

Meeting:	Transport for North Board
Subject:	Appendix 1: Forecast Financial Outturn for 2022/23
Authors:	Lisa Pitt (Management Accountant)
Sponsor:	Paul Kelly (Finance Director)
Meeting Date:	

1.	Purpose of the Report:																																																																												
1.1	This appendix provides a summary of the forecast financial position of TfN as at the outturn of financial year 2022/23.																																																																												
2.	Executive Summary:																																																																												
2.1	TfN forecasts that over the course of financial year 2022/23 it will incur expenditure of £14.89m against an opening base budget of £16.52m, representing a £1.63m underspend.																																																																												
2.2	Just over half of this underspend (£0.88m) is within Hosted Services, comprising of NPR Analytical Services and Rail North Partnership. These business areas are funded by ring-fenced grants.																																																																												
2.3	The remaining underspend (£0.75m) relates to TfN's operational business areas and the business support function, with just over half representing a saving on transition costs following the restructure this year.																																																																												
3.	Periods 1-10 Financial Performance																																																																												
3.1	TfN's financial performance up to the end of January, measured against the Revised Budget 2 year to date, is detailed below:																																																																												
	<table border="1"> <thead> <tr> <th></th> <th>YTD Actuals £m</th> <th>YTD Forecast 2 £m</th> <th>variance £m</th> </tr> </thead> <tbody> <tr> <td colspan="4">Operational:</td> </tr> <tr> <td>Rail & Roads & Legal</td> <td>1.44</td> <td>1.63</td> <td>0.19</td> </tr> <tr> <td>Strategy, Policy & Communications</td> <td>2.05</td> <td>2.23</td> <td>0.19</td> </tr> <tr> <td></td> <td>3.48</td> <td>3.86</td> <td>0.38</td> </tr> <tr> <td colspan="4">Business Support:</td> </tr> <tr> <td>Leadership</td> <td>0.28</td> <td>0.29</td> <td>0.01</td> </tr> <tr> <td>Finance</td> <td>0.64</td> <td>0.62</td> <td>(0.02)</td> </tr> <tr> <td>Human Resources & Accommodation</td> <td>0.97</td> <td>1.01</td> <td>0.04</td> </tr> <tr> <td>Information Technology</td> <td>0.32</td> <td>0.31</td> <td>(0.01)</td> </tr> <tr> <td></td> <td>2.20</td> <td>2.22</td> <td>0.03</td> </tr> <tr> <td>Transition costs</td> <td>0.93</td> <td>0.96</td> <td>0.03</td> </tr> <tr> <td>Sub-total</td> <td>6.61</td> <td>7.05</td> <td>0.44</td> </tr> <tr> <td colspan="4">Hosted:</td> </tr> <tr> <td>Rail North Partnership</td> <td>1.15</td> <td>1.22</td> <td>0.07</td> </tr> <tr> <td>NPR Analytical Support</td> <td>4.08</td> <td>4.19</td> <td>0.12</td> </tr> <tr> <td></td> <td>5.23</td> <td>5.41</td> <td>0.19</td> </tr> <tr> <td>NPR Closure Costs</td> <td>0.32</td> <td>0.32</td> <td>(0.00)</td> </tr> <tr> <td>Sub-total</td> <td>5.55</td> <td>5.73</td> <td>0.18</td> </tr> </tbody> </table>		YTD Actuals £m	YTD Forecast 2 £m	variance £m	Operational:				Rail & Roads & Legal	1.44	1.63	0.19	Strategy, Policy & Communications	2.05	2.23	0.19		3.48	3.86	0.38	Business Support:				Leadership	0.28	0.29	0.01	Finance	0.64	0.62	(0.02)	Human Resources & Accommodation	0.97	1.01	0.04	Information Technology	0.32	0.31	(0.01)		2.20	2.22	0.03	Transition costs	0.93	0.96	0.03	Sub-total	6.61	7.05	0.44	Hosted:				Rail North Partnership	1.15	1.22	0.07	NPR Analytical Support	4.08	4.19	0.12		5.23	5.41	0.19	NPR Closure Costs	0.32	0.32	(0.00)	Sub-total	5.55	5.73	0.18
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	Total Costs	12.16	12.78	0.62
3.2	Most of the YTD underspend in the operational areas relates to savings made from delayed recruitment relating to the recent restructure. Some budgeted activity has been subject to delay with costs being incurred later in the year than originally anticipated. There have been some contract savings (£0.06m) plus a small amount of slippage (£0.04m) is expected into the next financial year.			
4.	Forecast Financial Position to Outturn			
	TfN is constituted, and is required to function, as a standalone statutory entity. As members will be aware, TfN has no revenue raising powers, and is almost entirely funded by grants from DfT. As a result of a reduced funding envelope for 2022/23, TfN undertook a restructure exercise during the year to reshape and reduce the establishment, to ensure that TfN is both capable of delivering its priority areas of activity and affordable in the medium-term. The guiding principle throughout was to focus on retaining (and in some instances increasing) the technical capacity and capability. At the same time, given that TfN moving forward will be a smaller and less complex organisation, the opportunity was taken to reduce support functions.			
4.1	TfN forecasts that it will incur expenditure totalling £14.89m to the end of the financial year 2022/23 as shown in the following table:			
		22/23	22/23	
		Outturn	Budget	variance
		£m	£m	£m
	Operational:			
	Rail & Roads & Legal	1.87	2.02	0.15
	Strategy, Policy & Communications	2.64	2.77	0.13
		4.51	4.78	0.28
	Business Support:			
	Leadership	0.34	0.35	0.01
	Finance	0.79	0.82	0.02
	Human Resources & Accommodation	1.03	1.06	0.02
	Information Technology	0.37	0.39	0.01
		2.54	2.61	0.07
	Transition costs	1.05	1.44	0.40
	Total Operational & Business Support:	8.09	8.84	0.75
	Hosted:			
	Rail North Partnership	1.39	1.60	0.21
	NPR Analytical Support	5.04	5.66	0.62
		6.43	7.27	0.83
	NPR Closure Costs	0.37	0.41	0.04
	Total Hosted:	6.80	7.68	0.88
	Total Costs	14.89	16.52	1.63
4.2	Against the original budget of £16.52m, this represents a shortfall of £1.63m. Just over half is driven by underspend in Hosted Services: Rail North Partnership (£0.21m) and NPR Analytical Support (£0.62m). Operational areas are underspent by £0.28m and transition cost savings contributed a further surplus of £0.40m. Business support functions were slightly underspent by £0.07m.			
4.3	As in the previous year, a budget virement process has operated throughout the year, reallocating underspends and savings to fund new opportunities identified as supportive of the business plan. Of the £0.28m underspend in operational areas, the main element of £0.20m is due to the organisational structure and recruitment delays.			

Rail & Roads & Legal				
4.4		22/23	22/23	
		Outturn	Budget	variance
	Rail & Roads & Legal	£m	£m	£m
	Strategic Rail	1.05	1.20	0.15
	Major Roads	0.46	0.41	(0.06)
	Legal & Governance	0.36	0.41	0.05
		1.87	2.02	0.15
4.5	The underspend in Strategic Rail predominantly reflects the savings from recruitment delays.			
Strategy & Policy & Communications				
4.6		22/23	22/23	
		Outturn	Budget	variance
	Strategy & Policy & Communications	£m	£m	£m
	Strategy & Policy	2.06	2.16	0.10
	Communications	0.58	0.61	0.03
		2.64	2.77	0.13
4.7	Strategy & Policy shows a budget underspend of £0.1m mainly relating to lower than anticipated spend on professional services.			
Rail North Partnership				
4.8		22/23	22/23	
		Outturn	Budget	variance
	Rail North Partnership	£m	£m	£m
	Rail North Partnership	1.24	1.31	0.07
	TransPennine Route Upgrade	0.15	0.29	0.15
		1.39	1.60	0.21
4.9	The Rail North Partnership underspend relates to delays recruiting into vacant positions.			
NPR Analytical Support				
4.10	The programme of analytical support has been developed throughout the year in discussion with the DfT. The programme of work delivered during the year was less than was originally intended and budgeted.			
Business support				
	Business support expenditure is predicted to be marginally under budget.			
5. Funding				
5.1	TfN will resource its forecast expenditure of £14.89m from a mixture of grant, contributions, contracted income and reserves as shown in the following table:			
		22/23	22/23	
		Outturn	Budget	variance
	Funding	£m	£m	£m
	Core Grant	6.50	6.50	-
	In-Year funding	0.30	0.34	0.03
	Investment Income	0.15	-	(0.15)
	Use of Reserves	0.80	1.67	0.87
		7.75	8.50	0.75
	Contract Income	0.04	0.04	0.00
	Rail North Grant/Local Contributions	0.30	0.30	0.00
	Core Duties	8.09	8.84	0.75

	<p>Hosting Services</p> <table border="1"> <tr> <td>NPR Analytical Support</td> <td>5.04</td> <td>5.66</td> <td>0.62</td> </tr> <tr> <td>Rail North Partnership Grant</td> <td>0.90</td> <td>0.96</td> <td>0.06</td> </tr> <tr> <td>Rail North Grant/Local Contributions</td> <td>0.35</td> <td>0.35</td> <td>0.00</td> </tr> <tr> <td>Contract Income</td> <td>0.15</td> <td>0.30</td> <td>0.15</td> </tr> <tr> <td>NPR Closure costs</td> <td>0.37</td> <td>0.41</td> <td>0.04</td> </tr> <tr> <td></td> <td>6.80</td> <td>7.68</td> <td>0.88</td> </tr> <tr> <td>Total Resource</td> <td>14.89</td> <td>16.52</td> <td>1.63</td> </tr> </table>	NPR Analytical Support	5.04	5.66	0.62	Rail North Partnership Grant	0.90	0.96	0.06	Rail North Grant/Local Contributions	0.35	0.35	0.00	Contract Income	0.15	0.30	0.15	NPR Closure costs	0.37	0.41	0.04		6.80	7.68	0.88	Total Resource	14.89	16.52	1.63	
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5.2	<p>Variances between the planned use of resources compared to forecast outturn mainly reflects the variances in expenditure, however also contributing is investment income which is not budgeted as defined within the Treasury Strategy.</p>																													
5.3	<p>The implications of underspend against grant envelopes varies by funding stream are as follows:</p> <ul style="list-style-type: none"> • NPR Analytical support grant is made available on an annual basis and awarded on a “need” basis with unused allocations being redeployed at the Department’s discretion in-year. • Rail North grant is received in full by TfN each year with unused amount held for future use as grant unapplied. • Core grant is received in full by TfN each year with unused resource flowing through to the Core Grant Reserve. • The 22/23 additional in-year grant will roll over into the next financial year to cover the small slippage in activity. 																													
5.4	<p>The budgeted and actual movements in TfN’s Core reserves in year are as follows with underspends described above:</p> <table border="1"> <thead> <tr> <th></th> <th>22/23 Outturn £m</th> <th>22/23 Budget £m</th> <th>variance £m</th> </tr> </thead> <tbody> <tr> <td>Core Grant Reserves</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Reserve b/f</td> <td>4.53</td> <td>4.53</td> <td>-</td> </tr> <tr> <td>Draw</td> <td>(0.80)</td> <td>(1.67)</td> <td>(0.87)</td> </tr> <tr> <td>Contribution</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Reserve c/f</td> <td>3.73</td> <td>2.87</td> <td>(0.87)</td> </tr> </tbody> </table>				22/23 Outturn £m	22/23 Budget £m	variance £m	Core Grant Reserves				Reserve b/f	4.53	4.53	-	Draw	(0.80)	(1.67)	(0.87)	Contribution	-	-	-	Reserve c/f	3.73	2.87	(0.87)			
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5.5	<p>The year-end Core reserve is forecast to be £3.73m, an increase of £0.87m against base position. This is largely due to a savings in transition costs and recruitment delays associated with the restructure.</p>																													