Board Meeting Paper

Jul 17 BM C 2.0

Report for	☐ Decision ☐ Discussion / Debate ☑ Information only
Sensitive Information ?	☐ Yes ☑ No
If sensitive, protective marking	
Date of Meeting	14 November 2017
Agenda Item	C 2.0
Report Title	Finance Report – 31 August 2017
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1. Summary

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

The format of this report has been updated following feedback from a number of users.

The total net operating cost budget for 2017-18 is £6.36 million. Net operating costs for the five months to 31 August were £1,624,000 against the forecast of £1,649,000, a favourable variance of £25,000. An unallocated budget of £139,000 remains available for Passenger activities and £223,000 for Roads activities.

In addition to the Grant in Aid this year, separate funding has been secured totalling £1,076,000. Costs of £405,000 have been incurred to date and £26,000 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	1,130	1,148	18	4,461	4,461	-
Road User Representation	496	502	6	1,900	1,900	-
Operating Income	(2)	(1)	1	(5)	(5)	-
Total Net Operating Costs	**1,624**	**1,649**	**25**	**6,356**	**6,356**	**-**
Total costs for separately funded activities	405	410	5	1,076	1,111	(35)
Total income for separately funded activities	(431)	(498)	(67)	(1,076)	(1,111)	35
Net costs / (income) for separately funded activities	**(26)**	**(88)**	**(62)**	**-**	**-**	**-**
Total Net Costs	**1,598**	**1,561**	**(37)**	**6,356**	**6,356**	**-**

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 £1,130,000 against the forecast of £1,148,000 a favourable variance of £18,000 (1.6%).
- The expenditure on Road user representation in the period totalled £496,000 against a forecast of £502,000, a favourable variance of £6,000 (1.2%).
- The expenditure on separately funded activities in the period totalled £405,000 and £26,000 has been recovered in advance from third parties for activities to be completed in the coming quarter.
- We have completed a budget review during August which has highlighted a number of changes will be required to the Forecast outturn but the overall costs will remain within the agreed budget allocation for the year. The changes to the forecast will be reflected in the September accounts.

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
Operating Costs						
Fixed pay	1,085	1,089	4	2,740	2,722	(18)
Fixed overheads	245	247	2	736	729	(7)
Variable overheads	143	154	11	436	422	(14)
Research and project costs	153	160	7	2,448	2,487	39
Total operating costs	1,626	1,650	24	6,360	6,360	-
Operating income	2	1	1	5	5	-
Net operating costs	**1,624**	**1,649**	**25**	**6,355**	**6,355**	**-**
Separately funded projects						
Fixed pay	208	217	9	500	500	-
Contribution to Fixed overheads	41	34	(7)	151	151	-
Variable overheads	31	19	(12)	46	46	-
Research and project costs	125	140	15	379	414	35
Total costs for separately funded activities	405	410	5	1,076	1,111	35
Total income for separately funded activities	431	498	(67)	1,076	1,111	35
Net costs / (income) for separately funded activities	**(26)**	**(88)**	**(62)**	**-**	**-**	**-**
Total Costs						
Total fixed pay	1,293	1,306	13	3,240	3,222	(18)
Total fixed overheads	286	281	(5)	887	880	(7)
Total variable overheads	174	173	(1)	482	468	(14)
Total research and project costs	278	300	22	2,827	2,901	74
Total costs	2,031	2,060	29	7,436	7,471	35
Total income	433	499	66	1,081	1,116	35
Net costs	**1,598**	**1,561**	**(37)**	**6,356**	**6,356**	**-**

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 higher than budget due to additional freelance support required for the Research panel management. The additional costs will be funded from the unallocated project budget.
2. 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 forecast outturn is slightly higher than budget due additional pressures in IT support being partially offset by a greater than originally budgeted element of our fixed heads re-allocated to Separately funded projects. The additional costs will be funded from the unallocated project 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 higher than budget as the Board budget was set on the assumption that the reduced board programme proposed in the Spending Review 2015 plans would be implemented from 1 April 2017. The additional costs are being funded from the unallocated project budget.
4. Research and 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. The Forecast Outturn is lower than budget due to a re-allocation of funds from the unallocated project budget to Fixed pay, Fixed and Variable overheads.
5. Net operating costs for the period are £26,000 lower than forecast to date and the forecast outturn remains in line with

Separately funded projects

6. Fixed pay costs are slightly lower than forecast due to differences from the budget profile. The forecast outturn is in line with budget.
7. Fixed overheads are slightly higher than forecast due to differences from the budget profile. The forecast outturn is in line with budget.
8. Variable overheads are higher than forecast due to differences from the budget profile. The forecast outturn is in line with budget.
9. Research and project costs are lower than forecast due to profiling of costs. The forecast outturn is lower than budget as some costs originally assumed to be for Franchising were re-allocated to NRPS and Rail Passengers with a Disability
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 funding before billing can commence. The forecast is lower than budget due to a re-allocation of funds to NRPS and Rail Passengers With A Disability research.
11. £27,000 has been received in advance for activities to be completed in the next quarter.

Total Costs

12. Total net costs are £37,000 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	126	128	2	328	338	10
Transport User Strategy	60	58	(2)	152	144	(8)
Communications	113	115	2	325	321	(4)
Insight	185	188	3	776	684	(92)
Transport User Team	246	247	1	661	615	(46)
Contact team	193	197	4	538	537	(1)
CEO and Corporate Governance	177	179	2	483	460	(23)
Corporate Services	224	231	7	599	581	(18)
Board	57	57	-	142	128	(14)
Cost Allocation	(235)	(235)	-	(637)	(550)	87
Unallocated project budget (PAX)	-	-	-	138	251	113
NRPS	(20)	(21)	(1)	726	722	(4)
BPS	2	3	1	225	225	-
Total net costs (PAX)	1,128	1,147	19	4,456	4,456	-
Road users	496	502	6	1,900	1,900	-
Total net operating costs	**1,624**	**1,649**	**25**	**6,356**	**6,356**	**-**

NET COSTS BY DIRECTORATE (CONTD.)

£000	Year to Date Actual	Year to Date Forecast	Year to Date Variance	Full Year Forecast Outturn	Full Year Budget	Full Year Variance
Separately funded projects						
Great Western Railway costs	35	35	-	87	87	-
Franchising costs	81	84	3	201	261	60
South Eastern Franchise - Qual	-	-	-	-	-	-
East Midlands Franchise	60	60	-	60	60	-
Greater Anglia Railway	12	12	-	48	48	-
Northern Trans Pennine	21	20	(1)	52	52	-
South East Quadrant	15	16	1	41	41	-
Passenger Information	39	40	1	100	100	-
HS2 Passenger panel	49	50	1	100	75	(25)
GWR Planned Engineering	13	13	-	13	13	-
National rail passenger survey	21	21	-	107	107	-
Caledonian Sleeper GSS	2	2	-	31	31	-
Rail Passenger Redress Scheme	57	57	-	171	171	-
Total costs for separately funded activities	405	410	5	1,011	1,046	35
Total income for separately funded activities	431	498	67	1,076	1,111	35
Net costs / (income) for separately funded activities	**(26)**	**(88)**	**(62)**	**(65)**	**(65)**	**-**
Total Net Costs	**1,598**	**1,561**	**(37)**	**6,291**	**6,291**	**-**

Operating costs

1. The costs for the teams represent their direct costs plus an allocation of overheads.
2. The total costs for the five 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.

   There are a number of variances between forecast outturn and budget:

   The Transport Policy team forecast outturn is slightly lower than budget as some External support costs originally assumed to be Policy related have been re-allocated to the Rail Passenger Ombudsman scheme.

   The Transport User Strategy team forecast outturn is slightly higher than budget due to Staff and Travel and subsistence costs being slightly higher than originally budgeted.

   The Communications team forecast outturn is higher than budget due to costs for the redesign of our publication templates not built into the original budget.

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

   The Transport User team forecast outturn is higher than budget due to an additional allocation of funds for IT support and Technical advice costs which the original budgets assumed would cease at 31 March 2017.

   The Contact team forecast outturn is in line with budget

   The CEO and Corporate Governance forecast outturn is higher than budget due to additional External Support and Legal costs not assumed in the original budget.

   The Corporate Services team forecast outturn is higher than budget due to IT contract retendering costs which have been partially offset by an overestimation of costs for Piccadilly Gate office accommodation costs.

   The Board forecast outturn is higher than budget as the budget for the Board budget was set on the assumption that the reduced board programme proposed in the Spending Review 2015 plans would be implemented from 1 April 2017. This has not been the case.

   The Cost allocation outturn is higher than budget due to incorrect assumptions in the original budget.

   To date £113,000 has been allocated to projects in the year and the Unallocated project budget currently has an uncommitted balance of £138,000.

Roads

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

   Costs to date for Road user representation are slightly lower than forecast. At 31 August 2017 £223,000 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 largely in line with forecast and the forecast outturn is lower than budget due to a re-allocation of costs from Franchising to NRPS and Rail Passengers With a Disability Research which have been partially offset by an increase costs for the HS2 Passenger Panel following agreement of the new contract. 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.

Summary

Total net costs to date are £1,598,000 and are £37,000 (2.4%) lower than forecast, and following a budget review completed in

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.