

# Board Meeting Paper

Jul 17 BM C 3.0

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



If sensitive, protective marking

Date of Meeting	11 July 2017
Agenda Item	C 3.0
Report Title	Finance Report – 31 May 2017
Sponsor	Anthony Smith
Author (s)	Nigel Holden

## 1. Summary

The report is extracted from the detailed Management Accounts as at 31 May 2017.

The format of this report has been updated following feedback from the Audit Risk Assurance and Remuneration Committee.

The total net operating cost budget for 2017-18 is £6.36 million. Net operating costs for the two months to 31 May were £573,000 against the forecast of £621,000, a favourable variance of £48,000. An unallocated budget of £186,000 remains available for Passenger activities and £350,000 for Roads activities.

In addition to the Grant in Aid this year, separate funding has been secured totalling £837,000. Costs of £139,000 have been incurred to date and £142,000 has been received in advance for activities to be completed in the next quarter.

A summary breakdown is provided below:

£000	Year to Date			Year to Date		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
Passenger Representation	459	492	33	4,461	4,461	-
Road User Representation	114	129	15	1,900	1,900	-
Operating Income	-	-	-	(5)	(5)	-
<b>Total Net Operating Costs</b>	<b>573</b>	<b>621</b>	<b>48</b>	<b>6,356</b>	<b>6,356</b>	<b>-</b>
Total costs for separately funded activities	139	122	(17)	837	837	-
Total income for separately funded activities	(281)	(291)	(10)	(837)	(837)	-
<b>Net costs / (income) for separately funded activities</b>	<b>(142)</b>	<b>(169)</b>	<b>(27)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Net Costs</b>	<b>431</b>	<b>452</b>	<b>21</b>	<b>6,356</b>	<b>6,356</b>	<b>-</b>

## 2. Recommendation or decision required

Following review of the quarterly report by the Audit Risk Assurance and Remuneration Committee the Board are asked to note:

- The expenditure for Passenger representation in the period was £459,000 against the forecast of £492,000 a favourable variance of £33,000 (6.7%).
- The expenditure on Road user representation in the period totalled £114,000 against a forecast of £129,000, a favourable variance of £15,000 (11.6%).
- The expenditure on separately funded activities in the period totalled £139,000 and £142,000 has been recovered in advance from third parties for activities to be completed in the coming 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) 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.

### FINANCIAL REVIEW

£000	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
<b>Operating Costs</b>						
Fixed pay	423	439	16	2,723	2,722	(1)
Fixed overheads	107	116	9	726	730	4
Variable overheads	59	68	9	429	422	(7)
Research and project costs	(16)	(2)	14	2,483	2,487	4
Total operating costs	573	621	48	6,361	6,361	-
Operating income	-	-	-	5	5	-
<b>Net operating costs</b>	<b>573</b>	<b>621</b>	<b>48</b>	<b>6,356</b>	<b>6,356</b>	<b>-</b>
<b>Separately funded projects</b>						
Fixed pay	83	82	(1)	478	480	2
Contribution to Fixed overheads	-	-	-	125	134	9
Variable overheads	9	7	(2)	48	48	-
Research and project costs	47	32	(15)	186	175	(11)
Total costs for separately funded activities	139	121	(18)	837	837	-
Total income for separately funded activities	281	291	(10)	837	837	-
<b>Net costs / (income) for separately funded activities</b>	<b>(142)</b>	<b>(170)</b>	<b>(28)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Costs</b>						
Total fixed pay	506	521	15	3,201	3,202	1
Total fixed overheads	107	116	9	851	864	13
Total variable overheads	68	75	7	477	470	(7)
Total research and project costs	31	30	(1)	2,669	2,662	(7)
<b>Total costs</b>	<b>712</b>	<b>742</b>	<b>30</b>	<b>7,198</b>	<b>7,198</b>	<b>-</b>
<b>Total income</b>	<b>281</b>	<b>291</b>	<b>10</b>	<b>842</b>	<b>842</b>	<b>-</b>
<b>Net costs</b>	<b>431</b>	<b>452</b>	<b>21</b>	<b>6,356</b>	<b>6,356</b>	<b>-</b>

### COMMENTARY

#### Operating costs

1. Fixed pay includes staff pay and members fees. The costs for the period are slightly lower than forecast due to slight over provisions made at 31 March 2017. The forecast outturn is line line with budget.
2. 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 due to a reduction in Fleetbank House rental costs as some of the shared meeting room areas have been converted to office space. The forecast outturn is in line with budget.

3. 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, Postage and stationery and telephone costs have been lower than anticipated. The forecast outturn is in largely in line with budget.
4. Total project costs for the period are lower than forecast due to lower than anticipated call centre costs to date in addition to some slight over provisions made at 31 March 2017.
5. Net operating costs for the period are £48,000 lower than forecast to date and the forecast outturn remains in line with budget.

#### Separately funded projects

6. Fixed pay costs are in line with forecast and budget.
7. Fixed overheads are in line with forecast and budget.
8. Variable overheads are in line with forecast and budget.
9. Research and project costs are slightly higher than forecast to date due to profiling of costs. The forecast outturn remains in line with budget.
10. Income is slightly lower than forecast to date as we are still awaiting formal agreement from the Rail Delivery Group (RDG) for Passenger Information During Disruption and Passenger redress scheme funding before billing can commence.
11. £142,000 has been received in advance for activities to be completed in the next quarter.

#### Total Costs

12. Total net costs are £21,000 lower than forecast to date and the outturn is in line with budget.

### NET COSTS BY DIRECTORATE

£000	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
Transport Policy	47	49	2	328	336	8
Transport User Strategy	21	21	-	142	143	1
Communications	47	50	3	334	335	1
Insight	73	78	5	749	680	(69)
Transport User Team	92	97	5	615	613	(2)
Contact team	73	81	8	534	535	1
CEO and Corporate Governance	71	69	(2)	461	459	(2)
Corporate Services	90	101	11	580	579	(1)
Board	23	21	(2)	128	128	-
Cost Allocation	(77)	(75)	2	(551)	(550)	1
Unallocated project budget (PAX)	-	-	-	185	251	66
NRPS	-	-	-	726	722	(4)
BPS	(1)	-	1	225	225	-
Total net costs (PAX)	459	492	33	4,456	4,456	-
Road users	114	129	15	1,900	1,900	-
<b>Total net operating costs</b>	<b>573</b>	<b>621</b>	<b>48</b>	<b>6,356</b>	<b>6,356</b>	<b>-</b>

£000	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
<b>Separately funded projects</b>						
Great Western Railway costs	12	12	-	87	87	-
Franchising costs	24	25	1	261	261	-
South Eastern Franchise - Qual	-	-	-	-	-	-
East Midlands Franchise	30	30	-	60	60	-
Greater Anglia Railway	7	7	-	37	37	-
Northern Trans Pennine	8	7	(1)	52	52	-
South East Quadrant	5	5	-	41	41	-
Passenger Information	14	15	1	100	100	-
HS2 Passenger panel	9	8	(1)	75	75	-
GWR Planned Engineering	13	-	(13)	-	-	-
National rail passenger survey	-	-	-	40	40	-
Caledonian Sleeper GSS	-	-	-	31	31	-
Rail Passenger Redress Scheme	17	13	(4)	53	53	-
Total costs for separately funded activities	139	122	(17)	837	837	-
Total income for separately funded activities	281	291	10	837	837	-
<b>Net costs / (income) for separately funded activities</b>	<b>(142)</b>	<b>(169)</b>	<b>(27)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Net Costs</b>	<b>431</b>	<b>452</b>	<b>21</b>	<b>6,356</b>	<b>6,356</b>	<b>-</b>

### Operating costs

1. The costs for the teams represent their direct costs plus an allocation of overheads.
2. The total costs for the two months for all directorates are largely in line with forecast.

In addition:

The Contact team costs are lower than forecast as Ventrica call centre costs have been lower than anticipated in April and May

The Corporate Services team costs are lower than forecast due to lower than anticipated Travel and subsistence. In addition Postage and Telephone contracts have been renegotiated resulting in lower than originally forecasted costs.

The forecast outturn is largely in line with budget for most directorates. However:

The Insight team forecast outturn is higher than budget due to the allocation of funds from the Unallocated project budget.

The NRPS forecast outturn is higher than budget due to allocation of funds from the Unallocated project budget for NRPS technical analysis.

### Roads

3. Costs for Road user representation include an allocation of overheads.

Costs to date for Road user representation are lower than forecast as the allocation of fixed overheads and Travel and subsistence costs have been lower than anticipated for the first two months. £350,000 unallocated project budget remains available to be allocated to projects. The forecast outturn is in line with budget and includes £155,000 carried forward from 2016/17 to complete 2016/17 project commitments.

### Separately funded projects

4. Costs for separately funded projects are slightly higher than forecast due to profiling of budgets for the Great Western Railway Planned Engineering research. The forecast will be updated in June. Income is lower than forecast as although funding has been agreed with the RDG for Passenger Information During Disruption costs we are still awaiting formal agreement before sales invoices can be issued. In addition income date for the Rail Passenger Redress Scheme is that provided by DfT and carried forward from 2016/17, and we are still in discussion with RDG about the total amount of funding available for further costs to be incurred this year.

### Summary

Total net costs to date are £431,000 and are £21,000 (4.7%) lower than forecast.

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.
- although agreed in principle, confirmed funding agreements are still outstanding with the Rail Delivery Group (RDG) for Passenger information during disruption and the Rail Passenger Redress Scheme. We will continue communication with the RDG to ensure these funding agreements are formalised.
- 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.