

Executive

Month 3 Revenue Forecast 2019/20

Item no: 7

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Summary

This report summarises actual income expenditure recorded in the accounts as at 30 June 2019 (Month 3), provides a projected outturn figure for the year and highlights any significant forecast variances against the approved budget. A separate forecast is provided for each of London Councils three funding streams. The Executive is also provided with an update on London Councils reserves. The summary forecast outturn position is as follows:

	M3 Actual	Budget	Forecast	Variance
	£000	£000	£000	£000
Total expenditure	95,808	381,774	378,864	(2,910)
Total income	(96,162)	(379,918)	(378,255)	1,662
Use of reserves	-	(1,856)	(2,077)	(220)
Net deficit/(surplus)	(354)	-	(1,468)	(1,468)
Net expenditure by Committee				
Grants	(68)	-	(36)	(36)
Transport and Environment	311	-	(299)	(299)
Joint	(597)	-	(1,133)	(1,133)
Net deficit/(surplus)	(354)	-	(1,468)	(1,468)

Recommendations The Executive is asked to note the overall forecast surplus as at 30 June 2019 (Month 3) of £1.468 million and note the position on reserves as detailed in paragraphs 18-19.

Month 3 Revenue Forecast 2019/20

Introduction

1. London Councils revenue expenditure budget for 2019/20, as approved by the Leaders' Committee in December 2018, was £386.764 million. The budget was then adjusted to reflect the decision of TEC to bring forward underspends of £133,000 that arose in 2018/19 into the current year. In addition, the TEC budget was reduced by a further £621,000 on confirmation of the finalised funding available from boroughs and TfL for the Taxicard Scheme in 2019/20 and £503,000 for Rail Delivery Group payments, making a revised expenditure budget for 2018/19 of £381.774 million.
2. The corresponding revenue income budget approved by the Leaders' Committee in December 2018 was £382.765 million, which included an approved transfer of £1.724 million from reserves. Additional transfers from reserves of £133,000 were made to cover carry forward expenditure (see paragraph 1), plus reduced Taxicard funding from the boroughs of £621,000. Finally, there was a reduction in Borough contributions to the Rail Delivery Group of £503,000. Total revised income, therefore, is budgeted to be £381.774 million, of which £1.856 million is an approved transfer from reserves to produce a balanced budget for the year.
3. This report analyses actual income and expenditure after three months of the current financial year and highlights any significant variances emerging against the approved budget.
4. Table 1 below details the overall forecast position, with Tables 2-4 showing the position for the three separate funding streams.

Table 1 – Summary Income and Expenditure Forecast 2019/20, as at 30 June 2019.

	M3 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	1,349	5,742	5,446	(296)
Running Costs	795	3,562	3,391	(171)
Central Recharges	206	491	825	334
Total Operating Expenditure	2,350	9,796	9,662	(133)
Direct Services	2,620	9,221	9,482	261
Payments in respect of Freedom Pass and Taxicard	88,691	355,105	351,479	(3,626)
Commissioned grants services	1,521	6,173	6,151	(22)
London Funders Group	60	60	60	-
S.48 ESF commissions	510	102	1,006	904
Improvement and Efficiency work	25	201	125	(76)

YPES Regional/Provider Activities	10	50	50	-
Challenge Implementation Fund	21	525	525	-
Commissioning and Research	0	542	324	(218)
Total Expenditure	95,808	381,774	378,864	(2,910)
Income				
Contributions in respect of Freedom Pass and Taxicard	(89,062)	(355,254)	(351,987)	3,267
Borough contribution towards grant payments	(1,823)	(6,173)	(6,382)	(209)
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Income for direct services	(2,275)	(9,790)	(10,175)	(385)
Core Member Subscriptions	(1,521)	(5,744)	(5,744)	-
Borough contribution towards LCP payments	(341)	(496)	(454)	42
Government Grants	(274)	(58)	(523)	(465)
Interest on Investments	(42)	(74)	(166)	(92)
Other Income	(78)	(285)	(342)	(57)
Central Recharges	(566)	(1,864)	(2,302)	(438)
Transfer from Reserves	-	(1,856)	(2,077)	(221)
Total Income	(96,162)	(381,774)	(380,332)	1,442
Net Expenditure	(354)	-	(1,468)	(1,468)
Applied to Funding Streams				
Grants Committee	(68)	-	(36)	(36)
Transport and Environment Committee	311	-	(299)	(299)
Joint Committee Functions	(597)	-	(1,133)	(1,133)
Net Expenditure	(354)	-	(1,468)	(1,468)

Revenue Forecast Position as at 30 June 2019 – Grants Committee

5. Table 2 below summarises the forecast outturn position for the Grants Committee:

Table 2 – Summary Forecast – Grants Committee

	M3 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	71	328	277	(51)
Running Costs	12	19	19	-
Central Recharges	67	227	266	39
Total Operating Expenditure	150	574	562	(12)
S.48 Commissioned services	1,521	6,173	6,151	(22)
S.48 ESF Commissioned services	510	102	1,006	904
London Funders Group	60	60	60	-
Total Expenditure	2,241	6,909	7,779	870

Income				
Borough contributions towards commissioned services	(1,823)	(6,173)	(6,382)	(209)
Borough contributions towards the administration of commissions	(209)	(495)	(495)	-
ESF Grant	(274)	(58)	(523)	(465)
Interest on Investments	(3)	-	(12)	(12)
Other Income	-	-	-	-
Transfer from Reserves	-	(183)	(403)	(220)
Total Income	(2,309)	(6,909)	(7,815)	(906)
Net Expenditure	(68)	-	(36)	(36)

6. The projected deficit of £36,000, is broadly split between the following:

- A projected underspend of £22,237 in respect of 2019/20 S.48 borough funded commissioned services which largely relates to St Mungo Community Housing Association;
- An additional sum of £12,000 from investment income is forecasted to be received on Committee reserves, not previously budgeted for;
- An underspend of £51,000 in respect of employee costs due to vacancies within the team and an underspend on the maternity provision, although partly offset by a reduction in draw down from ESF reserves, therefore net underspend of £41,000;
- A detailed review of how London Councils apportions its central costs between the three committees has identified an anomaly within the recharges model. Some overheads, which are attributed to members of staff working on Grants related activities, were not being fully passed on to Grants. This has now been addressed and has resulted in additional costs of approximately £39,000 being included in the Grants forecast; and
- There is also projected planned overspend in respect of anticipated payments made in respect of the S.48 ESF programme largely due to the timing and slippage of the programme. The S.48 ESF programme was completed by 30 June 2019 and the additional expenditure above the approved budget is met by accumulated ESF reserves and ESF grant.

Revenue Forecast Position as at 30 June 2019 – Transport and Environment Committee

7. Table 3 below summarises the forecast outturn position for the Transport and Environment Committee:

Table 3 – Summary Forecast – Transport and Environment Committee

	M3 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	179	716	731	15
Running Costs	23	271	203	(68)
Central Recharges	93	77	372	295
Total Operating Expenditure	295	1,064	1,306	242

Direct Services	2,620	9,221	9,483	262
Research	0	40	37	(3)
Payments in respect of Freedom Pass and Taxicard	88,691	355,105	351,479	(3,626)
Total Expenditure	91,606	365,430	362,305	(3,125)
Income				
Contributions in respect of Freedom Pass and Taxicard	(89,061)	(355,254)	(351,987)	3,267
Income for direct services	(2,190)	(9,689)	(10,074)	(386)
Core Member Subscriptions	(24)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	(12)	-	(47)	(47)
Other Income	(8)	(71)	(79)	(8)
Transfer from Reserves	0	(320)	(320)	-
Total Income	(91,295)	(365,430)	(362,604)	2,826
Net Expenditure	311	-	(299)	(299)

8. The projected surplus of £299,000 is made up broadly of the following:

- A projected overall surplus of £140,000 in respect of TEC parking traded services, after considering an estimate of the level of borough/TfL/GLA usage volumes during the first quarter. This is attributable to a number of areas.
 - Firstly, there is a projected net surplus of £172,000 in respect of environmental and traffic appeals. This is made up of a surplus in appeals income of £178,000 less a net additional costs against budget of £6,000 on Northgate unit charges and adjudicator fees. The estimated number of notice of appeals and statutory declarations received over the first three months amounts to 10,817, giving a projected number for the year of 43,268 which is 1,574 more than the budgeted figure of 41,694. The current indicative throughput of appeals is 3.37 appeals per hour, compared to a budget figure of 3.41;
 - Secondly, the transaction volumes for other parking systems used by boroughs and TfL over the first quarter are projected to result in a net deficit of £36,000;
 - In April 2019 the Ultra Low Emission Zone (ULEZ) was introduced to London, the result of which is an increase in appeals being heard. Northgate fixed costs have been increased by £131,000 to reflect this increased activity the costs of which will be fully recovered from the GLA/TfL; and

- Finally, the other Northgate fixed costs i.e. excluding the above, are forecasted to underspend by £4,000, which reflects a lower than anticipated inflation factor applied to the annual contract increase compared to when the budget was set.
- A detailed review of how London Councils apportions its central costs between the three committees has identified an anomaly within the existing recharges model. Some overheads, which are attributed to members of staff working on TEC related activities, were not being fully passed on to TEC. This has now been addressed and has resulted in additional costs being included in the TEC forecast, largely within the central recharges line but also within Direct Services lines, such as Freedom Pass & Taxicard.
- At this early stage of the financial year, the number of claims available from the independent bus operators is not high enough to make an accurate assessment of trip data and therefore the payments which will be made for the year. The forecasted level of payments is therefore being kept in line with the £1.5 million budget. A detailed review of the claims received over the coming months will be carried out and any estimated variance will be reported to this committee in the 6-monthly report.
- A projected underspend of £118,000 in respect of the £1.518 million budget for the issuing/reissuing costs of Freedom Passes. This however is based on invoices received in the early part of the year so may fluctuate during the period. This budget will therefore be monitored and managed throughout the financial year.
- Based on income collected during the first quarter, income receipts from replacement Freedom Passes are forecast to exceed the budget of £750,000 by £243,000, which will be applied to into the TEC committee Specific Reserve.
- Based on income collected during the first quarter, receipts from Lorry Control PCN income are forecast to exceed the budget of £900,00 by approximately £100,000.
- A forecasted amount of interest on investments of £47,000.

Revenue Forecast Position as at 30 June 2019 – Joint Committee Core Functions

9. Table 4 below summarises the forecast outturn position for the Joint Committee core functions:

Table 4 – Summary Forecast – Joint Committee core functions

	M3 Actual	Budget	Forecast	Variance
	£000	£000	£000	£000
Expenditure				
Employee Costs	1,099	4,698	4,438	(260)
Running Costs	760	3,273	3,169	(104)
Central Recharges	47	187	187	-
Total Operating Expenditure	1,906	8,158	7,794	(364)
Direct Services	-	-	-	-
Commissioning and Research	-	502	287	(215)
Improvement and Efficiency work	25	201	125	(76)
YPES Regional/Provider Activities	10	50	50	-
Challenge Implementation Fund	21	525	525	-
Total Expenditure	1,962	9,436	8,781	(655)
Income				
Income for direct services	(87)	(101)	(101)	-
Core Member Subscriptions	(1,288)	(5,152)	(5,152)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Borough contribution towards LCP payments	(341)	(496)	(454)	42
Government Grants	-	-	-	-
Interest on Investments	(27)	(75)	(107)	(32)
Other Income	(70)	(214)	(263)	(49)
Central Recharges	(566)	(1,864)	(2,303)	(439)
Transfer from Reserves	-	(1,354)	(1,354)	-
Total Income	(2,559)	(9,436)	(9,914)	(478)
Net Expenditure/(Income)	(597)	-	(1,133)	(1,133)

10. There is a projected surplus of £1,133,000 is forecast in respect of the joint committee core functions. Employee costs are projected to underspend by £260,000, primarily due to deferring recruitment to certain vacant posts or time lag during recruitment campaigns.

11. There is an anticipated underspend of £104,000 in running costs against an annual budget of £3.273 million. The underspend is spread across several small budgets therefore cannot be attributable to any one area. Expenditure will be closely monitored and reported on for the remainder of the financial year.

12. Whilst transactions processed during this early stage of the year suggest underspends of £215,000 in respect of the commissioning budget and £76,000 in respect of improvement and efficiency work, these are both budget areas which will be subject to developing proposals

following a direction of travel set by members during the year. These costs are, therefore, liable to fluctuate as the year progresses as new priorities come on stream, thereby incurring in-year costs.

13. A forecasted amount of interest on investments of £107,000 which is £32,000 above the approved budget.
14. Additional other income of £32,000, however the majority of this relates to contributions towards the homelessness awards which is matched with corresponding expenditure.
15. As discussed in paragraphs 6 & 8, a detailed review of how London Councils apportions its central costs between the three committees identified an anomaly in the recharges model. This has now been rectified and resulted in addition income to the joint committee of £439,000.
16. This is offset by a forecasted deficit on income in respect of London Care Placements (LCP) of £42,000. This is a result of three boroughs opting out of the scheme. However, the remaining income is at a level which covers the LCP costs and with prior year surpluses being held there is a low risk of the service overspending.

Externally Funded Projects

17. The externally funded projects are estimated to have matched income and expenditure of just over £4.2 million for 2019/20, including funding for the borough (non S.48) ESF programme and the introduction of the London Office of Technology and Innovation (LOTI). This is based on a review of the indicative budget plans held at London Councils by the designated project officers, which confirms that there is no projected net cost to London Councils for running these projects during 2019/20; any underspend on the external funds received will be carried forward to be utilised in the next financial year. A fuller picture of transactions relating to these activities will be included in the Month 6 forecast report to be present to the November Executive meeting.

Reserves

18. The forecast reserves position for each of the three funding streams for the current year and beyond is illustrated in Table 6 below:

Table 6 – Forecast reserves after all current commitments

	Transport and Environment Committee (£000)	Joint Committee (£000)	Grants Committee (£000)	Total (£000)
General Reserve at 1 April 2019	3,938	5,466	723	10,127
Specific/ESF reserve at 1 April 2019	3,553	-	1,330	4,883
Provisional reserves at 1 April 2019	7,491	5,466	2,053	15,010
Committed in setting 2019/20 budget	(187)	(1,154)	(183)	(1,524)
Balances c/f into 2019/20	(133)	-	-	(133)
Potential ESF grants commitments in 2019/20	-	-	(1,147)	(1,147)
Provisional other commitments for 2019/20 -2021/22	(1,650)	(544)	-	(2,194)
Projected surplus/(deficit) for the year	299	1,133	36	1,468
Uncommitted reserves	5,820	4,901	759	11,480

19. The current level of commitments from reserves, as detailed in Table 6, come to £4,998 million over the short-medium term and are detailed in Table 7 below:

Table 7 – Commitments from Reserves 2019-2022

	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000
Balances b/f from 2018/19	133	-	-	133
Approved transfer from JC general reserves	529	-	-	529
Approved transfer from TEC general reserves	187	-	-	187
Slippage of ESF grants funding	1,330	-	-	1,330
Challenge Implementation Fund	525	-	-	525
Support to the health transition process	100	100	100	300
2020 Freedom Pass reissue	600	300	-	900
TEC priority projects	750	-	-	750
Potential ESF liability on borough funded programme	344	-	-	344
Totals	4,498	400	100	4,998

Conclusions

20. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 30 June 2019 (month 3), together with known future developments. At this point, a forecast underspend of £1.468 million is projected for 2019/20 across the three funding

streams, however this underspend is likely to reduce as priorities are identified during the financial year thereby incurring in-year costs. Uncommitted reserves are currently projected to be just under £11.5 million by the end of the current financial year. Work relating to progressing the recommendations arising from the London Councils Challenge are continuing in 2019/20 and are expected to be finalised during the financial year. The Executive will then be asked to consider the financial implications of any recommendations, which may lead to a potential call on reserves held by each of London Councils three funding streams.

21. The next forecast will be presented to the Executive in November, which will highlight the projected position at the half-way stage of the 2019/20 financial year.

Recommendations

22. The Executive is asked to note the overall forecast surplus as at 30 June 2019 (Month 3) of £1.468 million and note the position on reserves as detailed in paragraphs 18-19.

Financial Implications for London Councils

No additional implications other than detailed in the body of the report.

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

Appendices

None

Background Papers

London Councils Revenue Forecast File 2019/20