

# Executive

## Month 9 Revenue Forecast 2017/18

Item no: 7

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**Date:** 27 February 2018  
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### Summary

This report summarises actual income and expenditure recorded in the accounts as at 31 December 2017 (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:

	<b>M9 Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total expenditure	283,987	388,087	385,671	(2,416)
Total income	(286,377)	(385,459)	(386,015)	(556)
Use of reserves	-	(2,628)	(2,628)	-
<b>Net deficit/(surplus)</b>	<b>(2,390)</b>	<b>-</b>	<b>(2,972)</b>	<b>(2,972)</b>
Net expenditure by Committee				
Grants	(555)	-	(755)	(755)
Transport and Environment	(619)	-	(1,059)	(1,059)
Joint	(1,216)	-	(1,158)	(1,158)
<b>Net deficit/(surplus)</b>	<b>(2,390)</b>	<b>-</b>	<b>(2,972)</b>	<b>(2,972)</b>

**Recommendations** The Executive is asked to note the overall forecast surplus as at 31 December 2017 (Month 9) of £2.972 million and note the position on reserves as detailed in paragraphs 16-17.



## **Month 9 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 were 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 at the three-quarter year stage 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 31 December 2017.**

	<b>M9 Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
<b>Expenditure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee Costs	3,755	5,618	5,125	(493)
Running Costs	1,528	3,376	3,597	221
Central Recharges	-	616	616	-
<b>Total Operating Expenditure</b>	<b>5,283</b>	<b>9,610</b>	<b>9,338</b>	<b>(272)</b>
Direct Services	6,794	8,277	9,017	740
Payments in respect of Freedom Pass and Taxicard	266,018	359,781	358,438	(1,343)
Commissioned grants services	4,630	6,173	6,173	-
London Funders Group	-	60	60	-
ESF commissions	526	1,880	1,210	(670)
One-off borough payments	486	826	826	-
Improvement and Efficiency work	25	265	159	(106)
YPES Regional/Provider Activities	35	50	50	-
Challenge Implementation Fund	-	525	17	(508)
Commissioning and Research	190	640	383	(257)
<b>Total Expenditure</b>	<b>283,987</b>	<b>388,087</b>	<b>385,671</b>	<b>(2,416)</b>
<b>Income</b>				
Contributions in respect of Freedom Pass and Taxicard	(268,001)	(359,838)	(359,115)	723
Borough contribution towards grant payments	(5,803)	(7,173)	(7,596)	(423)
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Income for direct services	(5,978)	(8,748)	(9,887)	(1,139)
Core Member Subscriptions	(5,586)	(5,706)	(5,710)	(4)
Borough contribution towards LCP payments	(511)	(496)	(511)	(15)
Government Grants	-	(1,000)	(665)	335
Interest on Investments	(66)	(75)	(81)	(6)
Other Income	(252)	(273)	(300)	(27)
Central Recharges	-	(1,970)	(1,970)	-
Transfer from Reserves	-	(2,628)	(2,628)	-
<b>Total Income</b>	<b>(286,377)</b>	<b>(388,087)</b>	<b>(388,643)</b>	<b>(556)</b>
<b>Net Expenditure</b>	<b>(2,390)</b>	<b>-</b>	<b>(2,972)</b>	<b>(2,972)</b>
<b>Applied to Funding Streams</b>				
Grants Committee	(555)	-	(755)	(755)
Transport and Environment Committee	(619)	-	(1,059)	(1,059)
Joint Committee Functions	(1,216)	-	(1,646)	(1,646)
<b>Net Expenditure</b>	<b>(2,390)</b>	<b>-</b>	<b>(2,972)</b>	<b>(2,972)</b>

## Revenue Forecast Position as at 31 December 2017 – Grants Committee

5. Table 2 below summarises the forecast outturn position for the Grants Committee:

**Table 2 – Summary Forecast – Grants Committee**

	<b>M9 Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
<b>Expenditure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee Costs	300	423	436	13
Running Costs	17	18	18	-
Central Recharges	-	189	189	-
<b>Total Operating Expenditure</b>	<b>317</b>	<b>630</b>	<b>643</b>	<b>13</b>
Commissioned grants services	4,630	6,173	6,173	-
London Funders Group	-	60	60	-
ESF commissions – 2016+	526	1,880	1,210	(670)
One-off payment to boroughs	156	156	156	-
<b>Total Expenditure</b>	<b>5,629</b>	<b>8,899</b>	<b>8,242</b>	<b>(657)</b>
<b>Income</b>				
Borough contributions towards commissioned services	(5,803)	(7,173)	(7,596)	(423)
Borough contributions towards the administration of commissions	(371)	(495)	(495)	-
ESF Grant	-	(1,000)	(665)	335
Interest on Investments	(10)	-	(10)	(10)
Other Income	-	-	-	-
Transfer from Reserves	-	(231)	(231)	-
<b>Total Income</b>	<b>(6,184)</b>	<b>(8,899)</b>	<b>(8,997)</b>	<b>(98)</b>
<b>Net Expenditure</b>	<b>(555)</b>	<b>-</b>	<b>(755)</b>	<b>(755)</b>

6. The projected surplus of £755,000, 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 net surplus position of £758,000 in respect of anticipated payments made in respect of the S.48 ESF programme, after taking into account borough contributions and ESF grant; and
- A projected marginal overspend position of £3,000 in respect of the overall administration of all commissions.

7. In addition, liabilities of £754,577 relating to 25 outstanding payments due to commissions in respect of 2016/17 were set up during the accounts closure process. Payments of £635,565 have been released to date during 2017/18, and with no further payments anticipated, a sum of £119,012 has been recycled back through revenue to S.48 reserves.

## Revenue Forecast Position as at 31 December 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**

	<b>M9 Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
<b>Expenditure</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employee Costs	465	675	617	(58)
Running Costs	179	387	360	(27)
Central Recharges	-	90	90	-
<b>Total Operating Expenditure</b>	<b>644</b>	<b>1,152</b>	<b>1,067</b>	<b>(85)</b>
Direct Services	6,777	8,211	9,000	789
Research	3	40	40	-
Payments in respect of Freedom Pass and Taxicard	266,018	359,781	358,438	(1,343)
One-off payment to boroughs	-	340	340	-
<b>Total Expenditure</b>	<b>273,442</b>	<b>369,524</b>	<b>368,885</b>	<b>(639)</b>
<b>Income</b>				
Contributions in respect of Freedom Pass and Taxicard	(268,001)	(359,838)	(359,115)	723
Income for direct services	(5,886)	(8,650)	(9,789)	(1,139)
Core Member Subscriptions	(97)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	(11)	-	(11)	(11)
Other Income	(66)	(84)	(77)	7
Transfer from Reserves	-	(855)	(855)	-
<b>Total Income</b>	<b>(274,061)</b>	<b>(369,524)</b>	<b>(369,944)</b>	<b>(420)</b>
<b>Net Expenditure</b>	<b>(619)</b>	<b>-</b>	<b>(1,059)</b>	<b>(1,059)</b>

9. The projected surplus of £1.059 million is made up of the following:

- A projected overall surplus of £245,000 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 £221,000 in respect of parking and traffic appeals. The estimated number of notice of appeals and statutory declarations received to date amounts to 31,330, giving a projected number for the year of 41,773, 1,187 more than the budgeted figure of 40,586. The current indicative throughput of appeals is 3.59 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 £15,000; 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 underspend of £4,000 in respect of employee costs. The cost of staff providing direct services (included within the direct services administration charge) is estimated to overspend by £25,000, although this is offset by an underspend on staffing costs attributable to non-operational and policy staff of £21,000. 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 £27,000 underspend in respect of the IT systems development budget for 2017/18, for which TEC will be asked to carry forward into 2018/19 in accordance with usual practice;
- 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 that contributes to smaller claims from operators.
- A projected underspend of £67,000 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 accrue additional receipts of £75,000 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 £173,000. For replacement Taxicards, there is a projected deficit on the £24,000 income budget of £5,000 for the year.

## Revenue Forecast Position as at 31 December 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**

	<b>M9 Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>				
Employee Costs	2,990	4,520	4,072	(448)
Running Costs	1,332	2,971	3,219	248
Central Recharges	-	337	337	-
<b>Total Operating Expenditure</b>	<b>4,322</b>	<b>7,828</b>	<b>7,628</b>	<b>(200)</b>
Direct Services	17	66	17	(49)
Commissioning and Research	187	600	343	(257)
Improvement and Efficiency work	25	265	159	(106)
YPES Regional/Provider Activities	35	50	50	-
Challenge Implementation Fund	-	525	17	(508)
One-off borough payment	330	330	330	-
<b>Total Expenditure</b>	<b>4,916</b>	<b>9,664</b>	<b>8,544</b>	<b>(1,120)</b>
<b>Income</b>				
Income for direct services	(92)	(98)	(98)	-
Core Member Subscriptions	(5,118)	(5,114)	(5,118)	(4)
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Borough contribution towards LCP payments	(511)	(496)	(511)	(15)
Government Grants	-	-	-	-
Interest on Investments	(45)	(75)	(60)	15
Other Income	(186)	(189)	(223)	(34)
Central Recharges	-	(1,970)	(1,970)	-
Transfer from Reserves	-	(1,542)	(1,542)	-
<b>Total Income</b>	<b>(6,132)</b>	<b>(9,664)</b>	<b>(9,702)</b>	<b>(38)</b>
<b>Net Expenditure</b>	<b>(1,216)</b>	<b>-</b>	<b>(1,158)</b>	<b>(1,158)</b>

11. A projected surplus of £1.646 million is forecast in respect of the joint committee core functions, attributable to:

- Employee costs are projected to underspend by £256,000, primarily due to high staff turnover and holding off recruiting to certain current vacant posts. In addition, London Councils were informed after the current year's budget was set that there would be no lump sum payment required for 2017/18 to the LGPS administered by the LPFA in respect past service pension costs, which creates a surplus of £142,000. Finally, it is estimated that the maternity cover budget of £50,000 will not be required during the year ;
- There is a projected deficit of £248,000 in respect of the property costs for the Southwark Street site. Proposals for the leasehold arrangements for the site are



subject to a separate report on the agenda for the exempt part of this meeting.

Projected additional costs in 2017/18, as detailed in the exempt report, are offset by a £102,000 excess budget relating to the estimated business rates increase for this site effective from the start of the year;

- The Access Europe contract ceased on 31 July 2017, leading to an underspend of £49,000; and
- A projected surplus of £34,000 in respect of other income, mainly attributable to additional income from the hire of meeting rooms at Southwark Street, plus projected additional income from subscribers in respect of London Care Placements of £15,000.

12. In addition, from transactions processed in the year to date and projected commitments, there are forecast underspends of £257,000 in respect of the commissioning budget and £106,000 in respect of improvement and efficiency work. In addition, a sum of £508,000 in respect of the Challenge Implementation Fund is projected to be carried forward into the 2018/19 financial year, in accordance with the principle agreed by the Leaders' Committee in December 2017 as part of the 2018/19 budget setting process and will reduce the call on the overall use of Joint Committee reserves in 2018/19. All of these areas continue to be subject to developing proposals following a direction of travel set by members during the course of the year. These costs may, therefore, still be liable to fluctuate during the final quarter as new priorities are identified and come on stream, thereby incurring in-year costs.

13. The surplus positions outlined above are offset by a projected shortfall of £15,000 in respect of investment income.

### **Externally Funded Projects**

14. 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.

### **Reserves**

15. 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**

	<b>Transport and Environment Committee (£000)</b>	<b>Joint Committee (£000)</b>	<b>Grants Committee (£000)</b>	<b>Total (£000)</b>
General Reserve at 1 April 2017	3,341	5,417	443	9,748
Specific/ESF Reserve at 1 April 2017	1,734	-	1,575	3,308
<b>Total reserves at 1 April 2017</b>	<b>5,075</b>	<b>5,417</b>	<b>2,018</b>	<b>12,510</b>
Committed in setting 2017/18 budget	(288)	(1,183)	(75)	(1,546)
One-off payment to boroughs 2017/18	(340)	(330)	(156)	(826)
Approved reserves c/f into 2017/18	(227)	(29)	-	(256)
Potential ESF grants commitments in 2018/19 and 2019/20	-	-	(1,333)	(1,333)
Provision for 2020 Freedom Pass reissue exercise	(2,774)	-	-	(2,774)
Provision for TEC priority projects	(340)	-	-	(340)
Write back of 2016/17 grants liabilities	-	-	119	119
Proposal included in 2018/19 budget figures	(289)	(1,007)	(1,000)	(2,296)
Forecast surplus/(deficit) 2017/18	1,059	1,158	755	2,972
Provisional reserves c/f into 2018/19	(27)	-	-	(27)
<b>Uncommitted reserves</b>	<b>1,849</b>	<b>4,026</b>	<b>328</b>	<b>6,203</b>

16. The current level of commitments from reserves, as detailed in Table 6, come to £9.398 million over the short-medium term and are detailed in Table 7 below:

**Table 7 – Commitments from Reserves 2017-2020**

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Approved resources b/f from 2016/17	256	-	-	256
Provisional resources b/f from 2017/18	-	27	-	27
Approved transfer from JC general reserves	164	300	-	464
Approved transfer from TEC general reserves	288	289	-	577
Accumulated YPES funds	293	82	-	375
Slippage of ESG grants funding	-	1,000	1,333	2,333
One-off repayment to boroughs	826	-	-	826
Challenge Implementation Fund	525	525	-	1,050
Support to the health transition process	201	100	-	301
2020 Freedom Pass reissue	-	574	2,200	2,774
TEC priority projects	-	340	-	340
Support to 3 <sup>rd</sup> sector via City Bridge Trust	75	-	-	75
<b>Totals</b>	<b>2,628</b>	<b>3,237</b>	<b>3,533</b>	<b>9,398</b>

## Conclusions

17. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 31 December 2017 (month 9), together with known future developments. At this point, a forecast underspend of £2.972 million is projected for 2017/18, across the three funding streams. Uncommitted reserves are currently projected to be just over £6.2 million by the end of the current financial year.
18. The next financial report will be presented to the Executive in June 2018, which will highlight the provisional financial results for the 2017/18 financial year, prior to external audit.

## Recommendations

19. The Executive is asked to note the overall forecast surplus as at 31 December 2017 (Month 9) of £2.972 million and note the position on reserves as detailed in paragraphs 16-17, which shows indicative uncommitted reserves of £6.203 million.

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## 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