

Executive

Month 3 Revenue Forecast 2016/17

Item no: 9

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Summary

This report summarises actual income expenditure recorded in the accounts as at 30 June 2016 (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	98,149	397,981	395,875	(2,106)
Total income	(101,224)	(395,489)	(394,382)	1,107
Use of reserves	-	(2,492)	(2,492)	-
Net deficit/(surplus)	(3,075)	-	(999)	(999)
Net expenditure by Committee				
Grants	35	-	(302)	(302)
Transport and Environment	356	-	(699)	(699)
Joint	(3,466)	-	2	2
Net deficit/(surplus)	(3,075)	-	(999)	(999)

Recommendations

The Executive is asked to note the overall forecast surplus as at 30 June 2016 (Month 3) of £999,000 and note the position on reserves as detailed in paragraphs 13-15.

Month 3 Revenue Forecast 2016/17

Introduction

1. London Councils revenue expenditure budget for 2016/17, as approved by the Leaders' Committee in December 2015 was £398.193 million. The budget was then adjusted by £68,000 to reflect the decision of this Committee to bring forward the £23,000 underspend in respect of NOTIFY in 2016/17, plus a £45,000 adjustment in respect of running costs. In addition payments in respect of the taxicard contract have been reduced by £280,000 on confirmation of borough funding for the scheme for 2016/17, making a revised expenditure budget for 2016/17 of £397.981 million.
2. The corresponding revenue income budget approved by the Leaders' Committee in December 2015 was £398.193 million, which included an approved transfer of £2.469 million from reserves; £1.651 million of which related to the return of funds to boroughs from reserves. An additional transfer from reserves of £23,000 was made to cover the NOTIFY carry forward balance (see paragraph 1), plus additional central recharge income of £45,000, together with a reduction in Taxicard funding from the boroughs of £280,000. Total revised income, therefore, is budgeted to be £397.981 million, of which £2.492 million is a transfer from reserves to produce a balanced budget for the year.
3. This report analyses actual income and expenditure after three month of the current financial year and highlights any significant variances emerging against the approved budget. Briefly, after excluding the £639,000 projected underspend on taxicard, the projected surplus of £999,000 is broken down as follows:
 - A projected net underspend of £141,000 in respect of officer employee costs;
 - A projected net deficit of £182,000 in respect of TEC traded services;
 - A projected net underspend of £46,000 relating to commissions in respect of the S.48 grants scheme;
 - A net projected underspend of £235,000 relating to slippage in the start of the new 2016+ joint borough/ESF funded programme;
 - A forecast underspend of £80,000 in respect of the commissioning budget;
 - A forecast underspend of £162,000 in respect of journeys undertaken by independent bus operators as part of the Freedom Pass scheme;
 - A forecast underspend of £503,000 in respect of Freedom Pass issuing/reissuing costs;

- Forecast deficits of £131,000 in respect of LEP funding towards the YPES and £11,000 in respect of overall investment income; and
- Projected additional income arising from Lorry Control enforcement and replacement Freedom Passes of £50,000 and £118,000 respectively, although this is offset by a projected deficit of £11,000 on income from the issue of replacement Taxicards.

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 2016/17, as at 30 June 2016.

	M3 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	1,275	5,378	5,237	(141)
Running Costs	406	2,814	2,814	-
Central Recharges	0	487	487	-
Total Operating Expenditure	1,681	8,679	8,538	(141)
Direct Services	2,705	8,574	8,499	(75)
Payments in respect of Freedom Pass and Taxicard	90,380	368,677	367,383	(1,294)
Commissioned grants services	1,696	7,505	7,459	(46)
London Funders Group	-	60	60	-
ESF commissions	-	1,880	1,410	(470)
One-off borough payments	1,651	1,651	1,651	-
Improvement and Efficiency work	-	265	265	-
YPES Regional/Provider Activities	15	50	50	-
Commissioning and Research	21	640	560	(80)
Total Expenditure	98,149	397,981	395,875	(2,106)
Income				
Contributions in respect of Freedom Pass and Taxicard	(91,195)	(368,790)	(368,258)	532
Borough contribution towards grant payments	(2,127)	(8,505)	(8,505)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Income for direct services	(1,893)	(8,974)	(8,751)	223
Core Member Subscriptions	(5,366)	(5,706)	(5,706)	-
Borough contribution towards LCP payments	(317)	(326)	(326)	-
Government Grants	(25)	(1,131)	(790)	341
Interest on Investments	-	(75)	(64)	11
Other Income	(79)	(289)	(289)	-
Central Recharges	(42)	(1,513)	(1,513)	-
Transfer from Reserves	-	(2,492)	(2,492)	-
Total Income	(101,224)	(397,981)	(396,874)	1,107
Net Expenditure	(3,075)	-	(999)	(999)

Applied to Funding Streams				
Grants Committee	35	-	(302)	(302)
Transport and Environment Committee	356	-	(699)	(699)
Joint Committee Functions	(3,466)	-	2	2
Net Expenditure	(3,075)	-	(999)	(999)

Revenue Forecast Position as at 30 June 2016 – 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	92	382	364	(18)
Running Costs	11	18	18	-
Central Recharges	0	155	155	-
Total Operating Expenditure	103	555	537	(18)
Commissioned grants services	1,696	7,505	7,459	(46)
London Funders Group	-	60	60	-
ESF commissions – 2016+	-	1,880	1,410	(470)
One-off payment to boroughs	486	486	486	-
Total Expenditure	2,285	10,486	9,952	(534)
Income				
Borough contributions towards commissioned services	(2,127)	(8,505)	(8,505)	-
Borough contributions towards the administration of commissions	(123)	(495)	(495)	-
ESF Grant – 2016+	-	(1,000)	(765)	235
Interest on Investments	-	-	(3)	(3)
Other Income	-	-	-	-
Transfer from Reserves	-	(486)	(486)	-
Total Income	(2,250)	(10,486)	(10,254)	232
Net Expenditure	35	-	(302)	(302)

6. The projected surplus of £302,000, is broadly split between the following:

- A projected underspend of £68,000 in respect of S.48 borough funded commissioned services relating to 2016/17, offset by the additional one-off payment of £22,000 to Ashiana, as agreed by the Grants Committee in March 2016, leaving a net projected underspend of £46,000;
- A projected net underspend of £235,000 due to slippage in anticipated payments made in respect of the new 2016+ programme, based on the assumption that the programme becomes operational during the second quarter of 2016/17 and that the funding will be applied at this point, offset by grant receipts; and

- A projected underspend position of £21,000 in respect of the overall administration of all commissions.

Revenue Forecast Position as at 30 June 2016 – 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	142	652	568	(84)
Running Costs	22	297	297	-
Central Recharges	-	74	74	-
Total Operating Expenditure	164	1,023	939	(84)
Direct Services	2,653	8,426	8,351	(75)
Research	-	40	40	-
Payments in respect of Freedom Pass and Taxicard	90,380	368,677	367,383	(1,294)
One-off payment to boroughs	340	340	340	-
Total Expenditure	93,537	378,506	377,053	(1,453)
Income				
Contributions in respect of Freedom Pass and Taxicard	(91,195)	(368,790)	(368,258)	532
Income for direct services	(1,870)	(8,892)	(8,669)	223
Core Member Subscriptions	(97)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	-	-	(1)	(1)
Other Income	(19)	(84)	(84)	-
Transfer from Reserves	-	(643)	(643)	-
Total Income	(93,181)	(378,506)	(377,752)	754
Net Expenditure	356	-	(699)	(699)

8. The projected surplus of £699,000 is made up of the following:

- A projected overall deficit of £182,000 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 deficit of £195,000 in respect of parking and traffic appeals. The estimated number of notice of appeals and statutory declarations received over the first three months amounts to 10,257, giving a projected number for the year of 41,028, 11,857 less than the budgeted figure of 52,885. The current throughput of appeals is 2.58 appeals per hour, compared to a budget figure of 2.76. There have been continued problems with obtaining robust transactional data from the contractor, Northgate Public Services (NPS) over this first quarter; the figures for June

2016 are still be verified. Officers are continuing to work with NPS to ensure that accurate data is received in a timely manner. A more robust comparison should be available at the half-year stage, when a fuller picture of the emerging number of appeals for the year can be captured, together with a more accurate financial forecast.

- Secondly, the transaction volumes for other parking systems used by boroughs and TfL over the first quarter are broadly as per budget, resulting in a projected net surplus of £7,000; and
 - Finally, the fixed cost of the parking managed services contract with NPS is projected to marginally underspend by £5,000.
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- A projected underspend of £61,000 in respect of employee costs. The cost of staff providing direct services (included within the direct services administration charge) is estimated to overspend by £23,000, although this is offset by an underspend on staffing costs attributable to non-operational and policy staff of £54,000. In addition, the maternity cover budget is estimated to be underspent by £30,000.
 - A projected underspend of £162,000 in respect of the £1.7 million budget for payments to independent bus operators, based on initial trends and claims emerging in the early stages of the financial year.
 - A projected underspend of £503,000 in respect of the £1.518 million budget for payments to in respect of the issuing/reissuing costs of Freedom Passes.
 - Based on income collected during the first quarter and the continuing trend into July, receipts from Lorry Control PCN income are forecast to exceed the budget of £750,000 by £50,000.
 - Based on income collected during the first quarter and the continuing trend into July, income receipts from replacement Freedom Passes are forecast to exceed the budget of £550,000 by £118,000. For replacement Taxicards, there is a projected deficit on the £36,000 income budget of £11,000 for the year.

Revenue Forecast Position as at 30 June 2016 – 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	1,041	4,344	4,305	(39)
Running Costs	373	2,499	2,499	-
Central Recharges	0	258	258	-
Total Operating Expenditure	1,414	7,101	7,062	(39)
Direct Services	52	148	148	-
Commissioning and Research	21	600	520	(80)
Improvement and Efficiency work	-	265	265	-
YPES Regional/Provider Activities	15	50	50	-
One-off borough payment	825	825	825	-
Total Expenditure	2,327	8,989	8,870	(119)
Income				
Income for direct services	(23)	(82)	(82)	-
Core Member Subscriptions	(5,114)	(5,114)	(5,114)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Borough contribution towards LCP payments	(317)	(326)	(326)	-
Government Grants	(25)	(131)	(25)	106
Interest on Investments	-	(75)	(60)	15
Other Income	(60)	(205)	(205)	-
Central Recharges	(42)	(1,513)	(1,513)	-
Transfer from Reserves	-	(1,363)	(1,363)	-
Total Income	(5,761)	(8,989)	(8,868)	121
Net Expenditure	(3,434)	-	2	2

10. A near breakeven position is projected against the approved budget in respect of the joint committee core functions. Employee costs are projected to underspend by £39,000, primarily due to holding off recruiting to certain current vacant posts. In addition, there is a forecast underspend of £80,000 in respect of the commissioning budget. Additional income of £25,000 is forecast to accrue in respect of the YPES managed Accelerated Learning Project.
11. These are offset by a projected shortfall of £15,000 in respect of investment income, plus a potential shortfall of £131,000 in respect of LEP funding for the YPES. Officers will continue to liaise with GLA officials to determine whether or not a contribution towards this service will be received in respect of 2016/17.

Externally Funded Projects

12. The externally funded projects are estimated to have matched income and expenditure of just over £7.3 million for 2016/17, including funding for the new ESF 2016+ programme. 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 2016/17. However, 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

13. 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)
Unaudited General Reserve at 31 March 2016	3,269	6,379	634	10,406
Unaudited Specific/ESF Reserve at 31 March 2016	1,000	-	1,358	2,358
Provisional reserves at 31 March 2016	4,269	6,379	1,992	12,640
Committed in setting 2016/17 budget	(303)	(515)	-	(818)
One-off payment to boroughs 2016/17	(340)	(825)	(486)	(1,651)
Balances c/f into 2016/17	-	(23)	-	(23)
Provision for support to 3 rd sector via City Bridge	-	-	(75)	(75)
Borough ESF 2008-15 programme closure provision	-	(300)	-	(300)
Provisional commitments for 2017/18 -2019/20	(1,000)	(606)	(1,000)	(2,606)
Forecast surplus/(deficit) 2016/17	699	(2)	302	999
Uncommitted reserves	3,325	4,108	733	8,166

14. The current level of commitments from reserves, as detailed in Table 6, come to £5.473 million over the short-medium term and are detailed in Table 7 below:

Table 7 – Commitments from Reserves 2016-2020

	2016/17	2017/18	2018-20	Total
	£000	£000	£000	£000
Approved transfer from JC general reserves	164	-	-	164
Approved transfer from TEC general reserves	303	-	-	303
NOTIFY system developments	23	-	-	23
Accumulated YPES funds	150	606	-	756
Slippage of ESG grants funding	-	-	1,000	1,000
One-off repayment to boroughs in 2015/16	1,651	-	-	1,651
Support to the health transition process	201	-	-	201
2020 Freedom Pass reissue	-	-	1,000	1,000
ESF 2008-15 programme closure	300	-	-	300
Support to 3 rd sector via City Bridge Trust	37	38	-	75
Totals	2,829	644	2,000	5,473

Conclusions

15. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 30 June 2016 (month 3), together with known future developments. At this point, a forecast underspend of £999,000 is projected for 2016/17, across the three funding streams. Uncommitted reserves are currently projected to be just under £8.2 million by the end of the current financial year.
16. The next forecast will be presented to the Executive in November, which will highlight the projected position at the half-way stage of the 2016/17 financial year.

Recommendations

17. The Executive is asked to note the overall forecast surplus as at 30 June 2016 (Month 3) of £999,000 and note the position on reserves as detailed in paragraphs 13-15.

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 2016/17