

Board Meeting Paper

May 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	16 May 2013
Agenda Item	5.3
Report Title	Finance Update – 31 March 2013
Sponsor	Anthony Smith
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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 twelve months, excluding Transition and Smart ticketing, was £4,821,000 against the forecast of £4,865,000, a favourable variance of £44,000.

Expenditure on the National rail passenger survey (NRPS) for the period was £866,000 against the forecast of £865,000 an unfavourable variance of £1,000. Expenditure on the National bus passenger survey (NBPS) for the period was £238,000 against the forecast of £235,000 an unfavourable variance of £3,000.

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 £288,000 against the forecast of £280,000 an unfavourable variance of £8,000. As soon as it was clear that Transition costs would be lower than budgeted we confirmed with the Department that the full amount of funding would not be drawn down.

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. Expenditure of £203,000 have been incurred this year for the programme of work agreed with, and fully funded by, the Department.

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 of £4,821,000 against a forecast of £4,865,000
- NRPS Costs for the twelve months were £866,000, and the annual budget is £865,000. The costs for NBPS for the year are £238,000 against the annual budget of £235,000 and the additional £3,000 has been funded from other favourable variances in the project budget.
- Transition costs were £288,000 against a revised budget of £285,000. The costs are for the London office relocation, Website changes and the Payroll contract set up costs, and the additional £3,000 has been funded from favourable variances in the project budget.

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 reflected 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	101	100	1
Expenditure						
Fixed pay	2,446	2,464	18	2,446	2,492	46
Fixed overheads	687	675	(12)	687	619	(68)
Variable overheads	320	323	3	320	363	43
Total running costs	3,453	3,462	9	3,453	3,474	21
NRPS	866	865	(1)	866	865	(1)
NBPS	238	235	(3)	238	235	(3)
Other research and project costs	365	403	38	365	426	61
Total Project costs	1,469	1,503	34	1,469	1,526	57
Total operating costs	4,922	4,965	43	4,922	5,000	78
Total net operating costs	4,821	4,865	44	4,821	4,900	79
Transition	288	280	(8)	288	460	172
Total expenditure	5,109	5,145	36	5,109	5,360	251
Smart Ticketing (fully funded by the Department for Transport)	203	200	(3)	203	-	(203)

COMMENTARY

Operating costs

- 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 assumed 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, and the remaining variance used to cover additional rent costs
- Fixed overheads includes costs for premises and contracted costs for IT support and Audit services. The costs for the year are higher than forecast because additional work has been undertaken in March on the Connect intranet to provide an online staff directory, and work to rationalise out of date access groups and permissions. The additional costs have been funded from favourable variances in other Resource team budgets
The costs for the year are 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.
- Variable overheads to date are in line with the forecast but are significantly lower budgeted because the costs for travel and subsistence and telephones are lower than anticipated and the variance has been used to cover this unfavourable variance in the fixed overheads.
- Project costs for the period are lower than forecast because costs for our Transparency work were lower than planned and we received income £10,000 for the National Station Improvement project towards the year end, which we not anticipated receiving this year. In addition the contingency of £15,000 remains unused at the year end.

Transition

- Transition costs represent costs for the 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 considered a remote contingent liability because it is linked with the future surrender of the head lease by the government. 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 costs for the set up of the payroll outsource service 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.
Transition to the new payroll provider is taking place in September 2013 so we have sufficient contingency to manage the risks associated with the change of supplier.

Smart Ticketing

- The Department agreed to provide funding of up to £200,000 for the current year for Smart ticketing research. However with some late changes in March a programme of work costing £203,000 was agreed with the Department and this has been recharged to the Department.

COSTS BY DIRECTORATE**£000**

	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast		
				Outturn	Budget	Variance
Passenger issues team	525	534	9	525	393	(132)
Press and communications	217	230	13	218	217	(1)
Research	417	424	7	417	349	(68)
Passenger team	599	575	(24)	598	630	32
Passenger contact team	289	309	20	289	238	(51)
CEO and Corporate Governance	404	428	24	404	719	315
Resources	1,067	1,061	(6)	1,067	1,004	(63)
Board	199	204	5	199	250	51
Total costs	3,717	3,765	48	3,717	3,800	83
NRPS	866	865	(1)	866	865	(1)
NBPS	238	235	(3)	238	235	(3)
Total net operating costs	4,821	4,865	44	4,821	4,900	79
Transition costs	288	280	(8)	288	460	172
Total costs	5,109	5,145	36	5,109	5,360	251
Smart Ticketing	203	200	(3)	203	-	(203)

- 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 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 forecast as expenditure on media press cutting services has been considerably lower than anticipated due to changes in the distribution of press cuttings introduced to save money. The outturn is higher than the original budget due to the transfer of project funds from the central project budget
Research team costs are in line with the forecast but are higher than budgeted due to the cover arrangements for long term absence and the transfer of project budgets from the central project budget.
Passenger Team costs to date are lower than forecast because the forecast assumed additional staffing costs to backfill for the maternity cover arrangements which have not been required. The outturn is significantly lower than the original budget because the some of the costs of the maternity cover arrangements have been transferred to the Passenger contact team.
Passenger contact team costs to date are lower than forecast because overtime was lower than forecast. The outturn is higher than budgeted because maternity cover arrangements meant costs moved from the Passenger team to the Passenger contact team, in addition temporary staff have been taken on to deal with increased workloads.
CEO and Corporate Governance costs are lower than forecast, because the forecast assumed the contingency would be utilised. The outturn is substantially 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 in line with the forecast. 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 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 costs, and programme of works, for Smart Ticketing are as agreed with the Department and the costs of £56,000 to 31 December 2012 have been reimbursed by the Department, and a claim submitted for the second installment of £146,000.

Summary

Total costs to date are £5,109,000 and are £36,000 (0.07%) lower than forecast, excluding the Smart ticketing costs.

The main risks identified to remaining within budget, now closed, were :

- 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 we have an agreed payment process in place.
- 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 ensured the plans were delivered.