

Executive

Month 3 Revenue Forecast 2015/16

Item no: 7

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Summary

This report summarises actual income expenditure recorded in the accounts as at 30 June 2015 (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	95,918	396,253	393,074	(3,179)
Total income	(99,838)	(394,663)	(392,645)	2,018
Use of reserves	-	(1,590)	(2,100)	(510)
Net deficit/(surplus)	(3,920)	-	(1,671)	(1,671)
Net expenditure by Committee				
Grants	(408)	-	(735)	(735)
Transport and Environment	(127)	-	(548)	(548)
Joint	(3,385)	-	(388)	(388)
Net deficit/(surplus)	(3,920)	-	(1,671)	(1,671)

Recommendations

The Executive is asked to note the overall forecast surplus as at 30 June 2015 (Month 3) of £1.671 million and note the position on reserves as detailed in paragraphs 13-15.

Month 3 Revenue Forecast 2015/16

Introduction

1. London Councils revenue expenditure budget for 2015/16, as approved by the Leaders' Committee in December 2014 was £395.086 million. The budget for the Joint Committee was then adjusted to reflect the revised position for the work of the London Health Board (LHB) and the transfer of the HR Metrics service into London Councils, plus £787,000 additional payments in respect of the taxicard contract, making a revised expenditure budget for 2015/16 of £396.253 million.
2. The corresponding revenue income budget approved by the Leaders' Committee in December 2014 was £395.086 million, excluding income from the BPA, which included an approved transfer of £1.389 million from reserves; £825,000 of which related to the return of funds to boroughs from Joint Committee reserves. Additional income from reserves to fund the work of the LHB and contributions to fund the HR Metrics service was then included, together with additional Taxicard funding from the boroughs/TfL of £787,000. Total revised income, therefore, is budgeted to be £396.253 million, of which £1.59 million was 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 £1.593 million projected underspend on taxicard, the projected surplus of £1.671 million is broken down as follows:
 - A projected net underspend of £250,000 in respect of officer employee costs;
 - A projected net deficit of £67,000 in respect of TEC traded services;
 - A projected net underspend of £30,000 relating to commissions in respect of the S.48 grants scheme;
 - A net projected underspend of £705,000 relating to slippage in the start of the new 2016+ joint borough/ESF funded programme until January 2016, so this funding will be applied once the programme commences;
 - A forecast underspend of £170,000 and £40,000 in respect of the commissioning budget and improvement and efficiency projects respectively;
 - A forecast underspend of £200,000 in respect of journeys undertaken by independent bus operators as part of the Freedom Pass scheme; and
 - Projected additional income arising from Lorry Control enforcement and replacement Freedom Passes of £281,000 and £136,000 respectively.

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 30 June 2015.

	M3 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	1,216	5,327	5,077	(250)
Running Costs	374	2,505	2,505	-
Central Recharges	-	422	422	-
Total Operating Expenditure	1,590	8,254	8,004	(250)
Direct Services	2,330	10,124	9,770	(354)
Payments in respect of Freedom Pass and Taxicard	89,304	366,110	364,520	(1,590)
Commissioned grants services	1,305	7,505	7,475	(30)
London Funders Group	-	60	60	-
ESF commissions	443	2,380	1,635	(745)
One-off borough payment	825	825	825	-
Improvement and Efficiency work	-	305	265	(40)
YPES Regional/Provider Activities	21	50	50	-
Commissioning and Research	100	640	470	(170)
Total Expenditure	95,918	396,253	393,074	(3,179)
Income				
Contributions in respect of Freedom Pass and Taxicard	(89,892)	(366,381)	(364,888)	1,493
Borough contribution towards grant payments	(2,126)	(8,505)	(8,520)	(15)
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Income for direct services	(1,909)	(10,395)	(10,241)	154
Core Member Subscriptions	(5,517)	(5,888)	(5,888)	-
Borough contribution towards LCP payments	(112)	(222)	(222)	-
Government Grants	-	(1,381)	(998)	383
Interest on Investments	(32)	(75)	(83)	(8)
Other Income	(70)	(341)	(330)	11
Central Recharges	-	(1,295)	(1,295)	-
Transfer from Reserves	-	(1,590)	(2,100)	(510)
Total Income	(99,838)	(396,253)	(394,745)	1,508
Net Expenditure	(3,920)	-	(1,671)	(1,671)
Applied to Funding Streams				
Grants Committee	(408)	-	(735)	(735)
Transport and Environment Committee	(127)	-	(548)	(548)
Joint Committee Functions	(3,385)	-	(388)	(388)
Net Expenditure	(3,920)	-	(1,671)	(1,671)

Revenue Forecast Position as at 30 June 2015 – 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	97	378	371	(7)
Running Costs	-	46	46	-
Central Recharges	-	131	131	-
Total Operating Expenditure	97	555	548	(7)
Commissioned grants services	1,305	7,505	7,475	(30)
London Funders Group	-	60	60	-
ESF commissions – 2013-15	443	500	1,165	665
ESF commissions – 2016+	-	1,880	470	(1,410)
Total Expenditure	1,845	10,500	9,718	(782)
Income				
Borough contributions towards commissioned services	(2,126)	(8,505)	(8,520)	(15)
Borough contributions towards the administration of commissions	(124)	(495)	(495)	-
ESF Grant – 2013-15	-	(250)	(618)	(368)
ESF Grant – 2016+	-	(1,000)	(249)	751
Interest on Investments	(3)	-	(3)	(3)
Other Income	-	-	-	-
Transfer from Reserves	-	(250)	(568)	(318)
Total Income	(2,253)	(10,500)	(10,453)	47
Net Expenditure	(408)	-	(735)	(735)

6. The projected surplus of £735,000, is broadly split between the following:

- A projected underspend of £30,097 in respect of S.48 borough funded commissioned services relating to 2015/16;
- A projected breakeven position relating to the residual payments in respect of the 2013-15 borough/DWP ESF programme, where projected total payments to providers of £1.165 million are funded by ESF grant of £582,000, a transfer from accumulated ESF reserves of £568,000 and borough contributions received in advance in 2014/15 of £15,000;
- A projected net underspend of £705,000 due to slippage in anticipated payments made in respect of the new 2016+ programme, based on the assumption that the new application for approved ESF funding from the GLA/LEP is successful and that the new programme becomes operational in January 2016 and that the funding will be applied at this point; and
- A projected breakeven position in respect of the overall administration of all commissions.

Revenue Forecast Position as at 30 June 2015 – 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	160	624	559	(65)
Running Costs	20	68	68	-
Central Recharges	-	50	50	-
Total Operating Expenditure	180	742	677	(65)
Direct Services	2,286	9,976	9,622	(354)
Research	8	40	40	-
Payments in respect of Freedom Pass and Taxicard	89,304	366,110	364,520	(1,590)
Total Expenditure	91,778	376,868	374,859	(2,009)
Income				
Contributions in respect of Freedom Pass and Taxicard	(89,892)	(366,381)	(364,888)	1,493
Income for direct services	(1,902)	(10,313)	(10,159)	154
Core Member Subscriptions	(97)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	(5)	-	(5)	(5)
Other Income	(9)	(77)	(66)	11
Transfer from Reserves	-	-	(192)	(192)
Total Income	(91,905)	(376,868)	(375,407)	1,461
Net Expenditure	(127)	-	(548)	(548)

8. The projected surplus of £548,000 is made up of the following:

- A projected overall deficit of £67,000 in respect of TEC parking traded services, after considering 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 £76,000 in respect of parking and traffic appeals. The number of notice of appeals and statutory declarations received over the first three months amounts to 11,986, giving a projected number for the year of 47,944, 21,490 less than the budgeted figure of 69,434. The current throughput of appeals is 2.87 appeals per hour, compared to a budget figure of 3.03, but meaningful comparisons are difficult during this early stage of the year as the adjudicators fees paid in April and May relate to hours worked hearing appeals during February and March, which relates to the previous financial year. In addition, services were interrupted at the end of June to cover both the move of the appeals hearing centre from Angel Square to Chancery Exchange and the change of parking managed services provider from Capita to Northgate. 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.

- 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 £9,000. On the expenditure side, this takes into account the differing unit cost pricing structures under the expired Capita contract and the new pricing structure offered by Northgate. On the income side, unit cost recharges to boroughs were set by the Committee in December 2014 for the whole year with the change in contractor taken into consideration in calculating the charges. As for appeals, there has been some disruption to the services provided during the changeover of the contractor and this might lead to a slight variation in the above forecast over the second quarter.
- A projected underspend of £22,000 in respect of employee costs. The cost of staff providing direct services (included within the direct services administration charge) is estimated to overspend by £28,000, although this is offset by an underspend on staffing costs attributable to non-operational and policy staff of £50,000. In addition, the maternity cover budget is estimated to be underspent by £15,000.
- A projected underspend of £200,000 in respect of the £2.2 million budget for payments to independent bus operators, based on initial trends emerging in the early stages of the financial year.
- Residual expenditure on the 2015 Freedom Pass issue is estimated to be £192,000, which will be fully funded from Committee reserves. Total spend on the reissue exercise is estimated to be £2.612 million, £529,000 less than the budget sum of £3.141 million earmarked by the Committee in July 2014.
- 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 £550,000 by £281,000.
- 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 £500,000 by £136,000.

- Investment income on Committee reserves is estimated to generate £5,000 in the current year, against a zero budgetary provision.

Revenue Forecast Position as at 30 June 2015 – 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
Expenditure				
Employee Costs	959	4,325	4,147	(178)
Running Costs	354	2,391	2,391	-
Central Recharges	-	241	241	-
Total Operating Expenditure	1,313	6,957	6,779	(178)
Direct Services	44	148	148	-
Commissioning and Research	92	600	430	(170)
Improvement and Efficiency work	-	305	265	(40)
YPES Regional/Provider Activities	21	50	50	-
One-off borough payment	825	825	825	-
Total Expenditure	2,295	8,885	8,497	(388)
Income				
Income for direct services	(7)	(82)	(82)	-
Core Member Subscriptions	(5,296)	(5,296)	(5,296)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Borough contribution towards LCP payments	(61)	(222)	(222)	-
Government Grants	-	(131)	(131)	-
Interest on Investments	(24)	(75)	(75)	-
Other Income	(61)	(264)	(264)	-
Central Recharges	-	(1,295)	(1,295)	-
Transfer from Reserves	-	(1,340)	(1,340)	-
Total Income	(5,680)	(8,885)	(8,885)	-
Net Expenditure	(3,385)	-	(388)	(388)

10. A surplus of £388,000 is projected against the approved budget in respect of the joint committee core functions. Employee costs are projected to underspend by £178,000, primarily due to holding off recruiting to certain current vacant posts.
11. In addition, there is a forecast underspend of £170,000 and £40,000 in respect of the commissioning budget and improvement and efficiency projects respectively.

Externally Funded Projects

12. The externally funded projects are estimated to have matched income and expenditure of just over £4.5 million for 2015/16, although this will increase if the bids for new funding from the ESF 2016+ programme are successful. 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 2015/16.
- 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 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 2015	2,291	6,622	455	9,368
Unaudited Specific/ESF reserve at 31 March 2015	-	-	869	869
Provisional reserves at 31 March 2015	2,291	6,622	1,324	10,237
Committed in setting 2015/16 budget	-	(564)	(250)	(814)
One-off payment to boroughs 2015/16	-	(825)	-	(825)
Balances c/f into 2015/16	(64)	-	-	(64)
Potential ESF grants commitments in 2015/16	-	-	(318)	(318)
Provisional commitments for 2016/17 and 2017/18	-	(1,018)	-	(1,018)
Provision for 2015 Freedom Pass issue	(192)	-	-	(192)
Provision for new appeals hearing centre	-	-	-	-
Projected surplus/(deficit) 2015/16	548	388	735	1,671
Uncommitted reserves	2,583	4,603	1,491	8,677

14. The current level of commitments from reserves, as detailed in Table 6, come to £3.231 million over the short-medium term and are detailed in Table 7 below:

Table 7 – Commitments from Reserves

	2015/16	2016/17	2017/18	Total
	£000	£000	£000	£000
Approved transfer from JC general reserves	164	164	-	328
Approved transfer from TEC general reserves	-	-	-	-
TEC system developments	64	-	-	64
Accumulated YPES regional funds	150	150	604	904
Slippage of ESG grants funding	568	-	-	568
2015 Freedom Pass Issue	192	-	-	192
One-off repayment to boroughs in 2015/16	825	-	-	825
New appeals hearing centre	-	-	-	-
Support to the health transition process	250	100	-	350
Totals	2,213	414	604	3,231

15. Included within the projected surplus figure of £1.491 million for the Grants Committee is a sum of £1.006 million relates to borough contributions towards the funding of ESF commissions, £705,000 of which is projected to arise in 2015/16 due to the anticipated slippage in the start of the new 2016+ ESF programme. If the bid for new ESF funding is unsuccessful, there is the option of returning all residual ESF related funds held in reserves back to boroughs.

Conclusions

16. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 30 June 2015 (month 3), together with known future developments. At this point, a forecast underspend of £1.671 million is projected for 2015/16, across the three funding streams. Uncommitted reserves are currently projected to be just under £8.7 million by the end of the current financial year.

17. The next forecast will be presented to the Executive in November, which will highlight the projected position at the half-way stage of the 2015/16 financial year.

Recommendations

18. The Executive is asked to note the overall forecast surplus as at 30 June 2015 (Month 3) of £1.671 million 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 2015/16