

## Board Meeting Paper

### Nov 15 BM C 2.0

Report for	<input type="checkbox"/> Decision <input type="checkbox"/> Discussion / Debate <input checked="" type="checkbox"/> Information only
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Sensitive Information ?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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If sensitive, protective marking

Date of Meeting

Agenda Item

Report Title

Sponsor

Author (s)

12 November 2015

C 2.0

Finance Update – 30 September 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 six months, excluding Separately funded projects and Road user representation, were £1,896,000 against the forecast of £1,912,000, a favourable variance of £16,000.

Expenditure on the National rail passenger survey (NRPS) for the period was £167,000 which is in line with the forecast of £167,000. Expenditure on the Bus passenger survey (BPS) for the period was £4,000 against the forecast of £7,000 a favourable variance of £3,000.

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 £33,000 has been incurred in the six month period. The full costs for this post have been recovered from FGW and any research costs will be reimbursed in arrears.
- Up to £190,000 from the Department for Transport to help support the franchise programme of work. Expenditure of £45,000 has been incurred in the six month period.
- £12,000 Fee for managing the HS2 Passenger panel in addition to reimbursement of agreed costs of £138,000 for the passenger panel and workshops.
- Up to £400,000 from the Department for Transport for Smart Ticketing research. Expenditure of £47,000 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 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 £1,896,000 against the forecast of £1,912,000 a favourable variance of £16,000 (0.8%).
- The expenditure on separately funded activities in the period totalled £176,000 and £59,000 will be recovered from third parties in the next quarter.
- The expenditure on Road user representation in the period totalled £315,000 against a forecast of £362,000, a favourable variance of £47,000.
- The expenditure on separately funded activities in the period totalled £176,000 and £59,000 will be recovered from third parties in the next quarter.

## 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 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 and budget review completed during September.

### FINANCIAL REVIEW

£000	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
<b>Income</b>	2	2	-	2	-	2
<b>Expenditure</b>						
Fixed pay	1,115	1,117	2	2,273	2,476	203
Fixed overheads	318	321	3	652	589	(63)
Variable overheads	168	173	5	385	373	(12)
<b>Total running costs</b>	<b>1,601</b>	<b>1,611</b>	<b>10</b>	<b>3,310</b>	<b>3,438</b>	<b>128</b>
NRPS	167	167	-	886	855	(31)
BPS	4	7	3	225	225	-
Other research and project costs	126	129	3	620	521	(99)
<b>Total Project costs</b>	<b>297</b>	<b>303</b>	<b>6</b>	<b>1,731</b>	<b>1,601</b>	<b>(130)</b>
<b>Total operating costs</b>	<b>1,898</b>	<b>1,914</b>	<b>16</b>	<b>5,041</b>	<b>5,039</b>	<b>(2)</b>
<b>Total net operating costs</b>	<b>1,896</b>	<b>1,912</b>	<b>16</b>	<b>5,039</b>	<b>5,039</b>	<b>-</b>
Road users	315	362	47	1,450	1,450	-
<b>Total costs</b>	<b>2,211</b>	<b>2,274</b>	<b>63</b>	<b>6,489</b>	<b>6,489</b>	<b>-</b>
<b>Separately funded projects</b>						
First Great Western	33	34	1	71	71	-
Rail franchising	45	48	3	190	190	-
HS2 Passenger panel	51	52	1	150	12	(138)
Smart ticketing	47	60	13	400	400	-
<b>Total costs for separately funded activities</b>	<b>176</b>	<b>194</b>	<b>18</b>	<b>811</b>	<b>673</b>	<b>(138)</b>
<b>Total income for separately funded activities</b>	<b>117</b>	<b>92</b>	<b>(25)</b>	<b>811</b>	<b>811</b>	<b>-</b>
<b>Net costs to recover for separately funded activities</b>	<b>59</b>	<b>102</b>	<b>43</b>	<b>-</b>	<b>(138)</b>	<b>(138)</b>

### COMMENTARY

#### Operating costs

- Income in the period represents the proceeds of £2,000 from the sale of our redundant telephone system which was not anticipated in the budget.
- Fixed pay includes staff pay and members fees. The costs for the period are slightly lower than forecast as the forecast assumed the annual pay increment would be paid from 1 April but we are still awaiting approval from the Department. The forecast outturn is significantly lower than budget because a number of vacancies arising from internal promotions and restructuring are either being filled on a short term basis or will remain vacant until we have more certainty on our future funding.

- 3 Fixed overheads includes costs for premises and contracted costs for IT support and audit and legal services. Costs to date are in line with the forecast. The outturn is significantly higher than budgeted due to additional ICT costs following upgrades to our software applications as a result of the move to more scalable and resilient data centre platform. The unfavourable variance in the ICT costs will be funded from favourable variances in other budgets.
- 4 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. A favourable variance in Travel and subsistence due to the slightly lower staff numbers has been offset by the Depreciation costs which were not provided in the Budget at the start of the year. The net unfavourable variance will be funded from the favourable variance in other budgets.
- 5 Total project costs for the period are in line with the forecast. The budget review identified a number of favourable variance which has allowed us to allocate additional funds to the project budget which is reflected in the uncommitted balance of £157,000 on the Unallocated project budget. It is anticipated that this will be utilised for additional workplan activities over the remainder of the year.

#### Road users

- 6 Costs to date for Road user representation are lower than forecast as recruitment of key posts has been later than anticipated. The forecast outturn is anticipated to be in line with the budget

#### 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 keep this cost allocation under review.
- 9 Cost for the HS2 project are in line with the forecast outturn and budget and the outturn reflects the additional costs for the passenger panels and workshops which will be recovered directly from HS2 Limited.
- 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 second quarter will be drawn down from the Department in October.

#### COSTS BY DIRECTORATE

£000	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Forecast Outturn	Budget	Variance
Policy & issues team	298	302	4	680	614	(66)
Press and communications	124	125	1	251	239	(12)
Insight	253	256	3	619	574	(45)
Passenger team and South east quadrant	343	339	(4)	755	795	40
Passenger contact team	188	188	-	360	389	29
CEO and Corporate Governance	217	218	1	433	430	(3)
Resources	206	211	5	475	467	(8)
Board	96	99	3	198	199	1
Unallocated project budget	-	-	-	157	252	95
<b>Total costs</b>	<b>1,725</b>	<b>1,738</b>	<b>13</b>	<b>3,928</b>	<b>3,959</b>	<b>31</b>
NRPS	167	167	-	886	855	(31)
BPS	4	7	3	225	225	-
<b>Total net operating costs</b>	<b>1,896</b>	<b>1,912</b>	<b>16</b>	<b>5,039</b>	<b>5,039</b>	<b>-</b>
Road Users	315	362	47	1,450	1,450	-
<b>Total costs</b>	<b>2,211</b>	<b>2,274</b>	<b>63</b>	<b>6,489</b>	<b>6,489</b>	<b>-</b>
<b>Separately funded projects</b>						
First Great Western	33	34	1	71	71	-
Rail franchising	45	48	3	190	190	-
HS2 Passenger panel	51	52	1	150	12	(138)
Smart ticketing	47	60	13	400	400	-
<b>Total costs for separately funded activities</b>	<b>176</b>	<b>194</b>	<b>18</b>	<b>811</b>	<b>673</b>	<b>(138)</b>
Total income for separately funded activities	117	92	(25)	811	811	-
<b>Net costs to recover for separately funded activities</b>	<b>59</b>	<b>102</b>	<b>43</b>	<b>-</b>	<b>(138)</b>	<b>(138)</b>

## Operating costs

1. The costs for the teams represent their direct costs plus an allocation of overheads.
2. 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 summarised below:  
The Policy and issues team outturn is higher than budget due the transfer of funds from the unallocated project budget offset by a significant favourable variance in staff costs due to an unfilled vacancy following the secondment of a member of the Press and communications team outturn is slightly higher than budget due to the transfer of funds for agreed projects and additional ICT costs anticipated for hosting our website  
The Insight team outturn is higher than budget due to the allocation of funds from the Unallocated project budget  
The Passenger team outturn is lower than budgeted due to lower than budgeted staff costs as a result of savings following the Passenger contact team outturn is lower than budget due to savings following team restructuring  
The CEO and Corporate Governance outturn is in line with the budget  
The Resources team outturn is in line with the budget as an unfavourable variances in ICT costs has been offset by favourable variances in other budgets and a higher than budget reallocation of overheads to other directorates.  
The Board outturn is in line with the budget.  
The Unallocated project budget currently has an uncommitted balance of £157,000 which it is anticipated will be fully utilised for workplan activities over the remainder of the year.  
The variance in the forecast outturn for the NRPS is due to an underestimate when the initial budgets were set.

## Road users

3. Costs for Road user representation 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.  
The variance in the costs to date is largely as a result of later than anticipated recruitment of staff, and lower than forecast costs for additional ICT equipment and changes to accommodate the extension of our remit to include users of the Strategic road network.

## 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 outturn for the HS2 Passenger panel is higher than budgeted because the budget did not reflect the agency costs, which will be fully reimbursed by HS2.  
Costs for the Smart Ticketing programme in the six months are 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 £1,896,000 and are £16,000 (0.8%) 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 May 2015 election it is possible there will be pressure to achieve a further savings during the year. Our discussions with the Department suggest this is a low risk for the current year, but there may be implications for this years budget arising from the Spending Review 2015 decisions. To manage this risk we will follow up with the Department to ensure we are able to plan for the remainder of the year.
- 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.
- costs for the South East Quadrant could exceed current estimates depending on the demands of the taskforce. This risk will be managed by monitoring of current and future plans to ensure they remain within the available funding we have allocated.