

Financial Control Environment Trend Indicators, Quarter 3, 2023/24

Appendix I

TfL Audit and Assurance Committee

14 March 2024



Forecasting accuracy

Q3, 2023/24

In Quarter 3 2024, we continued to deliver the strategy set out in our 2023 TfL Business Plan and we are making good progress to become operationally financial sustainable this year.

Total revenue is in line with Budget. Passenger income is £64m higher, which is offset by lower revenue top up from Government.

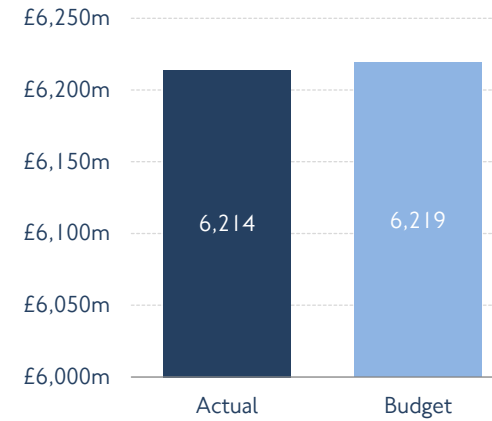
Operating costs are £27m lower than Budget. We are seeing some timing differences on savings delivery and higher ULEZ scrappage payments with the scheme expanded from £110m to £160m, which was confirmed after the Budget was approved – these costs are offset in other revenue grants) and some cost pressures from bus operators, through improved performance. These cost pressures have been offset by staff cost savings, one offs, and central contingency – held to mitigate uncertainty on other operating income – which has now been retired.

Capital renewals are £6m lower than Budget, but delivery has been strong during 2023/24 and our current trajectory is to deliver £750m of spend as set out in our 2024 Business Plan. Enhancements spend is £69m lower than Budget and we are expecting to end the year around £80m lower than Budget, following the Government's decision not to provide additional inflation support for 2023/24,

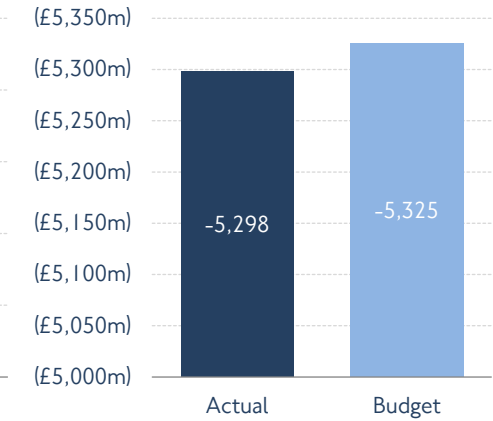
£m	Q1, 2023/24	Q2, 2023/24	Q3, 2023/24
Quarterly forecasting accuracy			
Revenue	£2,006m	£2,069m	£2,139m
Variance to Budget	(£16m)	(£3m)	£14m
Var to Budget %	-1%	0%	1%
Operating costs	(£1,678m)	(£1,777m)	(£1,843m)
Variance to Budget	£33m	£24m	(£30m)
Var to Budget %	2%	1%	-2%
Capital delivery *	(£359m)	(£360m)	(£516m)
Variance to Budget	£34m	£59m	(£17m)
Var to Budget %	9%	14%	-3%
Cash flow	(£40m)	£23m	(£93m)
Variance to Budget	(£40m)	£30m	£12m
Var to Budget %	10373%	-388%	-862%

YTD forecasting accuracy	YTD, 2023/24	Var. to Budget	Var. to Budget %
Revenue			
Actual	£6,214m		
Budget	£6,219m	(£5m)	0%
Operating costs			
Actual	(£5,298m)		
Budget	(£5,325m)	£27m	1%
Capital delivery *			
Actual	(£1,234m)		
Budget	(£1,310m)	£76m	6%
Cash flow			
Actual	(£110m)		
Budget	£4m	(£114m)	-2850%

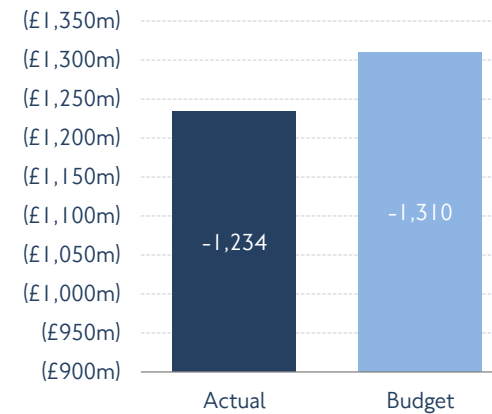
Revenue (£m)



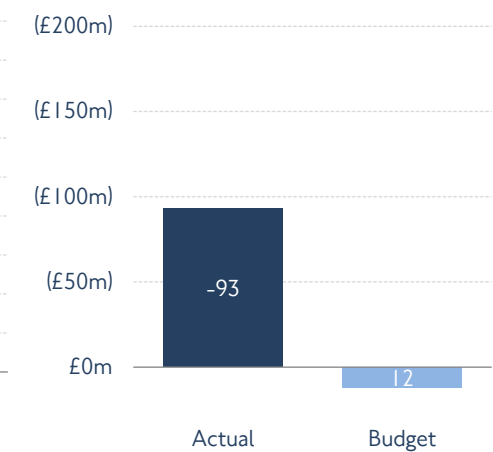
Operating costs (£m)



Capital delivery (£m) *



Cash flow (£m)



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

Procurement & Commercial activity

Q3 23/24

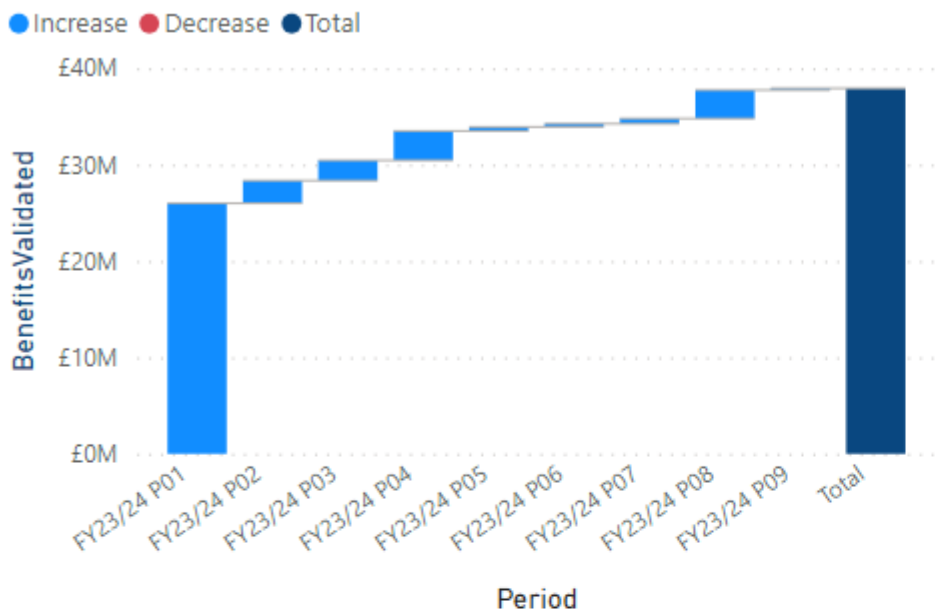
Benefits Validated per Period:
 Cash releasing and cost avoidance benefits validated to the end of Q3 amount to £37.9m. Benefits validated in Q3 totalled £3.6m. It is anticipated that many benefits will be validated in Q4 and the full year forecast is in excess of £100m. The largest Q3 benefit relates to the Extended Line Management System dispatch project (£1.76m).

Retrospective Spend:
 The retrospective spend for the last quarter amounts to £52.3m, with the largest individual supplier being Cubic Transportation Systems receiving £7.4m in retrospective spend. This is down from £100.2m in the previous quarter.

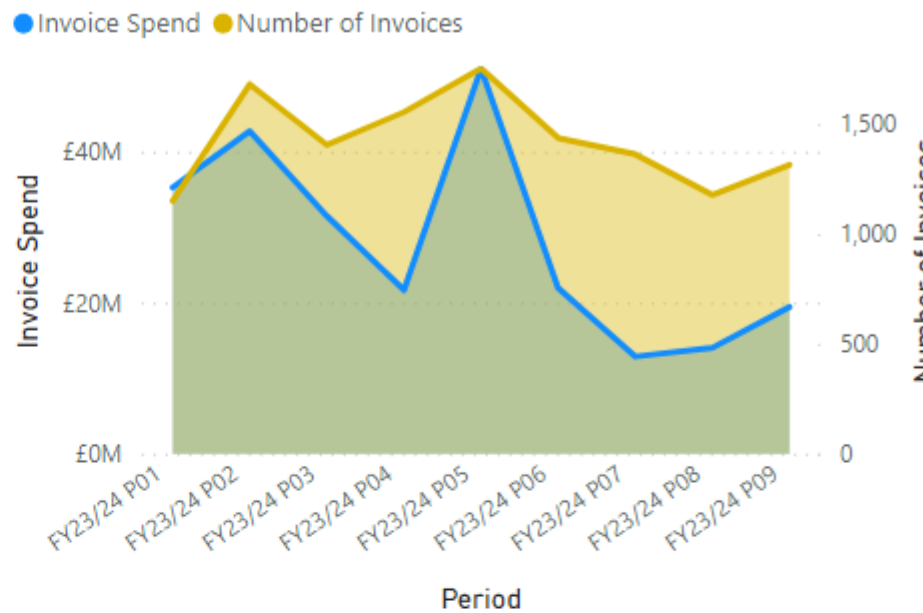
Over Threshold Single Sources by Value and Volume:
 The number of over threshold single sources continues to fluctuate period on period. It is forecast to be just below the 1.2% target by the end of the financial year.

Compliance with the CAM process
 CAM compliance (where CAM submissions are on time and meet the governance requirements) was at 75% at the end of P09.

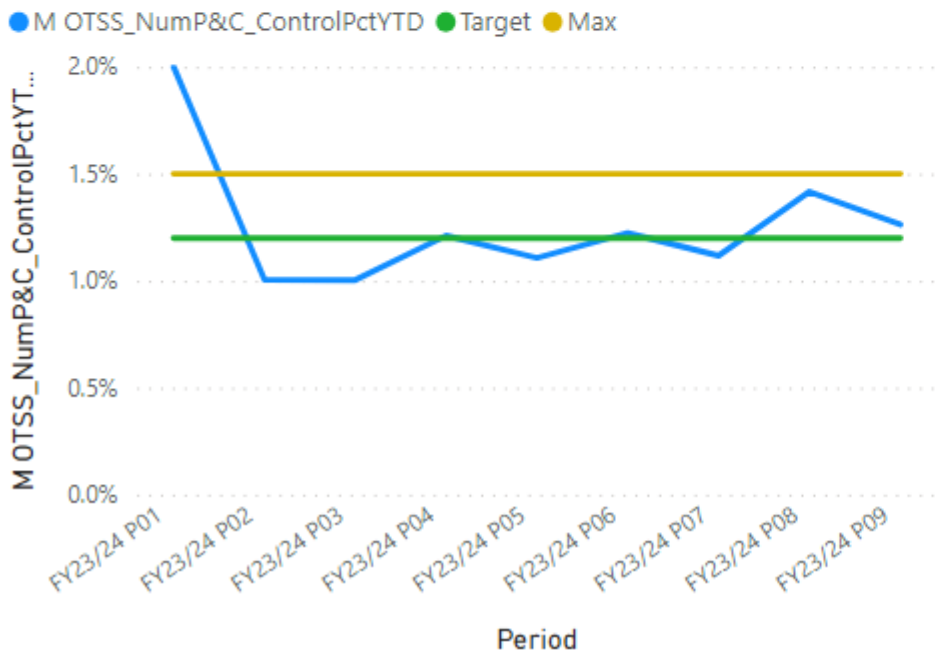
Benefits Validated Per Period (£M)



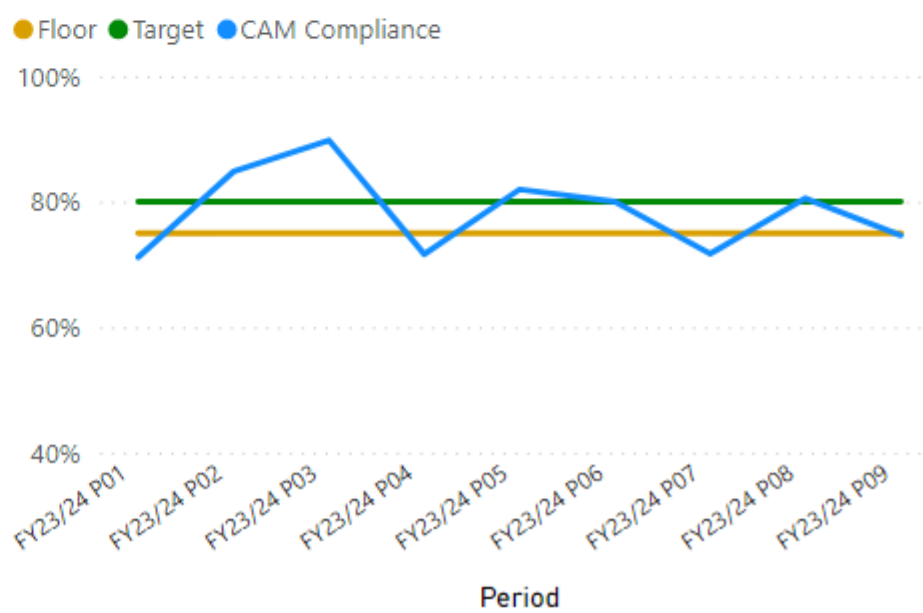
Retrospective Spend



YTD over threshold single source % (number)



Commercial Approvals Meeting Compliance by Period



Processing payments metrics, Q3 23/24

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 £3.91m for Q3. The volume of open items in Q3 > 30 days sits at 2184.

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 automatic postings for Q3 is now at 82% following automation scripts which came into effect in P6 .

The percentage of SME payments meeting the 10 day terms has increased this quarter by 0.7% to 88.0%, although still slightly below the 90% target. The results are on an upwards trajectory this quarter, with incremental improvements each period - P9 (89.6%) was the highest return since P5 22/23.

Quarterly Figures

£m	Q4 22/23	Q1 23/24	Q2 23/24	Q3 23/24
Open Items < 30 days (£m Value)	6.69	8.71	14.78	7.95
Open Items > 30 days (£m Value)	(0.37)	(0.27)	(1.56)	3.91
Open Items < 30 days (Volume)	144	419	224	327
Open Items > 30 days (Volume)	1,504	2,116	1,884	2,184
Automated Postings %				
Automated	21,593	10,558	11,986	12,462
Manual	6,198	2,451	2,454	2,284
Automated	71%	77%	80%	82%
Manual	29%	23%	20%	18%
Target	85%	85%	85%	85%

