

Item 7-Transport for the North Scrutiny Committee Meeting

Subject: Update: Revision 1 Budget Report

Author: Gareth Sutton, Financial Controller

Sponsor: Iain Craven, Finance Director

Meeting Date: 29 August 2019

1. Purpose of the Report:

- 1.1 As part of its standing requirements, Scrutiny Committee is provided with a copy of the Revision 1 Budget report approved by the Transport for the North Board on 31 July.
- 1.2 This update seeks to provide additional contextual information on how developments around the Integrated and Smart Ticketing programme's 'ABBOT' project impact upon the approved budget.

2. Executive Summary:

- 2.1 On 31 July the Transport for the North Board received and approved the Revision 1 Budget report.
- 2.2 The Revision 1 Budget represents the first iteration of the opening base revenue budget and capital programme, re-forecast for the latest delivery information available at the time of writing.
- 2.3 At that same meeting the Board received a paper outlining options for the Phase 3 'ABBOT' project within the Integrated and Smart Ticketing programme.
- 2.4 This report outlines the impact on the adopted budget of the Board's decision in relation to the 'ABBOT' project.
- 2.5 This report notes that the Revision 1 Budget was based on the assumption that the project would continue existing development activity in support of a quarter 4 full business case submission.
- 2.6 This report reflects that the Board's resolution on the 31 July to defer a decision on the options for the future of the scheme will likely affect in-year profiling of expenditure but notes that a major revision to forecast expenditure had already been undertaken by this point. The report

further notes that when greater clarity around the future of the project is available a financial re-forecast will be carried out.

3. Budget Revision 1 and Phase 3 Developments

- 3.1 The Budget Revision 1 report was received and approved by TfN Board on the 31 July.
- 3.2 The salient issue within that report was the removal of previously forecast Phase 3 'ABBOT' capital delivery costs. The report noted that this reduced forecast expenditure within the 'ABBOT' budget by £21.20m.
- 3.3 The reduction in expenditure was driven by forecasts provided by the IST programme team. Those forecasts reflected that the assumption that the ABBOTT project would incur delivery expenditure in the financial year 2019/20.
- 3.4 Delays in moving into the delivery phase mean the project will not now incur the significant capital expenditure that had been forecast at the point of budget adoption in February 2019.
- 3.5 The reforecast budget adopted at Revision 1 reduced ABBOT expenditure in 2019/20 to £4.49m. This forecast reflected the required resource to develop and deliver a full business case document to the Department for Transport in quarter 4 of financial year 2019/20. That plan reflected the 'business-as-usual' activity for the project.
- 3.6 Agenda item 10 of this meeting notes that at the 31st July meeting the Board resolved to defer a decision on the options for the future of the 'ABBOT' project to its next meeting.
- 3.7 Whilst activity in support of that decision making continues, other ABBOT development work has been paused pending this decision.
- 3.8 Accordingly, there are three points to note with regard to the Board's resolution and the Revision 1 budget:
 1. A significant reforecast had already been undertaken which reduced forecast expenditure;
 2. Following the Board's resolution, in-year expenditure profiling is likely to change due to the pause in development activity; and,
 3. The existing assumptions used in the Revision 1 budget remain valid until a new course of action is determined.
- 3.9 As the Budget Revision 1 Board report noted, once a course of action is decided upon the ABBOT budget will be reforecast.

4. Conclusion:

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- 4.1 The Committee will receive the Budget Revision 1 report at this meeting.
- 4.2 That report notes the significant reduction in expenditure on the 'ABBOT' scheme, reflecting the removal of delivery expenditure.
- 4.3 Since the time of writing and approval of that report, the Board resolved to defer a decision on the future options for the project to its next meeting.
- 4.4 This report notes that that decision will likely have an in-year impact on the existing Budget Revision 1 forecasts, but that significant changes had already been reflected by that point.

5. Recommendation:

- 5.1 Note that the financial forecasts presented in the Budget Revision 1 will be impacted by the post-report resolution to defer a decision on the ABBOT project.
- 5.2 Note that once greater clarity is received a full financial re-forecast will be undertaken.

List of Background Documents:

There are no background papers to this report.

Required Considerations

Equalities:

Age	No
Disability	No
Gender Reassignment	No
Pregnancy and Maternity	No
Race	No
Religion or Belief	No
Sex	No
Sexual Orientation	No

Consideration	Comment	Responsible Officer	Director
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Equalities	A full Impact assessment has not been carried out because the report does not propose any new strategy or service provision	Gareth Sutton	Iain Craven
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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 the report does not propose any new strategy or service provision	Gareth Sutton	Iain Craven

Legal

Yes

Consideration	Comment	Responsible Officer	Director
Legal	TfN Legal Team have confirmed that there are no new legal implications in this report	Deborah Dimock	Julie Openshaw

Finance

No

Consideration	Comment	Responsible Officer	Director
Finance	The financial implications have been considered and are included in the report.	Gareth Sutton	Iain Craven

Resource

No

Consideration	Comment	Responsible Officer	Director
Resource	TfN HR Team has confirmed there are no new resource implications.	Stephen Hipwell	Dawn Madin

Risk

No

Consideration	Comment	Responsible Officer	Director
Risk	A risk assessment has been carried out and the key risks are included in the report.	Gareth Sutton	Iain Craven

Consultation

No

Consideration	Comment	Responsible Officer	Director
Consultation	A public consultation has not been carried because the report does not propose any new strategy or service provision.	Gareth Sutton	Iain Sutton