

Executive

Month 9 Revenue Forecast 2019/20

Item no: 6

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Summary

This report summarises actual income expenditure recorded in the accounts as at 31 December 2019 (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 the position on London Councils reserves. The summary forecast outturn position is as follows:

	M9 Actual	Budget	Forecast	Variance
	£000	£000	£000	£000
Total expenditure	283,865	381,774	379,132	(2,642)
Total income	(284,536)	(379,918)	(379,448)	470
Use of reserves	-	(1,856)	(1,979)	(123)
Net deficit/(surplus)	(671)	-	(2,295)	(2,295)
Net expenditure by Committee				
Grants	265	-	(21)	(21)
Transport and Environment	(243)	-	(743)	(743)
Joint	(693)	-	(1,531)	(1,531)
Net deficit/(surplus)	(671)	-	(2,295)	(2,295)

Recommendations

The Executive is asked to note the overall forecast surplus as at 31 December 2019 (Month 9) of £2.295 million, which compares to a forecast surplus at month 6 of £1.790 million and note the position on reserves as detailed in paragraphs 19 and 20.

Month 9 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 nine 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 31 December 2019.

	M9 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	4,049	5,742	5,404	(338)
Running Costs	2,411	3,562	3,563	1
Central Recharges	641	491	896	405
Total Operating Expenditure	7,101	9,796	9,893	68
Direct Services	7,304	9,221	9,630	409
Payments in respect of Freedom Pass and Taxicard	263,671	355,105	352,014	(3,091)
Commissioned grants services	4,608	6,173	6,151	(22)
London Funders Group	60	60	60	-
S.48 ESF commissions	858	102	858	756
Improvement and Efficiency work	75	201	140	(61)

YPES Regional/Provider Activities	19	50	50	-
Challenge Implementation Fund	39	525	80	(445)
Commissioning and Research	130	542	286	(256)
Total Expenditure	283,865	381,774	379,132	(2,642)
Income				
Contributions in respect of Freedom Pass and Taxicard	(264,322)	(355,254)	(352,954)	2,300
Borough contribution towards grant payments	(5,053)	(6,173)	(6,382)	(209)
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Income for direct services	(7,882)	(9,790)	(10,487)	(697)
Core Member Subscriptions	(4,146)	(5,744)	(5,744)	-
Borough contribution towards LCP payments	(440)	(496)	(454)	42
Government Grants	(448)	(58)	(447)	(389)
Interest on Investments	(131)	(74)	(175)	(101)
Other Income	(236)	(285)	(322)	(37)
Central Recharges	(1,698)	(1,864)	(2,303)	(439)
Transfer from Reserves	-	(1,856)	(1,979)	(123)
Total Income	(284,536)	(381,774)	(381,427)	347
Net Expenditure	(671)	-	(2,295)	(2,295)
Applied to Funding Streams				
Grants Committee	265	-	(21)	(21)
Transport and Environment Committee	(243)	-	(743)	(743)
Joint Committee Functions	(693)	-	(1,531)	(1,531)
Net Expenditure	(354)	-	(2,295)	(2,295)

Revenue Forecast Position as at 31 December 2019 – 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	212	328	277	(51)
Running Costs	23	19	23	4
Central Recharges	222	227	251	24
Total Operating Expenditure	457	574	551	(23)
S.48 Commissioned services	4,608	6,173	6,151	(22)
S.48 ESF Commissioned services	858	102	858	756
London Funders Group	60	60	60	-
Total Expenditure	5,983	6,909	7,620	711
Income				
Borough contributions towards commissioned services	(5,053)	(6,173)	(6,382)	(209)

Borough contributions towards the administration of commissions	(209)	(495)	(495)	-
ESF Grant	(448)	(58)	(447)	(389)
Interest on Investments	(9)	-	(12)	(12)
Other Income	-	-	-	-
Transfer from Reserves	-	(183)	(305)	(122)
Total Income	(5,719)	(6,909)	(7,641)	(732)
Net Expenditure	264	-	(21)	(21)

6. The projected deficit of £21,000, 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 £51,000 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 and ESF grant, therefore net underspend of £30,000;
- A small £4,000 overspend on general running costs;
- An additional sum of £12,000 from investment income is forecasted to be received on Committee reserves, not previously budgeted for;
- An increase in central recharge costs of £39,000 in relation to members of staff working on grants related activities, which previously were not being fully passed on to the Grants Committee. This overspend is reduced by £15,000 as a result of the S.48 ESF scheme coming to an end in June 2019. This is, however, matched by a reduction in the draw down from ESF reserves; and
- There is also a projected planned overspend in respect of payments made in respect of the S.48 ESF programme largely due to the timing and slippage of the programme. The S.48 ESF programme was completed by 30 June 2019 and the additional expenditure above the approved budget is met by accumulated ESF reserves and ESF grant.

Revenue Forecast Position as at 31 December 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

	M9 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	551	716	718	2
Running Costs	199	271	316	45
Central Recharges	279	77	458	381
Total Operating Expenditure	1,029	1,064	1,492	428
Direct Services	7,304	9,221	9,630	409
Research	4	40	5	(35)

Payments in respect of Freedom Pass and Taxicard	263,671	355,105	352,014	(3,091)
Total Expenditure	272,008	365,430	363,141	(2,289)
Income				
Contributions in respect of Freedom Pass and Taxicard	(264,322)	(355,254)	(352,954)	2,300
Income for direct services	(7,783)	(9,689)	(10,386)	(698)
Core Member Subscriptions	(73)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	(36)	-	(48)	(48)
Other Income	(36)	(71)	(79)	(8)
Transfer from Reserves	-	(320)	(320)	-
Total Income	(272,250)	(365,430)	(363,884)	1,546
Net Expenditure	(242)	-	(743)	(743)

8. The projected surplus of £743,000 is made up broadly of the following:

- A projected overall surplus of £114,000 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 £75,000 in respect of environmental and traffic appeals. This is made up of a surplus in appeals income of £66,000 plus a net underspend against budget of £9,000 on adjudicator fees and contractor unit charges. The estimated number of notice of appeals and statutory declarations received over the first eight months amounts to 29,819, giving a projected number for the year of 44,729 which is 3,035 more than the budgeted figure of 41,694. The current indicative throughput of appeals is 3.85 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 £6,000;
 - 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 previous reports, a detailed review of how London Councils apportions its central costs between the three committees identified some overheads which are attributed to members of staff working on TEC related activities which were not being fully passed on to the Committee. This has now been addressed and has resulted in additional costs of approximately £421,000 being included in the TEC forecast. This is largely within central recharges but also within Direct Services and Freedom Pass & Taxicard, along with additional staffing costs of approximately £16,000;
- A projected overspend on running costs of £45,000 based on payments made to date and anticipated spend in the remaining part of the year, largely due to additional development costs such as expenditure in relation to the London Tribunals website and other system enhancements which are required. However, this overspend is reduced by an underspend on the research budget of £35,000;
- A projected underspend of £300,000 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 along with a fall in journeys and the withdrawal of one operator from January 2020;
- A projected underspend of £223,000 in respect of the £1.518 million budget for the issuing/reissuing costs of Freedom Passes. Costs associated with this budget can fluctuate throughout the year based on activity levels. Officers will, therefore, continue to monitor and manage this budget during the final part of the year;
- Based on income collected during the first three quarters of the year, income receipts from replacement Freedom Passes are forecast to exceed the budget of £750,000 by £299,000. This, along with the underspend in the projected reissue budget reported above, will be transferred into TEC Specific Reserve at the year end;
- Based on income collected during first three quarters of the year, receipts from Lorry Control PCN income are forecast to exceed the budget of £900,000 by approximately £200,000; and
- A forecasted amount of interest on investments of £48,000 not previously budgeted for.

Revenue Forecast Position as at 31 December 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

	M9 Actual	Budget	Forecast	Variance
	£000	£000	£000	£000
Expenditure				
Employee Costs	3,286	4,698	4,409	(289)
Running Costs	2,189	3,273	3,223	(50)
Central Recharges	140	187	187	-
Total Operating Expenditure	5,615	8,158	7,819	(339)
Direct Services	-	-	-	-
Commissioning and Research	126	502	281	(221)
Improvement and Efficiency work	75	201	140	(61)
YPES Regional/Provider Activities	19	50	50	-
Challenge Implementation Fund	38	525	80	(445)
Total Expenditure	5,873	9,436	8,370	(1,066)
Income				
Income for direct services	(99)	(101)	(101)	-
Core Member Subscriptions	(3,864)	(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	(86)	(75)	(115)	(40)
Other Income	(199)	(214)	(242)	(28)
Central Recharges	(1,698)	(1,864)	(2,303)	(439)
Transfer from Reserves	-	(1,354)	(1,354)	-
Total Income	(6,566)	(9,436)	(9,901)	(465)
Net Expenditure/(Income)	(693)	-	(1,531)	(1,531)

10. There is a projected surplus of £1.531 million is forecast in respect of the Joint Committee core functions. Employee costs are projected to underspend by £289,000, primarily due to deferring recruitment to certain vacant posts or time lag during recruitment campaigns.

11. There is an anticipated underspend of £50,000 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 final part of the financial year.

12. From transactions processed in the year to date and potential future commitments, there are forecast underspends of £221,000 in respect of the commissioning budget and £61,000 in respect of improvement and efficiency work. These two budget areas continue to be subject to developing proposals following a direction of travel set by members during the year. These

costs may, therefore, still be liable to fluctuate during the final quarter as new priorities that have been identified come on stream in terms of activity, thereby incurring in-year costs.

13. As previously reported and discussed by the Executive, various workstreams, including building works and other improvements at the Southwark Street offices are to be carried out. The majority of this expenditure is likely to fall in 2020/21. As a result of this, the Challenge Implementation Fund, which is funding these improvements, will significantly underspend the 2019/20 budget specifically by approximately £445,000.
14. A forecasted amount of interest on investments of £115,000 is £40,000 above the approved budget.
15. There is other additional income of £28,000 - £22,000 of this relates to contributions towards the homelessness awards which are matched with corresponding expenditure. The remaining variance relates to income from the Regional Employers function being above the approved budget.
16. As discussed in previously, a detailed review of how London Councils apportions its central costs between the three committees identified an anomaly in the recharges model. This has now been rectified and has 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. The remaining income, however, is at a level which covers the LCP costs and with prior year surpluses also being held, there is a low risk of the service overspending overall.

Externally Funded Projects

18. The externally funded projects are estimated to have matched income and expenditure of just over £4.6 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 forecast reserve position for each of the three funding streams for the current year and beyond is illustrated in Table 5.

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 2019	3,936	5,186	721	9,843
Specific/ESF reserve at 1 April 2019	3,553	-	1,330	4,883
Provisional reserves at 1 April 2019	7,489	5,186	2,051	14,726
Committed in setting 2019/20 budget	(187)	(1,354)	(183)	(1,724)
Balances c/f into 2019/20	(133)	-	-	(133)
Potential use of residual ESF borough resources in 2019/20	-	-	(122)	(122)
Committed in setting 2020/21 budget	(579)	-	-	(579)
Provisional other commitments for 2020/21 -2021/22	(2,676)	-	(1,025)	(3,701)
Projected surplus/(deficit) for the year	743	1,531	21	2,295
Uncommitted reserves	4,657	5,363	559	10,579

20. The current level of commitments from reserves, as detailed in Table 5, come to £6.259 million over the short-medium term and are detailed in Table 6 below:

Table 6 – Commitments from Reserves 2019-2022

	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000
Balances b/f from 2018/19	133	-	-	133
Approved transfer from JC general reserves	729	-	-	729
Approved transfer from TEC general reserves	187	-	-	187
Slippage of ESG grants funding	305	-	-	305
Reinvestment of ESF Grant underspend	-	1,025	-	1,025
Challenge Implementation Fund	525	-	-	525
Support to the health transition process	100	-	-	100
2020 Freedom Pass reissue	-	1,176	-	1,176
TEC priority projects	-	750	750	1,500
Committed in setting 2020/21 budget	-	579	-	579
Totals	1,979	3,530	750	6,259

Conclusions

21. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 31 December 2019 (month 9), together with known future developments. At this point, a forecast underspend of £2.295 million is projected for 2020/21 across the three funding streams. Uncommitted reserves are currently projected to be just over £10.5 million by the end of the current financial year.

22. The next forecast will be presented to the Executive in June 2020, which will highlight the provisional financial results for the 2019/20 financial year, prior to the external audit.

Recommendations

23. The Executive is asked to note the overall forecast surplus as at 31 December 2019 (Month 9) of £2.295 million and note the position on reserves as detailed in paragraphs 19 and 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 2019/20