



## Finance Update

# Scrutiny Committee Mid-Year Update

December 2019





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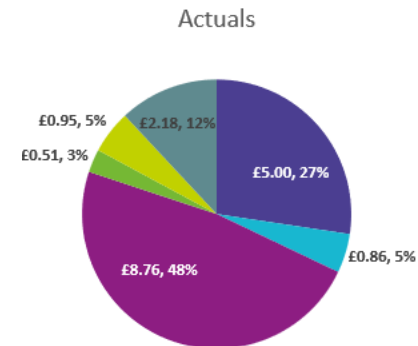
- Period 1 – 6 Year-to-Date Monitoring
- Revision 2 Forecast to Outturn
- Funding Update
- Mid-Year Treasury Management Update



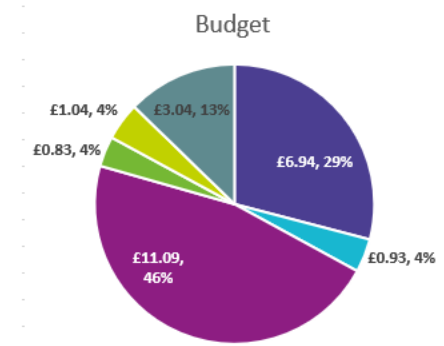
# Year to-date Monitoring: Periods 1 - 6

- Total expenditure to-date £18.24m
- Underspend against Revision 1 budget of £5.62m
  - 83% of underspend accrued in the programme areas

	YTD Actuals £m	YTD Budget £m	Variance £m	Variance %
Programmes:				
IST Capital	£5.00	£6.94	£1.94	28%
IST Revenue	£0.86	£0.93	£0.07	7%
IST	£5.85	£7.86	£2.01	26%
NPR	£8.76	£11.09	£2.33	21%
Major Roads	£0.51	£0.83	£0.32	39%
<b>Total Programmes</b>	<b>£15.12</b>	<b>£19.79</b>	<b>£4.67</b>	<b>24%</b>
Rail Operations	£0.95	£1.04	£0.10	9%
Operational Areas (Net)	£2.18	£3.04	£0.86	28%
<b>TfN Total</b>	<b>£18.24</b>	<b>£23.86</b>	<b>£5.62</b>	<b>24%</b>



■ IST Capital  
■ NPR  
■ Rail Operations



■ IST Revenue  
■ Major Roads  
■ Operational Areas (Net)





# Year to-Date Monitoring: Programmes

## IST Programme:

- P1 Capital underspend reflects known reprofiling of MT costs and deferment of ARN online costs to December due to contracting delays
- P2 underspend reflects lower than forecast expenditure on Fares, Open Data, and Commercial
- Phase 3 underspend reflects material reductions in professional service costs, following stop orders issued early August.

## NPR Programme:

- Network Rail expenditure has fallen behind the Revision 1 profile but is expected to recover
- Delays to the contracting of modelling activity has resulted in slipped activity and expenditure
- Most activity is now contracted and in delivery

## Major Roads Programme:

- Modelling activity in support of the Strategic Corridor Studies has fallen behind profile
- It is expected that material full-year underspends will accrue in relation to the SDC Quantitative work

IST Programme	YTD Actuals £m	YTD Budget £m	Variance £m	Variance %
Phase 1 - ITSO on Rail	£2.03	£3.25	£1.22	38%
Phase 2 - Customer Information	£0.83	£0.97	£0.14	15%
Phase 3 - Accounts Based Back Office	£1.76	£2.36	£0.60	25%
Programme Costs	£1.23	£1.28	£0.05	4%
	<b>£5.85</b>	<b>£7.86</b>	<b>£2.01</b>	<b>26%</b>

NPR Programme	YTD Actuals £m	YTD Budget £m	Variance £m	Variance %
NPR Team	£0.59	£0.70	£0.11	16%
NPR Studies	£7.25	£8.67	£1.42	16%
NPR TAME	£0.89	£1.65	£0.76	46%
NPR Comms	£0.04	£0.08	£0.04	53%
	<b>£8.76</b>	<b>£11.09</b>	<b>£2.33</b>	<b>21%</b>

Major Roads Programme	YTD Actuals £m	YTD Budget £m	Variance £m	Variance %
Major Roads Team	£0.20	£0.20	£0.00	0%
SDC Studies	£0.30	£0.47	£0.17	36%
Major Route Network Activity	£0.00	£0.14	£0.14	100%
Communications	£0.01	£0.02	£0.01	50%
	<b>£0.51</b>	<b>£0.83</b>	<b>£0.32</b>	<b>39%</b>





# Year to-date Monitoring: Operational Areas

## Business Capabilities

- Delays to the conclusion of ICT refresh and managed service print contracts have led to underspend (£0.13m)
- Requirement for external legal support has been lower than forecast (£0.08m)
- Communications expenditure has slipped (£0.11m), including the purchase of webcasting facilities

## Strategy and Policy

- Savings have been generated in the Modelling and Economic Appraisal team due to contracting efficiencies and displacement of activity (£0.34m)

## Programme Management Office

- Delays to the commissioning of PPMS modules along with vacant posts have generated underspend (£0.14m)

	YTD Actuals £m	YTD Budget £m	Variance £m	Variance %
Leadership	£0.16	£0.15	£0.01	-7%
Finance & Business Systems	£0.44	£0.45	£0.01	3%
Business Capabilities	£1.48	£1.90	£0.42	22%
Programme Management Office	£0.13	£0.27	£0.14	52%
Strategy & Policy	£1.07	£1.45	£0.38	26%
<b>Gross Expenditure</b>	<b>£3.27</b>	<b>£4.21</b>	<b>£0.94</b>	<b>22%</b>
- Recharges to Programmes	-£1.09	-£1.18	£0.08	7%
<b>Net Expenditure</b>	<b>£2.18</b>	<b>£3.04</b>	<b>£0.86</b>	<b>28%</b>



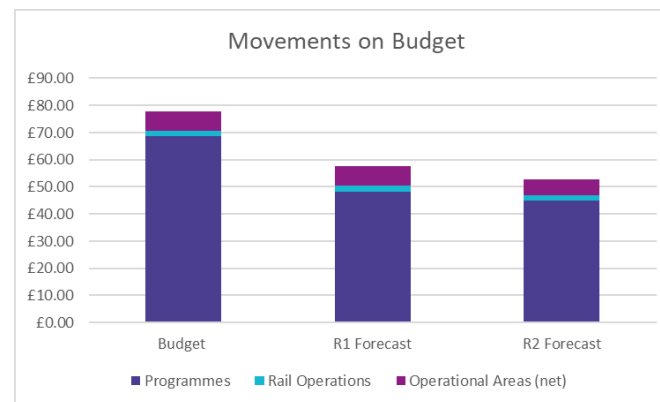


# Revision 2 Forecasts: Summary £52.91m



- The mid-year forecasts shown below have undergone challenge, changing from those reported at Sponsorship Meeting and IST Programme Board
- Budget variances are largely driven by underspends in the three programme areas
  - Programme variances reflects known issues in IST, slippage in the Major Roads area, and forecasting volatility in the NPR programme
  - Underspends in the operational areas are principally derived by savings in the TAME team

Forecast Expenditure <i>*exclusive of contingency</i>	Budget £m	Variance £m	R1 Forecast £m	Variance £m	R2 Forecast £m	R2 vs Base £m
Programmes	£68.60	£-20.26	£48.34	£-3.49	£44.85	£-23.75
Rail Operations	£1.92	£0.17	£2.09	£-0.09	£2.00	£0.08
Operational Areas (net)	£7.19	£0.17	£7.36	£-1.31	£6.05	£-1.14
	£77.71	£-19.92	£57.79	£-4.88	£52.91	£-24.80





# Revision 2 Forecasts: Programmes



- **IST Programme**
  - P1 activity is expected to accelerate towards conclusion as TOC contracting is finalised
  - Slippage in P2 associated with contracting for Fares and Disruption workstreams will not be recovered in year
  - P3 forecasts assume a Q3 increase in expenditure as options are developed by December, then an increase towards an OBC submission
- **NPR**
  - Further resource has been directed to contingency following efficiencies in the Rail Modelling & Appraisal Partner commission
  - Work is underway to identify how contingency envelopes could be used to ensure readiness for increase in activity expected in 2020/21
- **Major Roads**
  - Material slippage expected (£0.56m) on the SDC quantitative work

Programmes	Budget £m	Variance £m	R1 Forecast £m	Variance £m	R2 Forecast £m
Phase 1 - ITSO on Rail	£5.68	£0.91	£6.59	£0.54	£6.00
Phase 2 - Customer Information	£2.28	£0.37	£2.65	-£0.37	£2.21
Phase 3 - Accounts Based Back Office	£25.69	-£21.20	£4.49	-£1.26	£3.23
Programme Costs	£2.63	£0.11	£2.74	-£0.03	£2.62
IST Programme	£36.28	-£19.81	£16.47	-£1.12	£14.06
NPR Programme	£29.75	-£0.41	£29.34	-£0.41	£28.93
Major Roads Programme	£2.57	-£0.04	£2.53	-£0.66	£1.87
<b>Total Programme Expenditure</b>	<b>£68.60</b>	<b>-£20.26</b>	<b>£48.34</b>	<b>-£2.20</b>	<b>£44.85</b>

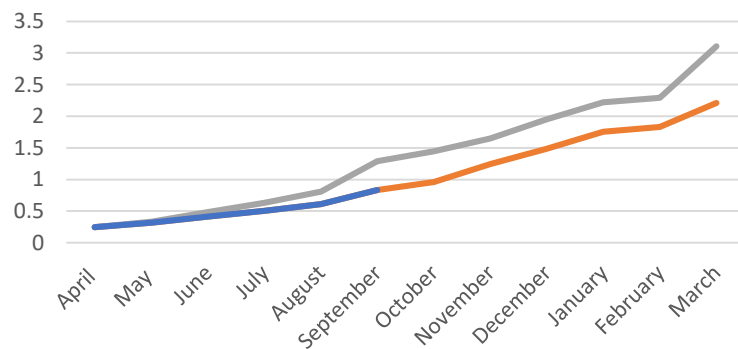




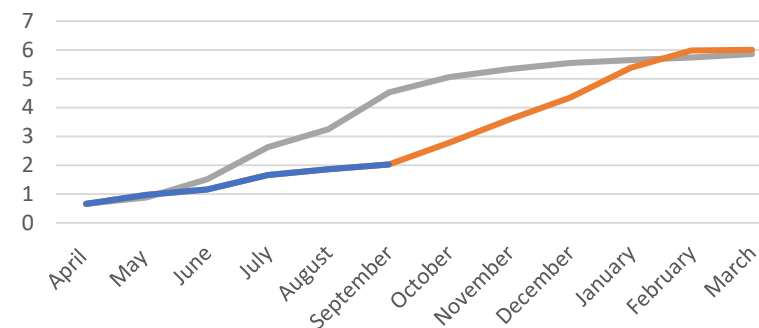
# IST Programme Revision 2 Forecast

IST Programme	Resource	Budget	R2 Forecast	Variance	Variance
<i>*exclusive of contingency</i>		£m	£m	£m	%
Phase 1 - ITSO on Rail	RDEL	£2.69	£0.89	−£1.80	−67%
	CDEL	£2.99	£5.11	£2.12	71%
Phase 2 - Customer Information	RDEL	£0.12	£0.06	−£0.06	−50%
	CDEL	£2.15	£2.16	£0.01	0%
Phase 3 - Accounts Based Back Office	RDEL	£0.37	£3.23	£2.86	773%
	CDEL	£25.32	£0.00	−£25.32	−100%
Programme Costs	RDEL	£0.11	£1.94	£1.83	1664%
	CDEL	£2.53	£0.67	−£1.86	−74%
Net Expenditure		£36.28	£14.06	−£22.22	
Total Programme	RDEL	£3.29	£6.12	£2.83	
	CDEL	£32.99	£7.94	−£25.05	
Net Expenditure		£36.28	£14.06	−£22.22	

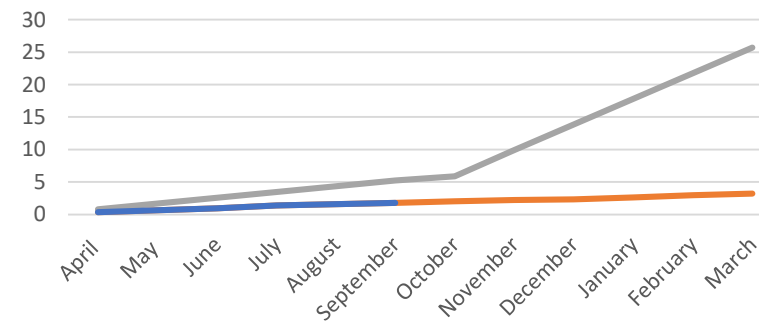
Phase 2: Forecast vs Budget



Phase 1: Forecast vs Budget



Phase3: Forecast vs Budget







# IST Programme Revision 2 Funding Position

- Funding requirement met from brought forward unapplied grant; grant received year-to-date, and future required draw downs
- Requests shared with the Department
- Requirements could change to the year-end as opportunities to advance activity arise
- Table below does not show the £4.33m RDEL grant advanced to support a RDEL/CDEL swap



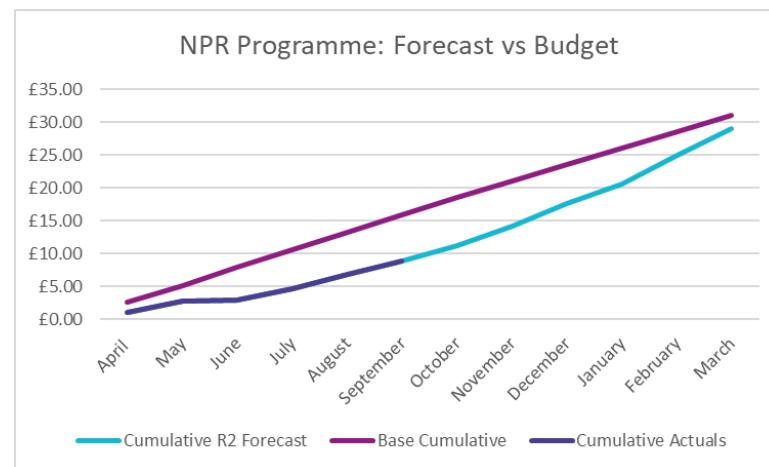
Phase Funding Type	Phase 1 Revenue £m	Phase 1 Capital £m	Phase 2 Revenue £m	Phase 2 Capital £m	Phase 3 Revenue £m	Phase 3 Capital £m	General Revenue £m	General Capital £m	Total £m
<b>Expenditure:</b>									
Year to-date	£0.60	£1.42	£0.02	£0.81	£1.76	£0.00	£0.88	£0.34	£5.84
Forecast to Outturn	£0.29	£3.69	£0.04	£1.35	£1.47	£0.00	£1.06	£0.33	£8.22
Total Expenditure	£0.89	£5.11	£0.06	£2.16	£3.23	£0.00	£1.94	£0.67	£14.06
<b>Resource</b>									
Grant brought forward	£0.00	£1.41	£0.00	£0.00	£0.00	£0.00	£1.94	£0.67	£4.02
Grant received in year	£0.60	£1.17	£0.03	£0.94	£2.36	£0.00	£0.00	£0.00	£5.10
Total Resource	£0.60	£2.58	£0.03	£0.94	£2.36	£0.00	£1.94	£0.67	£9.12
<b>Grant -Requirement/Surplus</b>	<b>-£0.29</b>	<b>-£2.53</b>	<b>-£0.03</b>	<b>-£1.22</b>	<b>-£0.87</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>-£4.94</b>
Open Funding Letters to Draw On	£3.90	£6.81	£2.17	£2.46	£3.14	£0.00	£0.00	£0.00	£18.48
<b>Funding Availability Carried</b>	<b>£3.61</b>	<b>£4.28</b>	<b>£2.14</b>	<b>£1.24</b>	<b>£2.27</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£13.54</b>



# NPR Programme: Revision 2 Forecast

- Additional resource moved to in-budget contingency reserve
- Reflects on-going forecasting volatility in the Network Rail contract and need to mobilise additional resource and contracting ahead of the new financial year and the elevated financial envelope

Activity	R2 Forecast	Var.	R1 Forecast	Var.	Base Budget
NPR Team	£1.39	£0.15	£1.54	£0.41	£1.95
Rail Studies	£22.31	-£0.15	£22.16	£0.64	£22.80
TAME	£4.91	£0.47	£5.38	-£0.61	£4.77
Stakeholder Engagement	£0.26	-£0.01	£0.25	-£0.02	£0.23
Forecast Expenditure	£28.87	£0.46	£29.33	£0.42	£29.75
Contingency Reserve	£2.95	-£1.08	£1.87	-£0.67	£1.20
Total Resource Requirement	£31.82	-£0.62	£31.20	-£0.25	£30.95





# NPR Programme Funding Forecast



- In-year funding allocation of £30m supplemented by consent to carry-forward £0.87m of grant unapplied from 2018/19
- TfN contributes £0.96m to staffing costs
- Monthly payments means TfN can taper requirements for contingency reserve as activity develops
  - This reserve is held to manage volatility in major contracts and support the mobilisation of the programme ahead of financial year 2020/21 when funding envelopes double

TDF Drawdown & Application	£m
Grant Unapplied b/f	£0.87
TDF Expenditure to September	-£8.28
Grant Received:	
April	£0.00
May	£1.33
June	£1.27
July	£1.72
August	£2.62
September	£1.59
October	£1.51
	£10.04
Grant Unapplied c/d	£2.63

Funding Summary	£m
2019/20 TDF Envelope	£30.00
2018/19 TDF Carry-Forward	£0.87
<b>Total TDF Envelope</b>	<b>£30.87</b>
- Grant Drawn down	£10.91
<b>Available for Drawdown</b>	<b>£19.96</b>
Revision 2 Forecast Exp.	£28.88
Contingency Reserve	£2.95
<b>Resource Requirement</b>	<b>£31.83</b>
<b>Funded by:</b>	
TfN Core Grant	£0.96
2019/20 TDF Envelope	£30.00
2018/19 TDF Carry-Forward	£0.87
	<b>£31.83</b>



# Operational Areas Revision 2 Forecast

- £1.14m forecast underspend against base budget
  - £0.83m in savings
  - £0.31m in slippage
- 80% of underspend forecast to accrue in the Strategy & Policy directorate
  - Principally comes from underspends in the TAME function
    - £0.73m in savings from activity displacement and procurement efficiencies
    - £0.17m in slippage

Operational Areas	Budget £m	Variance £m	R1 Forecast £m	Variance £m	R2 Forecast £m	R2 vs Base £m
Leadership	£0.27	£0.03	£0.30	£0.03	£0.33	£0.06
Finance & Business Systems	£1.23	£0.01	£1.24	£0.00	£1.24	£0.01
Business Capabilities	£3.72	£0.16	£3.88	-£0.28	£3.60	-£0.12
Programme Management Office	£0.39	£0.09	£0.48	-£0.17	£0.31	-£0.08
Strategy & Policy	£3.58	£0.07	£3.65	-£0.98	£2.67	-£0.91
<b>Gross Expenditure</b>	<b>£9.19</b>	<b>£0.36</b>	<b>£9.55</b>	<b>-£1.41</b>	<b>£8.14</b>	<b>-£1.05</b>
- Recharges to Programmes	-£2.00	-£0.19	-£2.19	£0.10	-£2.09	-£0.09
<b>Net Expenditure</b>	<b>£7.19</b>	<b>£0.17</b>	<b>£7.36</b>	<b>-£1.31</b>	<b>£6.05</b>	<b>-£1.14</b>





# In- Year Funding Position



- Savings and slippage mitigate the need to use reserves to support the budget
  - Reserves will carry forward to support the 2021 budget and beyond
- Higher than forecast requirement for IST RDEL reflects the reclassification of P3 activity to revenue given the uncertainty around that project's future
- Variances on TDF reflect the movement of budget resource to contingency
  - This may yet be deployed to resource activity

Funding Profile	Revision 2 £m	Base Budget £m	Variance £m	Variance %
<b>Total Forecast Expenditure</b>	<b>£52.91</b>	<b>£77.73</b>	<b>£24.82</b>	<b>32%</b>
<b>Funded by:</b>				
TDF - Rail	£27.92	£28.80	£0.88	3%
TDF - Roads	£0.02	£0.02	£0.00	0%
Core Grant	£9.73	£10.00	£0.27	3%
IST - Resource	£6.12	£3.28	£-2.84	-87%
IST - Capital	£7.94	£33.00	£25.06	76%
RNP Grant & Contribution	£1.18	£1.18	£0.00	0%
<b>-Surplus/Deficit</b>	<b>£0.00</b>	<b>£1.46</b>	<b>£1.46</b>	<b>-5%</b>
Use of Reserves	£0.00	£1.46	£1.46	100%



# Residual Funding Drawdowns in 2019/20

- £29.33m of resource required to the year-end
  - Officers and Departmental officials reviewed requirements in October
- Note £4.33m IST revenue grant reflected in 'grant received year-to-date', reflecting the grant advanced by the Department in Quarter 2 to facilitate re-categorisation of 2018/19 P3 Capital expenditure to Revenue should that expenditure be judged abortive (decision to be made following the January 2020 TfN Board)

Funding Requirements	Core Reserve £m	IST Capital £m	IST Resource £m	TDF - Rail £m	TDF - Roads £m	RNP £m	Total £m
Balances brought forward	£5.58	£2.11	£1.94	£0.87	£0.02	-£0.06	£10.46
In Year Expenditure	£9.73	£7.94	£6.12	£27.92	£0.02	£1.18	£52.91
Surplus/-Deficit before Funding	-£4.15	-£5.83	-£4.18	-£27.05	£0.00	-£1.24	-£42.45
Grant Received Year to-date	£5.00	£2.11	£7.31	£8.53	£0.00	£0.64	£23.59
DfT Grant Request to Outturn	£5.00	£3.75	£1.19	£19.39	£0.00	£0.00	£29.33
Local Grant Request to Outturn	£0.00	£0.00	£0.00	£0.00	£0.00	£0.60	£0.60
	£10.00	£5.86	£8.50	£27.92	£0.00	£1.24	£53.52
Balances carried	£5.85	£0.03	£4.32	£0.87	£0.00	£0.00	£11.07





# Mid-Year Treasury Management Update

TfN is required to report on its treasury management performance at the mid-year mark.

TfN's approach to treasury management is governed by a hierarchy of considerations:

1. Security of investments;
2. Liquidity of investments; and
3. Yield on investments

TfN complied with its approved Treasury Management Strategy over Q1 and Q2

	£m	£m
<b>Cash &amp; Investments at 1st April</b>		<b>£14.37</b>
<b>Payments made</b>	<b>-£17.73</b>	
<b>Cash Inflows:</b>		
Core Grant		£5.00
Transport Development Fund		£8.53
IST Grant		£9.42
Rail North Partnership		£0.58
Rail North Local Contributions		£0.06
Investment Income		£0.04
Other		£0.02
	<b>-£17.73</b>	<b>£23.65</b>
<b>Investments at 30th September</b>		<b>£20.29</b>

<b>Cash &amp; Cash Equivalents</b>	£m	%
Barclays (own bank)	£5.30	26.1%
Lloyds	£5.00	24.6%
SSGA	£5.00	24.6%
BNP Paribas	£5.00	24.6%
	<b>£20.30</b>	

<b>Investment Categories</b>	£m	%
Bank Deposits	£10.30	51%
Money Market Fund	£10.00	49%
	<b>£20.30</b>	

<b>Credit Worthiness</b>	£m	%
AAA	£10.00	49%
A+/F1 (Fitch)	£10.30	51%
	<b>£20.30</b>	

	£m
<b>Cash &amp; Investments</b>	<b>£20.30</b>
<b>Consisting of:</b>	
Payables	-£4.49
Grants Unapplied	-£10.45
Receivables	£0.22
Reserves b/f	-£5.58
	<b>-£20.30</b>



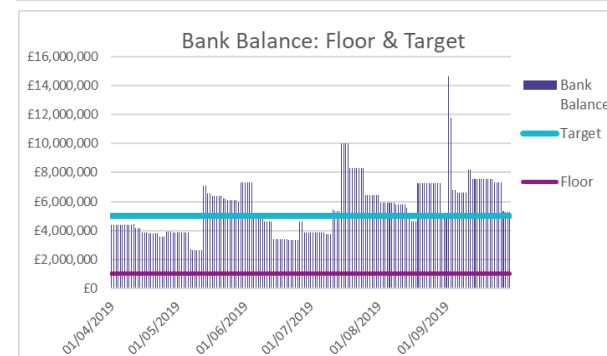
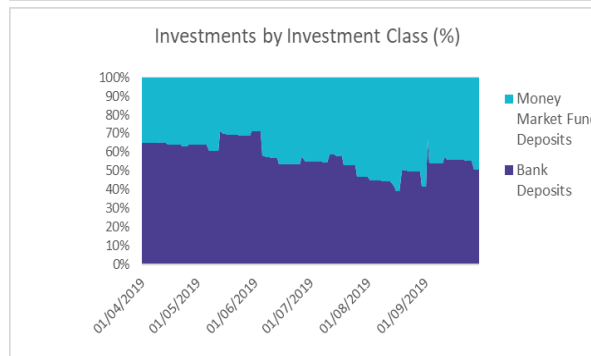
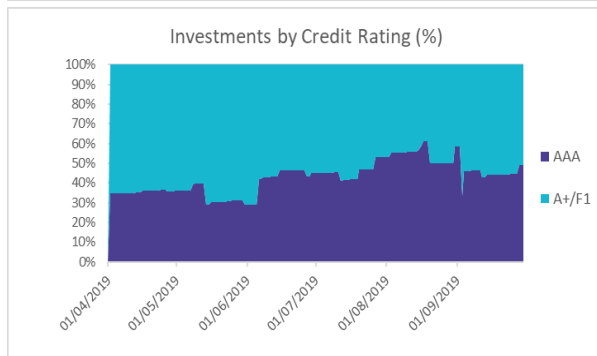
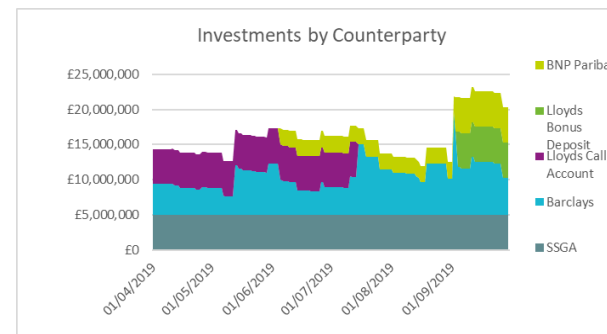
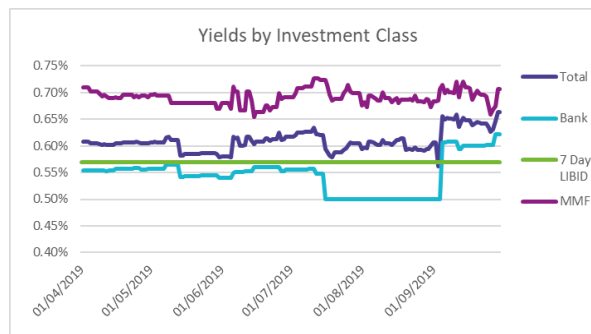
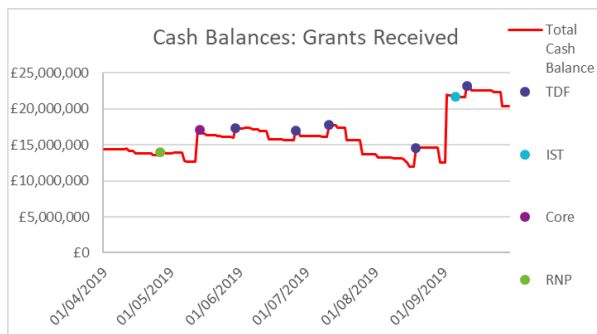


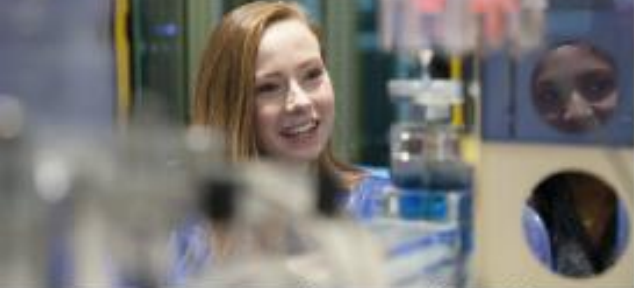


# Treasury Management



- Cash profiles sensitive to grant receipt and expenditure profiles
- Investments are with credit-worthy counterparties
- Investments are liquid with short-term call accounts and same-day access money-market funds used
- Yield is marginally ahead of target (7 day LIBID)





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