

# Executive

## Month 6 Revenue Forecast 2020/21 Item no: 8

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### Summary

This report summarises actual income expenditure recorded in the accounts as at 30 September 2020 (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 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	185,754	381,464	376,948	(4,516)
Total income	(185,149)	(379,942)	(374,631)	5,311
Use of reserves	-	(1,522)	(2,642)	(1,120)
<b>Net deficit/(surplus)</b>	<b>605</b>	<b>-</b>	<b>(325)</b>	<b>(325)</b>
Net expenditure by Committee				
Grants	51	-	(31)	(31)
Transport and Environment	714	-	(200)	(200)
Joint	(160)	-	(94)	(94)
<b>Net deficit/(surplus)</b>	<b>605</b>	<b>-</b>	<b>(325)</b>	<b>(325)</b>

### Recommendations

The Executive is asked to note the overall forecast surplus as at 30 September 2020 (Month 6) of £325,000, which compares to a forecast surplus at month 3 of £109,000 and note the position on reserves as detailed in paragraph 18.

## 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 six 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 September 2020.**

	<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	2,796	5,847	5,845	(2)
S.48 Employee Exit Costs	15	-	15	15
Running Costs	1,604	3,624	3,198	(426)
Central Recharges	398	795	837	42

<b>Total Operating Expenditure</b>	<b>4,813</b>	<b>10,266</b>	<b>9,895</b>	<b>(371)</b>
Direct Services	4,247	9,959	9,038	(921)
Payments in respect of Freedom Pass and Taxicard	173,227	353,780	349,806	(3,974)
Commissioned grants services	2,938	6,173	6,153	(20)
Commissioned grants services NRPF	171	-	945	945
London Funders Group	60	60	60	-
Improvement and Efficiency work	75	182	125	(57)
YPES Regional/Provider Activities	13	50	50	-
Challenge Implementation Fund	130	452	452	-
Commissioning and Research	80	542	424	(118)
<b>Total Expenditure</b>	<b>185,754</b>	<b>381,464</b>	<b>376,948</b>	<b>(4,516)</b>
<b>Income</b>				
Contributions in respect of Freedom Pass and Taxicard	(173,431)	(353,910)	(350,057)	3,853
Borough contribution towards grant payments	(3,087)	(6,173)	(6,173)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Income for direct services	(4,012)	(10,626)	(9,604)	1,022
Core Member Subscriptions	(2,872)	(5,744)	(5,744)	-
Borough contribution towards LCP payments	(341)	(496)	(341)	155
Government Grants	-	-	-	-
Interest on Investments	(9)	(75)	(18)	57
Other Income	(91)	(487)	(263)	224
Central Recharges	(1,126)	(2,251)	(2,251)	-
Transfer from Reserves	-	(1,522)	(2,642)	(1,120)
<b>Total Income</b>	<b>(185,149)</b>	<b>(381,464)</b>	<b>(377,273)</b>	<b>4,191</b>
<b>Net Expenditure</b>	<b>605</b>	<b>-</b>	<b>(325)</b>	<b>(325)</b>
<b>Applied to Funding Streams</b>				
Grants Committee	51	-	(31)	(31)
Transport and Environment Committee	714	-	(200)	(200)
Joint Committee Functions	(160)	-	(94)	(94)
<b>Net Expenditure</b>	<b>605</b>	<b>-</b>	<b>(325)</b>	<b>(325)</b>

#### Revenue Forecast Position as at 30 September 2020 – 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	114	257	248	(9)
S.48 Staff Exit costs	15	-	15	15
Running Costs	9	19	19	-
Central Recharges	80	159	159	-
<b>Total Operating Expenditure</b>	<b>218</b>	<b>435</b>	<b>441</b>	<b>6</b>
S.48 Commissioned services	2,938	6,173	6,153	(20)
S.48 Commissioned services - NRPF	171	-	945	945
London Funders Group	-	60	60	-
<b>Total Expenditure</b>	<b>3,387</b>	<b>6,668</b>	<b>7,599</b>	<b>931</b>
<b>Income</b>				
Borough contributions towards commissioned services	(3,087)	(6,173)	(6,173)	-
Borough contributions towards the administration of commissions	(248)	(495)	(495)	-
Interest on Investments	(1)	-	(2)	(2)
Other Income	-	-	-	-
Transfer from Reserves	-	-	(960)	(960)
<b>Total Income</b>	<b>(3,336)</b>	<b>(6,668)</b>	<b>(7,630)</b>	<b>(962)</b>
<b>Net Expenditure</b>	<b>51</b>	<b>-</b>	<b>(31)</b>	<b>(31)</b>

6. The projected deficit of £31,000 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:
- A projected underspend of £20,282 in respect of 2020/21 S.48 borough funded commissioned services which relates to Tender Education;
  - A £9,000 underspend on S.48 salary costs, which recognises a saving against the maternity budget;
  - 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; and

- 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 September 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>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	362	757	818	61
Running Costs	67	253	203	(50)
Central Recharges	243	486	528	42
<b>Total Operating Expenditure</b>	<b>671</b>	<b>1,496</b>	<b>1,549</b>	<b>53</b>
Direct Services	4,247	9,959	9,038	(921)
Research	0	40	35	(5)
Payments in respect of Freedom Pass and Taxicard	173,228	353,780	349,806	(3,974)
<b>Total Expenditure</b>	<b>178,146</b>	<b>365,275</b>	<b>360,428</b>	<b>(4,847)</b>
<b>Income</b>				
Contributions in respect of Freedom Pass and Taxicard	(173,433)	(353,910)	(350,057)	3,853
Income for direct services	(3,911)	(10,525)	(9,503)	1,022
Core Member Subscriptions	(49)	(97)	(97)	-
Government Grants	-	-	-	-
Interest on Investments	(2)	-	(5)	(5)
Other Income	(38)	(73)	(136)	(63)
Transfer from Reserves	0	(670)	(830)	(160)
<b>Total Income</b>	<b>(177,432)</b>	<b>(365,275)</b>	<b>(360,628)</b>	<b>4,647</b>
<b>Net Expenditure</b>	<b>714</b>	<b>-</b>	<b>(200)</b>	<b>(200)</b>

8. The projected surplus of £200,000 is made up broadly of the following:

- A projected overall deficit of £45,000 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. The level of appeals heard has dramatically reduced compared to prior years 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 £67,000 in respect of environmental and traffic appeals. This is made up of a reduction in appeals income of £273,000 less net reduction in costs against budget of £340,000 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 half of the year are projected to result in a net deficit of £135,000.
  - Finally, the other Northgate fixed costs i.e. excluding the above, are forecasted to underspend by £23,000, which reflects a lower than anticipated inflation factor applied to the annual contract increase compared to when the budget was set along with a reduction on RUCA.
- An underspend of £137,000 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 overspend on non-operational staffing costs and central recharges of approximately £61,000 and £42,000 respectively, which is in part due to the impact of additional Environmental Policy officers funded by TEC reserves and TfL less other general savings.
  - An underspend of £50,000 on general running costs as a result of a number of small variances across many budgets.

- 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 £975,000 compared to an annual budget of £1.3 million, a projected reduction of £325,000. 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.
- 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 half of the year, 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 reduced by approximately £345,000 net of bank charges. 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 £1 million;
- Additional income from TfL of £63,000 and transfer from reserves of £160,000 to funded additional Environment Policy officers as previously agreed by members; and

- A forecasted amount of interest on investments of £5,000 not previously budgeted for.

## Revenue Forecast Position as at 30 September 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>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	2,322	4,833	4,779	(54)
Running Costs	1,528	3,352	2,976	(376)
Central Recharges	75	150	150	-
<b>Total Operating Expenditure</b>	<b>3,925</b>	<b>8,335</b>	<b>7,905</b>	<b>(430)</b>
Direct Services	-	-	-	-
Commissioning and Research	80	502	389	(113)
Improvement and Efficiency work	75	182	125	(57)
YPES Regional/Provider Activities	13	50	50	-
Challenge Implementation Fund	130	452	452	-
<b>Total Expenditure</b>	<b>4,223</b>	<b>9,521</b>	<b>8,921</b>	<b>(600)</b>
<b>Income</b>				
Income for direct services	(101)	(101)	(101)	-
Core Member Subscriptions	(2,576)	(5,152)	(5,152)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Borough contribution towards LCP payments	(341)	(496)	(341)	155
Government Grants	-	-	-	-
Interest on Investments	(6)	(75)	(11)	64
Other Income	(53)	(414)	(127)	287
Central Recharges	(1,126)	(2,251)	(2,251)	-
Transfer from Reserves	-	(852)	(852)	-
<b>Total Income</b>	<b>(4,383)</b>	<b>(9,521)</b>	<b>(9,015)</b>	<b>506</b>
<b>Net Expenditure/(Income)</b>	<b>(160)</b>	<b>-</b>	<b>(94)</b>	<b>(94)</b>

10. There is a projected surplus of £94,000 forecasted in respect of the joint committee core functions. Employee costs are projected to underspend by £54,000, primarily due to deferring recruitment to certain vacant posts, time lag during recruitment campaigns or an underspend on the maternity budget provision.

11. There is an anticipated underspend of £376,000 in 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 and supplies and services of approximately £180,000 are anticipated, some in relation to London Care Placements, therefore matching a reduction in income (paragraph 16), 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 the first half 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 is currently forecasted to be underspent by £113,000. There is relatively low expenditure in the first half of the year; however, it is anticipated that this budget will be called upon to support work assisting boroughs in respect of COVID-19 pandemic response and recovery work. 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 £287,000 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. 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. The reduction in income is also matched to savings on expenditure such as running costs noted in paragraph 11.

### **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 9 forecast report to be present to the February Executive meeting.

### **Reserves**

18. The projected uncommitted reserves as at 31 March 2021 are estimated to be £10.440 million and are explored in more detail in paragraphs 51 to 59 of the draft proposed revenue budget 2021/22 report elsewhere on this meeting agenda.

### **Conclusions**

19. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 30 September 2020 (month 6), together with known future developments. At this point, a forecast underspend of £325,000 is projected for 2020/21 across the three funding streams. Uncommitted reserves are currently projected to be just over £10.4 million by the end of the current financial year.

20. 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 2020/21 financial year.

## **Recommendations**

21. The Executive is asked to note the overall forecast surplus as at 30 September 2020 (Month 6) of £325,000 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 2020/21