

Board Meeting Paper

Sep 14 BM 6.0

Report for Decision
 Discussion / Debate
 Information only

Sensitive Information ? Yes
 No

If sensitive, protective marking

Date of Meeting 10 September 2014

Agenda Item 6.0

Report Title Finance Update – 30 June 2014

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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 three months, excluding Smart ticketing, were £928,000 against the forecast of £930,000, a favourable variance of £2,000.

There was no expenditure on the National rail passenger survey (NRPS) in the period. Expenditure on the Bus passenger survey (BPS) for the period was £1,000 in line with the forecast of £1,000.

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

- £78,000 from First Great Western (FGW) towards the costs of a post to represent passengers in south west England. Expenditure of £2,000 has been incurred in the three month period, which will be recovered when costs are invoiced to FGW in August.
- 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 three month period.
- Up to £400,000 from the Department for Transport for Smart Ticketing research. Expenditure of £16,000 has been incurred in the three month period for the programme of work agreed with, and fully funded by, the Department.
- £12,000 Fee for managing the HS2 Passenger panel in addition to reimbursement of the panel costs of £83,000

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 year of £928,000 against the forecast of £930,000
- No costs have been incurred in the period for NRPS which has an annual budget of £855,000. The costs in the period for BPS were £1,000 and the annual budget is £225,000.
- Following the review by the Audit and Risk Assurance Committee the format of the report has been amended to show the HS2 funded project with the other separately funded activities

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.

FINANCIAL REVIEW

£000	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
Income	-	-	-	50	50	-
Expenditure						
Fixed pay	592	590	(2)	2,417	2,417	-
Fixed overheads	154	155	1	613	613	-
Variable overheads	88	90	2	383	379	(4)
Total running costs	834	835	1	3,413	3,409	(4)
NRPS	-	-	-	858	855	(3)
BPS	1	1	-	225	225	-
Other research and project costs	93	94	1	504	511	7
Total Project costs	94	95	1	1,587	1,591	4
Total operating costs	928	930	2	5,000	5,000	-
Total net operating costs	928	930	2	4,950	4,950	-
Separately funded projects						
First Great Western	2	2	-	112	112	-
Rail franchising	-	-	-	190	190	-
HS2 Passenger panel	23	23	-	95	12	(83)
Smart ticketing	16	17	1	400	400	-
Total costs for separately funded	41	42	1	797	714	(83)
Total income for separately funded	23	23	-	797	714	(83)
Net costs to recover for separately	18	19	1	-	-	-

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 in line with the forecast, as unfavourable variances in expenditure on Travel and subsistence and telephones have been offset by favourable variances in Media and Reporting and Publication and printing costs.
- Total project costs for the period are in line with the forecast

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 incurred in the period are for preparatory work and will be recovered from FGW in the next quarter.
- 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. No costs have been incurred in the period whilst our plans are finalised.
- 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 in the first three months will be recovered from the Department in July.

COSTS BY DIRECTORATE
£000

	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
Passenger issues team	147	148	1	597	597	-
Press and communications	60	64	4	246	246	-
Research	159	158	(1)	564	430	(134)
Passenger team	197	200	3	783	766	(17)
Passenger contact team	84	84	-	343	343	-
CEO and Corporate Governance	124	122	(2)	443	430	(13)
Resources	100	99	(1)	425	415	(10)
Board	55	54	(1)	226	226	-
Unallocated project budget	-	-	-	240	417	177
Total costs	926	929	3	3,867	3,870	3
NRPS	-	-	-	858	855	(3)
BPS	2	1	(1)	225	225	-
Total net operating costs	928	930	2	4,950	4,950	-
Separately funded projects						
First Great Western	2	2	-	112	112	-
Rail franchising	-	-	-	190	190	-
HS2 Passenger panel	23	23	-	95	12	(83)
Smart ticketing	16	17	1	400	400	-
Total costs for separately funded activities	41	42	1	797	714	(83)
Total income for separately funded activities	23	23	-	797	714	(83)
Net costs to recover for separately funded activities	18	19	1	-	-	-

Operating costs

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

The main reasons for the variances between the budget and forecast outturn for each team are due to the transfer of funds from the Unallocated project budget for project approved in the period

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

Separately funded projects

3. The costs to date for the preparatory costs for the passenger manager post in south west England will be recovered from First Great Western in August as this 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 recruitment is underway but no costs have been incurred in the first quarter.
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 quarter are limited because the programme of work for the current year needs to be agreed with the Department. The costs for the first quarter will be recovered from the Department in July.

Summary

Total costs to date are £928,000 and are £2,000 (0.2%) lower than forecast, excluding the costs for the separately funded projects.

The main risks identified to remaining within budget are:

- the anticipated workplan commitments will fully utilise the unallocated project budget so any emerging passenger priorities will mean that the existing plans will need to be reprioritised. 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.