

London Councils' TEC Executive Sub-Committee

Month 6 Revenue Forecast 2017/18 Item No 05

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Summary This report outlines actual income and expenditure against the approved budget to the end of September 2017 for TEC and provides a forecast of the outturn position for 2017/18. At this mid-year stage, a surplus of £1.001 million 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 £809,000, if current trip volumes continue for the remainder of the year. The net borough proportion of this underspend is projected to be £613,000, with £196,000 accruing to TfL.

Recommendations The Executive Sub-Committee is asked to :

- note the projected surplus of £1.001 million for the year, plus the forecast net underspend of £809,000 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 6-9.
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Report

1. This is the second budget monitoring report to be presented to the Committee during the current financial year. The next report will be the Month 9 figures (31 December 2017) for the year, which will be reported to the February 2018 meeting of this Committee.
2. The London Councils Transport and Environment Committee's income and expenditure revenue budget for 2017/18, as approved by the Full Committee in December 2016, 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. In addition, carried forward sums from 2016/17 of £227,000 approved by this Sub-Committee in July 2017 have also been added to the revised budget for the current year, funded by additional transfers from reserves. The appendices show the actual income and expenditure at 30 September 2017 and a projection 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 £600,000 and achieve a surplus of income of £401,000 over the approved budget target for the year. These figures include offsetting amounts of £809,000 relating to payments and income for taxicard trips, plus additional payments and income for the registration of parking debt of £800,000, making an overall projected surplus of £1.001 million. Table 1 below summarises the forecast position, with commentary that details the trends that have began to emerge during the year to date and provides explanations for the variances that are projected.

Table 1 –Summary Forecast as at 30 September 2017

	M6 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	312	675	622	(53)
Running Costs	134	387	387	-
Central Recharges	-	90	90	-
Total Operating Expenditure	446	1,152	1,099	(53)
Direct Services	3,713	8,211	8,974	763
Research	-	40	40	-
Payments in respect of Freedom Pass and Taxicard	177,720	359,781	358,472	(1,309)
One-off payment to boroughs	-	340	340	-
Total Expenditure	181,879	369,524	368,924	(600)
Income				
Contributions in respect of Freedom Pass and Taxicard	(178,504)	(359,838)	(359,207)	631
Income for direct services	(3,064)	(8,650)	(9,684)	(1,034)
Core Member Subscriptions	(97)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	(7)	-	(7)	(7)

Other Income	(52)	(84)	(75)	9
Transfer from Reserves	-	(855)	(855)	-
Total Income	(181,724)	(369,524)	(369,925)	(401)
Net Expenditure	155	-	(1,001)	(1,001)

4. The projected surplus of £1.001 million is made up broadly of the following:

- A projected overall surplus of £246,000 in respect of TEC parking traded services, after considering an estimate of the level of borough/TfL/GLA usage volumes during the year to date. This is attributable to a number of areas.
 - Firstly, there is a projected net surplus of £229,000 in respect of parking and traffic appeals. The estimated number of notice of appeals and statutory declarations received to date amounts to 17,199, giving a projected number for the year of 41,278, 692 more than the budgeted figure of 40,586. The current indicative throughput of appeals is 3.14 appeals per hour, compared to a budget figure of 2.7.
 - Secondly, the transaction volumes for other parking systems used by boroughs and TfL to date are projected to result in a net deficit of £23,000; and
 - Finally, the fixed cost element of the RUCA contract with the GLA/TfL is projected to generate additional income of £42,000, due to an increased share of the rechargeable costs of Chancery Exchange attributable to RUCA activities.
- A projected marginal overspend of £6,000 in respect of employee costs. The cost of staff providing direct services (included within the direct services administration charge) is estimated to overspend by £30,000, although this is offset by an underspend on staffing costs attributable to non-operational and policy staff of £24,000. In addition, the maternity cover budget is estimated to be underspent by £30,000.
- A reduction of £34,000 in respect of the estimated Business Rates payable in respect of the hearing centre at Chancery Exchange, arising from the actual bill for 2017/18 being less than the projected increase calculated at the budget setting stage in November 2016.
- A projected underspend of £400,000 in respect of the £1.7 million budget for payments to independent bus operators, which is based on claims to date and a forecast of 4% increase on average fares. In addition, four of the current operators are new and although there is an assumed 1% increase in journeys on these routes, it is difficult to accurately predict future trends as it takes time for the new operators to build up patronage. However, there is an overall underlying reduction in bus ridership.
- A projected underspend of £120,000 in respect of the £1.518 million budget for the issuing/reissuing costs of Freedom Passes and undertaking the mid-term review during 2017/18.
- Based on income collected to date, receipts from Lorry Control PCN income are forecast to breakeven against the budget of £800,000.

- Based on income collected to date, income receipts from replacement Freedom Passes are forecast to exceed the budget of £600,000 by £183,000. For replacement Taxicards, there is a projected deficit on the £24,000 income budget of £5,000 for the year.

Committee Reserves

- Table 2 below updates the Committee on the projected level of reserves as at 31 March 2018, if all current known liabilities and commitments are considered. This takes into account the adjustment of £195,000 arising out of the external audit of the 2016/17 accounts:

Table 2– Analysis of Projected Uncommitted Reserves as at 31 March 2018

	General Reserve	Specific Reserve	Total
	£000	£000	£000
Audited reserves at 1 April 2017	3,341	1,734	5,075
Transfer between reserves	(1,000)	1,000	-
One-off payments to boroughs 2017/18	(340)	-	(340)
Approved in setting 2017/18 budget (December 2016)	(288)	-	(288)
Carried forward amounts from 2016/17	(227)	-	(227)
Projected Budget Surplus 2017/18	698	303	1,001
Estimated Residual Balances at 31 March 2018	2,184	3,037	5,221

Conclusions

- This report reflects the position at the mid-point stage in the current financial year and forecasts a surplus position of £1.001 million for the year. In addition taxicard trips are forecast to underspend by £809,000, with the borough proportion of this underspend projected to be £613,000, with £196,000 accruing to TfL.
- The majority of the projected surplus is attributable to a projected net surplus on trading operations based on transaction volumes to date, an underspend on Freedom Pass issue costs and a reduction in bus ridership plus additional projected income from replacement Freedom Passes.
- After taking into account the forecast surplus and known commitments, general reserves are forecast to be £2.184 at the year-end, which equates to 17.8% of revised budgeted operating and trading expenditure of £12.272 million. This figure currently exceeds the Committee's formal policy on reserves, agreed in November 2015 that reserves should equate to between 10-15% of annual operating expenditure. The budget proposals, which are subject to a separate report on this agenda, recommend the transfer of £289,000 to the revenue account to balance the budget for 2018/19. If this Sub-Committee is minded to recommend this proposal to the main meeting of TEC in December, and if this recommendation is approved by the main Committee, uncommitted reserves would reduce to £1.895 million, which would equate to 16.2% of the proposed operating and trading expenditure for 2018/19, marginally above the benchmark indicator.
- In addition, a sum of £3.037 million is projected to be held in the specific reserve - £2.837 million in respect of the 2020 freedom Pass issue and £200,000 in respect of TEC special projects to be prioritized by the main Committee.

Recommendations

10. Members are asked to :

- note the projected surplus of £1.001 million for the year, plus the forecast underspend of £809,000 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 6-9.

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 2017/18
London Councils Income and Expenditure Forecast File 2017/18

	Revised 2017/18 £000	Month 6 ATD £000	Month 6 Forecast £000	Month 6 Variance £000
Payments in respect of Concessionary Fares				
TfL	324,181	161,766	324,181	0
ATOC	18,872	9,436	18,872	0
Other Bus Operators	1,700	486	1,300	-400
Freedom Pass issue costs	1,518	254	1,398	-120
Freedom Pass Administration	484	242	485	1
City Fleet Taxicard contract	12,499	5,263	11,690	-809
Taxicard Administration	527	273	546	19
	359,781	177,720	358,472	-1,309
TEC Trading Account Expenditure				
Payments to Adjudicators	1,173	456	1,094	-79
Northgate variable contract costs	518	293	584	66
Payments to Northampton County Court	3,000	1,912	3,800	800
Lorry Control Administration	709	358	715	6
ETA/RUCA Administration	2,769	684	2,738	-31
HEB Expenditure	43	10	43	0
	8,211	3,713	8,974	763
Sub-Total	367,993	181,433	367,446	-547
Operating Expenditure				
Contractual Commitments				
NG Fixed Costs	89	45	89	0
	89	45	89	0
Salary Commitments				
Non-operational staffing costs	626	302	603	-23
Members	19	10	19	0
Maternity Provision	30	0	0	-30
	675	312	622	-53
Other Commitments				
Supplies and service	297	89	297	0
Research	40	0	40	0
One off payment to boroughs	340	0	340	0
	677	89	677	0
Total Operating Expenditure	1,441	446	1,388	-53
Central Recharges	90	0	90	0
Total Expenditure	369,524	181,879	368,924	-600

TEC M6 Income Forecast 2017/18

Appendix B

	Revised 2017/18 £000	Month 6 ATD £000	Month 6 Forecast £000	Month 6 Variance £000
Borough contributions to TfL	324,181	161,766	324,181	0
Borough contributions to ATOC	18,872	9,346	18,872	0
Borough contributions to other bus operators	1,700	850	1,700	0
Borough contributions to FP issue costs	1,518	759	1,518	0
Borough contributions to freedom pass administration	0	0	0	0
Income from replacing lost/faulty freedom passes	600	391	783	-183
Income from replacing lost/faulty taxicards	24	9	19	5
Borough contributions to Comcab	2,409	1,380	1,796	613
TfL contribution to Taxicard scheme	10,090	3,669	9,894	196
Borough contributions to taxicard administration	334	334	334	0
TfL Contribution to taxicard administration	110	0	110	0
	359,838	178,504	359,207	631
TEC trading account income				
Borough contributions to Lorry ban administration	0	0	0	0
Lorry ban PCNs	800	390	800	0
Borough parking appeal charges	957	459	1,101	-144
TfL parking appeal charges	238	60	243	-5
GLA Congestion charging appeal income	313	38	383	-70
Borough fixed parking costs	2,190	525	2,190	0
TfL fixed parking costs	214	54	214	0
GLA fixed parking costs	454	55	496	-42
Borough other parking services	484	129	457	27
Northampton County Court Recharges	3,000	1,354	3,800	-800
	8,650	3,064	9,684	-1,034
Sub-Total	368,488	181,568	368,891	-403
Core borough subscriptions				
Joint Committee	46	46	46	0
TEC (inc TfL)	51	51	51	0
	97	97	97	0
Other Income				
TfL secretariat recharge	41	31	31	10
Investment income	0	7	7	-7
Other income	0	2	5	-5
Sales of Health Emergency badges	43	19	39	4
	84	59	82	2
Transfer from Reserves	855	0	855	0
Central Recharges	0	0	0	0
Total Income Base Budget	369,524	181,724	369,925	-401