

# Executive

## Month 6 Revenue Forecast 2019/20

Item no: 5B

**Report by:** Frank Smith      **Job title:** Director of Corporate Resources  
**Date:** 12 November 2019  
**Contact Officer:** Frank Smith  
**Telephone:** 020 7934 9700      **Email:** frank.smith@londoncouncils.gov.uk

**Summary** This report summarises actual income expenditure recorded in the accounts as at 30 September 2019 (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 the position on London Councils reserves. The summary forecast outturn position is as follows:

	<b>M6 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	189,294	381,774	379,158	(2,617)
Total income	(189,630)	(379,918)	(378,963)	955
Use of reserves	-	(1,856)	(1,985)	(128)
<b>Net deficit/(surplus)</b>	<b>(336)</b>	<b>-</b>	<b>(1,790)</b>	<b>(1,790)</b>
Net expenditure by Committee				
Grants	156	-	(40)	(40)
Transport and Environment	129	-	(595)	(595)
Joint	(621)	-	(1,155)	(1,155)
<b>Net deficit/(surplus)</b>	<b>(336)</b>	<b>-</b>	<b>(1,790)</b>	<b>(1,790)</b>

**Recommendations** The Executive is asked to note the overall forecast surplus as at 30 September 2019 (Month 6) of £1.790 million, which compares to a forecast surplus at month 3 of £1.468 million and note the position on reserves as detailed in paragraph 19.



## Month 6 Revenue Forecast 2019/20

### Introduction

1. London Councils revenue expenditure budget for 2019/20, as approved by the Leaders' Committee in December 2018, was £382.765 million. The budget was then adjusted to reflect the decision of TEC to bring forward underspends of £133,000 that arose in 2018/19 into the current year. In addition, the TEC budget was reduced by a further £621,000 on confirmation of the finalised funding available from boroughs and TfL for the Taxicard Scheme in 2019/20 and £503,000 for Rail Delivery Group payments, making a revised expenditure budget for 2018/19 of £381.774 million.
2. The corresponding revenue income budget approved by the Leaders' Committee in December 2018 was £382.765 million, which included an approved transfer of £1.724 million from reserves. Additional transfers from reserves of £133,000 were made to cover carry forward expenditure (see paragraph 1), plus reduced Taxicard funding from the boroughs of £621,000. Finally, there was a reduction in Borough contributions to the Rail Delivery Group of £503,000. Total revised income, therefore, is budgeted to be £381.774 million, of which £1.856 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 months 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 2019/20, as at 30 September 2019.**

	<b>M6 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	2,704	5,742	5,430	(312)
Running Costs	1,592	3,562	3,371	(192)
Central Recharges	415	491	896	405
<b>Total Operating Expenditure</b>	<b>4,708</b>	<b>9,796</b>	<b>9,697</b>	<b>(99)</b>
Direct Services	4,888	9,221	9,584	363
Payments in respect of Freedom Pass and Taxicard	175,599	355,105	351,865	(3,240)
Commissioned grants services	3,064	6,173	6,151	(22)
London Funders Group	60	60	60	-
S.48 ESF commissions	822	102	822	720
Improvement and Efficiency work	50	201	125	(76)

YPES Regional/Provider Activities	16	50	50	-
Challenge Implementation Fund	25	525	435	(90)
Commissioning and Research	62	542	369	(173)
<b>Total Expenditure</b>	<b>189,294</b>	<b>381,774</b>	<b>379,158</b>	<b>(2,617)</b>
<b>Income</b>				
Contributions in respect of Freedom Pass and Taxicard	(175,889)	(355,254)	(352,580)	2,674
Borough contribution towards grant payments	(3,438)	(6,173)	(6,382)	(209)
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Income for direct services	(5,036)	(9,790)	(10,413)	(624)
Core Member Subscriptions	(2,834)	(5,744)	(5,744)	-
Borough contribution towards LCP payments	(440)	(496)	(454)	42
Government Grants	(430)	(58)	(431)	(373)
Interest on Investments	(91)	(74)	(180)	(105)
Other Income	(161)	(285)	(297)	(12)
Central Recharges	(1,132)	(1,864)	(2,303)	(439)
Transfer from Reserves	-	(1,856)	(1,985)	(128)
<b>Total Income</b>	<b>(189,630)</b>	<b>(381,774)</b>	<b>(380,948)</b>	<b>827</b>
<b>Net Expenditure</b>	<b>(336)</b>	<b>-</b>	<b>(1,790)</b>	<b>(1,790)</b>
<b>Applied to Funding Streams</b>				
Grants Committee	156	-	(40)	(40)
Transport and Environment Committee	129	-	(595)	(595)
Joint Committee Functions	(621)	-	(1,155)	(1,155)
<b>Net Expenditure</b>	<b>(354)</b>	<b>-</b>	<b>(1,790)</b>	<b>(1,790)</b>

### Revenue Forecast Position as at 30 September 2019 – Grants Committee

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

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

	<b>M6 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	149	328	288	(40)
Running Costs	11	19	19	-
Central Recharges	133	227	251	24
<b>Total Operating Expenditure</b>	<b>293</b>	<b>574</b>	<b>558</b>	<b>(16)</b>
S.48 Commissioned services	3,064	6,173	6,151	(22)
S.48 ESF Commissioned services	822	102	822	720
London Funders Group	60	60	60	-
<b>Total Expenditure</b>	<b>4,239</b>	<b>6,909</b>	<b>7,591</b>	<b>682</b>
<b>Income</b>				
Borough contributions towards commissioned services	(3,438)	(6,173)	(6,382)	(209)

Borough contributions towards the administration of commissions	(209)	(495)	(495)	-
ESF Grant	(430)	(58)	(431)	(373)
Interest on Investments	(6)	-	(12)	(12)
Other Income	-	-	-	-
Transfer from Reserves	-	(183)	(311)	(128)
<b>Total Income</b>	<b>(4,083)</b>	<b>(6,909)</b>	<b>(7,631)</b>	<b>(722)</b>
<b>Net Expenditure</b>	<b>156</b>	<b>-</b>	<b>(40)</b>	<b>(40)</b>

6. The projected deficit of £40,000, is broadly split between the following:
- A projected underspend of £22,237 in respect of 2019/20 S.48 borough funded commissioned services which largely relates to St Mungo Community Housing Association;
  - An underspend of £40,000 in respect of employee costs due to vacancies within the team and an underspend on the maternity provision, although partly offset by a reduction in draw down from ESF reserves, therefore net underspend of £30,000;
  - An additional sum of £12,000 from investment income is forecasted to be received on Committee reserves, not previously budgeted for;
  - A net increase in central recharges of £24,000; and
  - The projected expenditure in respect of anticipated payments made in respect of the S.48 ESF programme is largely due to the timing and slippage of the programme. The S.48 ESF programme was completed by 30 June 2019 and expenditure above the approved budget is met by accumulated ESF reserves and ESF grant.

### Revenue Forecast Position as at 30 September 2019 – 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**

	<b>M6 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	361	716	732	16
Running Costs	23	271	157	(114)
Central Recharges	186	77	458	381
<b>Total Operating Expenditure</b>	<b>570</b>	<b>1,064</b>	<b>1,347</b>	<b>283</b>
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)
<b>Total Expenditure</b>	<b>181,057</b>	<b>365,430</b>	<b>362,833</b>	<b>(2,597)</b>
<b>Income</b>				
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)	-
<b>Total Income</b>	<b>(180,928)</b>	<b>(365,430)</b>	<b>(363,428)</b>	<b>2,002</b>
<b>Net Expenditure</b>	<b>129</b>	<b>-</b>	<b>(595)</b>	<b>(595)</b>

8. 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, some overheads, which are attributed to members of staff working on TEC related activities, were not being fully passed on to TEC. This has now been addressed and has resulted in additional costs being included in the TEC

forecast, largely within the central recharges line but also within Direct Services lines, such as Freedom Pass & Taxicard.

- 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.

#### Revenue Forecast Position as at 30 September 2019 – 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**

	<b>M6 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	2,194	4,698	4,410	(288)
Running Costs	1,558	3,273	3,195	(78)
Central Recharges	94	187	187	-
<b>Total Operating Expenditure</b>	<b>3,846</b>	<b>8,158</b>	<b>7,792</b>	<b>(366)</b>

Direct Services	-	-	-	-
Commissioning and Research	62	502	332	(170)
Improvement and Efficiency work	50	201	125	(76)
YPES Regional/Provider Activities	16	50	50	-
Challenge Implementation Fund	25	525	435	(90)
<b>Total Expenditure</b>	<b>3,999</b>	<b>9,436</b>	<b>8,734</b>	<b>(702)</b>
<b>Income</b>				
Income for direct services	(90)	(101)	(101)	-
Core Member Subscriptions	(2,576)	(5,152)	(5,152)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Borough contribution towards LCP payments	(440)	(496)	(454)	42
Government Grants	-	-	-	-
Interest on Investments	(59)	(75)	(117)	(42)
Other Income	(142)	(214)	(228)	(14)
Central Recharges	(1,132)	(1,864)	(2,303)	(439)
Transfer from Reserves	-	(1,354)	(1,354)	-
<b>Total Income</b>	<b>(4,619)</b>	<b>(9,436)</b>	<b>(9,889)</b>	<b>(453)</b>
<b>Net Expenditure/(Income)</b>	<b>(620)</b>	<b>-</b>	<b>(1,155)</b>	<b>(1,155)</b>

10. There is a projected surplus of £1.155 million is forecast in respect of the joint committee core functions. Employee costs are projected to underspend by £288,000, primarily due to deferring recruitment to certain vacant posts or time lag during recruitment campaigns.
11. There is an anticipated underspend of £78,000 in running costs against an annual budget of £3.273 million. The underspend is spread across several small budgets therefore cannot be attributable to any one area. Expenditure will be closely monitored and reported on for the remainder of the financial year.
12. Whilst transactions processed during this early stage of the year suggest underspends of £170,000 in respect of the commissioning budget and £76,000 in respect of improvement and efficiency work, these are both budget areas which will be subject to developing proposals following a direction of travel set by members during the year. These costs are, therefore, liable to fluctuate as the year progresses as new priorities come on stream, thereby incurring in-year costs.
13. Various building works and other improvements are ongoing throughout the Southwark Street offices as a result of the recommendations which arose from the challenge process. Some of these works are likely to be completed in the following financial year, therefore it is anticipated

that the Challenge Implementation Fund, which is funding these improvements, will underspend the 2019/20 budget by approximately £90,000.

14. A forecasted amount of interest on investments of £117,000 which is £42,000 above the approved budget.
15. Additional other income of £14,000, however the majority of this relates to contributions towards the homelessness awards which is matched with corresponding expenditure.
16. As discussed in paragraphs 6 & 8, a detailed review of how London Councils apportion its central costs between the three committees identified an anomaly in the recharges model. This has now been rectified and resulted in addition income to the joint committee of £439,000.
17. This is offset by a forecasted deficit on income in respect of London Care Placements (LCP) of £42,000. This is a result of three boroughs opting out of the scheme. However, the remaining income is at a level which covers the LCP costs and with prior year surpluses being held there is a low risk of the service overspending.

### **Externally Funded Projects**

18. The externally funded projects are estimated to have matched income and expenditure of just over £5 million for 2019/20, including funding for the borough (non S.48) ESF programme and the introduction of the London Office of Technology and Innovation (LOTI). 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 2019/20; any underspend on the external funds received will be carried forward to be utilised in the next financial year.

### **Reserves**

19. The projected uncommitted reserves as at 31 March 2020 are estimated to be £12.605 million and are explored in more detail in paragraphs 54 to 59 of the draft proposed revenue budget 2020/21 report elsewhere on this meeting agenda.

### **Conclusions**

20. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 30 September 2019 (month 6), together with known future developments. At this point, a forecast underspend of £1.790 million is projected for 2019/20 across the three

funding streams. Uncommitted reserves are currently projected to be just over £12.6 million by the end of the current financial year.

21. 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 2019/20 financial year.

### **Recommendations**

22. The Executive is asked to note the overall forecast surplus as at 30 September 2019 (Month 6) of £1,790 million and note the position on reserves as detailed in paragraphs 19.

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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 2019/20