

# Transport for the North Audit & Governance Committee – Item 6

**Subject:** YTD / Budget Revision 2 and Mid-Year Treasury Management Update

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**Sponsor:** Iain Craven

**Meeting Date:** 22nd November 2019

## **1. Purpose of the Report:**

- 1.1 This report accompanies a presentation (Appendix A) which details the financial performance of TfN over the first six months of the financial year and provides a re-forecast to the end of the year. This re-forecast is known as Budget Revision 2. It is proposed that this Budget Revision be adopted by the TfN Board at its January meeting.
- 1.2 The presentation also includes details of TfN's performance against its adopted Treasury Management Strategy and will be provided to the TfN Board as required under the Constitution.

## **2. Executive Summary:** [Year to-date Monitoring](#)

- 2.1 Year to-date Expenditure: £18.24  
Variance to Budget Revision 1: £5.62m underspend

NPR: £2.33m underspend against Revision 1  
IST: £2.01m underspend against Revision 1

### [Budget Revision 2](#)

- 2.2 Total Forecast Expenditure: £52.91m  
Variance to Budget Revision 1: £4.88m  
Variance to Base Budget: £24.80m

IST: £22.22m underspend against base budget, principally relating to Phase 3 ABBOT

### [Mid-Year Treasury Management Update](#)

- 2.3 TfN can report compliance against all the parameters set out in its Treasury Management Strategy.
- 2.4 As at the 30<sup>th</sup> September, £20.29m of cash was held of which £5.6m was uncommitted and unrestricted.

### **3. Summary Position**

- 3.1 Over the first six months of the financial year TfN has incurred expenditure of £18.24m.
- 3.2 This level of expenditure is £5.62m behind the Revision 1 budget adopted in July.
- 3.3 Underspend has principally accrued in TfN's revenue and capital programme areas (£4.63m), accounting for 82% of the overall underspend.
- 3.4 Delays to the conclusion of contracting, and underspends within the Sequence 4 Network Rail contract, have led to a cumulative underspend of £2.33m in the NPR programme.
- 3.5 Delays in the contracting exercises conducted by partner train operating companies for the Phase 1 ITSO on Rail project, along with the "active pause" to the Phase 3 ABBOT project, has led to cumulative underspends of £2.01m within the IST programme against Budget Revision 1.
- 3.6 Recognising the year-to-date position, TfN has reforecast its expenditure to the end of the financial year. This exercise is called Budget Revision 2.
- 3.7 This exercise has returned a full-year forecast expenditure position of £52.91m. This level of expenditure is £24.80m below the opening base budget and £4.88m behind Budget Revision 1 that was adopted in July.
- 3.8 The principal movement on budget is the significant revision made to the Phase 3 ABBOT IST project. This project's expenditure has been reduced by £22.46m compared to the base budget. This reflects known issues in the project, with all forecast post-FBC delivery expenditure removed from the current financial year. These changes were made at the Revision 1 stage, with further reductions in expenditure made at Revision 2 to reflect the pause agreed by TfN Board.
- 3.9 Further detail on the year-to-date position and the Revision 2 forecast is given in Appendix A.
- 3.10 TfN's constitution obliges officers to report to Board at the mid-year mark on performance against the Treasury Management Strategy. This Strategy prescribes how TfN will manage cash and investments. Unlike

partner bodies, TfN is prohibited from accessing credit, so now rules are set around borrowing.

- 3.11 Appendix A highlights performance against key parameters. It shows that TfN has managed cash and investments within its counterparty criteria, placing cash deposits with secure bodies and institutions on liquid terms. Yield on investments has marginally exceeded target without compromising on security.

#### **4. Conclusion:**

- 4.1 This report proposes adoption of a Revision 2 budget. This reforecast accommodates major changes previously recognised through the Revision 1 exercise – principally around the Phase 3 ABBOT project – but also revised delivery assumptions.
- 4.2 Adoption of the Revision 2 forecast will align financial profiling to the latest delivery assumptions from the programmes and operational teams.
- 4.3 This report also notes that TfN has complied with its Treasury Management Strategy at the mid-year mark, with no exception issues to report.

#### **5. Recommendation:**

- 5.1 Note the proposed Revision 2 budget to be presented to TfN Board in January.
- 5.2 Note the compliance with the Treasury Management Strategy.

#### **6. Appendices:**

- 6.1 Appendix A – TfN Finance Mid-Year Update

### **Required Considerations**

#### **Equalities:**

Age	Yes	No
Disability	Yes	No
Gender Reassignment	Yes	No
Pregnancy and Maternity	Yes	No

Race	Yes	No
Religion or Belief	Yes	No
Sex	Yes	No
Sexual Orientation	Yes	No

Consideration	Comment	Responsible Officer	Director
Equalities	A full Impact assessment has not been carried out because it is not required.	Gareth Sutton	Iain Craven

### Environment and Sustainability

Yes	No
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Consideration	Comment	Responsible Officer	Director
Sustainability / Environment – including considerations regarding Active Travel and Wellbeing	A full impact assessment has not been carried out because it is not required.	Gareth Sutton	Iain Craven

### Legal

Yes	No
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Consideration	Comment	Responsible Officer	Director
Legal	The legal implications have been considered and are included in the report.	Julie Openshaw	Dawn Madin

### Finance

Yes	No
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Consideration	Comment	Responsible Officer	Director
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Finance	The financial implications have been considered and are included in the report.	Gareth Sutton	Iain Craven
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### Resource

Yes	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Resource	TfN HR Team has confirmed there are no resource implications.	Stephen Hipwell	Dawn Madin

### Risk

Yes	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Risk	A risk assessment has been carried out and the key risks are included in the report.	Haddy Njie	Iain Craven

### Consultation

Yes	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Consultation	A consultation has not been carried out because it is not required.	Gareth Sutton	Iain Craven