

## Board Meeting Paper

### Sep 15 BM B2

Report for

Decision  
 Discussion / Debate  
 Information only

Sensitive Information ?

Yes  
 No

If sensitive, protective marking

Date of Meeting 16 September 2015

Agenda Item B2

Report Title Finance Update – 30 June 2015

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#### 1. Summary

The report is extracted from the detailed Management Accounts.

The net operating cost budget for 2015-16 is £3.93 million plus £886,000 for the National rail passenger survey and £225,000 for the Bus passenger survey, a total of £5.04 million.

Net operating costs for the three months, excluding Separately funded projects and Road user representation, were £821,000 against the forecast of £841,000, a favourable variance of £20,000.

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 £7,000 against the forecast of £7,000.

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

- £71,000 from First Great Western (FGW) towards the costs of a post to represent passengers in south west England in 2015-16. Expenditure of £17,000 has been incurred in the three month period. The full costs for this post have been recovered from FGW and any reserach costs are due to be reimbursed in arrears.
- Up to £190,000 from the Department for Transport to help support the franchise programme of work. Expenditure of £23,000 has been incurred in the three month period.
- £12,000 Fee for managing the HS2 Passenger panel in addition to reimbursement of the panel and workshop costs of £92,000
- Up to £400,000 from the Department for Transport for Smart Ticketing research. Expenditure of £25,000 has been incurred in the three month period for the programme of work agreed with, and fully funded by, the Department.

We have also received funding of £1.45 million for Road user representation in 2015-16 from the Department for Transport which has been fully paid to us despite not requesting a formal draw down.

#### 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 £821,000 against the forecast of £841,000 a favourable variance of £20,000 (2.4%).
- The expenditure on separately funded activities in the period totalled £115,000 and £30,000 will be recovered from third parties during July.
- The expenditure on preparing for Road user representation in the period totalled £131,000. We have received a full years funding of £1,450,000 from the Department for this work in advance.

#### 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 is 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.

## FINANCIAL REVIEW

£000

	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
<b>Income</b>	2	-	2	-	-	-
<b>Expenditure</b>						
Fixed pay	564	576	12	2,351	2,476	125
Fixed overheads	154	148	(6)	593	589	(4)
Variable overheads	76	86	10	369	373	4
<b>Total running costs</b>	<b>794</b>	<b>810</b>	<b>16</b>	<b>3,313</b>	<b>3,438</b>	<b>125</b>
NRPS	(1)	-	1	886	855	(31)
BPS	7	7	-	225	225	-
Other research and project costs	23	24	1	615	521	(94)
<b>Total Project costs</b>	<b>29</b>	<b>31</b>	<b>2</b>	<b>1,726</b>	<b>1,601</b>	<b>(125)</b>
<b>Total operating costs</b>	<b>823</b>	<b>841</b>	<b>18</b>	<b>5,039</b>	<b>5,039</b>	<b>-</b>
<b>Total net operating costs</b>	<b>821</b>	<b>841</b>	<b>20</b>	<b>5,039</b>	<b>5,039</b>	<b>-</b>
Road users	131	184	53	1,450	1,450	-
<b>Total costs</b>	<b>952</b>	<b>1,025</b>	<b>73</b>	<b>6,489</b>	<b>6,489</b>	<b>-</b>
<b>Separately funded projects</b>						
First Great Western	17	18	1	71	71	-
Rail franchising	23	23	-	190	190	-
HS2 Passenger panel	50	49	(1)	104	104	-
Smart ticketing	25	31	6	400	400	-
<b>Total costs for separately funded activities</b>	<b>115</b>	<b>121</b>	<b>6</b>	<b>765</b>	<b>765</b>	<b>-</b>
<b>Total income for separately funded activities</b>	<b>85</b>	<b>85</b>	<b>-</b>	<b>765</b>	<b>765</b>	<b>-</b>
<b>Net costs to recover for separately funded activities</b>	<b>30</b>	<b>36</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>

## COMMENTARY

### Operating costs

- 1 Income in the period arose because following the successful upgrade of our telephone system we were able to sell the redundant and obsolete system for £2,000 which was not built into the forecast or budget.
- 2 Fixed pay costs includes staff pay and members fees. The costs for the period are slightly lower than forecast as the forecast assumed a annual pay increment from the 1st April for which we are still awaiting approval from the Department . The forecast outturn is lower than budget as staffing plans have been revised to align with the new planned Transport Focus organisation
- 3 Fixed overheads includes costs for premises and contracted costs for IT support and audit and legal services. Costs to date are slightly lower than forecast because some costs for building maintenance and internal audit services provided at 31 March 2015 were lower than expected.

- 4 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 Travel and subsistence where expenditure has been lower than anticipated to date and Recruitment where costs provided for at 31 March 2015 were lower than expected. These favourable variances are forecast to be fully utilised over the coming months.
- 5 Total project costs for the period are in line with the forecast. The forecast outturn is lower than budget as forecasted income is lower than originally budgeted.

#### Road users

- 6 Costs to date for Road user representation are lower than forecast as recruitment of key posts has been later than anticipated.

#### Separately funded projects

- 7 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. This funding has been received from FGW. Costs are in line with forecast and budget.
- 8 The Department agreed to provide funding of up to £190,000 for the current year to help support the franchise programme of work. 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.  
A proportion of the costs for the Passenger issues manager leading this work has been allocated to this project in the current year due to the significant amount of time spent working on the Franchise programme. We will continue to review this cost allocation for future periods.
- 9 Cost for the HS2 project are in line with the forecast outturn and budget.
- 10 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 incurred for the first quarter will be drawn down from the Department in July.

#### COSTS BY DIRECTORATE

£000

	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Forecast Outturn	Budget	Variance
Policy & issues team	118	126	8	690	611	(79)
Press and communications	57	59	2	243	238	(5)
Insight	128	131	3	630	585	(45)
Passenger team	182	184	2	795	820	25
Passenger contact team	83	83	-	355	373	18
CEO and Corporate Governance	100	102	2	557	667	110
Resources	98	98	-	459	466	7
Board	49	51	2	199	199	-
Unallocated project budget	-	-	-	-	-	-
<b>Total costs</b>	<b>815</b>	<b>834</b>	<b>19</b>	<b>3,928</b>	<b>3,959</b>	<b>31</b>
NRPS	(1)	-	1	886	855	(31)
BPS	7	7	-	225	225	-
<b>Total net operating costs</b>	<b>821</b>	<b>841</b>	<b>20</b>	<b>5,039</b>	<b>5,039</b>	<b>-</b>
Road Users	131	184	53	1,450	1,450	-
<b>Total costs</b>	<b>952</b>	<b>1,025</b>	<b>73</b>	<b>6,489</b>	<b>6,489</b>	<b>-</b>

#### Separately funded projects

First Great Western	17	18	1	71	71	-
Rail franchising	23	23	-	190	190	-
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Smart ticketing	25	31	6	400	400	-
<b>Total costs for separately funded activities</b>	<b>115</b>	<b>121</b>	<b>6</b>	<b>765</b>	<b>765</b>	<b>-</b>
Total income for separately funded activities	85	85	-	765	765	-
<b>Net costs to recover for separately funded activities</b>	<b>30</b>	<b>36</b>	<b>6</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 slightly lower than forecast as the forecast assumed a 1% pay uplift from 1st April.  
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  
In addition the Policy and issues team costs are lower than forecast due the Passenger issues manager vacancy since 1 April 2015.

**Road users**

3. Costs for Roads do not include any fixed overhead apportionment at present 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**

4. The costs to date for the passenger manager post in south west England have been recovered from First Great Western 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 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.  
Costs for the Smart Ticketing programme in the three months are slightly lower than forecast. It is anticipated that costs for the anticipated programme of work will be in line with agreed funding.

**Summary**

Total costs to date are £821,000 and are £20,000 (2.4%) lower than forecast, excluding the costs for the separately funded projects. The forecast outturn for passenger representation, Road user representation and Separately funded activities are anticipated to be in line with the agreed funding.

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 transport user 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.
- following the appointment of a new Government in May 2015 it is highly possible there will be pressure to achieve a further savings 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.
- costs for separately funded activities exceed the agreed funding for the year. We will continue to monitor this through the monthly financial reporting and regular budget reviews to ensure the forecast outturn will remain within the agreed funding.