

## Board Meeting Paper

Nov 14 BM 6.0

Report for  Decision  
 Discussion / Debate  
 Information only

Sensitive Information ?  Yes  
 No

If sensitive, protective marking

Date of Meeting 13 November 2014

Agenda Item 6.0

Report Title Finance Update – 30 September 2014

Sponsor 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 six months, excluding Smart ticketing and Road user representation, were £1,936,000 against the forecast of £1,957,000, a favourable variance of £21,000.

Expenditure on the National rail passenger survey (NRPS) for the period was £146,000 the same as the forecast of £146,000. Expenditure on the Bus passenger survey (NBPS) for the period was £16,000 the same as the forecast of £16,000.

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

- £93,000 from First Great Western (FGW) towards the costs of a post to represent passengers in south west England in 2014-15. Expenditure of £25,000 has been incurred in the six month period/ The full costs for this post have been recovered from FGW.
- 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. No expenditure has been incurred in the six month period.
- £12,000 Fee for managing the HS2 Passenger panel in addition to reimbursement of the panel costs of £83,000
- Up to £400,000 from the Department for Transport for Smart Ticketing research. Expenditure of £61,000 has been incurred in the six month period for the programme of work agreed with, and fully funded by, the Department.

We have also received outline funding agreement for our projected costs of £732,000 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 £1,936,000 against the forecast of £1,957,000 a favourable variance of £21,000 (1.1%).
- NRPS Costs for the six months were £146,000, and the forecast outturn is £855,000. BPS costs for the period are £16,000 and the forecast outturn is £225,000.
- The expenditure on separately funded activities in the period totalled £137,000 and £52,000 will be recovered from third parties during October.
- The expenditure on preparing for Road user representation in the period totalled £33,000 and we have received the initial tranche of funding of £100,000 from the Department for this work.
- The budget review conducted in September showed that the workplan activities for the remainder of the year can be completed within the agreed funding allocation for the year.

### 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

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

**FINANCIAL REVIEW**

£000	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
<b>Income</b>	-	-	-	50	50	-
<b>Expenditure</b>						
Fixed pay	1,181	1,181	-	2,417	2,417	-
Fixed overheads	295	297	2	613	613	-
Variable overheads	157	178	21	383	379	(4)
Total running costs	1,633	1,656	23	3,413	3,409	(4)
NRPS	146	146	-	858	855	(3)
BPS	15	16	1	225	225	-
Other research and project costs	142	139	(3)	504	511	7
Total Project costs	303	301	(2)	1,587	1,591	4
<b>Total operating costs</b>	1,936	1,957	21	5,000	5,000	-
<b>Total net operating costs</b>	1,936	1,957	21	4,950	4,950	-
<b>Separately funded projects</b>						
First Great Western	25	34	9	93	112	19
Rail franchising	6	7	1	190	190	-
HS2 Passenger panel	45	45	-	95	12	(83)
Smart ticketing	61	34	(27)	400	400	-
Total costs for separately funded activities	137	120	(17)	778	714	(64)
Total income for separately funded activities	85	92	7	778	714	(64)
<b>Net costs to recover for separately funded activities</b>	52	28	(24)	-	-	-

**COMMENTARY****Operating costs**

- Fixed pay costs includes staff pay and members fees. The costs for the period are in line with the forecast.
- Fixed overheads includes costs for premises and contracted costs for IT support and audit and legal services, The costs are in line with the forecast.
- 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 Media and Reporting and Publication and printing cost where more costs
- Total project costs for the period are in line with the forecast

**Road users**

- Costs to date for preparing for Road user representation are mainly for roads policy advice and the Change manager who joined us on 1 September. Costs will build over the next few months as the research programme is finalised and transition plans are implemented.

**Separately funded projects**

- 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. The costs have now been invoiced to 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 to 2015-16 which is fully funded by FGW.
- 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.
- 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 £83,000 for the panel will be incurred by Passenger Focus and reimbursed by HS2.
- The Department agreed to provide funding of up to £400,000 for the current year for Smart ticketing research. 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 three months have been recovered from the Department and the second quarter's draw down will take place in October.

**COSTS BY DIRECTORATE**  
**£000**

	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Forecast Outturn	Budget	Variance
Passenger issues team	295	295	-	632	597	(35)
Press and communications	117	123	6	246	246	-
Research	295	296	1	564	430	(134)
Passenger team	372	378	6	784	766	(18)
Passenger contact team	180	180	-	357	357	-
CEO and Corporate Governance	216	218	2	449	436	(13)
Resources	193	194	1	425	415	(10)
Board	106	111	5	226	226	-
Unallocated project budget	-	-	-	185	397	212
<b>Total costs</b>	<b>1,774</b>	<b>1,795</b>	<b>21</b>	<b>3,868</b>	<b>3,870</b>	<b>2</b>
NRPS	146	146	-	858	855	(3)
BPS	16	16	-	225	225	-
<b>Total net operating costs</b>	<b>1,936</b>	<b>1,957</b>	<b>21</b>	<b>4,951</b>	<b>4,950</b>	<b>(1)</b>
<b>Separately funded projects</b>						
First Great Western	25	34	9	93	112	19
Rail franchising	6	7	1	190	190	-
HS2 Passenger panel	45	45	-	95	12	(83)
Smart ticketing	61	34	(27)	400	400	-
<b>Total costs for separately funded activities</b>	<b>137</b>	<b>120</b>	<b>(17)</b>	<b>778</b>	<b>714</b>	<b>(64)</b>
<b>Total income for separately funded activities</b>	<b>85</b>	<b>92</b>	<b>7</b>	<b>778</b>	<b>714</b>	<b>(64)</b>
<b>Net costs to recover for separately funded activities</b>	<b>52</b>	<b>28</b>	<b>(24)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Operating costs**

- The costs for the teams represent their direct costs plus an allocation of overheads.
- 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 costs to date are lower than forecast due to savings in Media and reporting costs as more cost effective media contact databases have been sourced. The outturn is in line with the budget.  
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 to date are lower than forecast due to a Passenger team executive vacancy in September and lower costs for Technical advice in the period. The forecast outturn is higher than budget due to the allocation of funds for approved projects from the Unallocated project budget.  
The Passenger contact team costs and outturn are in line with the forecast and budget for the year.  
The CEO and Corporate Governance outturn is higher than budgeted because funds 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 provision for additional external support to help with emerging short term staffing issues across the organisation.  
The Board costs to date are lower than forecast because travel and subsistence costs are slightly lower than forecast and costs for External support for minute taking are less than anticipated.  
The Unallocated project outturn is lower than budgeted because funds have been allocated to approved projects. It is  
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 first six months are limited as the outputs from our earlier research have been discussed with the Department to form the basis of this year's programme of work. It is anticipated that costs for the anticipated programme of work will be well within the £400,000 funding allocation.

### **Summary**

Total costs to date are £1,936,000 and are £21,000 (1.1%) lower than forecast, excluding the costs for the separately funded

The main risks identified to remaining within budget are:

- ensuring the workplan commitments for the remainder of the year can be delivered within the agreed funding and that unallocated project budget is utilised for the most appropriate passenger priorities. 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 when projects are approved.
- 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. This will be monitored through the monthly financial reporting and regular budget reviews to ensure the forecast outturn will remain within the agreed funding.
- costs for separately funded activities exceed the agreed funding for the year. This will be monitored through the monthly financial reporting and regular budget reviews to ensure the forecast outturn will remain within the agreed funding.