

## Board Meeting Paper

### Nov 16 BM C 2.0

|                         |   |
|-------------------------|---|
| Report for              | <input type="checkbox"/> Decision<br><input type="checkbox"/> Discussion / Debate<br><input checked="" type="checkbox"/> Information only |
| Sensitive Information ? | <input type="checkbox"/> Yes<br><input checked="" type="checkbox"/> No  |



|                                  |                                    |
|----------------------------------|------------------------------------|
| If sensitive, protective marking |                                    |
| Date of Meeting                  | 16 November 2016                   |
| Agenda Item                      | C 2.0                              |
| Report Title                     | Finance Report – 30 September 2016 |
| Sponsor                          | Anthony Smith                      |
| Author (s)                       | Nigel Holden                       |

#### 1. Summary

The report is extracted from the detailed Management Accounts.

The net operating cost budget for 2016-17 is £3.74 million plus £925,000 for the National rail passenger survey and £225,000 for the Bus passenger survey, a total of £4.89 million.

Net operating costs for the six months, excluding Separately funded projects and Road user representation, were £1,569,000 against the forecast of £1,605,000, a favourable variance of £36,000.

Expenditure on the National rail passenger survey (NRPS) for the period was £28,000 which is in line with forecast. Expenditure on the Bus passenger survey (BPS) for the period was £1,000 which was also in line with forecast.

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

- £84,000 from Great Western Railways (GWR) towards the costs of a post to represent passengers in south west England. Expenditure of £35,000 was 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.
- £320,000 from the Department for Transport to help support the franchise programme of work which includes £120,000 for NRPS modernisation. Total expenditure of £106,000 has been incurred on Franchising activity in the six month period.
- £100,000 from the Rail Delivery Group (RDG) to fund staffing costs in relation to our work on Passenger information during disruption.
- HS2 are providing funding of £139,000 for the costs of the passenger panel plus our panel management costs.
- £40,000 from Govia Thameslink Railway, and a combined total of £50,000 from Northern Rail and Trans Pennine Express, towards the costs of posts to represent passengers in these franchise areas.

We have also received funding of £1.785 million for Road user representation in 2016-17 from the Department for Transport. In addition excess funds of £417,000 from 2015-16 have been made available for use in 2016-17 to complete 2015-16 workplan commitments.

#### 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 forecast outturn and budgets have been updated to reflect the new organisational structure which took effect on 1 September 2016
- The net expenditure for the period was £1,569,000 against the forecast of £1,605,000 a favourable variance of £36,000 (2.2%).
- The expenditure on Road user representation in the period totalled £779,000 against a forecast of £793,000, a favourable variance of £14,000 (1.8%).
- The expenditure on separately funded activities in the period totalled £231,000 and £58,000 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, HS2, GWR, Northern/TPE) 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 and the forecast outturn reflects the projects approved in the period.

### FINANCIAL REVIEW

| £000   | Year to Date |              |           | Full Year           |              |             |
|--|--------------|--------------|-----------|---------------------|--------------|-------------|
|  | Actual       | Forecast     | Variance  | Forecast<br>Outturn | Budget       | Variance    |
| <b>Income</b>  | 7            | -            | 7         | -                   | -            | -           |
| <b>Expenditure</b>   |              |              |           |                     |              |             |
| Fixed pay  | 1,091        | 1,096        | 5         | 2,337               | 2,325        | (12)        |
| Fixed overheads  | 216          | 216          | -         | 492                 | 458          | (34)        |
| Variable overheads   | 149          | 163          | 14        | 334                 | 334          | -           |
| <b>Total running costs</b>                                   | <b>1,456</b> | <b>1,475</b> | <b>19</b> | <b>3,163</b>        | <b>3,117</b> | <b>(46)</b> |
| NRPS   | 28           | 27           | (1)       | 925                 | 925          | -           |
| BPS  | 1            | 1            | -         | 225                 | 225          | -           |
| Other research and project costs                             | 91           | 102          | 11        | 576                 | 622          | 46          |
| <b>Total Project costs</b>                                   | <b>120</b>   | <b>130</b>   | <b>10</b> | <b>1,726</b>        | <b>1,772</b> | <b>46</b>   |
| <b>Total operating costs</b>                                 | <b>1,576</b> | <b>1,605</b> | <b>29</b> | <b>4,889</b>        | <b>4,889</b> | <b>-</b>    |
| <b>Total net operating costs</b>                             | <b>1,569</b> | <b>1,605</b> | <b>36</b> | <b>4,889</b>        | <b>4,889</b> | <b>-</b>    |
| Road users   | 779          | 793          | 14        | 2,202               | 2,202        | -           |
| <b>Total costs</b>   | <b>2,348</b> | <b>2,398</b> | <b>50</b> | <b>7,091</b>        | <b>7,091</b> | <b>-</b>    |
| <b>Separately funded activities</b>                          |              |              |           |                     |              |             |
| Great Western Railways                                       | 35           | 42           | 7         | 84                  | 84           | -           |
| Rail franchising   | 106          | 107          | 1         | 320                 | 320          | -           |
| Northern Trans Pennine                                       | 4            | 4            | -         | 50                  | 50           | -           |
| South East Quadrant  | 18           | 19           | 1         | 40                  | 40           | -           |
| Passenger Information  | 32           | 33           | 1         | 100                 | 100          | -           |
| HS2 Passenger Panel  | 36           | 57           | 21        | 139                 | 139          | -           |
| <b>Total costs for separately funded activities</b>          | <b>231</b>   | <b>262</b>   | <b>31</b> | <b>733</b>          | <b>733</b>   | <b>-</b>    |
| <b>Total income for separately funded activities</b>         | <b>173</b>   | <b>176</b>   | <b>3</b>  | <b>733</b>          | <b>733</b>   | <b>-</b>    |
| <b>Net costs / (income) for separately funded activities</b> | <b>58</b>    | <b>86</b>    | <b>28</b> | <b>-</b>            | <b>-</b>     | <b>-</b>    |

## COMMENTARY

### Operating costs

- 1 Income in the period includes receipts for membership of the Civil Aviation Authority Consumer panel and a BPS management fee from First Group Scotland.
- 2 Fixed pay includes staff pay and members fees. The costs for the period are in line with forecast. The forecast outturn is higher than budget as staffing levels within the Passenger Contact team have increased to deal with a significant increase in casework. The volume of appeal complaints is double the levels of the previous three years. This is due to a significant increase in appeal complaints regarding Virgin West Coast together with a more general rise in workloads which we believe may be as a result of increased awareness of our role following changes in the complaints guidance issued by Office of Rail and Road following consultation with us. A proportion of the staff costs for the Resources and Corporate Governance teams have been allocated to Road user representation.
- 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 forecast. The outturn is higher than budget due to an incorrect assumption in the re-allocation of fixed overheads to Roads in the original budget which has been corrected in the outturn. A proportion of the fixed overheads have been allocated to Road user representation and Franchising
- 4 Variable overheads include costs for travel and subsistence, training, printing, postage, stationery and telephones. The costs for the period are slightly lower than forecast as Travel and subsistence and Training and development costs have been lower than anticipated to date. The forecast outturn is in line with budget.
- 5 Total project costs for the period are largely in line with the forecast. An unallocated project budget of £300,000 remains available in addition to a £20,000 contingency budget. We are currently identifying projects which will ensure we utilise the budget to deliver of our workplan priorities for the remainder of the year. Forecast call centre costs have increased for the year by around 40% in comparison to last financial year because contact volumes have risen considerably this year.

### Road users

- 6 Costs to date and budget for Road user representation are slightly below forecast due mainly to lower than anticipated contingent labour costs. The full year outturn includes £417,000 to fund commitments from the 2015-16 workplan. Costs include an allocation of overheads.

### Separately funded activities

- 7 GWR 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 GWR. Costs are in line with forecast and budget.
- 8 The Department agreed to provide funding of up to £320,000 for the current year to help support the franchise programme of work and develop the digitalisation of NRPS. Costs to date are in line with forecast and include an allocation of overheads.
- 9 Northern and Transpennine Express are providing total funding of £50,000 for a post to represent passengers in the franchise area. This position was filled on 1 September as part of the restructuring so costs for the year will be lower than anticipated this year.
- 10 South east quadrant funding is provided by Govia Thameslink Railway and part funds a post representing passengers in the franchise area. The costs are to date are in line with the forecast and are anticipated to remain within the agreed funding for the year
- 11 ATOC have provided funding of £100,000 for the year to fund work on Passenger Information During Disruption and costs are in line with forecast and budget.
- 12 HS2 are providing funding for the passenger panel and costs for this project to date are significantly lower than anticipated in the budget profile for the period because the start for the panel was delayed whilst the plans for the year were agreed by HS2. We anticipate that the costs for the year will be in line with the forecast and utilise the variance to date and will remain within the agreed the funding for the project.

### Summary

Total costs to date are £1,569,000 and are £36,000 (2.2%) lower than forecast excluding the costs for Separately funded activities and Roads.

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.
- 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.