

Board Meeting Paper

Feb 13 BM 5.3

Report for	Decision <input type="checkbox"/>
	Information <input checked="" type="checkbox"/>
Restricted or Confidential Information ?	Yes <input type="checkbox"/>
	No <input checked="" type="checkbox"/>



If confidential, protective marking

Date of Meeting	13 February 2013
Agenda Item	5.3
Report Title	Finance Update – 31 December 2012
Sponsor	Anthony Smith
Author (s)	Nigel Holden

1. Summary

The Report is extracted from the detailed Management Accounts.

The net operating cost budget for 2012-13 was £4.9 million including funding for the Accountability and Transparency project, the National rail passenger survey budget of £865,000 and the National bus passenger survey budget of £235,000.

Net operating costs for the nine months was £2,947,000 against the forecast of £2,979,000, a favourable variance of £32,000. The expenditure does not include Transition costs, or Smart ticketing project costs.

Expenditure on the National rail passenger survey (NRPS) for the period was £404,000 against the forecast of £405,000 a favourable variance of £1,000. Expenditure on the National bus passenger survey (NBPS) for the period was -£1,000 which represents the correction of an overprovision at 31 March 2012.

In addition to the operating cost budget we had a budget of £460,000 for Transition costs which includes costs for the London office relocations plus the additional Rent costs for Drummond Gate pending the move and Recruitment costs for board members.

Transition costs in the period were £268,000 against the forecast of £270,000 a favourable variance of £2,000.

The Department for Transport have confirmed agreement to fund Smart ticketing research up to £200,000 for the current year and up to £400,000 for 2013-14. As the profiling of this income stream and the payment process have not yet been agreed by the Department the forecast and budget have not yet been amended to reflect this. Expenditure of £56,000 has been incurred in the period.

2. Recommendation or decision required

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

- The net expenditure for the year to date of £2,947,000 against a forecast of £2,979,000
- NRPS Costs for the nine months were £404,000, and the annual budget is £865,000. The costs for NBPS reflect an adjustment in the period for an overprovision of £1,000 in the anticipated NBPS costs at 31 March 2012 and no other costs have been incurred yet. However it is anticipated that the costs for the year will be in line with the budget.
- Transition costs were £268,000, for the London office relocation and Website changes.
- A further budget review took place in December and the forecasts have been updated to reflect the current plans for the year. The main variances anticipated in the outturn are summarised below and will be surrendered to the Department.

£000's	Running costs	Transition										
Agreed budget for the year	4,900	460										
Forecast outturn for the year	4,865	280										
Forecast variance	35	180										
Main reasons for variance:	Later than forecast appointment of board members. The original budget assumed the new appointments scheduled for 2012-13 would take effect from 1 April 2012.	<table><tr><td>Board recruitment funding not required</td><td>40,000</td></tr><tr><td>Fleetbank House four month rent free period not anticipated when the budgets were set</td><td>30,000</td></tr><tr><td>Surrender of Drummond Gate one month earlier than budgeted</td><td>33,000</td></tr><tr><td>Office fit out costs lower than anticipated</td><td>32,000</td></tr><tr><td>Drummond Gate dilapidations now contingent liability because this is linked with surrender of head lease</td><td>45,000</td></tr></table>	Board recruitment funding not required	40,000	Fleetbank House four month rent free period not anticipated when the budgets were set	30,000	Surrender of Drummond Gate one month earlier than budgeted	33,000	Office fit out costs lower than anticipated	32,000	Drummond Gate dilapidations now contingent liability because this is linked with surrender of head lease	45,000
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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 has been updated to reflect the latest plans for the year and the projects approved in the period.

FINANCIAL REVIEW

£000

	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
Income	101	100	1	100	100	-
Expenditure						
Fixed pay	1,798	1,814	16	2,464	2,492	28
Fixed overheads	520	520	-	675	619	(56)
Variable overheads	212	223	11	323	363	40
Total running costs	2,530	2,557	27	3,462	3,474	12
NRPS	404	405	1	865	865	-
NBPS	(1)	-	1	235	235	-
Other research and project costs	115	117	2	403	426	23
Total Project costs	518	522	4	1,503	1,526	23
Total operating costs	3,048	3,079	31	4,965	5,000	35
Total net operating costs	2,947	2,979	32	4,865	4,900	35
Transition	268	270	2	280	460	180
Smart Card Ticketing	56	-	(56)	200	200	-
Total expenditure	3,271	3,249	(22)	5,345	5,560	215

COMMENTARY

Operating costs

1. Fixed pay costs includes staff pay and members fees. The costs to date are slightly lower than forecast due to lower than anticipated overtime costs for the Passenger contact team and the phasing of maternity pay which was different from the forecast.
The forecast outturn is lower than budgeted because the budget assume new board members would be appointed from 1 April 2012. The favourable variance has been partly offset by interim cover for long term absence in the Research team
2. Fixed overheads includes costs for premises and contracted costs for IT support and Audit services. The costs to date are in line with the budget.
The forecast outturn is higher than budgeted because the London office move took place at the end of September 2012 rather than the end of June 2012 as the budget assumed so rent for Drummond Gate has been charged to operating costs for a further three months.
3. Variable overheads to date are £11,000 below forecast because costs for travel and subsistence and telephones have been lower than anticipated. In addition a provision for costs of Meeting rooms at Piccadilly Gate in 2011-12 has corrected because the costs will not be invoiced by the building manager.
The forecast outturn is lower than budgeted because the costs for travel and subsistence and telephones will be lower than anticipated and the variance has been used to cover this unfavourable variance in the fixed overheads.
4. Project costs for the period are in line with the budget for the period. At 31 December only the £15,000 contingency provision remains uncommitted.

Transition

5. Transition costs to date represent costs for London office move and are lower than budgeted because: a rent free period was secured for Fleetbank House, the costs of the fit out were lower than anticipated, the lease at Drummond Gate was surrendered a month earlier than budgeted, and the dilapidations for Drummond Gate is a contingent liability because it is linked with the surrender of the head lease. In addition no costs were incurred for the board recruitment because the delay in the appointments has meant a single selection exercise was required and costs were minimised.

The Transition costs include costs for the move and rental costs for Drummond gate for the period from 1 October 2012 when the office move took place until 30 November 2012 when the Charities Commission took over the Drummond Gate lease. However the budget assumed the London office move from Drummond Gate would take place at the end of June. In addition the costs include the residual expenditure on the Website changes.

The costs for the set up of the payroll outsource services have been included in the Transition costs because the move to the central government payroll framework contract is to ensure compliance with government procurement policy.

Smart Ticketing

- 6 The Department has agreed to provide funding of up to £200,000 for the current year for Smart ticketing research but as the profile of the income stream and the payment process have not yet been agreed by the Department the budgets have not yet been updated to reflect this. Costs of £56,000 have been incurred to date and although this is currently showing as negative variance once the budgets have been updated this variance will be corrected.

COSTS BY DIRECTORATE

£000

	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
Passenger issues team	308	311	3	537	393	(144)
Press and communications	158	165	7	227	217	(10)
Research	249	243	(6)	424	349	(75)
Passenger team	435	434	(1)	575	630	55
Passenger contact team	206	217	11	309	238	(71)
CEO and Corporate Governance	253	255	2	428	719	291
Resources	791	801	10	1,061	1,004	(57)
Board	144	148	4	204	250	46
Total costs	2,544	2,574	30	3,765	3,800	35
NRPS	404	405	1	865	865	-
NBPS	(1)	-	1	235	235	-
Total net operating costs	2,947	2,979	32	4,865	4,900	35
Transition costs	268	270	2	280	460	180
Smart Card Ticketing	56	-	(56)	200	-	(200)
Total costs	3,271	3,249	(22)	5,345	5,360	15

- The costs for the teams represent their direct costs and do not include any allocation of overheads.
- Costs to date for the Passenger Issues Team are in line forecast. The forecast outturn for the year is higher than the original budget due to the transfer of project funds from the central project budget
The costs for Press and communications team are lower than budget as expenditure on media press cutting services has been considerably lower than budgeted due to changes in the distribution of press cuttings introduced to save money. The forecast outturn is higher than the original budget due to the transfer of project funds from the central project budget .

Research team costs are slightly higher than forecast due to the cover arrangements for long term absence,. The forecast outturn is higher than the original budget due the transfer of project budgets from the central project budget as well as the ongoing costs for the cover arrangements.

Passenger Team costs to date are in line with the forecast, and the forecast outturn is significantly lower than the original budget because the costs for providing maternity cover in the team are lower than budgeted. The favourable variance is being used to offset additional costs for the Passenger contact team due to the increased workloads.

Passenger contact team costs to date are lower than budgeted because the budget included provision for overtime in the period which has not been fully utilised. The forecast outturn is higher than budgeted because additional fixed term staff have been taken on to deal with the higher workloads. The additional costs are being funded from the favourable variances on the Passenger team and other budgets

CEO and Corporate Governance costs are in line with the forecast. The forecast outturn is lower than the original budget because project funds have been transferred from the central project budget to the Passenger issues, Research and Communications team budgets.

Resources team costs to date are lower than forecast because a provision for costs of Meeting rooms at Piccadilly Gate in 2011-12 has been corrected as it has not been required. The forecast outturn is higher than budgeted due to the London office move taking place later than assumed in the budget.

Board costs to date are in line with the forecast to date, but the forecast outturn is lower than the original budget due to the later than assumed appointment dates for new board members.

- Transition costs are lower than budgeted due to favourable variances in the office relocation project costs as well as savings in Board recruitment costs.
- The current unfavourable variance in the Smart ticketing project will be corrected in January once agreement has been reached on the process for reimbursement of costs. The costs are fully covered by the agreed funding from the Department of up to £200,000 for the current year.

Summary

Total costs to date are £3,271,000 and are £22,000 higher than forecast. If the Smart ticketing costs to date of £56,000 are excluded the costs are £34,000 lower than forecast.

Following the budget review in December the forecast outturn has been updated and as shown in section 2:

- Net operating costs are forecast to be £4,865,000 for the year against the annual budget of £4,900,000
- Transition costs are forecast to be £280,000 for the year compared with the annual budget of £460,000

The variances in the outturn for the year of £35,000 in Operating costs and £180,000 in Transition costs will be surrendered to the Department

The current status of those risks to the outturn previously reported is summarised below:

- The Department had agreed to provide funding of up to £400,000 per annum for Smart card ticketing but it was not clear whether all of the funding could be utilised before the end of the financial year. For 2012-13 funding up to £200,000 has been agreed to allow for the project start date, and once the process for payment of the funds is agreed in January we will submit the first request for payment to cover costs to 31 December.
- Whether there were sufficient resources available to complete our programme of work for the year, especially in the research team. The recruitment of two additional research staff on fixed term contracts will ensure the plans for the remainder of the year can be delivered.