

London Councils TEC Executive Sub-Committee

Month 6 Revenue Forecast 2019/20 Item no: 8

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Summary	This report outlines actual income and expenditure against the approved budget to the end of September 2019 for TEC and provides a forecast of the outturn position for 2019/20. At this stage, a surplus of £595,000 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 £2.935 million, if trip volumes in the second quarter continue for the remainder of the year. The net borough proportion of this underspend is projected to be their full budget of £1.495 million, with £1.440 million accruing to TfL.
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Recommendations The Executive Sub-Committee is asked to :

- note the projected surplus of £595,000 for the year, plus the forecast net underspend of £2.935 million 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.

Month 6 Revenue Forecast 2019/20

1. This is the second budget monitoring report to be presented to the Committee during the current financial year. The next report will be the Month 9 figures (31 December 2019) for the year, which will be reported to the February 2020 meeting of this Committee.
2. The London Councils Transport and Environment Committee's income and expenditure revenue budget for 2019/20 as approved by the Full Committee in December 2018, is set out in Appendix A (Expenditure) and Appendix B (Income). The appendices show the actual income and expenditure at 30 September 2019 and an estimate of the forecast outturn for the year, together with the projected variance from the approved budget. However, the budget is adjusted for:
 - the confirmation of borough and TfL funding for the Taxicard scheme for the year (a reduction of £620,000);
 - confirmation of payments made to the Rail Delivery Group (a reduction of £503,000); and
 - confirmation of the resources carried forward from 2018/19 (£133,000) approved by this Sub-Committee in July 2019.

Variance from Budget

3. The current figures indicate that the Committee is projected to underspend gross expenditure budgets by £2.597 million and post a deficit of income of £2.002 million over the approved budget target for the year. However, these figures include offsetting amounts of £2.935 million relating to payments and income for taxicard trips, making an overall projected net surplus of £595,000. Table 1 below summarises the forecast position, with commentary that details the trends that have begun to emerge during the first quarter and providing explanations for the variances that are projected.

Table 1 –Summary Forecast as at 30 September 2019

	M6 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	361	716	732	16
Running Costs	23	271	157	(114)
Central Recharges	186	77	458	381
Total Operating Expenditure	570	1,064	1,347	283
Direct Services	4,888	9,221	9,584	363
Research	0	40	37	(3)
Payments in respect of Freedom Pass and Taxicard	175,599	355,105	351,865	(3,240)
Total Expenditure	181,057	365,430	362,833	(2,597)
Income				
Contributions in respect of Freedom Pass and Taxicard	(175,889)	(355,254)	(352,580)	2,674
Income for direct services	(4,946)	(9,689)	(10,312)	(624)
Core Member Subscriptions	(49)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	(26)	-	(51)	(51)
Other Income	(19)	(71)	(69)	2
Transfer from Reserves	-	(320)	(320)	-
Total Income	(180,928)	(365,430)	(363,428)	2,002
Net Expenditure	129	-	(595)	(595)

4. The projected surplus of £595,000 is made up broadly of the following:

- A projected overall surplus of £106,000 in respect of TEC parking traded services, after considering an estimate of the level of borough/TfL/GLA usage volumes during the first half of the year. This is attributable to several areas:
 - Firstly, there is a projected net surplus of £73,000 in respect of environmental and traffic appeals. This is made up of a surplus in appeals income of £68,000 plus a net underspend against budget of £5,000 on adjudicator fees and Northgate unit charges. The estimated number of notice of appeals and statutory declarations received over the first five months amounts to 18,634, giving a projected number for the year of 44,722 which is 3,028 more than the budgeted figure of 41,694. The current indicative throughput of appeals is 3.78 appeals per hour, compared to a budget figure of 3.41.
 - Secondly, the transaction volumes for other parking systems used by boroughs and TfL over the second quarter are projected to result in a net deficit of £12,000;
 - In April 2019 the Ultra Low Emission Zone (ULEZ) was introduced to London, the result of which is an increase in RUCA appeals being heard. Northgate fixed costs have been increased and are currently estimated to be £128,000 over budget as a result of this. Additional income of £173,000 is estimated at this stage of the year to cover the additional Northgate costs and associated increases to the proportion of the hearing centre premises costs which are now being attributed to RUCA based on appeal numbers.
- As discussed in the Quarter 1 report to a detailed review of how London Councils apports its central costs between the three committees has identified some overheads, which are attributed to members of staff working on TEC related activities, which were not being fully passed on to TEC. This has now been addressed and has resulted in additional costs of approximately £421,000 being included in the TEC forecast largely within central recharges but also within Direct Services and Freedom Pass & Taxicard, along with additional staffing costs of approximately £16,000.
- A projected underspend on running costs of £114,000 based on payment made to date.
- A projected underspend of £150,000 in respect of the £1.3 million budget for payments to independent bus operators, which reflects a lower take up of new bus operators compared to the contingent element of the budget.
- A projected underspend of £172,000 in respect of the £1.518 million budget for the issuing/reissuing costs of Freedom Passes. This however is based on invoices received in the early part of the year so may fluctuate during the period. This budget will therefore be monitored and managed throughout the financial year.
- Based on income collected during the first quarter, income receipts from replacement Freedom Passes are forecast to exceed the budget of £750,000 by £270,000, which, along with the above projected reissue budget underspend, will be applied to into the TEC committee Specific Reserve.
- Based on income collected during the first quarter, receipts from Lorry Control PCN income are forecast to exceed the budget of £900,00 by approximately £200,000.

- A marginal overspend of £24,000 on the administration costs associated with providing the concessionary fares service; and
- A forecasted amount of interest on investments of £51,000 not previously budgeted for.

Committee Reserves

5. Table 2 below updates the Committee on the projected level of reserves as at 31 March 2020, if all current known liabilities and commitments are considered:

Table 2– Analysis of Projected Uncommitted Reserves as at 31 March 2020

	General Reserve	Specific Reserve	Total
	£000	£000	£000
Unaudited reserves at 1 April 2019	3,936	3,553	7,489
Transfer between reserves	-	-	-
Approved in setting 2019/20 budget (December 2018)	(187)	-	(187)
Carried forward amounts from 2018/19	(133)	-	(133)
2020 renewal spend	-	(1,176)	(1,176)
TEC Special projects	-	(750)	(750)
Projected Budget Surplus/(Deficit) 2019/20	153	442	595
Estimated Residual Balances at 31 March 2020	3,769	2,069	5,838

Conclusions

6. This report reflects the position at the second-quarter stage in the current financial year and forecasts a surplus position of £595,000 for the year. In addition, taxicard trips are forecast to underspend by £2.935 million, with the borough proportion of this underspend projected to be £1.495 million, with £1.440 million accruing to TfL.
7. Much of the projected surplus is attributable to a projected surplus on trading operations based on transaction volumes during the second quarter, plus additional projected income from replacement Freedom Passes and Lorry Control scheme PCNs. However, this is somewhat offset by additional central recharges charged to TEC.
8. After considering the forecast surplus and known commitments, general reserves are forecast to be £3.769 million at the year-end, which equates to 29% of budgeted operating and trading expenditure of £12.911 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. This issue is explored in greater detail in the report of the draft revenue budget proposals in 2020/21, which is subject to a separate report on this agenda.

Recommendations

9. Members are asked to :
 - note the projected surplus of £595,000 for the year, plus the forecast underspend of £2.935 million 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 2019/20

London Councils Income and Expenditure Forecast File 2019/20

TEC M6 Expenditure Forecast 2019/20

Appendix A

	Revised 2019/20 £000	Month 6 ATD £000	Month 6 Forecast £000	Month 6 Variance £000
Payments in respect of Concessionary Fares				
TfL	320,913	160,457	320,913	0
RDG	19,450	9,726	19,450	0
Other Bus Operators	1,300	575	1,150	-150
Freedom Pass issue costs	1,518	592	1,346	-172
Freedom Pass Administration	498	261	522	24
City Fleet Taxicard contract	10,856	3,707	7,921	-2,935
Taxicard Administration	570	281	563	-7
	355,105	175,599	351,865	-3,240
TEC Trading Account Expenditure				
Payments to Adjudicators- ETA	790	325	779	-11
Payments to Adjudicators - RUCA	264	172	413	149
Northgate variable contract costs - ETA	293	125	299	6
Northgate variable contract costs - RUCA	80	48	129	49
Northgate variable contract costs - Other	209	101	205	-4
Payments to Northampton County Court	4,000	2,531	4,000	0
Lorry Control Administration	859	342	822	-37
ETA/RUCA Administration	2,687	1,224	2,895	208
HEB Administration	40	20	43	3
	9,221	4,888	9,585	364
Sub-Total	364,326	180,487	361,450	-2,876
Operating Expenditure				
Contractual Commitments				
NG Fixed Costs	94	15	94	0
	94	15	94	0
Salary Commitments				
Non-operational staffing costs	666	351	707	41
Members	19	10	19	0
Maternity Provision	30	0	5	-25
	715	361	731	16
Other Commitments				
Supplies and service	177	8	63	-114
Research	40	0	37	-3
	217	8	100	-117
Total Operating Expenditure	1,026	384	925	-101
Central Recharges	77	186	458	381
Total Expenditure	365,430	181,057	362,833	-2,597

	Revised 2019/20 £000	Month 6 ATD £000	Month 6 Forecast £000	Month 6 Variance £000
Borough contributions to TfL	320,913	160,457	320,913	0
Borough contributions to ATOC	19,450	9,726	19,450	0
Borough contributions to other bus operators	1,300	650	1,300	0
Borough contributions to FP issue costs	1,518	592	1,518	0
Borough contributions to freedom pass administration	0	0	0	0
Income from replacing lost/faulty freedom passes	750	427	1,020	-270
Income from replacing lost/faulty taxicards	18	4	9	9
Borough contributions to Comcab	1,495	0	0	1,495
TfL contribution to Taxicard scheme	9,360	3,707	7,920	1,440
Borough contributions to taxicard administration	326	326	326	0
TfL Contribution to taxicard administration	124	0	124	0
	355,254	175,889	352,580	2,674
TEC trading account income				
Borough contributions to Lorry ban administration	0	0	0	0
Lorry ban PCNs	900	660	1,100	-200
Borough parking appeal charges	901	430	1,033	-132
TfL parking appeal charges	182	49	118	64
GLA Congestion charging appeal income	343	230	542	-199
Borough fixed parking costs	1,990	995	1,990	0
TfL fixed parking costs	216	108	216	0
GLA fixed parking costs	575	288	748	-173
Borough other parking services	582	282	564	18
Northampton County Court Recharges	4,000	1,904	4,000	0
	9,689	4,946	10,311	-622
Sub-Total	364,943	180,835	362,891	2,052
Core borough subscriptions				
Joint Committee	46	23	46	0
TEC (inc TfL)	51	26	51	0
	97	49	97	0
Other Income				
TfL secretariat recharge	30	0	31	-1
Investment income	0	26	51	-51
Other income	0	0	0	0
Sales of Health Emergency badges	40	19	38	2
	70	45	120	-50
Transfer from Reserves	320	0	320	0
Central Recharges	0	0	0	0
Total Income Base Budget	365,430	180,929	363,428	2,002