

London Councils TEC Executive Sub-Committee

Month 9 Revenue Forecast 2016/17 Item no: 06

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Summary

This report outlines actual income and expenditure against the approved budget to the end of December 2016 for TEC and provides a forecast of the outturn position for 2016/17. A surplus of £868,000 is forecast over the budget figure. In addition, total expenditure in respect of Taxicard trips taken by scheme members is forecast to underspend by a net figure of £621,000, if current trip volumes continue for the remainder of the year. The net borough proportion of this underspend is projected to be £424,000, with £197,000 accruing to TfL. However, as reported separately on the agenda, some boroughs are forecast to overspend their Taxicard budget and are required to take action accordingly.

Recommendations

The Executive Committee is asked to :

- note the projected surplus of £868,000 for the year, plus the forecast net underspend of £621,000 for overall Taxicard trips, as detailed in this report; and
 - note the projected level of Committee reserves, as detailed in paragraph 5 of this report and the commentary on the financial position of the Committee included in paragraphs 6-8.
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Report

1. This is the final budget monitoring report to be presented to the Committee during the current financial year. The next report will be the provisional outturn figures for 2016/17 which will be reported to the July 2017 meeting of this Committee.
2. The London Councils Transport and Environment Committee's income and expenditure revenue budget for 2016/17, as approved by the Full Committee in December 2015, is set out in Appendix A (Expenditure) and Appendix B (Income), as adjusted for the confirmation of borough funding and TfL funding for the Taxicard scheme for the year. The appendices show the actual income and expenditure at 31 December 2016 and an estimate of the forecast outturn for the year, together with the projected variance from the approved budget.

Variance from Budget

3. The current figures indicate that the Committee is projected to underspend gross expenditure budgets by £1.06 million for the year, although £621,000 relates to payments for taxicard trips. However, a shortfall of income of £192,000 over budgeted targets is likely to arise, including a reduction in the financial contribution from boroughs and TfL towards taxi card of £621,000, making an overall projected surplus of £868,000. Table 1 below summarises the forecast position, with subsequent commentary providing explanations for the variances that are projected.

Table 1 – Summary Forecast as at 31 December 2016

	M9 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	423	652	564	(88)
Running Costs	197	297	247	(50)
Central Recharges	-	74	74	-
Total Operating Expenditure	620	1,023	885	(138)
Direct Services	6,940	8,426	8,852	426
Research		40	20	(20)
Payments in respect of Freedom Pass and Taxicard	273,031	368,677	367,349	(1,328)
One-off payment to boroughs	340	340	340	-
Total Expenditure	280,931	378,506	377,446	(1,060)
Income				
Contributions in respect of Freedom Pass and Taxicard	(272,250)	(368,790)	(368,224)	566
Income for direct services	(5,410)	(8,892)	(9,255)	(363)
Core Member Subscriptions	(97)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	-	-	-	-
Other Income	(41)	(84)	(95)	(11)
Transfer from Reserves	-	(643)	(643)	-
Total Income	(277,798)	(378,506)	(378,314)	192
Net Expenditure	3,133	-	(868)	(868)

4. The projected surplus of £868,000 is made up broadly of the following:

- A projected overall deficit of £162,000 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 £90,000 in respect of environmental and traffic appeals (ETA). The estimated number of notice of appeals and statutory declarations received to date amounts to 31,439, giving a projected number for the year of 41,919, 10,966 less than the budgeted figure of 52,885. The current throughput of appeals is 2.55 appeals per hour, compared to a budget figure of 2.76. Throughput has been affected by the move to a new case management system and new procedures for considering statutory declarations and witness statements. However, with the bedding in of the new systems and further planned enhancements, officers expect to see an increase in throughput over the final quarter of the year and beyond.
 - Secondly, the transaction volumes for the TRACE parking systems used by boroughs and TfL to date have significantly reduced, although use of the TEC system has increased. This has resulted in a projected net deficit of £68,000;
 - Thirdly, payments to the County Court for the registration of parking debt by boroughs is forecast to exceed the £3 million budget by £500,000; however, these additional costs will be fully funded by the boroughs generating the transaction volumes; and
 - Finally, the fixed cost of the parking managed services contract with NPS is projected to marginally underspend by £2,000, although the fixed cost element of the new RUCA contract with the GLA/TfL, which became effective on 1 January 2017, will under recover costs of £5,000.
- A projected underspend of £45,000 in respect of employee costs. The cost of staff providing direct services (included within the direct services administration charge) is estimated to overspend by £43,000, although this is offset by an underspend on staffing costs attributable to non-operational and policy staff of £58,000. In addition, the maternity cover budget is estimated to be underspent by £30,000.
- A projected underspend of £200,000 in respect of the £1.7 million budget for payments to independent bus operators, based on trends and claims emerging during the year.
- A projected underspend of £522,000 in respect of the £1.518 million budget for payments in respect of the issuing/reissuing costs of Freedom Passes.
- A projected underspend of £20,000 in respect of the research budget and a further £50,000 underspend projected in respect of the IT systems development budget.
- Based on income collected to date, receipts from Lorry Control PCN income are forecast to exceed the budget of £750,000 by £133,000.

- Based on income collected to date, income receipts from replacement Freedom Passes are forecast to exceed the budget of £550,000 by £72,000. For replacement Taxicards, there is a projected deficit on the £36,000 income budget of £17,000 for the year.

Committee Reserves

5. Table 2 below updates the Committee on the projected level of reserves as at 31 March 2017, if all current known liabilities and commitments are considered:

Table 2– Analysis of Projected Uncommitted Reserves as at 31 March 2017

	General Reserve	Specific Reserve	Total
	£000	£000	£000
Audited reserves at 31 March 2016	3,269	1,000	4,269
One-off payments to boroughs 2016/17	(340)	-	(340)
Approved in setting 2016/17 budget (December 2015)	(303)	-	(303)
One-off payments to boroughs 2017/18	(340)	-	(340)
Approved in setting 2017/18 budget (December 2016)	(1,288)	1,000	(288)
Projected Budget Surplus 2016/17	868	-	868
Estimated Residual Balances at 31 March 2017	1,866	2,000	3,866

Conclusions

6. This report reflects the position at the three-quarter year stage in the current financial year and forecasts a surplus position of £868,000 for the year. In addition taxicard trips are forecast to underspend by £621,000, with the borough proportion of this underspend projected to be £424,000, with £197,000 accruing to TfL.
7. The majority of the projected surplus is attributable to projected additional income from Lorry Control enforcement and replacement Freedom Passes, plus underspends on non-direct salary costs, research, IT systems developments and payments to independent bus operators. This is offset by an overall net deficit on trading operations based on transaction volumes the year to date.
8. After taking into account the forecast surplus and known commitments, general reserves are forecast to be £1.866 million at the year-end, which equates to 17.4% of budgeted operating and trading expenditure of £10.746 million. This figure now just marginally exceeds the Committee's formal benchmark policy on reserves, agreed in November 2015, that reserves should equate to between 10-15% of annual operating expenditure.

Recommendations

9. Members are asked to :
- note the projected surplus of £868,000 for the year, plus the forecast underspend of £621,000 for overall Taxicard trips, as detailed in this report; and

- note the projected level of Committee reserves, as detailed in paragraph 5 of this report and the commentary on the financial position of the Committee included in paragraphs 6-8.

Financial Implications for London Councils

As detailed in report

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

Appendices

Appendix A (Expenditure), Appendix B (Income)

Background Papers

London Councils-TEC Budget working papers 2016/17 and 2017/18
London Councils Income and Expenditure Forecast File 2016/17