

Executive

Month 6 Revenue Forecast 2018/19

Item no: 6

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Summary

This report summarises actual income expenditure recorded in the accounts as at 30 September 2018 (Month 6), 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:

	M6 Actual	Budget	Forecast	Variance
	£000	£000	£000	£000
Total expenditure	192,429	385,886	386,948	1,062
Total income	(191,046)	(383,460)	(385,473)	(2,013)
Use of reserves	-	(2,426)	(3,087)	(661)
Net deficit/(surplus)	1,383	-	(1,612)	(1,612)
Net expenditure by Committee				
Grants	203	-	(110)	(110)
Transport and Environment	1,304	-	(1,184)	(1,184)
Joint	(122)	-	(318)	(318)
Net deficit/(surplus)	1,385	-	(1,612)	(1,612)

Recommendations

The Executive is asked to note the overall forecast surplus as at 30 September 2018 (Month 6) of £1.612 million and note the position on reserves as detailed in paragraph 17.

Month 6 Revenue Forecast 2018/19

Introduction

1. London Councils revenue expenditure budget for 2018/19, as approved by the Leaders' Committee in December 2017 was £386.216 million. The budget was then adjusted to reflect the decision of TEC to bring forward underspends of £130,000 that arose in 2017/18 into the current year. In addition, the TEC budget was reduced by a further £463,000 on confirmation of the finalised funding available from boroughs and TfL for the Taxicard Scheme in 2018/19. Finally, the budget for the HR Metrics Service was increased by £3,000 to reflect revised service levels, making a revised expenditure budget for 2018/19 of £385.886 million.
2. The corresponding revenue income budget approved by the Leaders' Committee in December 2017 was £386.216 million, which included an approved transfer of £2.296 million from reserves. Additional transfers from reserves of £130,000 was made to cover carry forward expenditure (see paragraph 1), plus reduced Taxicard funding from the boroughs of £293,000 and from TfL of £170,000. Additional contributions from funders for the HR Metrics Service of £3,000 were also added to the budget in line with current service levels. Total revised income, therefore, is budgeted to be £385.886 million, of which £2.426 million is an approved transfer from reserves to produce a balanced budget for the year.
3. This report analyses actual income and expenditure after six 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 & Expenditure Forecast 2018/19, as at 30 September 2018.

	M6 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	2,509	5,419	5,239	(180)
Running Costs	1,819	3,555	3,484	(71)
Central Recharges	227	453	453	-
Total Operating Expenditure	4,555	9,427	9,175	(252)
Direct Services	4,372	8,168	9,068	900
Payments in respect of Freedom Pass and Taxicard	179,821	358,748	357,106	(1,642)
Commissioned grants services	3,006	6,173	6,093	(80)
London Funders Group	60	60	60	-
ESF commissions	492	1,880	4,159	2,279
Improvement and Efficiency work	-	240	175	(65)

YPES Regional/Provider Activities	34	50	50	-
Challenge Implementation Fund	-	525	525	-
Commissioning and Research	89	615	537	(78)
Total Expenditure	192,429	385,886	386,948	1,062
Income				
Contributions in respect of Freedom Pass and Taxicard	(179,336)	(358,885)	(357,916)	969
Borough contribution towards grant payments	(3,087)	(6,173)	(6,685)	(512)
Borough contribution towards YPES payments	(90)	(180)	(180)	-
Income for direct services	(3,921)	(8,674)	(10,004)	(1,330)
Core Member Subscriptions	(2,875)	(5,744)	(5,744)	-
Borough contribution towards LCP payments	(265)	(496)	(529)	(33)
Government Grants	(268)	(1,000)	(2,120)	(1,120)
Interest on Investments	(54)	(75)	(110)	(35)
Other Income	(165)	(264)	(305)	(41)
Central Recharges	(985)	(1,969)	(1,880)	89
Transfer from Reserves	-	(2,426)	(3,087)	(661)
Total Income	(191,044)	(385,886)	(388,560)	(2,674)
Net Expenditure	1,385	-	(1,612)	(1,612)
Applied to Funding Streams				
Grants Committee	203	-	(110)	(110)
Transport and Environment Committee	1,304	-	(1,184)	(1,184)
Joint Committee Functions	(122)	-	(318)	(318)
Net Expenditure	1,385	-	(1,612)	(1,612)

Revenue Forecast Position as at 30 September 2018 – Grants Committee

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

Table 2 – Summary Forecast – Grants Committee

	M6 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	160	382	376	(6)
Running Costs	15	18	18	-
Central Recharges	78	155	155	-
Total Operating Expenditure	253	555	549	(6)
S.48 Commissioned services	3,006	6,173	6,093	(80)
S.48 ESF Commissioned services	492	1,880	4,159	2,279
London Funders Group	60	60	60	-
Total Expenditure	3,811	8,668	10,861	2,193
Income				
Borough contributions towards commissioned services	(3,087)	(6,173)	(6,685)	(512)

Borough contributions towards the administration of commissions	(248)	(495)	(495)	-
ESF Grant	(268)	(1,000)	(2,120)	(1,120)
Interest on Investments	(5)	-	(10)	(10)
Other Income	-	-	-	-
Transfer from Reserves	-	(1,000)	(1,661)	(661)
Total Income	(3,608)	(8,668)	(10,971)	(2,303)
Net Expenditure	203	-	(110)	(110)

6. The projected deficit of £110,000, is broadly split between the following:

- A projected underspend of £80,449 in respect of S.48 borough funded commissioned services relating to 2018/19 which largely relates to St Mungo Community Housing Association and Shelter;
- A projected underspend of £5,720 on Grant related staffing costs due to a vacancy within the team;
- A projected surplus of investment income of £10,000, not previously budgeted for; and
- There is also projected planned overspend in respect of anticipated payments made in respect of the S.48 ESF programme largely due to the timing of the programme, where expenditure is met by accumulated ESF reserves and ESF grant.

Revenue Forecast Position as at 30 September 2018 – 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

	M6 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	321	688	674	(14)
Running Costs	52	294	269	(25)
Central Recharges	56	111	111	-
Total Operating Expenditure	429	1,093	1,054	(39)
Direct Services	4,372	8,168	9,068	900
Research	11	40	37	(3)
Payments in respect of Freedom Pass and Taxicard	179,821	358,748	357,106	(1,642)
Total Expenditure	184,633	368,049	367,265	(784)
Income				
Contributions in respect of Freedom Pass and Taxicard	(179,336)	(358,885)	(357,916)	969
Income for direct services	(3,870)	(8,573)	(9,904)	(1,331)
Core Member Subscriptions	(51)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	(10)	-	(20)	(20)
Other Income	(62)	(75)	(93)	(18)
Transfer from Reserves	-	(419)	(419)	-

Total Income	(183,329)	(368,049)	(368,449)	(400)
Net Expenditure	1,304	-	(1,184)	(1,184)

8. The projected surplus of £1,184,000 is made up of the following:

- A projected overall surplus of £213,000 in respect of TEC parking traded services, after considering an estimate of the level of borough/TfL/GLA usage volumes during the first six months of the year. This is attributable to a number of areas.
 - Firstly, there is a projected net surplus of £135,000 in respect of environmental and traffic appeals. This is made up of a surplus in appeals income of £69,000 and a net saving against budget of £66,000 on Northgate unit charges and adjudicator fees. The number of notice of appeals and statutory declarations received over the first half of the financial year amounts to 20,847, giving a projected number for the year of 41,694 which is 416 more than the budgeted figure of 41,278. The current indicative throughput of appeals is 3.43 appeals per hour, compared to a budget figure of 3.14.
 - Secondly, the transaction volumes for other parking systems used by boroughs and TfL over the first six months of the year are projected to result in a net surplus of £72,000; and
 - Finally, the Northgate fixed costs are forecasted to underspend by £6,000, which reflects a lower than anticipated inflation factor applied to the annual contract increase compared to when the budget was set.
- A projected marginal overspend in respect of employee costs. The cost of staff providing direct services (included within the direct services administration charge) is estimated to overspend by £11,000, although this is offset by an underspend on staffing costs attributable to non-operational and policy staff of £14,000.
- A projected underspend of £390,000 in respect of the £1.5 million budget for payments to independent bus operators. The Q2 claims from the bus operators showed a significant fall in journeys (12.2% compared to Q2 2017/18 and 8.5% compared to the average quarterly trips in 2017/18). The main factors driving the underspend are:
 - The increase of the eligibility age
 - The Mid-Term Review completed at the beginning of this year, where 34,000 passes were deactivated

- The wider trend to fewer bus journeys
 - The Provider base has expanded for the same number of routes but with a different timetable and fares
- A projected underspend of £4,000 in respect of the £1.518 million budget for the issuing/reissuing costs of Freedom Passes.
 - Based on income collected during the first half of the financial year, receipts from Lorry Control PCN income are forecast to exceed the budget by approximately £200,000 against the budget of £800,000.
 - Based on income collected during the first half of the financial year, income receipts from replacement Freedom Passes are forecast to exceed the budget of £684,000 by £302,000, which will be applied to into the TEC committee Specific Reserve.
 - A forecasted amount of interest on investments of £20,000

Revenue Forecast Position as at 30 September 2018 – 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

	M6 Actual	Budget	Forecast	Variance
	£000	£000	£000	£000
Expenditure				
Employee Costs	2,028	4,349	4,189	(160)
Running Costs	1,752	3,243	3,197	(46)
Central Recharges	94	187	187	-
Total Operating Expenditure	3,874	7,779	7,573	(206)
Direct Services	-	-	-	-
Commissioning and Research	78	575	500	(75)
Improvement and Efficiency work	-	240	175	(65)
YPES Regional/Provider Activities	34	50	50	-
Challenge Implementation Fund	-	525	525	-
Total Expenditure	3,986	9,169	8,823	(346)
Income				
Income for direct services	(51)	(101)	(101)	-
Core Member Subscriptions	(2,576)	(5,152)	(5,152)	-
Borough contribution towards YPES payments	(90)	(180)	(180)	-
Borough contribution towards LCP payments	(265)	(496)	(529)	(33)

Government Grants	-	-	-	-
Interest on Investments	(39)	(75)	(80)	(5)
Other Income	(103)	(189)	(212)	(23)
Central Recharges	(985)	(1,969)	(1,880)	89
Transfer from Reserves	-	(1,007)	(1,007)	-
Total Income	(4,108)	(9,169)	(9,141)	28
Net Expenditure/(Income)	(122)	-	(318)	(318)

10. A projected surplus of £318,000 is forecast in respect of the joint committee core functions. Employee costs are projected to underspend by £160,000, primarily due to holding off recruiting to certain current vacant posts or vacant periods during recruitment campaigns.
11. From transactions processed during the first half of the year and potential future commitments, there are forecast underspends of £75,000 in respect of the commissioning budget and £65,000 in respect of improvement and efficiency work.
12. These two budget 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.
13. There is a forecasted surplus on income in respect of London Care Placements of £33,000. This is a result of additional non London Boroughs contributing to the scheme which were not included in the original budget. Any surplus will be held in order to fund the implementation of a new IT database.
14. There is a projected underspend of £46,000 on running costs. This is largely due to fluctuations in other premises costs and general supplies and services.
15. These are offset by a projected shortfall of £89,000 in respect of income from tenants.

Externally Funded Projects

16. The externally funded projects are estimated to have matched income and expenditure of just over £3.57 million for 2018/19, 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 2018/19. Any unspent external funds as at 31 March 2019 will be carried over to 2019/20 subject to funding agreements.

Reserves

17. The projected uncommitted reserves as at 31 March 2019 are estimated to be £8.889 million and are explored in more detail in paragraphs 54 to 62 of the draft proposed revenue budget 2019/20 report elsewhere on this meeting agenda.

Conclusions

18. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 30 September 2018 (month 6), together with known future developments. At this point, a forecast underspend of £1.612 million is projected for 2018/19 across the three funding streams. Uncommitted reserves are currently projected to be just under £8.9 million by the end of the current financial year.
19. The next forecast will be presented to the Executive in February, which will highlight the projected position at the three-quarter year stage of the 2018/19 financial year.

Recommendations

20. The Executive is asked to note the overall forecast surplus as at 30 September 2018 (Month 6) of £1.612 million and note the position on reserves as detailed in paragraph 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 2018/19