

# Executive

## Month 3 Revenue Forecast 2020/21

Item no: 7

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**Date:** 8 September 2020  
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### Summary

This report summarises actual income expenditure recorded in the accounts as at 30 June 2020 (Month 3), 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:

	<b>M3 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	92,450	381,464	377,258	(4,206)
Total income	(92,999)	(379,942)	(374,885)	5,057
Use of reserves	-	(1,522)	(2,482)	(960)
<b>Net deficit/(surplus)</b>	<b>(549)</b>	<b>-</b>	<b>(109)</b>	<b>(109)</b>
Net expenditure by Committee				
Grants	49	-	(2)	(2)
Transport and Environment	(137)	-	(180)	(180)
Joint	(461)	-	73	73
<b>Net deficit/(surplus)</b>	<b>(549)</b>	<b>-</b>	<b>(109)</b>	<b>(109)</b>

**Recommendations** The Executive is asked to note the overall forecast surplus as at 30 June 2020 (Month 3) of £109,000 and note the position on reserves as detailed in paragraphs 18-19.

## Introduction

1. London Councils revenue expenditure budget for 2020/21, as approved by the Leaders' Committee in December 2019, was £383.171 million. The budget was then adjusted to reflect the decision of TEC to bring forward underspends of £91,000 that arose in 2019/20 into the current year. In addition, the TEC budget was reduced by a further £1.029 million on confirmation of the finalised funding available from boroughs and TfL for the Taxicard Scheme in 2020/21 and £1.222 million for Rail Delivery Group payments in respect of the Freedom Pass. Finally following agreement by members £452,000 of unspent budget in relation to the Challenge Implementation Fund was carried forward, making a revised expenditure budget for 2020/21 of £381.464 million.
2. The corresponding revenue income budget approved by the Leaders' Committee in December 2020 was £383.171 million, which included an approved transfer of £979,000 from reserves. Additional transfers from reserves of £543,000 were made to cover carry forward expenditure (see paragraph 1), plus reduced Taxicard funding from the boroughs of £1.029 million. Finally, there was a reduction in Borough contributions to the Rail Delivery Group element of the Freedom Pass of £1.222 million. Total revised income, therefore, is budgeted to be £381.464 million, of which £1.522 million is an approved transfer from reserves to produce a balanced budget for the year.
3. This report analyses actual income and expenditure after three months of the current financial year and highlights any significant variances emerging against the approved budget and includes an estimate of the financial effects of the COVID-19 pandemic.
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 2020/21, as at 30 June 2020.**

	<b>M3 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	1,400	5,847	5,662	(185)
S.48 Employee Exit Costs	15	-	15	15
Running Costs	768	3,624	3,399	(225)
Central Recharges	199	795	795	-
<b>Total Operating Expenditure</b>	<b>2,382</b>	<b>10,266</b>	<b>9,871</b>	<b>(395)</b>
Direct Services	1,943	9,959	9,300	(659)
Payments in respect of Freedom Pass and Taxicard	86,406	353,780	349,743	(4,036)
Commissioned grants services	1,475	6,173	6,173	-

Commissioned grants services NRPFs	171	-	945	945
London Funders Group	-	60	60	-
Improvement and Efficiency work	25	182	125	(57)
YPES Regional/Provider Activities	10	50	50	-
Challenge Implementation Fund	28	452	452	-
Commissioning and Research	20	542	539	(3)
<b>Total Expenditure</b>	<b>92,450</b>	<b>381,464</b>	<b>377,258</b>	<b>(4,206)</b>
<b>Income</b>				
Contributions in respect of Freedom Pass and Taxicard	(86,777)	(353,910)	(350,026)	3,884
Borough contribution towards grant payments	(1,600)	(6,173)	(6,173)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Income for direct services	(2,065)	(10,626)	(9,982)	644
Core Member Subscriptions	(1,436)	(5,744)	(5,744)	-
Borough contribution towards LCP payments	(341)	(496)	(340)	156
Government Grants	-	-	-	-
Interest on Investments	(4)	(75)	(18)	57
Other Income	(33)	(487)	(171)	316
Central Recharges	(563)	(2,251)	(2,251)	-
Transfer from Reserves	-	(1,522)	(2,482)	(960)
<b>Total Income</b>	<b>(92,000)</b>	<b>(381,464)</b>	<b>(377,366)</b>	<b>4,097</b>
<b>Net Expenditure</b>	<b>(549)</b>	<b>-</b>	<b>(109)</b>	<b>(109)</b>
<b>Applied to Funding Streams</b>				
Grants Committee	49	-	(2)	(2)
Transport and Environment Committee	(137)	-	(180)	(180)
Joint Committee Functions	(461)	-	73	73
<b>Net Expenditure</b>	<b>(549)</b>	<b>-</b>	<b>(109)</b>	<b>(109)</b>

## Revenue Forecast Position as at 30 June 20 – Grants Committee

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

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

	<b>M3 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	64	257	257	-
S.48 Staff Exit costs	15	-	15	15
Running Costs	8	19	19	-
Central Recharges	40	159	159	-
<b>Total Operating Expenditure</b>	<b>127</b>	<b>435</b>	<b>450</b>	<b>15</b>
S.48 Commissioned services	1,475	6,173	6,173	-

S.48 Commissioned services - NRPF	171	-	945	945
London Funders Group	-	60	60	-
<b>Total Expenditure</b>	<b>1,773</b>	<b>6,668</b>	<b>7,628</b>	<b>960</b>
<b>Income</b>				
Borough contributions towards commissioned services	(1,600)	(6,173)	(6,173)	-
Borough contributions towards the administration of commissions	(124)	(495)	(495)	-
Interest on Investments	-	-	(2)	(2)
Other Income	-	-	-	-
Transfer from Reserves	-	-	(960)	(960)
<b>Total Income</b>	<b>(1,724)</b>	<b>(6,668)</b>	<b>(7,630)</b>	<b>(962)</b>
<b>Net Expenditure</b>	<b>49</b>	<b>-</b>	<b>(2)</b>	<b>(2)</b>

6. The projected surplus of £2,000 will be monitored throughout the year however factors that impact on the overall net expenditure to budget which is explored in more detail in the narrative below, is broadly split between the following:
- Expenditure in relation S.48 ESF staff exit payments of £15,000. The programme completed in 2019/20 and these were previously unbudgeted but are fully funded by unspent S.48 ESF grant held in reserves;
  - Members agreed that unspent S.48 ESF grant is to be utilised for priority 1 & 2 providers to support advice around No Recourse for Public Funds (NRPF). It is forecasted that £945,000 will be paid to providers in 2020/21;
  - Expenditure in relation to the above NRPF payments will be transferred from S.48 ESF reserves held by the Grants Committee;
  - An additional sum of £2,000 from investment income is forecasted to be received on Committee reserves, not previously budgeted for.

#### Revenue Forecast Position as at 30 June 2020 – 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>M3 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	173	757	729	(28)
Running Costs	27	253	253	-
Central Recharges	122	486	486	-
<b>Total Operating Expenditure</b>	<b>322</b>	<b>1,496</b>	<b>1,468</b>	<b>(28)</b>
Direct Services	1,934	9,959	9,300	(659)

Research	0	40	37	(3)
Payments in respect of Freedom Pass and Taxicard	86,405	353,780	349,743	(4,037)
<b>Total Expenditure</b>	<b>88,661</b>	<b>365,275</b>	<b>360,548</b>	<b>(4,727)</b>
<b>Income</b>				
Contributions in respect of Freedom Pass and Taxicard	(86,777)	(353,910)	(350,026)	3,884
Income for direct services	(1,993)	(10,525)	(9,881)	644
Core Member Subscriptions	(24)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	(1)	-	(5)	(5)
Other Income	(3)	(73)	(49)	24
Transfer from Reserves	0	(670)	(670)	-
<b>Total Income</b>	<b>(88,798)</b>	<b>(365,275)</b>	<b>(360,728)</b>	<b>4,547</b>
<b>Net Expenditure</b>	<b>(137)</b>	<b>-</b>	<b>(180)</b>	<b>(180)</b>

8. The projected surplus of £180,000 is made up broadly of the following:

- A projected overall deficit of £44,000 in respect of TEC parking traded services, after considering an estimate of the level of borough/TfL/GLA usage volumes during the first quarter. The level of appeals heard has dramatically reduced in the first quarter due to the nationwide COVID-19 lockdown. This has had a significant impact on the level of income and expenditure within traded services. Some level of recovery has been built into the forecasted figures. The variance is attributable to several areas.
  - Firstly, there is a projected net surplus of £15,000 in respect of environmental and traffic appeals. This is made up of a reduction in appeals income of £309,000 less net reduction in costs of £324,000 on Northgate unit charges and adjudicator fees. As stated above the estimated number of notice of appeals and statutory declarations received over the first three months was impacted upon by the lockdown. Further analysis of the full year forecasted appeals will be reported at the 6 monthly forecast report, when more accurate data is available.
  - Secondly, the transaction volumes for other parking systems used by boroughs and TfL over the first quarter are projected to result in a net deficit of £61,000;

- Finally, the other Northgate fixed costs i.e. excluding the above, are forecasted to underspend by £2,000, which reflects a lower than anticipated inflation factor applied to the annual contract increase compared to when the budget was set.
- An underspend of £148,000 on the cost of administering the Hearing Centre at Chancery Exchange where the above appeals are heard. This is largely as a result of an additional £100,000 being included in the approved budget in anticipation of a rent increase, in accordance with the lease. Following completion of a rent review, a new lease was signed at no increase in cost;
- There is a forecasted £28,000 underspend on non-operational staffing costs inclusive of the maternity provision, which will continue to be monitored and reported on throughout the year;
- The level of trips made in the claims submitted by the independent bus operators has been severely impacted upon by the COVID-19 lockdown. A recovery scenario has been built into the forecast; however, the anticipated annual expenditure is forecast to be £785,000 compared to an annual budget of £1.3 million, a projected reduction of £515,000. A detailed review of the claims received over the coming months will indicate more accurate levels and the true position of any increase of trips following lockdown which may impact this variance. This will be reported in the 6-monthly report in November;
- 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 as the year progresses. 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 have been severely impacted by the lockdown. Of the £750,000 annual budget, forecasted receipts are anticipated to be in the region of £334,000 a reduction of £406,000 net of bank charges, which includes a post

lockdown recovery amount of £100,000. Due to level of uncertainty in the current climate it is likely that this variance will fluctuate throughout the year;

- Charges are currently not being enforced for replacement Taxicards. This has resulted in reduction against the income budget of £18,000;
- Enforcement of the London Lorry Control Scheme ceased during the period from 17 March 2020 to 15 June 2020 in order to ease pressures during the lockdown. The number of PCNs issued have returned to normal levels since; however the impact of the first quarter has resulted in a projected reduction of income of approximately £250,000 against an annual budget of £1million;
- A forecasted amount of interest on investments of £5,000.

#### Revenue Forecast Position as at 30 June 2020 – 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>M3 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	1,164	4,833	4,676	(157)
Running Costs	732	3,352	3,127	(225)
Central Recharges	38	150	150	-
<b>Total Operating Expenditure</b>	<b>1,933</b>	<b>8,335</b>	<b>7,953</b>	<b>(382)</b>
Direct Services	-	-	-	-
Commissioning and Research	20	502	502	-
Improvement and Efficiency work	25	182	125	(57)
YPES Regional/Provider Activities	10	50	50	-
Challenge Implementation Fund	28	452	452	-
<b>Total Expenditure</b>	<b>2,016</b>	<b>9,521</b>	<b>9,082</b>	<b>(439)</b>
<b>Income</b>				
Income for direct services	(72)	(101)	(101)	-
Core Member Subscriptions	(1,288)	(5,152)	(5,152)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Borough contribution towards LCP payments	(341)	(496)	(340)	156
Government Grants	-	-	-	-
Interest on Investments	(3)	(75)	(11)	64

Other Income	(30)	(414)	(122)	292
Central Recharges	(563)	(2,251)	(2,251)	-
Transfer from Reserves	-	(852)	(852)	-
<b>Total Income</b>	<b>(2,476)</b>	<b>(9,521)</b>	<b>(9,009)</b>	<b>512</b>
<b>Net Expenditure/(Income)</b>	<b>(461)</b>	<b>-</b>	<b>73</b>	<b>73</b>

10. There is a projected deficit of £73,000 is forecast in respect of the joint committee core functions. Employee costs are projected to underspend by £157,000, primarily due to deferring recruitment to certain vacant posts or time lag during recruitment campaigns, which has been compounded during the lockdown period.
11. There is an anticipated underspend of £225,000 on running costs against an annual budget of £3.352 million. Whilst this projected underspend is spread across several budgets, the COVID-19 lockdown has particularly impacted upon the levels of expenditure. Savings on general office running costs of approximately £90,000 are anticipated along with a reduction in meeting support costs of £15,000 as a result of being unable to host external meetings, which has led to a projected reduction in income as detailed in paragraph 14.
12. Whilst transactions processed during this early stage of the year suggest an underspend of £57,000 in respect of the improvement and efficiency budget, this is an area which will be subject to developing proposals throughout the year. Similarly, the commissioning budget of £502,000 is currently forecasted to be fully spent, despite low expenditure in the first quarter of the year. It is anticipated that this budget will be called upon to support the boroughs through the COVID-19 pandemic and recovery. Costs of potential projects are inherently difficult to predict therefore members will be advised throughout the year on how expenditure against this budget is developing.
13. A forecasted amount of interest on investments of £11,000 which is £64,000 below the approved budget largely as a result of historically low interest rates.
14. Other income is forecasted to be £292,000 less than budget for the year. This budget line has been seriously impacted upon by the COVID-19 pandemic and lockdown. It is estimated that £170,000 for rental income from leasing out of vacant office space at Southwark Street will not be realised. Receipts in relation to room bookings, where external organisations hire out London Councils' meetings rooms, are forecasted to be



nil against a budget of £100,000. However, this is netted off against other savings such as general support costs of £15,000 as noted above in paragraph 11.

15. £452,000 of the 2019/20 unspent Challenge Implementation Fund budget has been rolled forward in to 2020/21, as approved by members in June. As the agile and other building works at Southwark Street continue, it is anticipated that this budget will be fully utilised during the year.

16. There is a forecasted deficit on income in respect of London Care Placements (LCP) of £156,000. This is a result of some boroughs opting out of the scheme. However, the remaining income is at a level which covers the full LCP costs and with prior year surpluses being held there is a low risk of the service not remaining self-funding.

### **Externally Funded Projects**

17. The externally funded projects are estimated to have matched income and expenditure of just over £4 million for 2020/21, including funding for the borough (non-S.48) ESF programme and 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 2020/21; any underspend on the external funds received will be carried forward to be utilised in the next financial year. A fuller picture of transactions relating to these activities will be included in the Month 6 forecast report to be present to the November Executive meeting.

### **Reserves**

18. 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**

	<b>Transport and Environment Committee (£000)</b>	<b>Joint Committee (£000)</b>	<b>Grants Committee (£000)</b>	<b>Total (£000)</b>
General Reserve at 1 April 2020	3,889	5,573	820	10,282
Specific/ESF reserve at 1 April 2020	2,741	-	1,074	3,815
<b>Provisional reserves at 1 April 2020</b>	<b>6,630</b>	<b>5,573</b>	<b>1,894</b>	<b>14,097</b>
Committed in setting 2020/21 budget	(579)	(400)	-	(979)
Balances c/f into 2020/21	(91)	-	-	(91)
Potential ESF costs/NRPF grants commitments in 2020/21	-	-	(960)	(960)
Provisional other commitments for 2020/21 -2022/23	(1,500)	(652)	-	(2,152)
Projected surplus/(deficit) for the year	180	(73)	2	109
<b>Uncommitted reserves</b>	<b>4,640</b>	<b>4,448</b>	<b>936</b>	<b>10,024</b>

19. The current level of commitments from reserves, as detailed in Table 5, come to £4.182 million over the short-medium term and are detailed in Table 6 below:

**Table 6 – Commitments from Reserves 2020-2023**

	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>Total £000</b>
Balances b/f from 2019/20	543	-		543
Approved transfer from JC general reserves	300	-		300
Approved transfer from TEC general reserves	579	-	-	579
Slippage of ESF grants funding used for NRPF	960	-	-	960
Support to the health transition process	100	100	100	300
TEC priority projects	750	750	-	1,500
<b>Totals</b>	<b>3,232</b>	<b>850</b>	<b>100</b>	<b>4,182</b>

## Conclusions

20. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 30 June 2020 (month 3), together with known future developments. At this point, a forecast underspend of £109,000 is projected for 2020/21 across the three funding streams. There remains a level of financial uncertainty as a result of the ongoing COVID-19 pandemic and, therefore, this

projected underspend position is likely to vary during the anticipated recovery period and as organisational priorities are reviewed during the remainder of the financial year. Uncommitted reserves are currently projected to be just over £10 million by the end of the current financial year, which, given the current situation, remains a healthy and relatively stable position.

21. The next forecast will be presented to the Executive in November, which will highlight the projected position at the half-way stage of the 2020/21 financial year.

### **Recommendations**

22. The Executive is asked to note the overall forecast surplus as at 30 June 2020 (Month 3) of £109,000 and note the position on reserves as detailed in paragraphs 18-19.

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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 2020/21.