

Executive

Month 9 Revenue Forecast 2014/15

Item no: 8

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Summary

This report summarises actual income expenditure recorded in the accounts as at 31 December 2014 (Month 9), 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 summary forecast outturn position is as follows:

	M9 Actual	Budget	Forecast	Variance
	£000	£000	£000	£000
Total expenditure	289,209	391,752	388,348	(3,404)
Total income	(289,638)	(389,743)	(387,376)	2,367
Use of reserves	(1,139)	(2,009)	(2,098)	(89)
Net deficit/(surplus)	(1,568)	-	(1,126)	(1,126)
Net expenditure by Committee				
Grants	250	-	(91)	(91)
Transport and Environment	(890)	-	(418)	(418)
Joint	(928)	-	(617)	(617)
Net deficit/(surplus)	(1,568)	-	(1,126)	(1,126)

Recommendations

The Executive is asked to note the overall forecast surplus as at 31 December 2014 (Month 9) of £1.126 million (surplus £769,000 at Month 6).

Month 9 Revenue Forecast 2014/15

Introduction

1. London Councils revenue expenditure budget for 2014/15, as approved by the Leaders' Committee in December 2013 was £390.763 million. The budget for TEC was then adjusted to reflect the increase of £882,000 in payments to the taxicard provider, plus funding of £107,000 was carried forward from 2013/14 to give a revised expenditure budget for 2014/15 of £391.752 million.
2. The corresponding revenue income budget approved by the Leaders' Committee in December 2013 was £390.763 million, which included an approved transfer of £1.902 million from reserves; £1.309 million of which related to the return of funds to boroughs. Additional income available from both boroughs and TfL for 2014/15 in respect of taxicard was then included, along with a further transfer from reserves of £107,000 in respect of the brought forward expenditure. Total income, therefore, equals £391.752 million, which produces a balanced budget for the year.
3. This report analyses actual income and expenditure at the nine month stage of the current financial year and highlights any significant variances emerging against the approved budget. Briefly, after excluding the £1.852 million projected underspend on taxicard, the projected surplus of £1.126 million is broken down as follows:
 - A projected net underspend of £359,000 in respect of officer employee costs;
 - A projected net deficit of £161,000 in respect of TEC traded services;
 - A projected net underspend of £96,000 relating to commissions in respect of the S.48 grants scheme, £12,000 of which relates to liabilities from 2011/12;
 - A projected overspend of £696,000 relating payments relating to the borough/DWP ESF programme, as the 2013-15 two year programme winds down to completion and slippage in respect of the first year is applied, offset by an increase in ESF grant of £348,000 and a matched by a transfer from accumulated ESF reserves of £72,000 and borough contributions received in advance in 2013/14 of £276,000;
 - A projected underspend of £155,000 on the £2 million budget for payments to independent bus operators, based on invoices received to date in the financial year;
 - An underspend of £290,000 in respect of the commissioning budget and an underspend of £105,000 in respect of improvement and efficiency work; and
 - Projected additional income arising from Lorry Control enforcement and net replacement Freedom Passes income of £102,000 and £190,000 respectively, offset by a projected net deficit on various sources of other income of £10,000.

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 2014/15, as at 31 December 2014.

	M9 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	3,395	5,299	4,940	(359)
Running Costs	2,234	2,769	2,845	76
Central Recharges	230	257	305	48
Total Operating Expenditure	5,859	8,325	8,090	(235)
Direct Services	7,199	11,836	10,442	(1,394)
Payments in respect of Freedom Pass and Taxicard	266,980	359,813	357,835	(1,978)
Commissioned grants services	5,448	7,540	7,444	(96)
London Funders Group	60	60	60	-
ESF commissioned services	2,091	1,880	2,576	696
One-off borough payment	1,139	1,309	1,309	-
Improvement and Efficiency work	167	305	200	(105)
YPES Regional/Provider Activities	134	132	162	30
Commissioning and Research	132	552	230	(322)
Total Expenditure	289,209	391,752	388,348	(3,404)
Income				
Contributions in respect of Freedom Pass and Taxicard	(268,841)	(360,051)	(358,418)	1,633
Borough contribution towards grant payments	(6,957)	(8,540)	(8,816)	(276)
Borough contribution towards YPES payments	(66)	(66)	(66)	-
Income for direct services	(6,552)	(11,920)	(10,440)	1,480
Core Member Subscriptions	(6,016)	(6,131)	(6,131)	-
Borough contribution towards LCP payments	(222)	(210)	(222)	(12)
Government Grants	(680)	(1,461)	(1,826)	(365)
Interest on Investments	(79)	(75)	(81)	(6)
Other Income	(225)	(421)	(460)	(39)
Central Recharges	-	(868)	(916)	(48)
Transfer from Reserves	(1,139)	(2,009)	(2,098)	(89)
Total Income	(290,777)	(391,752)	(389,474)	2,278
Net Expenditure	(1,568)	-	(1,126)	(1,126)
Applied to Funding Streams				
Grants Committee	250	-	(91)	(91)
Transport and Environment Committee	(890)	-	(418)	(418)
Joint Committee Functions	(928)	-	(617)	(617)
Net Expenditure	(1,568)	-	(1,126)	(1,126)

Revenue Forecast Position as at 31 December 2014 – Grants Committee

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

Table 2 – Summary Forecast – Grants Committee

	M9 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	272	350	401	51
Running Costs	15	72	52	(20)
Central Recharges	88	86	117	31
Total Operating Expenditure	375	508	570	62
Research	-	12	-	(12)
Commissioned grants services	5,448	7,540	7,444	(96)
London Funders Group	60	60	60	-
ESF grant payments	2,091	1,880	2,576	696
One-off payment to boroughs	800	800	800	-
Total Expenditure	8,774	10,800	11,450	650
Income				
Borough contribution towards commissions	(6,957)	(8,540)	(8,816)	(276)
Borough contributions towards the administration of commissions	(345)	(460)	(460)	-
Government Grants	(411)	(1,000)	(1,365)	(365)
Interest on Investments	(11)	-	(11)	(11)
Other Income	-	-	-	-
Transfer from Reserves	(800)	(800)	(889)	(89)
Total Income	(8,524)	(10,800)	(11,541)	(741)
Net Expenditure	250	-	(91)	(91)

6. The projected surplus of £91,000, is split between the following:

- A projected underspend of £83,208 in respect of borough funded commissioned services, as agreed by the Grants Committee, relating to 2014/15;
- An underspend of £12,500 relating to a potential liability for 2011/12 which will now not be paid;
- A projected overspend of £696,000 relating payments relating to the borough/DWP ESF programme, as the 2013-15 two year programme winds down to completion and slippage in respect of the first year is applied, offset by an increase in ESF grant of £348,000 and matched by a combined transfer from accumulated ESF reserves of £72,000 and borough contributions received in advance in 2013/14 of £276,000; and
- A projected net overspend of £5,000 in respect of the administration of commissions, compared to a projected net overspend of £44,000 at the half-year stage.

Revenue Forecast Position as at 31 December 2014 – 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

	M9 Actual	Budget	Forecast	Variance
Expenditure				
Employee Costs	374	644	515	(129)
Running Costs	133	134	155	21
Central Recharges	38	42	51	9
Total Operating Expenditure	545	820	721	(99)
Direct Services	7,133	11,770	10,376	(1,394)
Research	-	40	20	(20)
Payments in respect of Freedom Pass and Taxicard	266,980	359,813	357,835	(1,978)
One-off payment to boroughs	-	170	170	-
Total Expenditure	274,658	372,613	369,122	(3,491)
Income				
Contributions in respect of Freedom Pass and Taxicard	(268,841)	(360,051)	(358,418)	1,633
Income for direct services	(6,552)	(11,920)	(10,440)	1,480
Core Member Subscriptions	(97)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	(16)	-	(16)	(16)
Other Income	(42)	(63)	(87)	(24)
Transfer from Reserves	-	(482)	(482)	-
Total Income	(275,548)	(372,613)	(369,540)	3,073
Net Expenditure	(890)	-	(418)	(418)

8. The projected surplus of £418,000 is made up of the following:

- A projected overall deficit of £161,000 in respect of TEC parking traded services, after considering the level of borough/TfL/GLA usage volumes during this nine month period. This is attributable to a number of areas.
- Firstly, there is a projected net deficit of £117,000 in respect of parking and traffic appeals. The number of notice of appeals and statutory declarations processed over this period amounts to 44,273, giving a projected number for the year of 56,957, 13,043 less than the budgeted figure of 70,000. The current throughput of appeals is 2.93 appeals per hour, compared to a budget figure of 3.29.
- Secondly, the use of other parking systems by boroughs and TfL has reduced over this period, which has led to a projected reduction in income of £85,000 for the year offset by a reduction in variable unit charges of £42,000 payable to the contractor, Capita. The projected net deficit for other parking systems is, therefore, £43,000.

- A projected underspend of £88,000 in respect of employee costs. The cost of staff providing direct services (included within the various service administration charges) is estimated to overspend by £26,000, although this is offset by an underspend on staffing costs attributable to non-operational and policy staff of £114,000. In addition, the maternity cover budget is estimated to be underspent by £15,000.
- A projected overall underspend of £155,000 on the £2 million budget for payments to independent bus operators, based on invoices received to date in the financial year;
- Based on income collected during this period and focussing on receipts in the most recent month (December), receipts from Lorry Control PCN income are forecast to exceed the budget of £450,000 by £102,000.
- Based on income collected during this period and focussing on receipts in the most recent month (December) income receipts from replacement Freedom Passes are forecast to exceed the budget of £500,000 by £219,000. This additional income is offset by bank charges of £22,000, plus a projected marginal overspend on annual survey and reissue costs of £7,000.
- In respect of the overall cost of the 2015 Freedom Pass issue exercise, expenditure is projected to be £200,000 less than the £3.141 million budget provision and this sum will be returned to reserves at the end of the process. This sum is also reflected in the current position on reserves as highlighted at Table 2 at paragraph 5.
- Based on income collected during this period and focussing on receipts in the most recent month (December), receipts from the administration of the Health Emergency Badge scheme are forecast to exceed the budget of £30,000 by £26,000.
- Investment income on Committee reserves is estimated to generate £16,000 in the current year, against a zero budgetary provision. The average monthly cash balance held over this nine month period in £2.774 million.
- General/office running costs and central recharges are projected to overspend by £30,000.
- The research budget is projected to underspend by £20,000.

Revenue Forecast Position as at 31 December 2014 – 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

	M9 Actual	Budget	Forecast	Variance
Expenditure				
Employee Costs	2,749	4,305	4,024	(281)
Running Costs	2,086	2,563	2,638	75
Central Recharges	104	129	137	8
Total Operating Expenditure	4,939	6,997	6,799	(198)
Direct Services	66	66	66	-
Commissioning and Research	132	500	210	(290)
Improvement and Efficiency work	167	305	200	(105)
YPES Regional/Provider Activities	134	132	162	30
One-off borough payment	339	339	339	-
Total Expenditure	5,777	8,339	7,776	(563)
Income				
Income for direct services	-	-	-	-
Core Member Subscriptions	(5,574)	(5,574)	(5,574)	-
Borough contribution towards YPES payments	(66)	(66)	(66)	-
Borough contribution towards LCP payments	(222)	(210)	(222)	(12)
Government Grants	(269)	(461)	(461)	-
Interest on Investments	(52)	(75)	(54)	21
Other Income	(183)	(358)	(373)	(15)
Central Recharges	-	(868)	(916)	(48)
Transfer from Reserves	(339)	(727)	(727)	-
Total Income	(6,705)	(8,339)	(8,393)	(54)
Net Expenditure	(928)	-	(617)	(617)

10. A surplus of £617,000 is projected against the approved budget in respect of the joint committee core functions. Employee costs are projected to underspend by £281,000, primarily due to holding off recruiting to certain current vacant posts and maximising charging of salary costs to other funding sources.
11. Improvement and efficiency projects are forecast to underspend by £105,000 due to project slippage and the commissioning budget is forecast to underspend by £290,000.
12. The YPES regional programme is projected to overspend by £30,000, but this is fully offset by additional income sources of £30,000. Residual infrastructure improvements have been undertaken to the meeting rooms and the access control system at Southwark Street, costing

£75,000, but this has been partially funded by the approved carry forward of earmarked reserves from 2013/14.

13. The projected underspends are offset by a small projected deficit on investment income of £21,000 and a deficit in projected income from a number of sources of £15,000.

14. Finally, central recharge income will increase by £48,000 due to the revised methodology in central services chargeable to the TEC and Grants funding streams.

Externally Funded Projects

15. For the externally funded projects managed by London Councils, the projected outturn position is detailed at Table 5 below:

Table 5 – Summary Forecast – Joint Committee external projects

	M9 Actual	Budget Plans	Forecast	Variance
Expenditure				
Employee Costs	458	586	610	24
Running Costs	5,640	6,650	7,679	1,029
Total Expenditure	6,098	7,236	8,289	1,053
Income				
Borough Contributions (Non-grants ESF/ EU)	(6,846)	(7,211)	(8,258)	(1,047)
Other Income	(10)	(25)	(31)	(6)
Transfer from Reserve		0		
Total Income	(6,956)	(7,236)	(8,289)	(1,053)
Revised Net Expenditure	(858)	-	-	-

16. The externally funded projects are estimated to have matched income and expenditure of £8.289 million for 2014/15. This is based on a regular 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 2014/15.

Reserves

17. The current position on the overall level of London Councils reserves is detailed in Table 6 below, which includes the forecast outturn position for the current year this stage:

Table 6 - Estimated level of Reserves as at 31 March 2015

	Transport and Environment Committee (£000)		Joint Committee (£000)	Grants Committee (£000)		Total (£000)
	General	Specific	General	S.48	ESF	
Total audited reserves at 1 April 2014	1,886	1,800	6,051	1,177	773	11,687
Resources committed in 2014/15	(487)	-	(918)	-	(89)	(1,494)
One-off payment to boroughs 2014/15	(170)	-	(339)	(800)	-	(1,309)
Resources committed in 2015/16 and 2016/17	(916)	(1,800)	(1,091)	-	(250)	(4,057)
One-off payment to boroughs 2015/16	-	-	(825)	-	-	(825)
Provisional (deficit)/surplus for 2014/15	418	-	617	91	-	1,126
Provisional reserves as at 31 March 2015	731	-	3,495	468	434	5,128

18. The current level of commitments from reserves, as detailed in Table 6, comes to £7.685 million and are detailed in full in Table 7 below:

Table 7– Current Commitments from Reserves

	2014/15	2015/16	2016/17	Total
	£000	£000	£000	£000
Approved transfer from JC general reserves	164	164	-	328
Approved transfer from TEC general reserves	255	-	-	255
TEC system developments	57	-	-	57
Housing Directors Fund	127	-	-	127
Depreciation provision	50	-	-	50
Accumulated YPES regional funds	174	150	527	851
Slippage of ESG grants funding	89	250	-	339
2015 Freedom Pass Issue	-	2,541	-	2,541
One-off repayment to boroughs in 2013/14	1,309	825	-	2,134
New appeals hearing centre	175	175	-	350
Support to the health transition process	403	250	-	653
Totals	2,803	4,355	527	7,685

19. Table 7 includes the outcome of the 2015/16 budget setting process agreed in December 2014, where members approved the repatriation of £825,000 to boroughs from joint committee reserves, the use of joint committee reserves of £164,000 to set the 2015/16 joint committee budget and the approved sum £250,000 from grants committee reserves to continue funding the 10 existing ESF commissions for the first quarter in 2015/16.

Conclusions

20. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 31 December 2014 (month 9), together with known future developments. At this point, a forecast underspend of £1.126 million is projected for 2014/15, across the three funding streams, compared to £769,000 projected at the half year stage.
21. The next monitoring report will be presented to the Executive in June 2015, which will highlight the pre-audited outturn position against the approved budget for the 2014/15 financial year.

Recommendations

22. The Executive is asked to note the overall forecast surplus as at 31 December 2014 (Month 9) of £1.126 million.

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 2014/15