

London Councils TEC Executive Sub-Committee

Month 3 Revenue Forecast 2017/18 Item no: 5

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Summary

This report outlines actual income and expenditure against the approved budget to the end of June 2017 for TEC and provides a forecast of the outturn position for 2017/18. At this early stage, a surplus of £786,000 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 £830,000, if trip volumes in the first quarter continue for the remainder of the year. The net borough proportion of this underspend is projected to be £630,000, with £200,000 accruing to TfL.

Recommendations

The Executive Sub-Committee is asked to :

- note the projected surplus of £786,000 for the year, plus the forecast net underspend of £830,000 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 first budget monitoring report to be presented to the Committee during the current financial year. The next report will be the Month 6 figures (30 September 2017) for the year, which will be reported to the November 2017 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 June 2017 and an early 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 £290,000 and achieve a surplus of income of £496,000 over the approved budget target for the year. These figures include offsetting amounts of £830,000 relating to payments and income for taxicard trips, plus additional payments and income for the registration of parking debt of £1 million, making an overall projected surplus of £786,000. Table 1 below summarises the forecast position, with commentary that details the trends that have began to emerge during the first quarter and providing explanations for the variances that are projected.

Table 1 –Summary Forecast as at 30 June 2017

	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)

4. The projected surplus of £786,000 is made up broadly 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 indicative 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 an increased share of the rechargeable costs of Chancery Exchange attributable to RUCA activities.
- 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 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.

Committee Reserves

5. 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:

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

	General Reserve	Specific Reserve	Total
	£000	£000	£000
Unaudited reserves at 31 March 2017	3,536	1,734	5,270
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	591	195	786
Estimated Residual Balances at 31 March 2018	2,272	2,929	5,201

Conclusions

6. This report reflects the position at the first-quarter stage in the current financial year and forecasts a surplus position of £746,000 for the year. In addition taxicard trips are forecast to underspend by £830,000, with the borough proportion of this underspend projected to be £630,000, with £200,000 accruing to TfL.
7. The majority of the projected surplus is attributable to a projected surplus on trading operations based on transaction volumes during the first quarter, plus additional projected income from replacement Freedom Passes.
8. After taking into account the forecast surplus and known commitments, general reserves are forecast to be £2.272 at the year-end, which equates to 19% of budgeted operating and trading expenditure of £11.705 million. This figure continues to exceed the Committee's formal policy on reserves, agreed in November 2015 that reserves should equate to between 10-15% of annual operating expenditure. As discussed at the July TEC Executive meeting, options for the treatment of general reserves in excess of the benchmark range will be discussed at the November TEC Executive meeting, when the draft budget proposals for 2018/19 will be considered.

Recommendations

9. Members are asked to :
- note the projected surplus of £746,000 for the year, plus the forecast underspend of £830,000 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 2017/18

London Councils Income and Expenditure Forecast File 2017/18

TEC M3 Expenditure Forecast 2017/18

Appendix A

	Revised 2017/18 £000	Month 3 ATD £000	Month 3 Forecast £000	Month 3 Variance £000
Payments in respect of Concessionary Fares				
TfL	324,181	80,883	324,181	0
ATOC	18,872	4,718	18,872	0
Other Bus Operators	1,700	90	1,300	-400
Freedom Pass issue costs	1,518	101	1,492	-26
Freedom Pass Administration	484	122	488	4
City Fleet Taxicard contract	12,499	2,266	11,669	-830
Taxicard Administration	527	137	549	22
	359,781	88,317	358,551	-1,230
TEC Trading Account Expenditure				
Payments to Adjudicators	1,173	287	1,150	-23
Northgate variable contract costs	518	148	571	53
Payments to Northampton County Court	3,000	1,112	4,000	1,000
London Lorry Control Administration	709	178	712	3
ETA/RUCA Administration	2,769	684	2,737	-32
HEB Expenditure	43	4	43	0
	8,211	2,413	9,213	1,002
Sub-Total	367,993	90,730	367,764	-229
Operating Expenditure				
Contractual Commitments				
NG Fixed Costs	89	22	89	0
	89	22	89	0
Salary Commitments				
Non-operational staffing costs	626	149	595	-31
Members	19	5	19	0
Maternity Provision	30	0	0	-30
	675	154	614	-61
Other Commitments				
Supplies and service	297	14	297	0
Research	40	0	40	0
One off payment to boroughs	340	0	340	0
	677	14	677	0
Total Operating Expenditure	1,441	190	1,380	-61
Central Recharges	90	0	90	0
Total Expenditure	369,524	90,920	369,234	-290

TEC M3 Income Forecast 2017/18

Appendix B

	Revised 2017/18 £000	Month 3 ATD £000	Month 3 Forecast £000	Month 3 Variance £000
Borough contributions to TfL	324,181	80,883	324,181	0
Borough contributions to ATOC	18,872	4,718	18,872	0
Borough contributions to other bus operators	1,700	425	1,700	0
Borough contributions to FP issue costs	1,518	380	1,518	0
Borough contributions to freedom pass administration	0	0	0	0
Income from replacing lost/faulty freedom passes	600	192	769	-169
Income from replacing lost/faulty taxicards	24	5	20	4
Borough contributions to Comcab	2,409	602	1,779	630
TfL contribution to Taxicard scheme	10,090	0	9,890	200
Borough contributions to taxicard administration	334	334	334	0
TfL Contribution to taxicard administration	110	0	110	0
	359,838	87,539	359,173	665
TEC trading account income				
Borough contributions to Lorry ban administration	0	0	0	0
London Lorry Control PCNs	800	123	800	0
Borough parking appeal charges	957	0	1,089	-132
TfL parking appeal charges	238	0	240	-2
GLA Congestion charging appeal income	313	0	368	-55
Borough fixed parking costs	2,190	0	2,190	0
TfL fixed parking costs	214	0	214	0
GLA fixed parking costs	454	124	496	-42
Borough other parking services	484	0	426	58
Northampton County Court Recharges	3,000	315	4,000	-1,000
	8,650	562	9,823	-1,173
Sub-Total	368,488	88,101	368,996	-508
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	3	3	-3
Other income	0	2	5	-5
Sales of Health Emergency badges	43	8	33	10
	84	44	72	12
Transfer from Reserves	855	0	855	0
Central Recharges	0	0	0	0
Total Income Base Budget	369,524	88,242	370,020	-496