

Date: 8 October 2014

Item 17: Savings and Efficiencies Update

This paper will be considered in public

1 Summary

1.1 The purpose of this paper is to update the Audit and Assurance Committee on TfL's Savings and Efficiencies (S&E) Programme.

2 Recommendation

2.1 That the Committee note the progress.

3 Background

3.1 The S&E programme was launched in 2009/10. At that time, the programme had a target timeline that ran from 2009/10 though to 2017/18, which in 2012/13 was extended to 2020/21.

3.2 TfL is committed to saving £16bn of efficiencies up to 2020/21; £12bn has already been secured with a further £4bn still to be secured in the next seven years. The £16bn savings programme reduces TfL's total annual expenditure of £10bn – £11bn a year by an average of 14 per cent to allow TfL to further invest in infrastructure improvements while holding down fares and managing with lower levels of government funding.

4 Secured to date

4.1 The initiatives that TfL have secured from 2009/10 to 2013/14 often have multi-year delivery plans, so for example something secured in 2012/13 might keep delivering savings to the end of the Business Plan in 2020/21. These include:

- (a) On-going savings in Rail and Underground from reorganisations and staff reductions in previous years, including the integration of Metronet, reductions in operational and back office staff; and
- (b) Continuing savings through competitive tendering of the bus network and the implementation of the London Highways Alliance contract allowing us to save 15 per cent on unit rates by developing contracts jointly with London Boroughs.

5 Delivery Assurance

- 5.1 The S&E programme is monitored quarterly through the quarterly forecast process, which is reviewed by senior leaders in each business area and the Finance Leadership Team (FLT).
- 5.2 Progress reports focussing only on the S&E total programme are also reviewed and challenged by the FLT. These reports show financial movements and risk assessments.
- 5.3 In Q1, the S&E programme had minor movements from unsecured to secured holding the total programme to £16bn; £12bn secured, £4bn unsecured.
- 5.4 S&E performance is also reported externally through the quarterly Operational and Financial Performance Reports (OFR) and annually in the statutory accounts.

6 Savings and Efficiency Reviews

- 6.1 In October 2011, TfL engaged Deloitte to undertake a 'Fresh Eyes Review' on the deliverability and overall status of the full TfL S&E programme. The findings were shared at a closed session of the Finance and Policy Committee meeting on 19 January 2012.
- 6.2 An Internal Audit review of the S&E programme was completed in early 2013 with the objective to work with and support management to review the current status of the S&E programme with particular focus on the issues identified during the Fresh Eyes Review. Internal Audit found significant improvements to the issues raised in the Fresh Eyes Review though further improvements were required.
- 6.3 In May 2013, TfL commissioned PricewaterhouseCoopers (PwC) to undertake a review of the governance, controls and processes associated with the efficiencies programme. The review confirmed the overall effective management and robust reporting of the Programme. A number of examples of positive governance, controls and processes were cited. The review indicated that significant advances had been made in the period between the Deloitte and PwC reviews.
 - (a) A number of examples of good governance were noted. These included the quarterly review of the Efficiencies programme by TfL's Chief Officers at an operational and strategic level; clear guidance including roles and responsibilities; and for significant stand-alone initiatives, comprehensive programme plans.
 - (b) Widespread evidence of controls was also noted in relation to the stand alone initiatives reviewed and this included the 'casual trackers'. These are schedules which are used to reconcile the Efficiencies programme to the finance system.
 - (c) The review noted that the Programme risk was a key part of the quarterly strategic review process. The review indicates that the continuation of the risk focused reviews conducted by TfL's Chief Officers would, in conjunction with Business Areas reviews, provide the right level of scrutiny to ensure the deliverability of the Programme.

- 6.4 PwC identified a total of 32 possible improvement actions allocated into six recommendations to improve the S&E Programme. They are broad ranging and some have potential to be quite resource intensive to implement. Through a series of engagement sessions with the FLT, these improvements have been narrowed down to focus on the priority actions directly required to answer the PwC recommendations; short term essential and long term aspiration plans.
- 6.5 Significant progress has been made on the short term essential improvements including developing a standardised database used by all Business Areas, an improved governance pack that outlines a standardised approach to defining, measuring, monitoring and reporting efficiencies, and developing a SharePoint site for data depository and to retain corporate knowledge. TfL will continue to progress with the PwC actions and will provide regular updates to the FLT.

7 Next Steps

- 7.1 The next external S&E Programme Review will go out to tender in February 2015, finalising the results by March 2015. This will be conducted in partnership with internal audit.

List of appendices to this report:

None

List of background Papers:

None

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