

Board Meeting Paper

May 15 BM C3.0

Report for	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion / Debate <input checked="" type="checkbox"/> Information only
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Sensitive Information ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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If sensitive, protective marking

Date of Meeting 14 May 2015

Agenda Item C 3.0

Report Title Finance Update – 31 March 2015

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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 £858,000 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 twelve months, excluding Separately funded projects and Road user representation, were £4,950,000 against the forecast of £4,950,000

Expenditure on the National rail passenger survey (NRPS) for the period was £858,000 and was in line with forecast. Expenditure on the Bus passenger survey (BPS) for the period was £225,000 and was in line with forecast.

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

- £61,000 from First Great Western (FGW) towards the costs of a post to represent passengers in south west England in 2014-15. Expenditure of £61,000 has been incurred in the twelve month period. The full costs for this post have been recovered from FGW and research costs are due to be reimbursed in arrears.
- £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 £180,000 has been incurred in the twelve 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 £325,000 has been incurred in the twelve month period for the programme of work agreed with, and fully funded by, the Department. This was slightly lower than the forecast of £349,000 for the year.

We have also received funding agreement for our projected costs of £732,000 for our Road user work in 2014-15 from the Department for Transport. Expenditure of £626,000 was incurred in the year.

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 £4,950,000 against the forecast of £4,950,000
- NRPS Costs for the twelve months were £858,000, and the forecast outturn was £858,000. BPS costs for the period are £225,000 and the forecast outturn was £225,000.
- The expenditure on separately funded activities in the period totalled £676,000 and has been fully recovered from third parties. The income receivable for these activities is slightly higher than the costs for the year as the Department requested we draw down the full Franchising funding of £190,000 where the final costs for the year totalled £180,000.
- The expenditure on preparing for Road user representation in the period totalled £626,000 and has been fully funded by the Department.
- The figures are provisional and may change when we finalise the year end accounts to reflect any late adjustments. We will provide the Audit and Risk Assurance Committee with details of any changes to these figures.

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

Transport 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

Transport 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			Outturn	Full Year	
	Actual	Forecast	Variance		Budget	Variance
Income	-	-	-	-	-	-
Expenditure						
Fixed pay	2,394	2,430	36	2,394	2,417	23
Fixed overheads	652	607	(45)	652	613	(39)
Variable overheads	358	362	4	358	379	21
Total running costs	3,404	3,399	(5)	3,404	3,409	5
NRPS	858	858	-	858	855	(3)
BPS	225	225	-	225	225	-
Other research and project costs	463	468	5	463	461	(2)
Total Project costs	1,546	1,551	5	1,546	1,541	(5)
Total operating costs	4,950	4,950	-	4,950	4,950	-
Total net operating costs	4,950	4,950	-	4,950	4,950	-
Road users	626	732	106	626	732	106
Total costs	5,576	5,682	106	5,576	5,682	106
Separately funded projects						
First Great Western	61	60	(1)	61	112	51
Rail franchising	180	190	10	180	190	10
HS2 Passenger panel	110	115	5	110	12	(98)
Smart ticketing	325	349	24	325	400	75
Total costs for separately funded activities	676	714	38	676	714	38
Total income for separately funded activities	685	714	29	685	714	29
Net costs to recover for separately funded activities	(9)	-	9	(9)	-	9

COMMENTARY

Operating costs

- 1 Income received from third parties, including management fees, is allocated directly to projects to offset the costs. The total project management income for the year was £17,500 (including £12,000 from HS2) against a budget for the year of £50,000. The unfavourable income variance has been managed by ensuring the net project costs remained within the available budget allocation.
- 2 Fixed pay costs includes staff pay and members fees. The costs for the year are lower than forecast and budget as a provision made in the forecast for overtime payments but has not been required. Furthermore the forecast start date for the new chairman was later than anticipated.
- 3 Fixed overheads includes costs for premises and contracted costs for IT support and audit and legal services. Costs for the year were higher than both forecast and budget as additional costs were incurred for upgrades to Microsoft SharePoint 2010 (used for our Connect intranet) to ensure compatibility with the newer server operating systems as a result of the data centre move to the Cloudsure platform. In addition we are upgrading to Microsoft Office 2013 as the previous Office suite was the 2007 version and required modernising.
- 4 Variable overheads include costs for travel and subsistence, training, printing postage, and stationery and telephones and the costs for the period are largely in line with forecast. Favourable variances on Conferences and meetings and Media and reporting have been offset by unfavourable variances on Travel and subsistence and Recruitment.
- 5 Total project costs for the year are slightly lower than forecast as third party contributions to the BPS online data tool were higher than originally anticipated. The outturn was also lower than budget as forecasted income was re-allocated to projects throughout the year.

Road users

- 6 Costs for preparing for Road user representation are just over £100,000 lower than originally forecast as delays in recruiting key posts has resulted in plans being implemented later than anticipated.

Separately funded projects

- 7 FGW are funding 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. 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 and the matching income to 2015-16.
- 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 and costs of £180,000 have been incurred.
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 £98,000 for the passenger panel and workshops have been agreed with HS2 and will be incurred by Transport 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 and the latest forecast outturn anticipated costs to be around £349,000 for the year. The actual outturn was slightly lower than forecast as agreement on a few projects was received late in the financial year and we were unable to complete the projects before the 31st March as a result. All costs are being recovered from the Department.

COSTS BY DIRECTORATE

£000	Year to Date			Full Year		
	Actual	Forecast	Variance	Outturn	Budget	Variance
Passenger issues team	657	667	10	657	602	(55)
Press and communications	231	237	6	231	248	17
Research	665	660	(5)	665	436	(229)
Passenger team	773	780	7	773	772	(1)
Passenger contact team	328	344	16	328	332	4
CEO and Corporate Governance	443	443	-	443	439	(4)
Resources	558	518	(40)	558	418	(140)
Board	212	218	6	212	226	14
Unallocated project budget	-	-	-	-	397	397
Total costs	3,867	3,867	-	3,867	3,870	3
NRPS	858	858	-	858	855	(3)
BPS	225	225	-	225	225	-
Total net operating costs	4,950	4,950	-	4,950	4,950	-
Road Users	619	732	113	619	732	113
Total costs	5,569	5,682	113	5,569	5,682	113
Separately funded projects						
First Great Western	61	60	(1)	61	112	51
Rail franchising	180	190	10	180	190	10
HS2 Passenger panel	110	115	5	110	12	(98)
Smart ticketing	325	349	24	325	400	75
Total costs for separately funded activities	676	714	38	676	714	38
Total income for separately funded activities	685	714	29	685	714	29
Net costs to recover for separately funded activities	(9)	-	9	(9)	-	9

Operating costs

- The costs for the teams represent their direct costs plus an allocation of overheads.
- The main reasons for variances in team costs are:

The Passenger issues team outturn is lower than forecast as costs for Technical advice and Training and development were lower than anticipated, and 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 lower than forecast and budget as the salary budget has been reforecast to reflect current staffing levels and maternity leave taken during the course of the year. Furthermore the outturn for Travel and subsistence and Media and reporting has been lower than anticipated.

The Research team outturn is slightly higher than forecast as costs for the Tram Passenger Survey were higher than anticipated and forecast project management fees for the Inverness Station project originally expected in the year have been delayed until 2015-16. The outturn was also higher than budget due to the allocation of funds from the Unallocated project budget for approved projects.

The Passenger team outturn was slightly lower than forecast as higher than anticipated costs for Travel and subsistence and the migration of the CRM support contract to an alternate supplier were offset by higher than anticipated third party contributions to the BPS online data tool.

The Passenger contact team outturn was lower than forecast as a provision for staff overtime was not required.

The CEO and Corporate Governance outturn was in line with forecast and budget.

The Resources team outturn is higher than forecast as additional costs were incurred for the upgrade of Microsoft SharePoint (used for our Connect intranet) to the 2010 version to ensure compatibility with the newer server operating systems as a result of the data centre move to the Cloudsure platform plus the modernisation of the Microsoft Office suite to 2013 version. Outturn was 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 outturn includes provision for additional costs arising from the change programme for external support and short term staffing changes across the organisation.

The Board outturn is lower than forecast as meeting room costs were lower than anticipated and the outturn is lower than budget as the recruitment of the new chairman was later than anticipated.

The Unallocated project budget has been fully allocated to projects across the directorates.

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

Bus Passenger Survey costs were in line with forecast and 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. Costs for the year were lower than forecast and budget as delays in recruitment for key posts resulted in plans being implemented later than anticipated.

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 from the Department meant we have been able to commit additional resources to this work. The Department requested we draw down the full Franchising funding of £190,000 where the final costs for the year totalled £180,000 so there is a favourable variance in the net costs for this project.

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 Transport Focus and recovered from HS2.

Outturn for the Smart Ticketing programme was slightly lower than forecast as the DfT commissioned a few projects late in the year which meant we were unable to complete the projects before the 31st March. The Smart ticketing programme is subject to agreement from the Department.

Summary

Total costs for the year, excluding those separately funded, are £4,950,000 and are in line with forecast and budget. The costs for Road user representation were £626,000 and were 15% lower than budgeted. Costs for the Separately funded activities have been fully recovered.