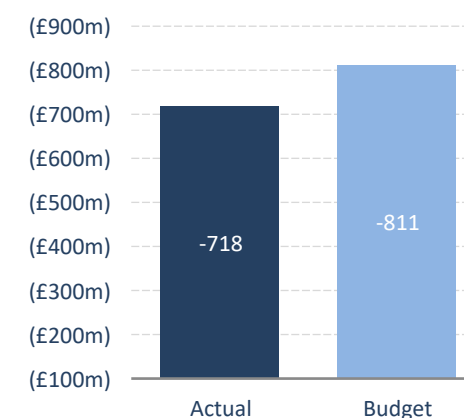
Revenue (£m)



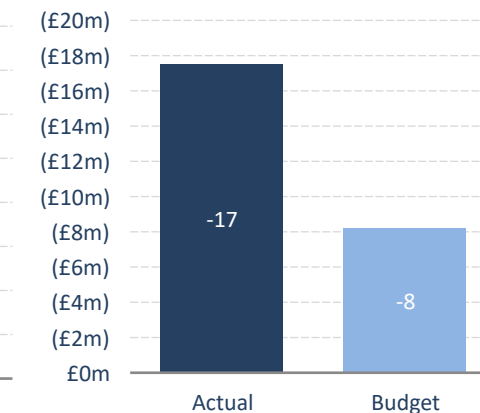
Operating costs (£m)



Capital delivery (£m) *



Cash flow (£m)



* Total TfL capital expenditure excludes amounts relating to Crossrail and Places for London

Procurement & Commercial activity

Q2 2023/24

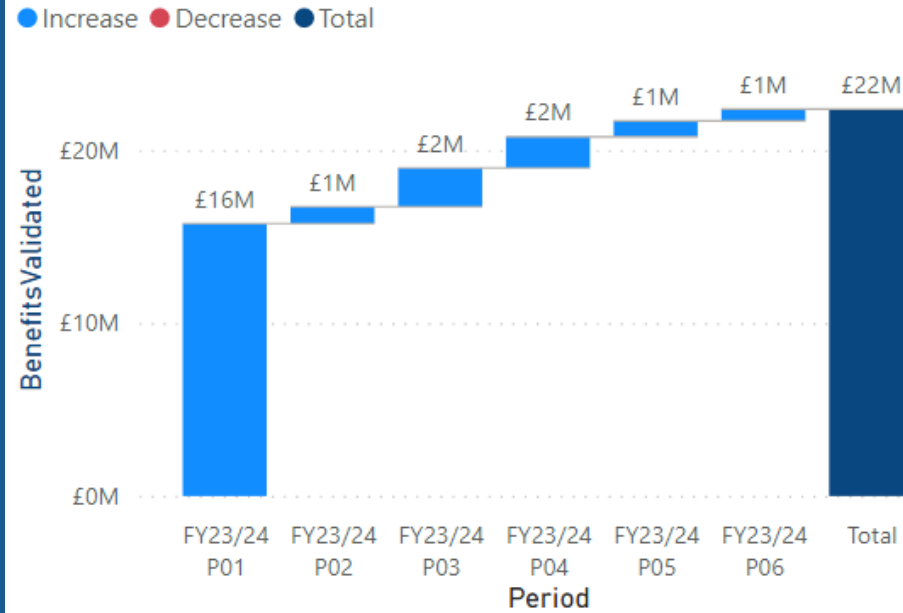
Benefits Validated per Period:
Cash releasing and cost avoidances benefits floor of £85m and target of £116m has been set for P&C for FY23/24. A change has been made to the criteria for benefits validation to more accurately reflect what has been validated. The benefits methodology is under review and there will be a push to get benefits validated in SAP Ariba.

Retrospective Spend:
The highest retrospective item was a 345 Rail Leasing Ltd invoice in P05.

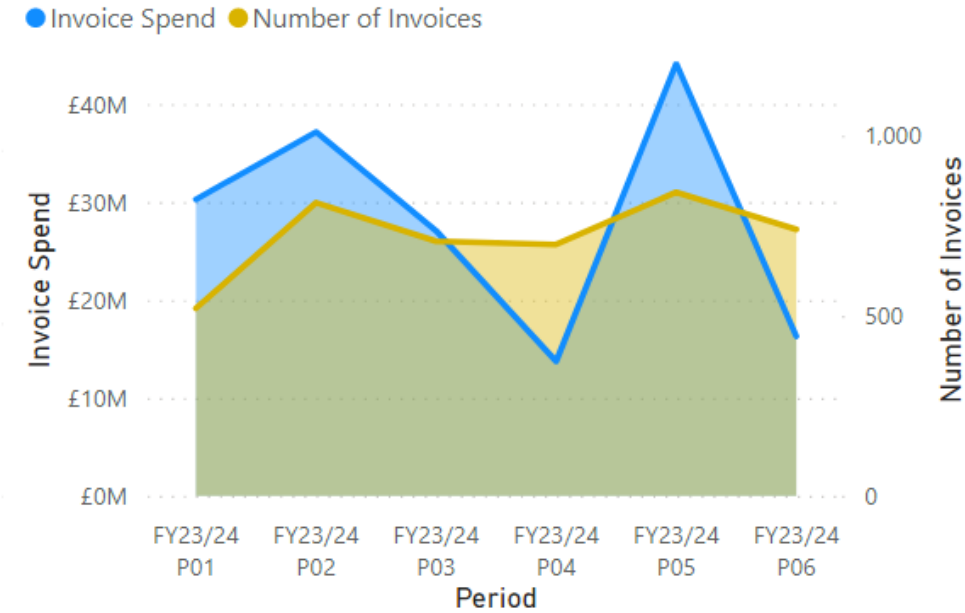
Over Threshold Single Sources by Value and Volume:
The number of over threshold single sources (by volume and value) increased slightly over the first six periods of 23/24, but remained within the scorecard target of 1.2% of the number of all awards.

Compliance with the Commercial Assurance Meeting (CAM) process:
CAM compliance (where CAM submissions are on time and meet the governance requirements) was at 78.8% as of P06.

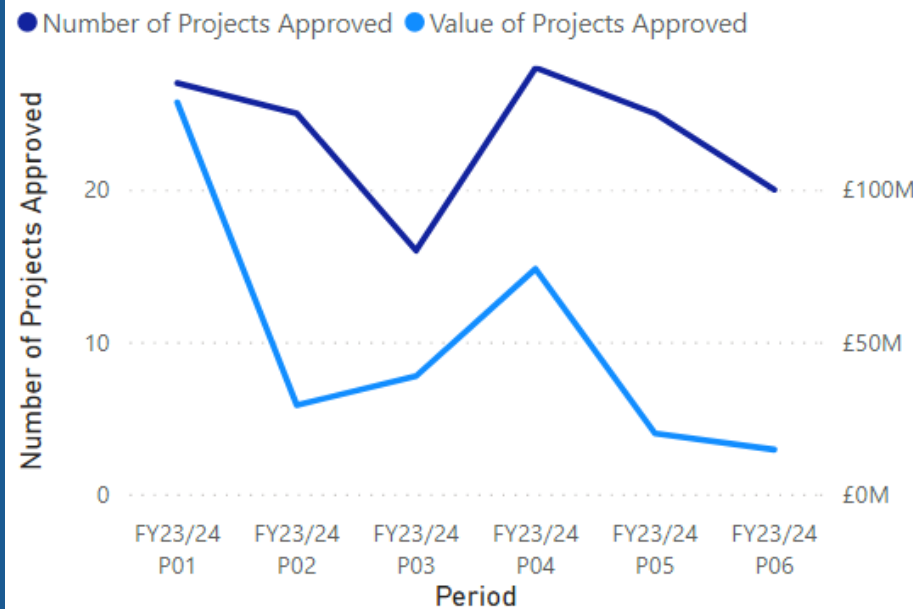
Benefits Validated Per Period (£M)



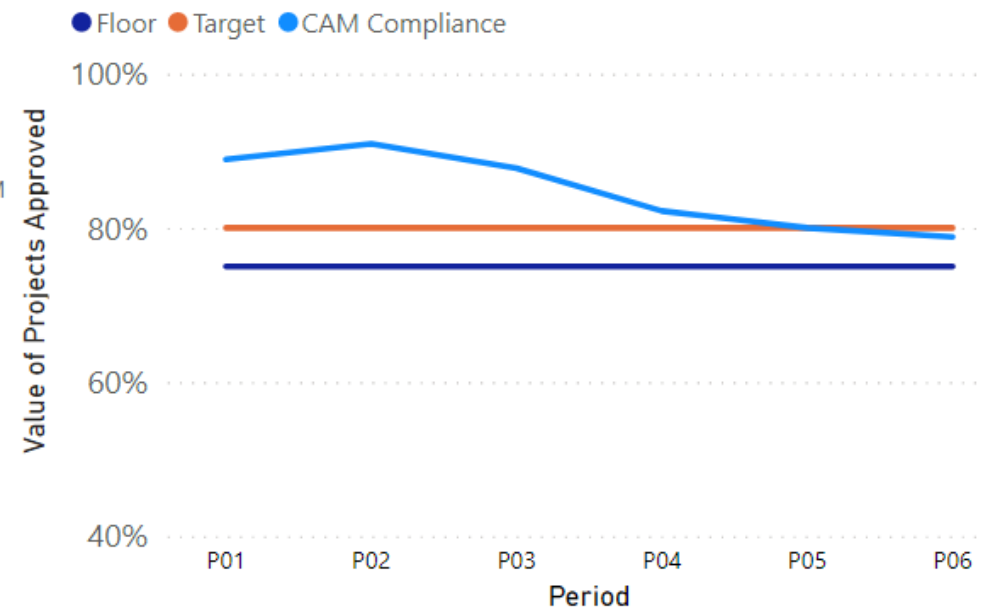
Retrospective Spend



Total Number of Single Sources and Derogations approved per Period



Commercial Approvals Meeting Compliance by Period



Performance metrics to Q2, 2023/24

Open items indicate the extent to which the balances on your 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 £1.56m for Q2. The volume of open items in Q2 > 30 days sits at 1,884.

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.

Overall the volume of manual postings is back at 20%. Interestingly, further automations which came into effect in P6 has improved this to 18%.

The percentage of SME payments meeting the 10 day terms has decreased slightly this quarter by 0.6% to 87.3% still slightly below the 90% target. We are planning a campaign to address the performance with our GLA colleagues due to start in early November. If this is successful we propose to expand the scope of TfL. The initiative includes daily reporting of SME invoices with outstanding approval linked to a personalised email reminder to address the issue.

Processing payments

Quarterly Figures

£m	Q 3 22/23	Q 4 22/23	Q 1 23/24	Q 2 23/24
Open Items < 30 days (£m Value)	(5.97)	6.69	8.71	14.78
Open Items > 30 days (£m Value)	(0.79)	(0.37)	(0.27)	(1.56)
Open Items < 30 days (Volume)	1,494	144	419	224
Open Items > 30 days (Volume)	1,434	1,504	2,116	1,884
Automated Postings %				
Automated	12,143	21,593	10,558	11,986
Manual	3,033	6,198	2,451	2,454
Automated	75%	71%	77%	80%
Manual	25%	29%	23%	20%
Target	85%	85%	85%	85%

