

Executive

Month 9 Revenue Forecast 2016/17

Item no: 8

Report by: Frank Smith

Job title: Director of Corporate Resources

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Contact Officer: Frank Smith

Telephone: 020 7934 9700

Email: frank.smith@londoncouncils.gov.uk

Summary

This report summarises actual income expenditure recorded in the accounts as at 31 December 2016 (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 Executive is also provided with an update on London Councils reserves. The summary forecast outturn position is as follows:

	M9 Actual	Budget	Forecast	Variance
		£000	£000	£000
Total expenditure	293,443	397,981	395,043	(2,938)
Total income	(290,442)	(395,489)	(394,415)	1,074
Use of reserves	(486)	(2,492)	(2,623)	(131)
Net deficit/(surplus)	2,515	-	(1,995)	(1,995)
Net expenditure by Committee				
Grants	(130)	-	(759)	(759)
Transport and Environment	3,133	-	(868)	(868)
Joint	(488)	-	(368)	(368)
Net deficit/(surplus)	2,515	-	(1,995)	(1,995)

Recommendations The Executive is asked to note the overall forecast surplus as at 31 December 2016 (Month 9) of £1.995 million, compared to £1.758 million as at Month 6, and to note the position on reserves as detailed in paragraphs 14-16.

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 at the three quarter year stage of the current financial year and highlights any significant variances emerging against the approved budget.
4. After excluding the £621,000 projected underspend on taxicard, the projected surplus of £1.995 million is broken down as follows:
 - A projected net underspend of £224,000 in respect of officer employee costs;
 - A projected net deficit of £162,000 in respect of TEC traded services;
 - A projected net underspend of £47,000 relating to commissions in respect of the S.48 grants scheme;
 - A net projected underspend of £747,000 relating to slippage in the start of the new 2016+ joint borough/ESF funded programme, which started in November 2016 ;
 - A forecast underspend of £145,000 in respect of the commissioning budget/research, of which £20,000 relates to TEC research, plus £66,000 in respect of the improvement and efficiency legacy projects;
 - A forecast underspend of £200,000 in respect of journeys undertaken by independent bus operators as part of the Freedom Pass scheme;
 - A forecast underspend of £522,000 in respect of Freedom Pass issuing/reissuing costs, attributable to no substantive pass reissue exercise being undertaken in the current year;
 - Forecast deficits of £131,000 in respect of LEP funding towards the YPES, although this will be covered by an additional transfer from reserves, and £12,000 in respect of overall investment income; and

- Projected additional income arising from Lorry Control enforcement and replacement Freedom Passes of £133,000 and £72,000 respectively, although this is offset by a projected deficit of £17,000 on income from the issue of replacement Taxicards.

5. 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 31 December 2016.

	M9 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	3,755	5,378	5,154	(224)
Running Costs	1,499	2,814	2,791	(23)
Central Recharges	-	487	487	-
Total Operating Expenditure	5,204	8,679	8,432	(247)
Direct Services	7,043	8,574	9,000	426
Payments in respect of Freedom Pass and Taxicard	273,031	368,677	367,349	(1,328)
Commissioned grants services	5,554	7,505	7,458	(47)
London Funders Group	60	60	60	-
ESF commissions	698	1,880	349	(1,531)
One-off borough payments	1,651	1,651	1,651	-
Improvement and Efficiency work	-	265	199	(66)
YPES Regional/Provider Activities	47	50	50	-
Commissioning and Research	155	640	495	145
Total Expenditure	293,443	397,981	395,043	(2,938)
Income				
Contributions in respect of Freedom Pass and Taxicard	(272,250)	(368,790)	(368,224)	566
Borough contribution towards grant payments	(6,379)	(8,505)	(8,505)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Income for direct services	(5,487)	(8,974)	(9,337)	(363)
Core Member Subscriptions	(5,582)	(5,706)	(5,706)	-
Borough contribution towards LCP payments	(338)	(326)	(338)	(12)
Government Grants	(26)	(1,131)	(242)	889
Interest on Investments	-	(75)	(63)	12
Other Income	(200)	(289)	(307)	(18)
Central Recharges	-	(1,513)	(1,513)	-
Transfer from Reserves	(486)	(2,492)	(2,623)	(131)
Total Income	(290,928)	(397,981)	(397,038)	943
Net Expenditure	2,515	-	(1,995)	(1,995)
Applied to Funding Streams				
Grants Committee	(130)	-	(759)	(759)

Transport and Environment Committee	3,133	-	(868)	(868)
Joint Committee Functions	(488)	-	(368)	(368)
Net Expenditure	2,515	-	(1,995)	(1,995)

Revenue Forecast Position as at 31 December 2016 – Grants Committee

6. 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	287	382	418	36
Running Costs	21	18	28	10
Central Recharges	-	155	155	-
Total Operating Expenditure	308	555	601	46
Commissioned grants services	5,554	7,505	7,458	(47)
London Funders Group	60	60	60	-
ESF commissions – 2016+	698	1,880	349	(1,531)
One-off payment to boroughs	486	486	486	-
Total Expenditure	7,106	10,486	8,954	(1,532)
Income				
Borough contributions towards commissioned services	(6,379)	(8,505)	(8,505)	-
Borough contributions towards the administration of commissions	(371)	(495)	(495)	-
ESF Grant – 2016+	-	(1,000)	(216)	784
Interest on Investments	-	-	(11)	(11)
Other Income	-	-	-	-
Transfer from Reserves	(486)	(486)	(486)	-
Total Income	(7,236)	(10,486)	(9,713)	773
Net Expenditure	(130)	-	(759)	(759)

7. The projected surplus of £759,000, is broadly split between the following:

- A projected underspend of £69,340 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;
- A projected net underspend of £747,000, including administration costs, due to slippage in anticipated payments to providers and claims for grants made in respect of the new 2016+ ESF programme; and
- A projected overspend position of £35,000 in respect of the administration of S.48 commissions.

Revenue Forecast Position as at 31 December 2016 – Transport and Environment Committee

8. 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	£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)

9. The projected surplus of £868,000 is made up 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 year to date. 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.

Revenue Forecast Position as at 31 December 2016 – Joint Committee Core Functions

10. 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
	£000	£000	£000	£000
Expenditure				
Employee Costs	3,045	4,344	4,172	(172)
Running Costs	1,231	2,499	2,516	17
Central Recharges	-	258	258	-
Total Operating Expenditure	4,276	7,101	6,946	(155)
Direct Services	103	148	148	-
Commissioning and Research	155	600	475	(125)
Improvement and Efficiency work	-	265	199	(66)
YPES Regional/Provider Activities	47	50	50	-
One-off borough payment	825	825	825	-
Total Expenditure	5,406	8,989	8,643	(346)
Income				
Income for direct services	(77)	(82)	(82)	-
Core Member Subscriptions	(5,114)	(5,114)	(5,114)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Borough contribution towards LCP payments	(338)	(326)	(338)	(12)
Government Grants	(26)	(131)	(26)	105
Interest on Investments	-	(75)	(52)	23
Other Income	(159)	(205)	(212)	(7)
Central Recharges	-	(1,513)	(1,513)	-
Transfer from Reserves	-	(1,363)	(1,494)	(131)
Total Income	(5,894)	(8,989)	(9,011)	(22)
Net Expenditure	(488)	-	(368)	(368)

11. A projected underspend of £368,000 is forecast against the approved budget in respect of the joint committee core functions. Employee costs are projected to underspend by £172,000, primarily due to holding off recruiting to certain current vacant posts and by not having to apply the maternity cover budget during the year. In addition, there is a forecast underspend of £125,000 in respect of the commissioning budget and £66,000 in respect of the improvement and efficiency legacy projects. Additional income of £26,000 is forecast to

accrue in respect of the YPES managed Accelerated Learning Project, offset by forecast expenditure of £17,000.

12. Additional borough contributions towards London Care Placements of £12,000 and additional other income of £7,000 are forecast to accrue. These are offset by a projected shortfall of £23,000 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. If this income does not materialise, it will be offset by an additional transfer of £131,000 from uncommitted reserves, which is reflected in Table 4.

Externally Funded Projects

13. 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, at this stage, there is no projected net cost to London Councils for managing these projects during 2016/17.

Reserves

14. 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	10,282
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	-	-	(38)	(38)
Borough ESF 2008-15 programme closure provision	-	(300)	-	(300)
Provisional commitments for 2017/18 -2019/20	(2,628)	(1,826)	(2,035)	(6,489)
Forecast surplus/(deficit) 2016/17	868	368	759	1,995
Uncommitted reserves	1,866	3,258	192	5,316

15. The current level of commitments from reserves, as detailed in Table 6, come to £9.319 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	-	328
Approved transfer from TEC general reserves	303	288	-	591
NOTIFY system developments	23	-	-	23
Accumulated YPES funds	150	293	313	756
Slippage of ESG grants funding	-	-	1,804	1,804
One-off repayment to boroughs in 2015/16	1,651	826	-	2,477
Challenge Implementation Fund	-	525	-	525
Support to the health transition process	201	201	-	402
2020 Freedom Pass reissue	-	-	1,800	1,800
TEC priority projects	-	200	-	200
ESF 2008-15 programme closure	300	-	-	300
Support to 3 rd sector via City Bridge Trust	38	75	-	113
Totals	2,830	2,572	3,917	9,319

Conclusions

16. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 31 December 2016 (month 9), together with known future developments. At this point, a forecast underspend of £1.995 million is projected for 2016/17, across the three funding streams. Uncommitted reserves are currently projected to be just under £5.3 million by the end of the current financial year.

Recommendations

17. The Executive is asked to note the overall forecast surplus as at 31 December 2016 (Month 9) of £1.995 million and note the position on reserves as detailed in paragraphs 14-16.

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