

<b>Board Meeting Paper</b>	
<b>Feb 15 BM B2</b>	
Report for	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion / Debate <input checked="" type="checkbox"/> Information only
Sensitive Information ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No



<b>If sensitive, protective marking</b>	
<b>Date of Meeting</b>	12 February 2015
<b>Agenda Item</b>	B2
<b>Report Title</b>	Finance Update – 31 December 2014
<b>Sponsor</b>	Anthony Smith
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### 1. Summary

The report is extracted from the detailed Management Accounts.

The net operating cost budget for 2014-15 is £3.87 million plus £855,000 for the National rail passenger survey and £225,000 for the Bus passenger survey, a total of £4.95 million.

Net operating costs for the nine months, excluding Separately funded projects and Road user representation, were £3,107,000 against the forecast of £3,117,000, a favourable variance of £10,000.

Expenditure on the National rail passenger survey (NRPS) for the period was £287,000 and was in line with forecast. Expenditure on the Bus passenger survey (BPS) for the period was £180,000 against the forecast of £181,000 a favourable variance of £1,000.

In addition to the Grant in Aid this year separate funding has been secured as follows:

- £101,000 from First Great Western (FGW) towards the costs of a post to represent passengers in south west England in 2014-15 and two pieces of research specific to the area. Expenditure of £41,000 has been incurred in the nine month period. The full costs for this post have been recovered from FGW and reserach costs are due to be reimbursed in arrears.
- Up to £190,000 from the Department for Transport for the additional work they have asked us to undertake reviewing tenders as part of the rail franchising process. Expenditure of £76,000 has been incurred in the nine month period.
- £12,000 Fee for managing the HS2 Passenger panel in addition to reimbursement of the panel and workshop costs of £103,000
- Up to £400,000 from the Department for Transport for Smart Ticketing research. Expenditure of £149,000 has been incurred in the nine month period for the programme of work agreed with, and fully funded by, the Department. The Smart ticketing programme is currently forecast to incur costs of £349,000 for the year.

We have also received outline funding agreement for our projected costs of £732,000 for our Road user work in 2014-15 from the Department for Transport

### 2. Recommendation or decision required

Following review of the quarterly report by the Audit and Risk Assurance Committee the Board are asked to note:

- The net expenditure for the period was £3,107,000 against the forecast of £3,117,000 a favourable variance of £10,000 (0.3%).
- NRPS Costs for the nine months were £287,000, and the forecast outturn is £855,000. BPS costs for the period are £181,000 and the forecast outturn is £225,000.
- The expenditure on separately funded activities in the period totalled £353,000 and £147,000 will be recovered from third parties during January.
- The expenditure on preparing for Road user representation in the period totalled £198,000 and we have received funding of £276,000 to date from the Department for this work to cover projected costs to the end of January.
- The budget review conducted in December showed that the workplan activities for the remainder of the year can be completed within the agreed funding allocation for the year, although expenditure on preparation for Road user representation is likely to show a favourable variance due to the later than forecast recruitment of staff.

### 3. Further details

The management accounts summary below provides a breakdown of costs.

### 4. Implications - Financial, Risk, Legal, Staffing, Equalities

The financial and risk implications of the paper are shown in the Summary in Section 5, and there are no Legal, Staffing, Personal Data or Equalities implications arising from this paper.

## 5. Background information

### Basis of preparation

#### Expenditure

Passenger Focus prepares monthly and quarterly expenditure reports on an accruals basis. This means that all costs are reflected in the month they were incurred or the month they relate to. For example a quarterly rental invoice will be split evenly over each of the three months in the accounts, and an invoice for stationery received in June but invoiced (or paid) in July will be included in the June accounts as an accrued cost. Research costs are usually included in the month they are invoiced to us by the research agency.

#### Income

Passenger Focus accounts for its Grant in Aid when received, but all other project or 'ring-fenced' income (eg research joint funding, smart ticketing, HS2, First Great Western) is accounted for when it invoiced. The main reason we do not accrue income to match costs incurred on projects is that any substantial variance in net project cost against the forecast amount highlights any sums still to be invoiced to third parties. Once any income has been invoiced it may be treated as income received in advance should it relate to more than one financial period or year.

The financial summary below is taken from the management accounts for the period.

The forecast outturn reflects the projects approved in the period and significant changes arising from the budget outturn review conducted in December .

### FINANCIAL REVIEW

£000	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
<b>Income</b>	-	-	-	11	50	(39)
<b>Expenditure</b>						
Fixed pay	1,747	1,751	4	2,429	2,417	(12)
Fixed overheads	442	442	-	607	613	6
Variable overheads	249	254	5	362	379	17
Total running costs	2,438	2,447	9	3,398	3,409	11
NRPS	287	287	-	858	855	(3)
BPS	180	181	1	225	225	-
Other research and project costs	202	202	-	480	511	31
Total Project costs	669	670	1	1,563	1,591	28
<b>Total operating costs</b>	3,107	3,117	10	4,961	5,000	39
<b>Total net operating costs</b>	3,107	3,117	10	4,950	4,950	-
Road users	198	205	7	732	732	-
<b>Total costs</b>	3,305	3,322	17	5,682	5,682	-
<b>Separately funded projects</b>						
First Great Western	41	45	4	101	112	11
Rail franchising	76	77	1	190	190	-
HS2 Passenger panel	87	87	-	115	12	(103)
Smart ticketing	149	155	6	349	400	51
Total costs for separately funded activities	353	364	11	755	714	(41)
Total income for separately funded activities	206	195	(11)	737	714	(23)
<b>Net costs to recover for separately funded activities</b>	147	169	22	18	-	(18)

## **COMMENTARY**

### **Operating costs**

- 1 Forecast income primarily for project management is lower than budget as some income has been allocated directly to projects. However, the total forecast income inclusive of directly allocated income is still £34,000 lower than originally budgeted.
- 2 Fixed pay costs includes staff pay and members fees. The costs for the period are in line with the forecast. The forecast outturn is higher than budget partly due to the later than anticipated start date for the new chairman, and partly due to provision for costs of the change programme which were not anticipated when the budget was set.
- 3 Fixed overheads includes costs for premises and contracted costs for IT support and audit and legal services. Costs to date are in line with forecast. The forecast outturn is slightly lower than budget as forecasted annual support costs for the online data explorer tool are now not to be incurred as the support contract will be included as part of the BPS online data tool project.
- 4 Variable overheads include costs for travel and subsistence, training, printing postage, and stationery and telephones and the costs for the period are lower than forecast. The main variances are in Training and development costs as plans have concentrated on building roads knowledge, and Conferences and meetings as late billing for meeting room costs at Fleetbank House has resulted in lower costs to date, however these favourable variances are forecast to be fully utilised over the coming months.
- 5 Total project costs for the period are in line with the forecast. The forecast outturn is lower than budget as forecasted income is lower than originally budgeted.

### **Road users**

- 6 Costs to date for preparing for Road user representation are mainly for the first phase of the transition plan including costs for the Change Manager, roads policy advice, and the founding pieces of Road user research.

### **Separately funded projects**

- 7 FGW have agreed to fund a post to represent passengers in the south west as part of their current franchise agreement with the Department for Transport. This funding has now been received from FGW. Further funding has been agreed to cover Research specifically in the south west of England. The outturn is lower than budgeted because the budget assumed a full twelve months salary costs in 2014-15 but the later than anticipated start date has deferred some expenditure to 2015-16 which is fully funded by FGW.
- 8 The Department agreed to provide funding of up to £190,000 for the current year for the additional work we have been asked to undertake reviewing tenders as part of the Department for Transport's franchising process. With agreement on additional funding we have been able to commit additional resources to this work. Costs are anticipated to be in line with agreed funding. In the current financial year we have absorbed the costs for a Passenger issues manager leading this work rather than recover this from the Department for Transport because it was unclear when we started this work what resources would be required. In light of this years experience and the Department's current franchising programme we will review this cost allocation for future periods.
- 9 The Forecast outturn for HS2 is higher than budgeted because the budget assumed any third party costs would be paid by HS2 directly, but this has not been the case and the costs of £103,000 for the passenger panel and workshops have been agreed with HS2 and will be incurred by Passenger Focus and reimbursed by HS2.
- 10 The Department agreed to provide funding of up to £400,000 for the current year for Smart ticketing research, although the forecast outturn is anticipated to be around £349,000. The costs in the period are limited as the Smart ticketing programme for the year is subject to agreement with the Department. The costs for the first six months have been recovered from the Department and the third quarter's draw down will take place in January.

## COSTS BY DIRECTORATE

£000	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Forecast Outturn	Budget	Variance
Passenger issues team	450	453	3	660	602	(58)
Press and communications	171	173	2	234	248	14
Research	458	462	4	652	436	(216)
Passenger team	537	537	-	771	772	1
Passenger contact team	245	245	-	339	332	(7)
CEO and Corporate Governance	322	323	1	434	419	(15)
Resources	296	295	(1)	554	418	(136)
Board	161	161	-	218	226	8
Unallocated project budget	-	-	-	5	417	412
<b>Total costs</b>	<b>2,640</b>	<b>2,649</b>	<b>9</b>	<b>3,867</b>	<b>3,870</b>	<b>3</b>
NRPS	287	287	-	858	855	(3)
BPS	180	181	1	225	225	-
<b>Total net operating costs</b>	<b>3,107</b>	<b>3,117</b>	<b>10</b>	<b>4,950</b>	<b>4,950</b>	<b>-</b>
Road Users	198	205	7	732	732	-
<b>Total costs</b>	<b>3,305</b>	<b>3,322</b>	<b>17</b>	<b>5,682</b>	<b>5,682</b>	<b>-</b>
<b>Separately funded projects</b>						
First Great Western	41	45	4	101	112	11
Rail franchising	76	77	1	190	190	-
HS2 Passenger panel	87	87	-	115	12	(103)
Smart ticketing	149	155	6	349	400	51
<b>Total costs for separately funded activities</b>	<b>353</b>	<b>364</b>	<b>11</b>	<b>755</b>	<b>714</b>	<b>(41)</b>
<b>Total income for separately funded activities</b>	<b>206</b>	<b>195</b>	<b>(11)</b>	<b>737</b>	<b>714</b>	<b>(23)</b>
<b>Net costs to recover for separately funded activities</b>	<b>147</b>	<b>169</b>	<b>22</b>	<b>18</b>	<b>-</b>	<b>(18)</b>

### Operating costs

1. The costs for the teams represent their direct costs plus an allocation of overheads.
2. The costs to date are largely in line with the forecast.

The Passenger issues team outturn is higher than budget due to the allocation of funds from the Unallocated project budget for approved projects.

The Press and communications team outturn is slightly lower than budget as the salary budget has been reforecast to reflect current staffing levels and to reflect maternity leave taken during the course of the year. Furthermore the forecast outturn for Travel and subsistence and Media and reporting has been reduced to reflect the latest plans.

The Research team outturn is higher than budget due to the allocation of funds from the Unallocated project budget for approved projects.

The Passenger team costs are in line with forecast and budget.

The Passenger contact team costs are in line with forecast. The outturn for the year is slightly higher than budget as the forecast has been updated based on current staffing levels.

The CEO and Corporate Governance outturn is higher than budgeted due to transfers from the Unallocated project budget for the Chair recruitment campaign.

The Resources team outturn is higher than budget because the outturn includes a transfer of funds from the unallocated project budget for the ICT Transition programme and the replacement of the telephone switchboard. In addition the forecast outturn includes provision for additional costs arising from the change programme for external support and short term staffing changes across the organisation.

The Board costs to date are in line with forecast and the outturn is lower than budget as the recruitment of the new chairman was later than anticipated. Furthermore costs for Travel and subsistence and meeting costs have been slightly lower than budgeted.

The Unallocated project budget has been fully allocated to projects across the directorates. A £5,000 contingency budget remains.

The variance in the forecast outturn for the NRPS is due to approval of a data visualisation pilot funded from the Unallocated project budget.

## Road users

Costs for Roads do not include any fixed overhead apportionment because these costs have not increased as a consequence of the extension of our remit. This will be kept under review to ensure this approach remains appropriate.

## Separately funded projects

3. The costs to date for the passenger manager post in south west England have been recovered from First Great Western in August as the post is fully funded by FGW as part of their franchise agreement with the Department for Transport. Funding for the rail franchising post and activities has been confirmed by the Department and we have been able to commit additional resources to this work. Costs are anticipated to be in line with agreed funding.
- The costs for the HS2 Passenger panel will be reimbursed by HS2 and the budget assumed these would be paid directly by HS2 whereas the forecast reflects current agreement where the third party costs for the panel will be paid by Passenger Focus and recovered from HS2.
- Costs for the Smart Ticketing programme in the nine months are slightly lower than forecast. It is anticipated that costs for the anticipated programme of work will be around £349,000 for the year.

## Summary

Total costs to date are £3,107,000 and are £10,000 (0.3%) lower than forecast, excluding the costs for the separately funded

The main risks identified to remaining within budget are:

- ensuring any emerging activities in the final quarter can be delivered as the unallocated project budget has been utilised for our current commitments. This risk will be managed through regular reporting of expenditure and regular budget reviews to ensure any spending plans are affordable within the agreed funding for the year as well as reviewing priorities if any further projects emerge.
- the Department are under pressure to achieve a further saving of 3% during the year, and although to date there has no indication that our funding for the year will be reduced this remains an uncertainty. This risk will be managed through regular meetings with the sponsorship team, regular budget reviews to identify potential savings or cost sharing opportunities with partners. At the most recent sponsorship meeting the Department confirmed they would not be seeking 3% reduction in our funding in the current year due to the additional costs they had asked us to absorb in the period.
- costs for the Road user representation exceed the agreed funding for the year. Based on the current forecast outturn it is likely there will be a favourable variance on the budget largely as a result of later than anticipated recruitment due to uncertainties in the legislative timetable. This budget will continue to be monitored in the final quarter to ensure we remain with the agreed funding as well as delivering on schedule.
- costs for separately funded activities exceed the agreed funding for the year. We will continue to monitor this through the monthly financial reporting and regular budget reviews to ensure the forecast outturn will remain within the agreed funding.