

Board Meeting Paper

Mar 18 BM B 2.0

Report for

- ☐ Decision
☐ Discussion / Debate
☒ Information only

Sensitive Information ?

- ☐ Yes
☒ No



If sensitive, protective marking

Date of Meeting

13 March 2018

Agenda Item

B 2.0

Report Title

Finance Report – 30 November 2017

Sponsor

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Author (s)

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1. Summary

The report is extracted from the detailed Management Accounts as at 30 November 2017.

The total net operating cost budget for 2017-18 is £6.36 million. Net operating costs, excluding separately funded activities, for the five months to 30 November were £3,160,000 against the forecast of £3,174,000, a favourable variance of £14,000. An unallocated budget of £324,000 remains available for Passenger activities and £89,000 for Roads activities, and plans are being finalised and are awaiting approval which will utilise the available funds.

In addition to the Grant in Aid this year, separate funding has been secured totalling £1,153,000 of which £661,000 has been received to date against the forecast of £724,000, a unfavourable variance of £63,000. This is due to us still awaiting formal agreement and billing details from the Rail Delivery Group for funding of the Passenger Information During Disruption workstream. Total Costs of £665,000 have been incurred to date and a net total of £4,000 is to be recovered for activities completed to date.

A summary breakdown is provided below:

£000	Year to Date			Year to Date		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
Passenger Representation	2,302	2,310	8	4,461	4,461	-
Road User Representation	861	867	6	1,900	1,900	-
Operating Income	(3)	(3)	-	(5)	(5)	-
Total Net Operating Costs	3,160	3,174	14	6,356	6,356	-
Total costs for separately funded activities	665	669	4	1,153	1,182	(29)
Total income for separately funded activities	(661)	(724)	(63)	(1,153)	(1,182)	29
Net costs / (income) for separately funded activities	4	(55)	(59)	-	-	-
Total Net Costs	3,164	3,119	(45)	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 £2,302,000 against the forecast of £2,310,000 a favourable variance of £8,000 (0.3%).
- The expenditure on Road user representation in the period totalled £861,000 against a forecast of £867,000, a favourable variance of £6,000 (0.7%).
- The expenditure on separately funded activities in the period totalled £665,000 and £4,000 is to be recovered for activities completed to date
- Total net costs in the period were £3,164,000 against a forecast of £3,119,000, a unfavourable variance of £45,000 (1.4%).

The audit and risk assurance committee are also asked to note:

- The income accounting treatment has been amended to an accruals basis following approval by the audit and risk assurance committee and is reflected in these accounts
- A budget review was completed during November and the forecasts has been updated to reflect changes.

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, and all other project or 'ring-fenced' income (eg research joint funding, HS2, GWR) is accounted for an accruals basis. This means that all income is recognised on a percentage complete basis in the month it relates to. 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	1,773	1,773	-	2,685	2,722	37
Fixed overheads	405	410	5	535	729	194
Variable overheads	236	241	5	400	422	22
Research and project costs	749	753	4	2,741	2,488	(253)
Total operating costs	3,163	3,177	14	6,361	6,361	-
Operating income	3	3	-	5	5	-
Net operating costs	3,160	3,174	14	6,356	6,356	-
Separately funded projects						
Fixed pay	340	340	-	537	537	-
Contribution to Fixed overheads	64	65	1	198	198	-
Variable overheads	53	48	(5)	90	90	-
Research and project costs	208	216	8	328	357	29
Total costs for separately funded activities	665	669	4	1,153	1,182	29
Total income for separately funded activities	661	724	(63)	1,153	1,182	29
Net costs / (income) for separately funded activities	4	(55)	(59)	-	-	-
Total Costs						
Total fixed pay	2,113	2,113	-	3,222	3,259	37
Total fixed overheads	469	475	6	733	927	194
Total variable overheads	289	289	-	490	512	22
Total research and project costs	957	969	12	3,069	2,845	(224)
Total costs	3,828	3,846	18	7,514	7,543	29
Total income	664	727	63	1,158	1,187	29
Net costs	3,164	3,119	(45)	6,356	6,356	-

COMMENTARY**Operating costs**

1. Fixed pay includes staff pay and members fees. The costs for the period are in line with forecast. The forecast outturn is lower than budget due to later than anticipated start dates for a number of support roles, and additional staff cost re-allocations to Separately funded projects.
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 lower than budget due mainly to a greater than originally budgeted element of our fixed heads being re-allocated to Separately funded activities.
3. Variable overheads include costs for travel and subsistence, training, printing, postage, stationery and telephones. The costs for the period are largely in line with forecast. The forecast outturn is lower than budget as higher than originally budgeted costs for recruitment, Board printing, template design and external support costs for the Western Route Board, have been offset by lower than anticipated Travel and subsistence, Training and development, Telephone, Postage and stationery and Depreciation costs.
4. Research and project costs are largely in line with forecast to date. The Forecast Outturn is higher than budget as favourable variances on Fixed pay, Fixed overheads, and Variable overheads have been made available to spend on additional research.
5. Net operating costs funded by Grant in aid for the period are £14,000 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 higher than forecast due to slight 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 research.
10. Income is 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. Based on discussions to date it is now expected that RDG will provide funding for the eight months to 30 November, and not to 31 March 2018 as originally anticipated. As a result of this the staffing costs for December to March 2018 have been allocated to Grant in aid funded activities. A purchase order request has been issued to the RDG on this basis.
11. A net total of £4,000 is to be recovered for activities completed to date.

Total Costs

12. Total net costs are £45,000 higher than forecast to date due mainly to the delays in the outstanding billing information from the RDG. 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	190	191	1	306	320	14
Transport User Strategy	94	94	-	158	142	(16)
Communications	187	188	1	303	320	17
Insight	488	489	1	747	678	(69)
Transport User Team	403	404	1	578	610	32
Contact team	360	364	4	533	576	43
CEO and Corporate Governance	296	294	(2)	519	457	(62)
Corporate Services	358	360	2	610	577	(33)
Board	90	90	-	139	128	(11)
Cost Allocation	(376)	(376)	-	(721)	(550)	171
Unallocated project budget (PAX)	-	-	-	324	251	(73)
NRPS	115	116	1	726	722	(4)
BPS	94	93	(1)	234	225	(9)
Total net costs (PAX)	2,299	2,307	8	4,456	4,456	-
Road users	861	867	6	1,900	1,900	-
Total net operating costs	3,160	3,174	14	6,356	6,356	-

NET COSTS BY DIRECTORATE (CONTD.)

£000	Year to Date			Full Year		
	Actual	Forecast	Variance	Forecast Outturn	Budget	Variance
Separately funded projects						
Great Western Railway costs	56	56	-	87	87	-
Franchising costs	129	131	2	201	261	60
South Eastern Franchise - Qual	-	-	-	-	-	-
East Midlands Franchise	60	60	-	60	60	-
Greater Anglia Railway	20	20	-	48	48	-
Northern Trans Pennine	34	33	(1)	56	52	(4)
South East Quadrant	25	25	-	41	41	-
Passenger Information	62	62	-	67	100	33
HS2 Passenger panel	83	82	(1)	101	75	(26)
GWR Planned Engineering	13	13	-	13	13	-
National rail passenger survey	54	54	-	136	136	-
National rail passenger survey Scotland	31	32	1	65	65	-
Caledonian Sleeper GSS	4	5	1	28	31	3
Mersey Rail Passenger Panel	8	9	1	37	-	(37)
Network Rail Rail Supervisory Board	-	-	-	14	14	-
Rail Passenger Ombudsman Scheme	86	87	1	199	199	-
Total costs for separately funded activities	665	669	4	1,153	1,182	29
Total income for separately funded activities	661	724	63	1,153	1,182	29
Net costs / (income) for separately funded activities	4	(55)	(59)	-	-	-
Total Net Costs	3,164	3,119	(45)	6,356	6,356	-

Operating costs

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

In addition:

The Contact team costs are slightly lower than forecast as Ventrice call centre costs have been slightly lower than anticipated.

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

The Transport Policy team forecast outturn is lower than budget as increased fixed pay costs as a result of a anticipated shortfall in Passenger Information During Disruption funding has been offset by lower than anticipated Technical advice costs

The Transport User Strategy team forecast outturn is higher than budget due to increased staff fixed pay costs as a result of the budget shortfall for Passenger Information During Disruption funding

The Communications team forecast outturn is lower than budget due to lower than budgeted website maintenance costs

The Insight team forecast outturn is higher than budget due to the allocation of funds from the Unallocated project budget and additional freelance support requirements

The Transport User team forecast outturn is lower than budget due largely to a later than anticipated start date of the team support role.

The Contact team forecast is lower than budget due to lower than anticipated overtime payments for the team and a re-allocation of some staff costs to the Rail Passenger Ombudsman Scheme. In addition forecast call centre costs are lower than anticipated.

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 and additional allocation of funds from the Unallocated project 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.

The Unallocated project budget is currently £324,000 and a £20,000 contingency budget is available. The half year budget review identified a number of planned projects which are being finalised which will commit the unallocated budget to 31 March 2018, subject to the appropriate approvals.

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 30 November 2017 £89,000 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 and earlier end date of 30 November 2017 for the RDG funded Passenger Information During Disruption programme, which have been partially offset by an increase costs for the HS2 Passenger Panel following agreement of the new contract and costs for the Mersey Rail Passenger Panel which were not built in to the original budget. Income is lower than forecast as although funding has been agreed with the RDG for Passenger Information During Disruption costs to 30 November we are still awaiting formal agreement before sales invoices can be issued.

Summary

Total net costs to date are £3,164,000 and are £45,000 (1.4%) higher than forecast. 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. We are actively pursuing this 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.