

Executive

Month 9 Revenue Forecast 2018/19

Item no: 7

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Summary

This report summarises actual income and expenditure recorded in the accounts as at 31 December 2018 (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	£000
Total expenditure	288,592	385,886	383,268	(2,618)
Total income	(288,023)	(383,460)	(383,945)	(485)
Use of reserves	-	(2,426)	(1,886)	540
Net deficit/(surplus)	569	-	(2,563)	(2,563)
Net expenditure by Committee				
Grants	74	-	(154)	(154)
Transport and Environment	471	-	(1,411)	(1,411)
Joint	24	-	(998)	(998)
Net deficit/(surplus)	569	-	(2,563)	(2,563)

Recommendations

The Executive is asked to note the overall forecast surplus as at 31 December 2018 (Month 9) of £2,563 million and note the position on reserves as detailed in paragraphs 19-20.

Month 9 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 were 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 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 & Expenditure Forecast 2018/19, as at 31 December 2018.

	M9 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	3,802	5,419	5,184	(235)
Running Costs	2,747	3,555	3,334	(221)
Central Recharges	340	453	453	-
Total Operating Expenditure	6,889	9,427	8,971	(456)
Direct Services	6,533	8,168	8,960	792
Payments in respect of Freedom Pass and Taxicard	269,402	358,748	356,792	(1,956)
Commissioned grants services	4,549	6,173	6,093	(80)
London Funders Group	60	60	60	-
ESF commissions	1,013	1,880	1,755	(125)

Improvement and Efficiency work	-	240	35	(205)
YPES Regional/Provider Activities	28	50	50	-
Challenge Implementation Fund	-	525	250	(275)
Commissioning and Research	118	615	302	(313)
Total Expenditure	288,592	385,886	383,268	(2,618)
Income				
Contributions in respect of Freedom Pass and Taxicard	(268,846)	(358,885)	(357,564)	1,321
Borough contribution towards grant payments	(5,001)	(6,173)	(6,685)	(512)
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Income for direct services	(7,194)	(8,674)	(10,023)	(1,349)
Core Member Subscriptions	(4,063)	(5,744)	(5,744)	-
Borough contribution towards LCP payments	(397)	(496)	(529)	(33)
Government Grants	(528)	(1,000)	(917)	83
Interest on Investments	(82)	(75)	(108)	(33)
Other Income	(255)	(264)	(315)	(51)
Central Recharges	(1,477)	(1,969)	(1,880)	89
Transfer from Reserves	-	(2,426)	(1,886)	540
Total Income	(288,023)	(385,886)	(385,831)	55
Net Expenditure	569	-	(2,563)	(2,563)
Applied to Funding Streams				
Grants Committee	74	-	(154)	(154)
Transport and Environment Committee	471	-	(1,411)	(1,411)
Joint Committee Functions	24	-	(998)	(998)
Net Expenditure	569	-	(2,563)	(2,563)

Revenue Forecast Position as at 31 December 2018 – Grants Committee

5. 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	228	382	328	(54)
Running Costs	16	18	22	4
Central Recharges	116	155	155	-
Total Operating Expenditure	360	555	505	(50)
S.48 Commissioned services	4,549	6,173	6,093	(80)
S.48 ESF Commissioned services	1,013	1,880	1,755	(125)
London Funders Group	60	60	60	-
Total Expenditure	5,982	8,668	8,413	(255)

Income				
Borough contributions towards commissioned services	(5,001)	(6,173)	(6,685)	(512)
Borough contributions towards the administration of commissions	(371)	(495)	(495)	-
ESF Grant	(528)	(1,000)	(917)	83
Interest on Investments	(8)	-	(10)	(10)
Other Income	-	-	-	-
Transfer from Reserves	-	(1,000)	(460)	540
Total Income	(5,908)	(8,668)	(8,567)	101
Net Expenditure	74	-	(154)	(154)

6. The projected surplus of £154,000, 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 £67,593 largely on Grant related staffing costs which includes a £10,000 unspent maternity provision budget and an overspend on planned S.48 ESF management and administration costs;
- A projected surplus of investment income of £10,000, not previously budgeted for; and
- A projected overspend of £4,000 on general running costs.

Revenue Forecast Position as at 31 December 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

	M9 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	496	688	678	(10)
Running Costs	76	294	127	(167)
Central Recharges	83	111	111	-
Total Operating Expenditure	655	1,093	916	(177)
Direct Services	6,533	8,168	8,960	792
Research	11	40	37	(3)
Payments in respect of Freedom Pass and Taxicard	269,402	358,748	356,792	(1,956)
Total Expenditure	276,601	368,049	366,705	(1,344)
Income				
Contributions in respect of Freedom Pass and Taxicard	(268,846)	(358,885)	(357,564)	1,321
Income for direct services	(7,118)	(8,573)	(9,922)	(1,349)
Core Member Subscriptions	(73)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	(15)	-	(20)	(20)

Other Income	(78)	(75)	(94)	(19)
Transfer from Reserves	0	(419)	(419)	-
Total Income	(276,130)	(368,049)	(368,116)	(67)
Net Expenditure	471	-	(1,411)	(1,411)

8. The projected surplus of £1,411,000 is made up broadly of the following:

- A projected overall surplus of £196,000 in respect of TEC parking traded services, after considering an estimate of the level of borough/TfL/GLA usage volumes during the first nine months of the year. This is attributable to several 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 £73,000 and a net saving against budget of £62,000 on Northgate unit charges and adjudicator fees. The number of notice of appeals and statutory declarations received the first three quarters of the financial year amounts to 31,447, giving a projected number for the year of 41,929 which is 651 more than the budgeted figure of 41,278. The current indicative throughput of appeals is 3.38 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 nine months of the year are projected to result in a net surplus of £55,000; 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 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 £21,000, although this is offset by an underspend on staffing costs attributable to non-operational and policy staff of £10,000.
- The deadline for independent bus operators to submit claims for quarter 3 is mid February therefore calculating the projected expenditure to the bus operators for the year using complete Quarter 3 data is not possible. However, the position as reported in the quarter 2 report is not anticipated to change significantly where there is a projected underspend

of £390,000 in respect of the £1.5 million budget. 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 overspend of £54,000 in respect of the £1.518 million budget for the issuing/reissuing costs of Freedom Passes. The reason for this overspend is higher than forecast call volumes associated with the 2021 mid-term review (i.e. passes due to expire in 2021). Total expenditure against this line is predicted to be £97,000 for the year. A number of changes to the way the review was communicated compared to the previous mid-term reviews meant there has been a much higher ratio of calls to letters sent. However, officers consider that the investment still represents value for money and will ultimately result in overall cost avoidance of c.£345,000 per annum over the next two and half years. In addition, overspends can be covered by income from additional replacement Freedom Passes as noted below.
 - Based on income collected up to quarter three of the financial year, income receipts from replacement Freedom Passes are forecast to exceed the budget of £684,000 by £322,000, which will be applied to into the TEC Specific Reserve.
 - Based on income collected during quarters 1 to 3 of the financial year, receipts from Lorry Control PCN income are forecast to exceed the £800,000 budget by approximately £200,000.
 - In addition to the Lorry Control surplus income, there is also an underspend on Lorry Control administration of £136,000. This is largely due to budget set aside of £50,000 in the current year and £86,000 carried forward from prior years to fund further work on the development of the Lorry Control Scheme remaining unspent. The majority of this expenditure, including recruitment of a Project Manager/Research Officer will now take place in 2019/20.

- A £20,000 forecasted surplus of interest on investments.
- A £167,000 underspend on running costs which is made up of various small underspends within supplies and services, including system developments.

Revenue Forecast Position as at 31 December 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

	M9 Actual	Budget	Forecast	Variance
	£000	£000	£000	£000
Expenditure				
Employee Costs	3,078	4,349	4,178	(171)
Running Costs	2,656	3,243	3,185	(58)
Central Recharges	140	187	187	-
Total Operating Expenditure	5,874	7,779	7,550	(229)
Direct Services	-	-	-	-
Commissioning and Research	107	575	265	(310)
Improvement and Efficiency work	-	240	35	(205)
YPES Regional/Provider Activities	28	50	50	-
Challenge Implementation Fund	-	525	250	(275)
Total Expenditure	6,009	9,169	8,150	(1,019)
Income				
Income for direct services	(76)	(101)	(101)	-
Core Member Subscriptions	(3,619)	(5,152)	(5,152)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Borough contribution towards LCP payments	(397)	(496)	(529)	(33)
Government Grants	-	-	-	-
Interest on Investments	(59)	(75)	(78)	(3)
Other Income	(177)	(189)	(221)	(32)
Central Recharges	(1,477)	(1,969)	(1,880)	89
Transfer from Reserves	-	(1,007)	(1,007)	-
Total Income	(5,985)	(9,169)	(9,148)	21
Net Expenditure/(Income)	24	-	(998)	(998)

10. A projected surplus of £998,000 is forecast in respect of the joint committee core functions. Employee costs are projected to underspend by £171,000, primarily due to holding off recruiting to certain current vacant posts or vacant periods during recruitment campaigns. There is also a maternity cover provision of £50,000 which will not be required during the year.

11. From transactions processed in the year to date and potential future commitments, there are forecast underspends of £310,000 in respect of the commissioning budget and £205,000 in respect of improvement and efficiency work. However, the improvement and efficiency work budget includes amounts set aside for London Councils contribution towards the London Office of Technology & Innovation (LOTI). This is likely now to fall into 2019/20 therefore an amount of £150,000 is expected to be carried forward in to the 2019/20 financial year.
12. These two budget 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. There is a projected underspend on the Challenge Implementation Fund of £275,000, largely as a result of the timing and accounting treatment of costs associated with the London Councils Challenge programme.
14. 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.
15. There is a projected underspend of £58,000 on running costs. This is largely due to fluctuations in other premises costs and general supplies and services.
16. A small surplus compared to budget on investment and other income of £3,000 and £32,000 respectively
17. These are offset by a projected shortfall of £89,000 in respect of income from tenants.

Externally Funded Projects

18. 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

19. The forecast reserves position for each of the three funding streams for the current year and beyond is illustrated in Table 5 below:

Table 5 – Forecast reserves after all current commitments

	Transport and Environment Committee (£000)	Joint Committee (£000)	Grants Committee (£000)	Total (£000)
General Reserve at 1 April 2018	3,060	5,307	523	8,890
Specific/ESF reserve at 1 April 2018	3,111	-	1,920	5,031
Provisional reserves at 1 April 2018	6,171	5,307	2,443	13,921
Committed in setting 2018/19 budget	(289)	(1,007)	(460)	(1,756)
Balances c/f into 2018/19	(130)	-	-	(130)
Potential use of residual ESF borough resources in 2019/20	-	-	(1,460)	(1,460)
Provisional other commitments for 2019/20 -2020/21	(4,116)	(1,504)	-	(5,620)
Projected surplus/(deficit) for the year	1,411	998	154	2,563
Uncommitted reserves	3,047	3,794	677	7,518

20. The current level of commitments from reserves, as detailed in Table 5, come to £8.966 million over the short-medium term and are detailed in Table 6 below:

Table 6 – Commitments from Reserves 2018-2021

	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Balances b/f from 2017/18	130	-	-	130
Approved transfer from JC general reserves	382	729	-	1,111
Approved transfer from TEC general reserves	289	187	-	476
Slippage of ESG grants funding	460	1,460	-	1,920
Challenge Implementation Fund	525	525	-	1,050
Support to the health transition process	100	100	-	200
Support to the London Office of Technology and Innovation (LOTI)	-	150	-	150
2020 Freedom Pass reissue	-	800	2,379	3,179
TEC priority projects	-	750	-	750
Totals	1,886	4,701	2,379	8,966

Conclusion

21. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 31 December 2018 (month 9), together with known future developments. At this point, a forecast underspend of £2.563 million is projected for 2018/19 across the three funding streams. Uncommitted reserves are currently projected to be £7.5 million by the end of the current financial year.

22. The next report will be presented to the Executive in June 2019, which will highlight the provisional financial results for the 2018/19 financial year, prior to the external audit.

Recommendations

23. The Executive is asked to note the overall forecast surplus as at 31 December 2018 (Month 9) of £2.563 million and note the position on reserves as detailed in paragraphs 19-20.

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