

Executive

Month 3 Revenue Forecast 2017/18 Item no: 8

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Summary

This report summarises actual income expenditure recorded in the accounts as at 30 June 2017 (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	94,074	388,087	389,116	1,029
Total income	(96,524)	(385,459)	(387,377)	(1,918)
Use of reserves	-	(2,628)	(3,224)	(596)
Net deficit/(surplus)	(2,450)	-	(1,485)	(1,485)
Net expenditure by Committee				
Grants	(652)	-	32	32
Transport and Environment	2,679	-	(786)	(786)
Joint	(4,477)	-	(731)	(731)
Net deficit/(surplus)	(2,450)	-	(1,485)	(1,485)

Recommendations The Executive is asked to note the overall forecast surplus as at 30 June 2017 (Month 3) of £1.485 million and note the position on reserves as detailed in paragraphs 16-17.

Month 3 Revenue Forecast 2017/18

Introduction

1. London Councils revenue expenditure budget for 2017/18, as approved by the Leaders' Committee in December 2016 was £387.45 million. The budget was then adjusted by £637,000 to reflect the decision of this Committee to bring forward the £29,000 underspend in respect of NOTIFY into 2017/18 and TECs decision to bring forward underspends of £227,000 that arose in 2016/17 into the current year. In addition, the budget was increased by a further £222,000 on confirmation of the finalised funding available from boroughs and TfL for the Taxicard Scheme in 2017/18. Finally, the budgets for the HR Metrics Service and London Care Placements were increased by £16,000 and £143,000 respectively to reflect revised service levels, the latter following a meeting the ALDCS in March 2017, making a revised expenditure budget for 2016/17 of £388.087 million.
2. The corresponding revenue income budget approved by the Leaders' Committee in December 2016 was £387.45 million, which included an approved transfer of £2.372 million from reserves; £826,000 of which related to a further return of funds to boroughs from reserves. Additional transfers from reserves of £256,000 was made to cover carry forward expenditure (see paragraph 1), plus additional Taxicard funding from the boroughs of £95,000 and from TfL of £127,000. Additional contributions from funders for the HR Metrics Service and London Care Placements of £16,000 and £143,000 respectively were also added to the budget in line with current service levels. Total revised income, therefore, is budgeted to be £388.087 million, of which £2.628 million is an approved 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.
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 2017/18, as at 30 June 2017.

	M3 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	1,204	5,618	5,437	(181)
Running Costs	110	3,376	3,646	270
Central Recharges	-	616	616	-
Total Operating Expenditure	1,314	9,610	9,699	89
Direct Services	2,413	8,277	9,279	1,002
Payments in respect of Freedom Pass and Taxicard	88,317	359,781	358,551	(1,230)
Commissioned grants services	592	6,173	6,173	-
London Funders Group	14	60	60	-
ESF commissions	922	1,880	3,917	2,037
One-off borough payments	387	826	826	-
Improvement and Efficiency work	25	265	116	(149)
YPES Regional/Provider Activities	14	50	50	-
Challenge Implementation Fund	-	525	86	(439)
Commissioning and Research	76	640	359	(281)
Total Expenditure	94,074	388,087	389,116	1,029
Income				
Contributions in respect of Freedom Pass and Taxicard	(87,539)	(359,838)	(359,173)	665
Borough contribution towards grant payments	(2,216)	(7,173)	(7,596)	(423)
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Income for direct services	(640)	(8,748)	(9,921)	(1,173)
Core Member Subscriptions	(5,332)	(5,706)	(5,706)	-
Borough contribution towards LCP payments	(433)	(496)	(496)	-
Government Grants	-	(1,000)	(2,019)	(1,019)
Interest on Investments	(23)	(75)	(71)	4
Other Income	(85)	(273)	(245)	28
Central Recharges	(76)	(1,970)	(1,970)	-
Transfer from Reserves	-	(2,628)	(3,224)	(596)
Total Income	(96,524)	(388,087)	(390,601)	(2,514)
Net Expenditure	(2,450)	-	(1,485)	(1,486)
Applied to Funding Streams				
Grants Committee	(652)	-	32	32
Transport and Environment Committee	2,679	-	(786)	(786)
Joint Committee Functions	(4,477)	-	(731)	(731)
Net Expenditure	(2,450)	-	(1,485)	(1,485)

Revenue Forecast Position as at 30 June 2017 – 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	96	423	460	37
Running Costs	8	18	18	-
Central Recharges	0	189	189	-
Total Operating Expenditure	104	630	667	37
Commissioned grants services	592	6,173	6,173	-
London Funders Group	14	60	60	-
ESF commissions – 2016+	922	1,880	3,917	2,037
One-off payment to boroughs	57	156	156	-
Total Expenditure	1,689	8,899	10,973	2,074
Income				
Borough contributions towards commissioned services	(2,216)	(7,173)	(7,596)	(423)
Borough contributions towards the administration of commissions	(121)	(495)	(495)	-
ESF Grant – 2016+	-	(1,000)	(2,019)	(1,019)
Interest on Investments	(4)	-	(4)	(4)
Other Income	-	-	-	-
Transfer from Reserves	-	(231)	(827)	(596)
Total Income	(2,341)	(8,899)	(10,941)	(2,042)
Net Expenditure	(652)	-	32	32

6. The projected deficit of £32,000, is broadly split between the following:

- A projected breakeven position in respect of S.48 borough funded commissioned services relating to 2017/18;
- A projected breakeven position in respect of anticipated payments made in respect of the S.48 ESF programme; and
- A projected overspend position of £32,000 in respect of the overall administration of all commissions.

7. In addition, liabilities of £754,576 relating to 25 outstanding payments due to commissions in respect of 2016/17 were set up during the accounts closure process. At the time of writing this report, payments of £605,329 have been released during 2017/18. It is anticipated that £119,010 will not be paid out and therefore be moved to underspend and back to S.48 reserves.

Revenue Forecast Position as at 30 June 2017 – 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

	M3 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	154	675	614	(61)
Running Costs	37	387	386	(1)
Central Recharges	0	90	90	-
Total Operating Expenditure	191	1,152	1,090	(62)
Direct Services	2,413	8,211	9,213	1,002
Research	0	40	40	-
Payments in respect of Freedom Pass and Taxicard	88,317	359,781	358,551	(1,230)
One-off payment to boroughs	-	340	340	-
Total Expenditure	90,921	369,524	369,234	(290)
Income				
Contributions in respect of Freedom Pass and Taxicard	(87,539)	(359,838)	(359,173)	665
Income for direct services	(562)	(8,650)	(9,823)	(1,173)
Core Member Subscriptions	(97)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	(3)	-	(3)	(3)
Other Income	(41)	(84)	(69)	15
Transfer from Reserves	-	(855)	(855)	-
Total Income	(88,242)	(369,524)	(370,020)	(496)
Net Expenditure	2,679	-	(786)	(786)

9. The projected surplus of £786,000 is made up of the following:

- A projected overall surplus of £142,000 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 surplus of £133,000 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 10,430, giving a projected number for the year of 41,720, 1,134 more than the budgeted figure of 40,586. The current throughput of appeals is 3.7 appeals per hour, compared to a budget figure of 2.7.
 - Secondly, the transaction volumes for other parking systems used by boroughs and TfL over the first quarter are projected to result in a net deficit of £33,000; 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 increased rechargeable costs.
- A projected breakeven position in respect of employee costs. The cost of staff providing direct services (included within the direct services administration charge) is estimated to overspend by £31,000, although this is offset by an underspend on staffing costs attributable to non-operational and policy staff of £31,000. 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 Q1 claims and a forecast of 4% increase on average fares assumed to take effect in mid-Q2. However, four of the current operators are new and although there is an assumed 1% increase in journeys on these routes, it is not easy to accurately predict future trends as it takes time for the new operators to build up patronage.
- A projected underspend of £26,000 in respect of the £1.518 million budget for payments to in respect of the issuing/reissuing costs of Freedom Passes and undertaking the mid-term review during 2017/18.
- Based on income collected during the first quarter, receipts from Lorry Control PCN income are forecast to breakeven against the budget of £800,000.
- Based on income collected during the first quarter, income receipts from replacement Freedom Passes are forecast to exceed the budget of £600,000 by £169,000. For replacement Taxicards, there is a projected deficit on the £24,000 income budget of £4,000 for the year.

Revenue Forecast Position as at 30 June 2017 – 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

	M3 Actual	Budget	Forecast	Variance
	£000	£000	£000	£000
Expenditure				
Employee Costs	954	4,520	4,363	(157)
Running Costs	65	2,971	3,242	271
Central Recharges	-	337	337	-
Total Operating Expenditure	1,019	7,828	7,942	114
Direct Services	-	66	66	-
Commissioning and Research	76	600	319	(281)
Improvement and Efficiency work	25	265	116	(149)
YPES Regional/Provider Activities	14	50	50	-
Challenge Implementation Fund	-	525	86	(439)
One-off borough payment	330	330	330	-
Total Expenditure	1,464	9,664	8,909	(755)
Income				
Income for direct services	(78)	(98)	(98)	-
Core Member Subscriptions	(5,114)	(5,114)	(5,114)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Borough contribution towards LCP payments	(433)	(496)	(496)	-
Government Grants	-	-	-	-
Interest on Investments	(16)	(75)	(64)	11
Other Income	(44)	(189)	(176)	13
Central Recharges	(76)	(1,970)	(1,970)	-
Transfer from Reserves	-	(1,542)	(1,542)	-
Total Income	(5,941)	(9,664)	(9,640)	24
Net Expenditure	(4,477)	-	(731)	(731)

11. A projected surplus of £731,000 is forecast in respect of the joint committee core functions.

Employee costs are projected to underspend by £157,000, primarily due to holding off recruiting to certain current vacant posts. There is a projected deficit of £373,000 in respect of the estimated rent increase at the Southwark Street site, offset by £102,000 excess budget relating to the estimated business rates increase for the site effective from the start of the year.

12. From transactions processed during this early stage of the year, there are forecast underspends of:

- £281,000 in respect of the commissioning budget;
- £149,000 in respect of improvement and efficiency work; and

- £439,000 in respect of the Challenge Implementation Fund.

13. All of these areas are subject to developing proposals following a direction of travel set by members during the course of the year. These costs are, therefore, liable to fluctuate as the year progresses as new priorities are identified and come on stream, thereby incurring in-year costs.

14. These are offset by a projected shortfall of £11,000 in respect of investment income and £13,000 in respect of other income.

Externally Funded Projects

15. The externally funded projects are estimated to have matched income and expenditure of just over £3.56 million for 2017/18, including funding for the borough (non S.48) ESF 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 2017/18. 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

16. 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)
General Reserve at 31 March 2017	3,536	5,769	443	9,748
Specific/ESF reserve at 31 March 2017	1,734	-	1,574	3,308
Provisional reserves at 31 March 2017	5,270	5,769	2,017	13,056
Committed in setting 2017/18 budget	(488)	(1,183)	(75)	(1,746)
One-off payment to boroughs 2017/18	(340)	(330)	(156)	(826)
Balances c/f into 2017/18	(227)	(29)	-	(256)
Potential ESF grants commitments in 2017/18- 2018/19	-	-	(1,574)	(1,574)
Provisional commitments for 2018/19 -2019/20	(2,729)	(530)	-	(3,259)
Write back of 2016/17 grants liabilities	-	-	119	119
Projected surplus/(deficit) for the year	786	731	(32)	1,485
Uncommitted reserves	2,272	4,428	299	6,999

17. The current level of commitments from reserves, as detailed in Table 6, come to £7.661 million over the short-medium term and are detailed in Table 7 below:

Table 7 – Commitments from Reserves 2017-2020

	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
Balances b/f from 2016/17	256	-	-	256
Approved transfer from JC general reserves	164	-	-	164
Approved transfer from TEC general reserves	288	-	-	288
Accumulated YPES funds	293	197	-	490
Slippage of ESG grants funding	-	787	787	1,574
One-off repayment to boroughs	826	-	-	826
Challenge Implementation Fund	525	-	-	525
Support to the health transition process	201	-	-	201
2020 Freedom Pass reissue	-	534	2,195	2,729
TEC priority projects	200	-	-	200
Support to 3 rd sector via City Bridge Trust	75	-	-	75
Potential ESF liability on borough funded programme	256	77	-	333
Totals	3,084	1,595	2,982	7,661

Conclusions

18. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 30 June 2017 (month 3), together with known future developments. At this point, a forecast underspend of £1.485 million is projected for 2017/18, across the three funding streams. Uncommitted reserves are currently projected to be just under £7 million by the end of the current financial year.
19. The next forecast will be presented to the Executive in November, which will highlight the projected position at the half-way stage of the 2017/18 financial year.

Recommendations

20. The Executive is asked to note the overall forecast surplus as at 30 June 2017 (Month 3) of £1.485 million and note the position on reserves as detailed in paragraphs 16-17.

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 2017/18