

Executive

Month 9 Revenue Forecast 2021/22

Item no: 6

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Summary

This report summarises actual income expenditure recorded in the accounts as at 31 December 2021 (Month 9), provides a projected outturn figure for the year and highlights any significant forecast variances against the approved budget. The Executive is also provided with an update on London Councils reserves. The summary forecast outturn position is as follows:

	M9 Actual	Revised Budget	Forecast	Variance
	£000	£000	£000	£000
Total expenditure	248,724	336,034	332,758	(3,276)
Total income	(248,968)	(332,893)	(331,312)	1,581
Use of reserves	(1,131)	(3,141)	(3,058)	83
Net deficit/(surplus)	(1,375)	-	(1,612)	(1,612)
Net expenditure by Committee				
Grants	579	-	(11)	(11)
Transport and Environment	(691)	-	(1,101)	(1,101)
Joint	(1,263)	-	(500)	(500)
Net deficit/(surplus)	(1,375)	-	(1,612)	(1,612)

Recommendations The Executive is asked to note the overall forecast surplus as at 31 December 2021 (Month 9) of £1.612 million and note the position on reserves as detailed in paragraphs 7.

Month 9 Revenue Forecast 2021/22

Introduction

1. London Councils revenue expenditure budget for 2021/22, as approved by the Leaders' Committee in December 2020, was £341.317 million. The budget was subsequently revised to £336.034 million as a result of the following:
 - Confirmation of payments in respect of concessionary fares including payments to the Rail Delivery Group resulting in budget a reduction of £6.894 million;
 - The decision of TEC to bring forward underspends of £141,000 that arose in 2020/21 into the current year;
 - Amounts transferred from the TEC special projects reserve of £442,000 to support the climate change agenda and other system developments;
 - Confirmation of the application of £627,000 Section 48 grant reserves in 2021/22 to fund the remaining no recourse to public funds programme and youth homelessness hub as agreed by members;
 - Carry forward of 2020/21 Joint Committee underspends totalling £378,000 relating to the Challenge Implementation Fund and London Councils contribution to the health agenda; and
 - Finally, confirmation of commitment of £23,000 to support London's recovery from the Covid-19 pandemic.
2. The corresponding revenue income budget approved by the Leaders' Committee in December 2020 was £341.317 million, which included an approved transfer of £1.530 million from reserves. Additional transfers from reserves of £1.611 million were made to cover carry forward expenditure, use of Grants Committee reserves, reduced Concessionary Fares funding from the boroughs and TfL of £6.894 million and use of TEC special projects reserves of £442,000. (see paragraph 1).
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 and includes an estimate of the continuing financial effects of the Covid-19 pandemic.

4. Table 1 below details the overall forecast position for the three funding streams.

Table 1 – Summary Income and Expenditure Forecast 2021/22, as at 31 December 2021.

	M9 Actual	Budget	Forecast	Variance
Expenditure	£000	£000	£000	£000
Employee Costs	3,166	6,242	5,800	(442)
Running Costs	2,129	3,630	3,401	(229)
Central Recharges	669	892	892	-
Total Operating Expenditure	5,964	10,764	10,093	(671)
Direct Services	8,853	10,015	10,637	622
Payments in respect of Freedom Pass and Taxicard	227,962	306,717	303,858	(2,859)
Commissioned grants services	4,622	6,173	6,124	(49)
Commissioned grants services NRPFS	236	327	327	-
Commissioned grants services Youth Homelessness Hub	300	300	300	-
London Funders Group	60	60	60	-
Improvement and Efficiency work	75	182	125	(57)
YPES Regional/Provider Activities	28	50	50	-
Legacy Challenge Implementation Fund	137	278	237	(41)
Commissioning and Research	394	642	507	(135)
System Developments	93	382	299	(83)
Other Expenditure – Environmental initiatives	0	144	141	(3)
Total Expenditure	248,724	336,034	332,758	(3,276)
Income				
Contributions in respect of Freedom Pass and Taxicard	(228,590)	(306,665)	(304,366)	2,299
Borough contribution towards grant payments	(4,506)	(6,173)	(6,173)	-
Borough contribution towards YPES payments	(180)	(180)	(180)	-
Income for direct services	(8,865)	(10,615)	(11,635)	(1,020)
Core Member Subscriptions	(4,420)	(5,728)	(5,728)	-

Borough contribution towards LCP payments	(266)	(496)	(390)	107
Government Grants	-	-	-	-
Interest on Investments	(52)	(65)	(69)	(4)
Other Income	(380)	(670)	(493)	177
TfL Environmental initiatives	(57)	(98)	(76)	22
Central Recharges	(1,652)	(2,203)	(2,203)	-
Transfer from Reserves	(1,131)	(3,141)	(3,058)	83
Total Income	(250,099)	(336,034)	(334,370)	1,664
Net Expenditure	(1,375)	-	(1,612)	(1,612)
Applied to Funding Streams				
Grants Committee	579	-	(11)	(11)
Transport and Environment Committee	(691)	-	(1,101)	(1,101)
Joint Committee Functions	(1,263)	-	(500)	(500)
Net Expenditure	(1,375)	-	(1,612)	(1,612)

5. The projected surplus of £1.612 million across all three committees is made up broadly of the following:

- Employee costs are projected to underspend by £442,000, with the majority being within the Joint Committee. Approximately £166,000 of this variance relates to a 2% pay award included within the current year budget. Should a pay award be granted, following negotiations between employers and the unions, this underspend will reduce. The remainder of the underspend is primarily due to deferring recruitment to certain vacant posts or time lag during recruitment campaigns, along with an underspend on the maternity budget provision;
- There is an anticipated underspend of £229,000 on running costs against an annual budget of £3.63 million, largely within the Joint Committee and TEC. Whilst this projected underspend is spread across several budgets, Covid-19 continues to have an impact upon the levels of expenditure. Savings on general office running costs along with a reduction in meeting support costs as a result of being unable to host external meetings in the first part of the year, which has led to a projected reduction in income;

- There is a net underspend on Direct Services budgets of £398,000 of which £367,000 relate to TEC and are primarily made up of:
 - An underspend of £109,000 on the cost of administering the Hearing Centre at Chancery Exchange where appeals are heard. This is largely a result of small savings across various expenditure codes including staff vacancy periods; and
 - A £179,000 underspend on Lorry Control Administration, predominately due to an underspend of the £141,000 carried forward budget set aside to contribute towards a review of the service. Due to the timing of this work, it is likely that the majority of this will remain unspent and therefore a carry forward request will be made to members at the year-end in order to undertake work on the remaining review recommendations in 2022/23; and
 - A projected overall deficit of £69,000 in respect of TEC parking traded services, after considering an estimate of the level of borough/TfL/GLA usage volumes during the first three quarters of the year; and
 - Based on income collected to date, receipts from Lorry Control PCN income are forecast to exceed the £1 million budget by £200,000.
- There is a net underspend on Freedom Pass and Taxicard budgets of £560,000 which is primarily made up of:
 - A significant reduction of £2.475 million in payments made in relation to the Taxicard scheme based on current projected trip data. There is a corresponding reduction of income and therefore, has no impact to the bottom-line. The borough proportion of this underspend is projected to be £1.588 million with £887,000 accruing to TfL.
 - The level of trips made in the claims submitted by the independent bus operators continues to be impacted upon by the Covid-19 pandemic, which

was reflected when setting the 2021/22 budget. Trip data for the first 9 months indicates an ongoing recovery with expenditure forecasted to be £836,000 compared to an annual budget of £1.1 million, a projected reduction of £264,000. Details of the full year claims will be reported to this Committee as part of the pre audit outturn figures in July 2022;

- A projected underspend of £91,000 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; and
- Based on income collected to date, income receipts from replacement Freedom Passes also appear to be recovering from the pandemic and associated lockdowns. The 2021/22 revenue budget was reduced by £150,000 to reflect potentially lower levels of income. Of the £600,000 annual budget, forecasted receipts are anticipated to be approximately £793,000 generating a surplus of £193,000, net of bank charges which, along with the above projected reissue budget underspend, will be applied to the TEC committee Freedom Pass Renewal Specific Reserve.
- From transactions processed in the year to date and potential future commitments, there are forecast underspends 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 and health contribution budget of £642,000, inclusive of a carried forward balance of £100,000, is currently forecasted to underspend by £135,000, although £62,000 of this expenditure is matched with corresponding income. It is anticipated that this budget will be called upon to support the boroughs through the Covid-19 recovery and other priorities. Should some projects be delayed, particularly around the health contribution, it is anticipated that officers will put forward a carry forward request to members within the 2021/22 outturn report in June 2022.

- There is a deficit of £107,000 on borough contributions towards London Care Placement (LCP) income due to a corresponding underspend on the service. The contributions are matched against forecast expenditure and any surplus that arises will be deferred in order to finance future priorities within the service.
- Other income is forecast to be £177,000 less than budget for the year. This budget line continues to be seriously impacted upon by Covid-19. It is estimated that £160,000 of 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 £11,000 against a budget of £100,000, however we are anticipating a recovery on this budget as we emerge from the pandemic. There is, however, an additional £62,000 of funding received to provide ongoing Covid coordination support, which is matched by expenditure detailed above within the Commissioning budget.

Externally Funded Projects

6. The externally funded projects are estimated to have matched income and expenditure of just over £3.4 million for 2021/22. 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 2021/22. However, due to the nature of these projects, it is likely that some may cross over financial years and therefore any underspend on these external funds will be carried forward to be utilised in the next financial year.

Reserves

7. The forecast reserves position for each of the three funding streams for the current year and beyond is illustrated in Table 2 below.

Table 2 – Forecast reserves after all current commitments

	Transport and Environment Committee (£000)	Joint Committee (£000)	Grants Committee (£000)	Total (£000)
Audited General Reserves at 1 April 2021	3,877	6,344	1,363	11,584
Audited Specific reserves at 1 April 2021	2,129	-	-	2,129
Provisional reserves at 1 April 2021	6,006	6,344	1,363	13,713
Committed in setting 2021/22 budget	(925)	(605)	-	(1,530)
Balances c/f into 2021/22	(141)	(378)	-	(519)
NRPF grants commitments in 2021/22	-	-	(327)	(327)
Youth Homelessness Hub 2021/22			(300)	(300)
Provisional other commitments for 2021/22 -2022/23	(1,138)	(223)	-	(1,361)
Approved in setting 2022/23 budget (December 2021)	(881)	(623)	-	(1,504)
Projected surplus/(deficit) for the year	1,101	500	11	1,612
Uncommitted reserves	4,022	5,015	747	9,784

8. The current level of commitments from reserves, as detailed in Table 5, come to £5.541 million over the short-medium term and are detailed in Table 6 below:

Table 3 – Commitments from Reserves 2021-2024

	2021/22	2022/23	2023/24	Total
	£000	£000	£000	£000
Balances b/f from 2020/21	519	-	-	519
Approved transfer from JC general reserves	505	523	-	1,028
Digital enablement 2022/23	-	100	-	100
Approved transfer from TEC general reserves	925	881	-	1,806
NRPF	327	-	-	327
Youth Homelessness Hub	300	-	-	300
Support to the health transition process	100	100	100	300
Support for Covid-19 Recovery	23	-	-	23
TEC priority projects	442	696	-	1,138
Totals	3,141	2,300	100	5,541

9. For the Joint Committee functions, uncommitted general reserves are projected to be £5.015 million at the end of the current financial year. In a period of continuing financial constraint for London local government, there is continued value in holding a reasonable level of reserves as a contingency against unforeseen circumstances. This will also facilitate a period of transition for the organisation, both in terms of working with members to fulfil the Shared Ambitions for London and London Councils and managing the impact of the Covid-19 pandemic.

Conclusions

10. This report highlights the projected outturn position for the current year, based on transactions undertaken up until 31 December 2021 (month 9), together with known future developments. At this point, a forecast underspend of £1.612 million is projected for 2021/22 across the three funding streams. Uncommitted reserves across the three funding streams are currently projected to be just under £9.8 million by the end of the current financial year.
11. The next report will be presented to the Executive in June 2022, which will highlight the provisional financial results for the 2021/22 financial year, prior to the external audit.

Recommendations

12. The Executive is asked to note the overall forecast surplus as at 31 December 2021 (Month 9) of £1.612 million and note the position on reserves as detailed in paragraphs 8.

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 2021/22.