

# Leaders' Committee

## Proposed Revenue Budget and Borough Subscriptions and Charges 2016/17.

Item no: 11

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### Summary

This report proposes the level of boroughs subscriptions and charges to be levied in 2016/17, together with the consolidated revenue income and expenditure budget for 2016/17. The report also updates Leaders' on the current level of London Councils reserves after considering all current and proposed commitments and the timetable for the overall budget approval process. These proposals were considered by the London Councils Executive at its meeting on 17 November and this package was agreed for submission to this Committee for final consideration and approval.

These proposals involve:

- The payment of £1.651 million from uncommitted reserves to boroughs in 2016/17, an average repayment of £49,727;
- A reduction of £5,515 per borough in the borough subscription for the Joint Committee for 2016/17; and
- Total reductions of £617,000 from the operation of the TEC direct services in 2016/17, producing an average saving of £18,147 per borough and for TfL.

The total proposed savings and repatriation of funds to boroughs for 2016/17 amounts to £2.423 million, or an average of £73,424 per borough, which, for illustrative purposes, is an amount that equates to 44% of the level of the current Joint Committee subscription of £167,473.

2016/17 is the final year of the current commissioned Grants Programme. Members will be making decisions this winter about the programme for April 2017 onwards that could impact upon the potential for further reductions in the budgets agreed in the autumn/winter of 2016.

**Recommendations** The Leaders' Committee is asked to approve the following borough subscription and charges:

- The proposed Joint Committee subscription for boroughs of £161,958 per borough for 2016/17, a reduction of 3.3% on the charge of £167,473 for 2015/16. The City of London will pay £158,195, in recognition of the fact the City is historically not part of the regional Local Government Employers (LGE) arrangements (paragraphs 11-12);
- The proposed Joint Committee subscription for the MOPAC and the LFEPA of £15,410 for 2016/17, a reduction of 3.3% on the charge of £15,920 for 2015/16 (paragraph 13);
- An overall level of expenditure of £10 million for the Grants Scheme in 2016/17 (inclusive of £2 million gross ESF programme); and
- that taking into account the application of £1 million ESF grant, net borough contributions for 2016/17 should be £9 million, the same level as for 2015/16 (paragraphs 14-16).

The Leaders' Committee is also asked to endorse the following subscription and charges for 2016/17 for TEC, which were considered by the TEC Executive Sub-Committee on 24 November, and which will be considered by the full meeting of TEC on 10 December:

- The Parking Core Administration Charge of £1,500 per borough and for TfL (2015/16 - £1,500) (paragraph 17);
- No charge to boroughs in respect of the Freedom Pass Administration Charge, which is covered by replacement Freedom Pass income (2015/16 - £8,674) (paragraph 19);
- The net Taxicard Administration Charge to boroughs of £338,182 in total (2015/16 - £338,182); (paragraph 20);
- No charge to boroughs and TfL in respect of the Lorry Control Administration Charge, which is fully covered by estimated PCN income (2015/16 – no charge) (paragraph 21);
- The Parking Enforcement Service Charge of £0.4681 per PCN, which will be distributed to boroughs and TfL in accordance with the number of PCNs issued in 2014/15 (2015/16 - £0.4333 per PCN; paragraphs 24-25);
- The Parking and Traffic Appeals Charge of £33.32 per appeal or £29.90 per appeal where electronic evidence is provided by the enforcing authority (2015/16 - £33.40/£29.97 per appeal). In addition, a new differential charge is proposed for hearing Statutory Declarations of £28.17 for hard copy submissions and

£27.49 for electronic submissions (2015/16 - £33.40/£29.97 per SD) (paragraphs 26-27);

- Congestion Charging Appeals – to be recovered on a full cost recovery basis, as for 2015/16, subject to the continuing agreement of the GLA under existing contractual arrangements (paragraph 28);
- The TRACE (Electronic) Charge of £7.31 per transaction (2015/16 - £8.60) (paragraphs 29-31);
- The TRACE (Fax) Charge of £7.48 per transaction (2015/16 - £8.80) (paragraphs 29-31); and
- The PEC, PED and PIE Charges of £0.17 per transaction (2015/16 - £0.20) (paragraphs 29-31).

On the basis of the above proposed level of subscriptions and charges, the Leaders' Committee is asked to approve:

- The provisional consolidated revenue expenditure budget for 2016/17 for London Councils of £398.193 million, as per Table 4 at paragraph 32 and Appendix A of this report;
- The provisional consolidated revenue income budget for 2016/17 for London Councils of £398.193 million, also as per Table 4 at paragraph 32 and Appendix B;
- Within the total income requirement, the use of London Council reserves of £2.469 million in 2016/17, inclusive of the proposed £1.651 million repatriation to borough in 2016/17, as detailed in paragraph 3, Table 12 at paragraph 56 and Appendix C.

The Leaders' Committee is also asked to note:

- The indicative London Councils revenue budget, for the period 2017/18 and 2018/19, as detailed in paragraphs 51-53;
  - The position in respect of forecast uncommitted London Council reserves as at 31 March 2016, as detailed at paragraphs 54-60; and
  - The positive statement on the adequacy of the residual London Councils reserves issued by the Director of Corporate Resources, as detailed in paragraphs 61-62.
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## Introduction

1. This report proposes the level of borough subscriptions and charges to be levied in 2016/17, together with the indicative consolidated revenue income and expenditure budget for 2016/17 and indicative budget figures for 2017/18 and 2018/19.
2. Following discussion in the summer of 2015, the Chair of London Councils provided officers with the following parameters for the development of the 2016/17 budget:
  - Policy, service and support coverage consistent with the outcome of the review of the future role, shape and size of London Councils completed in 2011 and which agreed a reduced remit and scale of activity;
  - Within the context of the above imperative, continue to seek opportunities for both the one-off repatriation of reserves and operational efficiencies to support boroughs in a time of acute financial challenge; and
  - Continue to bear down on direct service overhead costs, for which proposals are outlined in paragraphs 18-22 of this report.
3. Proposals for the 2016/17 budget have been developed in accordance with these parameters. These proposals were approved by the London Councils Executive at its meeting on 17 November and, in summary, propose:
  - A one-off return of uncommitted joint committee reserves of £25,000 per borough for 2016/17, totalling £825,000;
  - A one-off return of uncommitted TEC reserves of £10,000 per borough (and for TfL) for 2016/17, totalling £340,000;
  - A one-off return of uncommitted grants committee reserves totalling £486,000 for 2016/17; £185,000 of which relates the borough funded S.48 programme and £301,000 relates to the expiring DWP ESF joint funded programme. This amount will be distributed amongst boroughs in accordance with the ONS mid-year population figures as at June 2014;
  - Net savings of £617,000 to be realised from the operation of TEC direct services, an average saving of £18,147 per borough and for TfL, made up of the following changes:
    - Estimated additional savings of £426,000 arising from the full year effect of the new Parking Managed Service contract that started in July 2015;

- Total savings of £286,242, or £8,674 per borough, from the Freedom Pass administration fee becoming fully funded by income receipts from replacing Freedom Passes that are lost or damaged;
  - Additional income receipts of £200,000 arising from the enforcement of the London Lorry Control scheme, offset by planned scheme review and development costs of £50,000;
  - Net savings of £17,000 arising from the move of the appeals hearing centre from Angel Square to Chancery Exchange, including the estimated annual depreciation charge in respect of the recent refurbishment of Chancery Exchange; offset by
  - Additional central recharges to TEC of £158,000 arising from the loss of the BPA contract, which will need to be respread across all other TEC services; and
  - Other employee related pressures of £104,000, including £60,000 in respect of past pension costs.
- Net additional costs of £36,000, offset by additional income sources of £218,000, relating to joint committee functions. This allows for a proposed reduction in the current core JC base subscription of £182,000 or £5,515 per borough, reducing the base sum by 3.5% to £152,740. After considering the Employers Organisation and current YPES elements, the total provisional sum payable in 2016/17 is £161,958 per borough. It is proposed that a sum of £150,000 from accumulated funds held within joint committee reserves will continue to contribute towards the funding of the YPES in 2016/17. The areas of savings/additional income identified are as follows:
    - Staffing efficiencies of £60,000;
    - Efficiencies of £40,000 in respect of the improvement legacy work from the former Capital Ambition operation;
    - Additional central recharge income of £78,000
    - Additional income from new tenants at Southwark Street of £140,000, offset by;
    - Increased employee costs of £136,000, £94,000 of which relates to the abolition of the 'contracted out' pension arrangements from April 2016, which results in an average 2.27% increase in employers National Insurance contributions.

4. The total proposed savings and repatriation of funds to boroughs for 2016/17 detailed above amounts to £2.423 million, or an average of £73,424 per borough, which, for illustrative purposes, is an amount that equates to 44% of the level of the current Joint Committee subscription of £167,473.
  
5. The timetable for the approval of the budget for 2016/17 is as follows:
  - 17 November – The Executive considered and approved the approach to the 2016/17 budget setting process, as proposed in this report, and recommended that the Leaders' Committee approve these proposals at this meeting;
  - 18 November – Grants Committee considered and agreed the indicative grants budget and borough contributions for 2016/17 and recommended that the Leaders' Committee approve these proposals at this meeting;
  - 24 November - TEC Executive Sub-Committee considered the indicative budget and borough charges for 2016/17 and made recommendations to the full TEC Committee meeting on 10 December for approval;
  - 8 December - Leaders' Committee considers this report on the indicative consolidated budget and borough charges for 2016/17, and a separate report seeking approval of the grants budget and borough contributions for 2016/17. This report includes the indicative budget and borough charges for TEC which Leaders' are asked to endorse; and
  - 10 December – full TEC Committee – considers recommendations of TEC Executive Sub-Committee and approves final budget and charges for 2016/17. The views of this meeting will be reported orally to the full TEC meeting.

#### **Current position on core subscriptions and other charges**

6. Members are reminded that since 2010/11 (covering the five-year period between 2011/12 and 2015/16):
  - The Joint Committee core subscription has been reduced by £90,490 or 35%, with the total accumulated benefit to boroughs over this period being £13.5 million;
  - The TEC core parking subscription has been reduced by £500 or 25%, with the total accumulated benefit to boroughs over this period being £83,000;
  - Payments for commissioned services funded by the Grants Committee have reduced from an average of £754,545 per borough to £258,788, an average reduction of £495,758 per borough or 65.7%, with the total average accumulated benefit to boroughs over this period being £74.9 million;

- Payments for the administration of commissioned services have reduced from an average of £43,333 per borough to an average of £13,939, an average reduction of £29,394 per borough or 67.8%, with the total average accumulated benefit to boroughs over this period being £4.1 million; and
  - The three main TEC administrations charges for direct services – Freedom Pass, Taxicard and Lorry Control, have reduced by between 19% and 100%, with the total accumulated benefit to boroughs over this period being £3.4 million.
7. In addition, a further sum of £2.959 million has been repaid to member boroughs from uncommitted reserves over the three-year period 2013/14 to 2015/16. The total accumulated benefit to boroughs, therefore, arising from the reduction in the main borough subscriptions and from charges for direct service charges since 2010/11, plus one-off repayments to date, equals £99.418 million (of which £74.9 million relates to payments to commissions funded by the Grants Committee), an average of £3.013 million per borough. In addition, staffing numbers have reduced by 39% over this period.
  8. The proposals contained in this report for 2016/17 amount to annual baseline savings of £772,000 and a further one-off payment from reserves of £1.651 million, the breakdown for which is shown at Appendix C. If these proposals are agreed, it will increase the total accumulated savings and repayments to boroughs since 2010/11 to £126.751 million (of which £91.4 million relates to savings in commissions made by the Grants Committee), equating to £3.840 million per borough. Since 2010, boroughs have experienced a 44% reduction in core funding. Borough contributions to the core administration costs of the Joint Committee, the Grants Committee and to TEC have reduced by 39.3% over this same period. The overall reduction in contributions increases to 58.2% in total if savings in borough contributions towards payments for commissioned services provided by the Grants Committee are taken into account.
  9. The financial year 2016/17 represents to final year of the existing four-year programme of commissions provided by the Grants Committee under S.48 of the Local Government Act 1985. The Grants Committee and the Leaders' Committee will be considering recommendations over the winter on the scope and scale of the future commissioning programme from 1 April 2017 and this will influence the level of the budgetary provision from 2017/18 onwards.

**Proposed borough subscriptions and charges**

10. The following paragraphs detail the proposed borough subscriptions and charges for 2016/17.

**Joint Committee Core Subscription**

11. As detailed in the fifth bullet point of paragraph three above, the proposed amount to be levied on member boroughs in respect of the JC core and associated functions in 2016/17 is £161,958, compared to £167,473, a reduction of £5,515 or 3.3%. This includes a sum of £5,455 per borough in respect of the funding of the YPES, as approved by the Executive and endorsed by the Leaders’ Committee last December.

12. The City of London will pay a baseline £158,195 (£3,763 less) in recognition of the fact the City is historically not part of the regional Local Government Employers (LGE) arrangements.

13. In line with the overall 3.3% reduction for boroughs, it is proposed that the Joint Committee subscription for the MOPAC and the LFEPA for 2016/17 is £15,410, a reduction of 3.3% on the subscription of £15,920 for the current year.

**Commissioned services funded by the Grants Committee 2016/17**

14. The budget for commissioned services for the current year, as agreed by the Leaders’ Committee in December 2014 is £10.5 million, inclusive of gross ESF expenditure of £2.5 million. At its meeting on 18 November 2015, the Grants Committee agreed to the continuation of a borough funded grants programme of £8 million for 2016/17, which is the final year of the current programme. In addition, a matched borough/ESF programme of £2 million was also proposed, to which the boroughs would contribute £1 million. The Leaders’ Committee is, therefore, asked to approve the overall budget of £10 million, to which the borough will contribute £9 million, at this meeting.

15. The effect of an £8 million borough funded grants programme augmented by a jointly funded ESF grants programme of £2 million is shown in the Table 1 below:

**Table 1 – Indicative Grants Budget 2016/17**

	<b>2016/17 Indicative £000</b>	<b>2015/16 Actual £000</b>	<b>Variance £000</b>

LC grants programme	7,565	7,565	-
ESF grants programme	1,880	2,380	(500)
<b>Sub-Total</b>	<b>9,445</b>	<b>9,945</b>	<b>(500)</b>
Grants Administration	555	555	-
Proposed one –off payment to boroughs	486	-	486
<b>Total expenditure</b>	<b>10,486</b>	<b>10,500</b>	<b>(14)</b>
<b>Financed by:</b>			
Borough contributions to grant payment	(8,505)	(8,505)	-
Borough contributions to grants administration	(495)	(495)	-
<b>Total borough contributions</b>	<b>(9,000)</b>	<b>(9,000)</b>	<b>-</b>
ESF grant	(1,000)	(1,250)	250
<b>Total Income</b>	<b>(10,000)</b>	<b>(10,250)</b>	<b>250</b>
<b>Transfer from Reserves</b>	<b>(486)</b>	<b>(250)</b>	<b>(236)</b>
<b>Net expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>

16. The key features of the proposed budget in Table 1 are :

- A core, pan-London scheme of commissioned services to meet service priorities agreed by the Grants Committee of £7.565 million, which includes the membership subscriptions for boroughs for London Funders of £60,000;
- An additional gross sum of £1.88 million relating to a continuation of the current S.48/ESF commissioned services;
- An indicative gross commissions payments budget, therefore, of £9.445 million;
- A provision for grants administration of £555,000. This comprises of a sum of £435,000, or 5.4% (or 3.9% excluding central recharges) of the boroughs grants budget of £8 million, reflecting the actual cost of the current monitoring arrangements for commissions, plus 5.99% of the £2 million gross S.48/ESF commissions, amounting to £120,000 (which reflects the more complex monitoring arrangements of the ESF commissions);
- Borough contribution of £9 million and ESF grant income of £1 million to fund the total expenditure requirement of £10 million; the borough contribution of £9 million will be apportioned in accordance with the ONS 2014 mid-year population data; and
- For 2016/17 only, a proposed transfer from Grants Committee reserves of £486,000 be made and returned to boroughs in the form of a one-off repayment, also apportioned in accordance with the ONS 2014 mid-year population data.

### TEC Core Parking Subscription

17. This subscription is currently £1,500 per borough and there is little scope to reduce this minimal charge to boroughs, so, as agreed by the Leaders' Committee in November 2010, efforts continue to be concentrated on seeking further efficiencies in the overhead cost for TEC direct services, which are outlined below.

### TEC Direct Services

18. TEC currently provides three direct services on behalf of boroughs, one of which is also provided to TfL, which are recouped by an annual administration fee – the Freedom Pass, Taxicard and the London lorry control scheme (LLCS). In overall terms, a sum of £338,000 needs to be recouped from boroughs in 2016/17, compared to £624,000 for the current year. The proposed level of charge for each direct service, compared to those for the current year are detailed in Table 2 below:

**Table 2 – Proposed TEC Direct Services Administration Charge 2015/16**

Charge	Basis	2016/17 (£)	2015/16 (£)	Variance (£)	%
Freedom Pass	Per borough	8,674	Nil	(8,674)	(100.00)
Taxicard	Total	338,182	338,182	-	-
Lorry Control	Average	Nil	Nil	-	-

19. The **administration of the Freedom Pass** covers London Councils costs in negotiating the annual settlements and managing the relationships with transport operators and other contractors. After considering the overall income requirement for TEC, the proposed charge for 2016/17 is zero per borough, as the cost of administering the scheme can be met from income collected in respect of lost and damaged freedom passes. This position will be reviewed annually to ensure forecast income streams continue to cover the costs of administering the scheme. Since 2010/11, this charge to boroughs has reduced by £14,231 per borough, or 100%.

20. The **administration of the Taxicard Scheme** covers London Councils costs in processing and issuing passes to members and managing the relationships with various contractors. After considering the overall income requirement for TEC, the proposed net cost to be charged to boroughs in 2016/17 is £338,182, no change on the total charge for 2015/16. The Taxicard membership data as at 30 September 2015 has been further cleansed to exclude members who had not used their Taxicard at least once in the last two years. The outcome has been to reduce the scheme membership from 76,018 to 67,780, a reduction of 8,238, or 10.8%. This significantly reduced spreading base has increased the underlying unit cost of a

permit to from £4.45 to £4.99 per member. Since 2010/11, however, the overall amount recharged to boroughs has reduced by £127,000, or 27.3%.

21. The **Lorry Control administration charge** is calculated in the same manner as the Freedom Pass and Taxicard administration charge; although it is apportioned to boroughs in accordance with the ONS mid-year population figures. In the case of 2016/17, the population data for 2014 is used. The total cost of administering the scheme is estimated to be £674,119 in 2016/17, compared to £541,793 in 2015/16, which is attributable to additional staffing resources to provide targeted input in this area, which in turn has led to an increase in the share of central overheads. In addition, a sum of £50,000 has been earmarked for the review and development of the scheme. However, after consideration of projected income of £750,000 from the enforcement of the scheme, it is proposed that there will be no borough or TfL contribution to the scheme in 2016/17, as for the current year. Again, this position will be reviewed annually to ensure forecast income streams continue to cover the costs of administering the scheme. Since 2010/11, this charge to boroughs has reduced by an average sum of £14,524 per borough and for TfL, or 100%.

### **TEC Traded Services**

22. A further range of services provided by TEC relate to various parking and traffic activities, primarily the London Tribunals (LT). A unit charge for each of these 'traded' services is made to the users, which covers the marginal costs of these services. The volumes of these transactions are solely generated by the borough; London Councils has no influence on the levels generated. In addition, an amount apportioned by the number of PCNs issued by each borough and TfL, covers the fixed costs of the parking related services - principally the LT - covering the actual cost of the appeals hearing centre and the fixed cost of the parking managed services contract. The contract for parking managed services was retendered with effect from July 2015 and is expected to deliver significant savings over the course of the seven year contract. The financial year 2016/17 represents the first full year that these anticipated savings are due to be realised. A contribution to existing overheads will no longer be made from the contract with the British Parking Association (BPA) to hear appeals in respect of PCN's issued on private land, known as POPLA (Parking Appeals on Private Land), as the contract ended on 30 September 2015, meaning that there will be increases to the underlying cost of other traded services that TEC provides.

23. Reflecting the revised contract prices after the recent retendering process and the indicative savings, the proposed level of charge for each traded service, compared to those for the current year is detailed in Table 3 below:

**Table 3 – Proposed TEC Traded Services Unit Charges 2016/17**

Charge	2016/17 (£)	2015/16 (£)	Variance (£)	%
Parking Enforcement Service Charge (total charge)	0.4681	0.4333	0.0348	8.03
Environment and Traffic Adjudicators (ETA) Appeals (Hard Copy)	33.32	33.40	(0.08)	(0.23)
ETA Appeals (Electronic)	29.90	29.97	(0.07)	(0.25)
ETA Statutory Declarations (Hard Copy)	28.17	33.40	(5.23)	(15.65)
ETA Statutory Declarations (Electronic)	27.49	29.97	(2.48)	(8.28)
TRACE Electronic	7.31	8.60	(1.29)	(15.0)
TRACE Fax	7.48	8.80	(1.32)	(15.0)
TEC	0.17	0.20	(0.03)	(15.0)

24. The **Parking Enforcement Service Charge** is allocated to users in accordance with the number of PCNs issued. For 2016/17, expenditure of £2.694 million needs to be recouped, compared to £2.653 million for 2015/16. The increase is due to the fact that a proportion of the hearing centre premises costs and other overheads can no longer be charged to the BPA contract. The increase has been offset by cheaper accommodation costs at the new hearing centre at Chancery Exchange plus reduced fixed costs under the new parking managed services contract.

25. After top-slicing this amount for the estimated fixed costs of £472,000 attributable to the contract with the GLA/TfL in respect of road user charging appeals (RUCA), a total of £2.222 million remains to be apportioned through the 4.746 million PCN's issued by boroughs and TfL in 2014/15 in respect of parking, bus lane and moving traffic offences, compared to 4.985 million issued in 2013/14. The reduction in the number of PCNs issued over the two comparative years of 239,000, therefore, reduces the cost spreading base, which together with the marginal increase in costs leads to an increase in the actual unit charge to boroughs and TfL of £0.0348 per PCN, or 8.03%, from £0.4333 to £0.4681 per PCN for 2016/17.

26. The estimated volume of Environment and Traffic Adjudicators (ETA - formerly PATAS) appeals for 2016/17, based on indicative volumes in the first half of 2015/16 and adjusted for known developments, is 52,885, compared to the budgeted figure of 69,434 for the current

year. The actual number of appeals heard in 2014/15 was 56,610 including Statutory Declarations, Moving Traffic Offences and Lorry Ban Appeals.

27. The average throughput of appeals for the first six months of the current year of 2.76 appeals heard per hour, which will have been affected by the disruption caused by both the hearing centre move and the change of contractor. Based on this figure, it is proposed that the indicative hard copy unit ETA appeal cost for 2016/17 is £33.32, a reduction of £0.08 or 0.23% on the charge of £33.40 for 2015/16. For appeals where electronic evidence is provided by an enforcing authority, it is proposed that the unit cost will reduce by a further £3.42 to £29.90 in recognition of the reduced charge from the contractor. This demonstrates that there remains a clear financial incentive for boroughs to move towards submitting electronic evidence under the new contract arrangements. In addition, under the new contract, it is possible to offer boroughs a differential charge for the processing of ETA statutory declarations. For hard copy statutory declarations, the proposed unit charge will be £28.17 compared to the charge of £33.40 for the current year, which mirrors the hard copy appeal charge. This represents a reduction of £5.23, or 15.65%. For electronic statutory declarations, the proposed unit charge will be £27.49, a reduction of £2.48, or 8.28% on the electronic appeal unit charge for the current year.
28. For RUCA Appeals, the estimated volume of appeals for 2016/17, based indicative volumes in the first half of 2015/16 and adjusted after consultation with TfL, is 6,167, compared to the budgeted figure of 7,352 for the current year. The actual number of RUCA Appeals dealt with in 2014/15, including Statutory Declarations, was 6,534. For 2016/17, it is recommended that there be a continuation of the agreement made in 2006 with TfL/GLA officials to reimburse London Councils on a cost-recovery basis for the variable cost of RUCA appeals. The continuation of this agreement will ensure that a break even position continues in respect of these variable transactions. Negotiations were concluded with the GLA during 2014/15 to extend the current contract until December 2016, in return for an annual review of the fixed cost element of the contract. Due to a reduction in actual RUCA appeals in 2014/15 relative to the actual number of ETA appeals, the rechargeable level of fixed costs is £472,000 for 2016/17; a £21,000 reduction on the budgeted level for 2015/16.
29. In respect of **all other parking traded services**, the variable charges form part of the parking managed service contract provided by the contractor, the volumes of which are not controlled by London Councils. From July 2015, this service has been provided by Northgate

following a procurement exercise during 2014/15. As stated in paragraph 20, the individual boroughs are responsible for using such facilities. The volumes are based on those currently being processed by the contractor and are recharged to the boroughs, TfL and the GLA as part of the unit cost charge. Current trends during the first half of 2015/16 suggest that transaction volumes appear to be as anticipated 12 months ago, despite some minor bedding in issues for Northgate at the new hearing centre at Chancery Exchange.

30. The estimated reduction in expenditure between 2015/16 and 2016/17, due to a combined minor adjustment in transaction volumes and the application of the new contract prices from July 2015, is £16,418. However, the corresponding estimated reduction in income over the same period due to the adjustment in volumes and the proposed charges to users shown in Table 3 is £19,880, leading to a projected net overall reduction in budgeted income of £3,463 for 2016/17.
31. The charging structure historically approved by TEC for the provision of the variable parking services (excluding appeals) includes a contribution to overheads in each of the charges made to boroughs and other users for these services. This differential has been maintained in the proposed charges for 2016/17 to take on board the reduced charges when the new contract started in July 2015. It is proposed, therefore, that the TEC Executive Sub-Committee meeting in November recommends that the full TEC Committee approves the unit charges for the parking service it provides, as detailed in Table 3 above, at its December meeting.

#### **Proposed revenue budget for 2016/17**

32. Based on the proposed level of subscription and charges, as detailed in paragraphs 11-31 above, the proposed revenue budget position for 2016/17, is summarised in Table 4 below. A detailed breakdown of proposed expenditure and income is shown at Appendices A and B to this report.

**Table 4 – Proposed revenue budget 2016/17**

	<b>Joint Committee</b>	<b>Grants Committee</b>	<b>TEC</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Indicative Expenditure	8,655	10,384	378,712	397,751
Central Recharges	266	102	74	442
<b>Total Expenditure</b>	<b>8,921</b>	<b>10,486</b>	<b>378,786</b>	<b>398,193</b>
Indicative Income	(6,389)	(10,000)	(378,143)	(394,532)
Use of Reserves	(1,340)	(486)	(643)	(2,469)
<b>Sub-total</b>	<b>(7,729)</b>	<b>(10,486)</b>	<b>(378,786)</b>	<b>(396,991)</b>

Central Recharges	(1,192)	-	-	(1,192)
<b>Total Income</b>	<b>(8,921)</b>	<b>(10,486)</b>	<b>(378,786)</b>	<b>(398,193)</b>
<b>Indicative Net Position</b>	-	-	-	-

33. The detailed breakdown of the proposed budgets for the Joint Committee, Grants Committee and TEC funding streams for 2016/17 is outlined in paragraphs 34-49 below.

### Grants Committee

34. The provisional position for the Grants Committee for 2016/17 is as follows:

**Table 5 – Indicative Grants Committee budget movements for 2016/17**

	<b>£000</b>
<b>Expenditure:</b>	
Revised budget 2015/16	10,500
Proposed budget 2016/17	10,486
Budget Movement	(14)
<b>Income</b>	
Revised budget 2015/16	(10,500)
Proposed budget 2016/17	(10,486)
Budget Movement	14
<b>Net Budget Movement</b>	<b>-</b>
<b>Developments - expenditure:</b>	
Payments to ESF Commissions	(500)
One-off payment to boroughs	486
<b>Total</b>	<b>(14)</b>
<b>Developments - income:</b>	
Receipt of ESF grant	250
Transfer from reserves	(236)
<b>Total</b>	<b>14</b>
<b>Net Budget Movement</b>	<b>-</b>

35. The proposed budget figures for 2016/17, therefore, represent a continuation of:

- A core, pan-London scheme of commissioned services to meet service priorities agreed by the Grants Committee of £7.565 million, which includes the membership subscriptions for boroughs for London Funders of £60,000. The financial year 2016/17 represents the final year of the existing four-year programme of commissions. Recommendations will shortly be put before the Grants Committee and the Leaders' Committee for a decision

on the scope and scale of the future commissioning programme from 1 April 2017 and could influence the level of the budgetary provision from 2017/18 onwards;

- An additional gross sum of £1.88 million relating to a continuance of the current S.48/ESF commissioned services;
- An indicative gross commissions payments budget, therefore, of £9.445 million;
- A provision for grants administration of £555,000. This comprises of a sum of £435,000, or 5.4% (or 3.9% excluding central recharges) of the boroughs grants budget of £8 million, reflecting the actual cost of the current monitoring arrangements for commissions, plus 5.99% of the £2 million gross S.48/ESF commissions, amounting to £120,000 (which reflects the more complex monitoring arrangements of the ESF commissions);
- Borough contribution of £9 million and ESF grant income of £1 million to fund the total expenditure requirement of £10 million; the borough contribution of £9 million will be apportioned in accordance with the ONS 2014 mid-year population data; and
- For 2016/17 only, a proposed transfer from Grants Committee reserves of £486,000 be made and returned to boroughs in the form of a one-off repayment, also apportioned in accordance with the ONS 2014 mid-year population data.

### Transport and Environment Committee

36. Excluding the position for the payments to transport operators in respect of the Freedom Pass and Taxicard, which are dealt with in paragraphs 38-47 below, the provisional position for TEC for 2016/17 is detailed in Table 6 below:

**Table 6 – Indicative TEC budget movements for 2016/17**

<b>Expenditure:</b>	<b>£000</b>
Revised budget 2015/16	14,105
Proposed budget 2016/17	12,263
Budget Movement	(1,842)
<b>Income</b>	
Revised budget 2015/16	(14,105)
Proposed budget 2016/17	(12,263)
Budget Movement	1,842
<b>Net Budget Movement</b>	<b>-</b>
<b>Developments – expenditure:</b>	
Increase in Freedom Pass administration	15
Increase in Taxicard administration	50

Increase in lorry control administration	82
Increase in PATAS administration	2
Cessation of POPLA contract	(977)
Reduction in Health Emergency Badge administration	(10)
Increase in non-operational staffing costs	22
Volumes changes – adjudicators fees	(150)
Volume changes – contractor variable costs	(488)
Volume changes – contractor fixed costs	88
Reduction in other running costs	(8)
Increase in central recharges	24
Reduction in payments for debt registration	(1,000)
Increase in IT systems development budget	100
Budget for London Lorry Control review and development	50
One-off payment to boroughs and TfL	340
<b>Sub-Total</b>	<b>(1,860)</b>
<b>Inflation:</b>	
1% increase on salary costs	18
<b>Budget Movement on expenditure</b>	<b>(1,842)</b>
<b>Developments – income:</b>	
Reduction in borough contributions to direct services	286
Volumes changes – appeals income	642
Volume changes – other parking services income	(21)
Increase in income from replacement Freedom Passes	(50)
Increase in income from Lorry Control PCNs	(200)
Cessation of POPLA contract	977
Reduction in income for debt registration	1,000
Increase in income for survey and reissue costs	(143)
Other adjustments	(6)
Proposed increase in transfer from general reserve	(643)
<b>Budget Movement on income</b>	<b>1,842</b>
<b>Net Budget Movement</b>	<b>-</b>

37. The proposals for the level of subscription and charges for TEC related services in 2016/17, which is detailed in paragraphs 17-31 of this report provide the reasoning for the majority of the budget movements detailed in Table 6.

### Freedom Pass

38. The main settlement with TfL for concessionary travel on its service is £333.94 million, an increase of £6.108 million, or 1.84%, on the figure of £327.922 million for 2015/16. This reflects fares inflation of 1%, a 0.3% reduction in journey volumes and 1.1% to reflect the recent transfer of 14% of ATOC services to TfL (London Overground/Greater Anglia lines).

39. The budget in respect of the Association of Train Operating Companies (ATOC) has been reduced by £2.997 million on the figure of £21.334 million for the current year to reflect the recent transfer of services to TfL. After adding fares inflation of 1%, the total budget is £18.52 million, an overall reduction of £2.812 million, or 13.2%.
40. The budget of £2.2 million for payments to other bus operators for local journeys originating in London has been reduced by a net figure of £500,000, or 22.7%, to £1.7 million, after allowing for fares inflation of 2.3%. This reduced sum reflects the projection for 2016/17, based on current claim trends being lodged by operators.
41. The budget for the freedom pass issuing costs was £1.518 million for 2015/16. For 2016/17, it is proposed that the budget remains at this level and continue to be reviewed each year in the light of immediate reissue numbers in the run up to the next substantive reissue exercise in 2020. In addition, there are potentially additional contract costs in 2016/17 associated with the provision of the customer call centre operations.
42. For income in respect of replacement Freedom Passes, trends indicate that despite the reissue of nearly 1 million freedom passes over the past two years, accrued income continues to exceed the approved budget of £500,000, so it is proposed to increase the income budget for replacement passes by £50,000 to £550,000. As stated in paragraph 17, the estimated cost of the Freedom Pass administration scheme will be fully funded by this income stream in 2016/17.
43. As agreed in setting the budget for the current year in December 2014, any annual surplus arising from both the freedom pass issuing costs budget of £1.518 million (paragraph 41 above) and replacement freedom passes income budget of £550,000 (paragraph 42 above) will be transferred to a specific reserves to accumulate funds to offset the cost of the next pass reissue exercise scheduled for 2020. At its October 2015 meeting, TEC agreed to transfer £500,000 from general reserves to this specific reserve to kick start this process and the position will be reviewed annually to ensure a substantive fund is on track to be accumulated for the 2020 reissue.
44. Final negotiations on the actual amounts payable to operators will be completed in time for the meeting of the full TEC Committee on 10 December and any late variations to these provisional figures will be tabled at this meeting.

45. A summary of the provisional freedom pass costs for 2016/17, compared to the current year, can be summarised in Table 7 below:

Table 7 – Comparative financing of Freedom Pass 2016/17 and 2015/16

<b>Estimated Cost of Freedom Pass</b>	<b>2016/17(£000)</b>	<b>2015/16(£000)</b>
TfL Settlement	333,940	327,922
ATOC Settlement	18,520	21,334
Non TfL Bus Operators Settlement	1,700	2,200
Freedom Pass Issue Costs	1,518	1,518
<b>Total Cost</b>	<b>355,678</b>	<b>352,974</b>

46. The total cost of the scheme is fully funded by boroughs and the sum payable by boroughs in 2016/17 of £355.678 million compares to £352.974 million payable for 2015/16, an increase of £2.704 million or 0.77%.

#### Taxicard

47. TfL will provide an annual fixed S.159 grant of £9.704 million, inclusive of annual Taxicard tariff inflation of £77,000 (0.8%), compared to £9.627 million for 2015/16. At this stage, the total borough contribution towards the Taxicard scheme in 2016/17 is estimated to be £2.658 million, the same as for the current year, although the decision on boroughs' contributions is a matter for boroughs to take individually and will be confirmed in February 2016. The indicative budgetary provision for the taxicard trips contract with CityFleet Networks Limited, will, therefore, be an amalgam of the TfL and borough funding, equating to £12.362 million for 2016/17, a provisional increase of £77,000 on the revised budget of £12.285 million for the current year.

#### Joint Committee

48. The provisional position for the Joint Committee for 2016/17 is as follows:

Table 8 – Indicative Joint Committee budget movements for 2016/17

	<b>£000</b>
<b>Expenditure:</b>	
Revised budget 2015/16	8,885
Proposed budget 2016/17	8,921
<b>Budget Movement</b>	<b>36</b>
<b>Income</b>	
Revised budget 2015/16	(8,885)
Proposed budget 2016/17	(8,921)
<b>Budget Movement</b>	<b>(36)</b>

<b>Net Budget Movement</b>	<b>-</b>
<b>Developments - expenditure:</b>	
Net Salary pressures, including pay award	76
Efficiencies in improvement legacy work	(40)
<b>Total</b>	<b>36</b>
<b>Developments - income:</b>	
Reduction in borough subscriptions	182
Increase in income from tenants	(140)
Increase in central recharge income	(78)
<b>Total</b>	<b>(36)</b>
<b>Net Budget Movement</b>	<b>-</b>

49. The key elements included within the net budget movement are detailed below:

- **Salary pressures, including the pay award** – this covers the Joint Committee’s share of pressures on employee costs that are emerging, including the changes to the funding of the state retirement pension scheme and anticipated pay award in 2016/17. After considering some minor staffing efficiencies, the total net effect is to add £76,000 to the total payroll cost;
- **Efficiencies in improvement legacy work** – following a review of improvement legacy work from the former Capital Ambition operations a sum of £40,000 can be secured as an efficiency saving;
- **Joint Committee subscription** - as detailed in the fifth bullet point of paragraph three above, total funding to be raised from borough subscription is proposed to reduce by £182,000;
- **Central recharge income** – income budgets for certain elements of central recharge income were not formally established in the 2015/16 base budget where there was some doubt over the longevity of the functions, which would dictate as to whether or not the income would materialise in full during the financial period. Formalising a greater proportion of this potential income where greater certainty now exists produces additional income of £78,000; and

- **Income from new tenants** - Establishing an income budget of £140,000 in 2016/17 for new tenants expected to occupy space at Southwark Street.

### Externally Funded Projects

50. In addition to the proposed expenditure of £401.462 million for largely borough funded activity, expenditure on activities financed through external contributions is currently projected to be £5.5 million in 2016/17, with funding being received through various external sources to fully fund the projects, ensuring no cost to boroughs. Once confirmation of continued funding into 2016/17 is received from funders over the coming months, budget plans for expenditure will be revised accordingly to ensure that they match the available funding.

### Indicative budget requirement 2017/18 and 2018/19

51. The indicative income and expenditure figures for 2017/18 and 2018/19, are detailed in Table 9 below:

**Table 9 – Indicative budgets for 2017/18 and 2018/19**

	<b>2017/18</b>	<b>2018/19</b>
	<b>£000</b>	<b>£000</b>
Indicative Expenditure	403,335	410,799
Central Recharges	446	451
<b>Total Expenditure</b>	<b>403,781</b>	<b>411,250</b>
Indicative Income	(401,742)	(409,096)
Use of Reserves	(818)	(818)
<b>Sub-total</b>	<b>(402,560)</b>	<b>(409,914)</b>
Central Recharges	(1,204)	(1,216)
<b>Total Income</b>	<b>(403,764)</b>	<b>(411,130)</b>
<b>Indicative (Surplus)/Deficit</b>	<b>17</b>	<b>120</b>

52. The above figures assume:

- No increase in borough subscriptions over the two year period 2017/18 and 2018/19;
- The freedom pass costs will increase by 2% per annum over this period;
- The TfL element of the Taxicard contract is assumed to increase by 1% per annum;
- Subject to the outcome of the current consultation process on the future scale and scope of commissioned services provide by the Grants Committee from 2017/18 onwards, the S.48 borough funded commission to remain at £8 million per annum over this period, with a similar level borough contributions, plus a further £2 million for ESF matched funded commissions;
- An 1% increase in salary costs and a zero increase on discretionary expenditure budget heads; in most cases, contractually committed expenditure will increase in line with CPI,

although as this is currently -0.1%, significant additional expenditure liabilities are not envisaged;

- A zero increase in all other income budget heads; and
- No planned increase in the use of reserves from the current level, excluding in relation to the funding of further one-off payments to boroughs.

53. Based on the above assumptions, there is a marginal indicative budget deficit of £17,000 for 2017/18 and a more significant forecast deficit of £120,000 in 2018/19. These deficits will be addressed as part of the budget proposals to be presented to members in the autumn of 2016 for the period 2017/18 onwards.

### Updated position on Reserves

54. The current position on the overall level of London Councils reserves is detailed in Table 10 below, which includes the forecast outturn position for the current year at the half-year stage, which is subject to a separate report to this meeting:

**Table 10 - Estimated level of Reserves as at 31 March 2016**

	Transport and Environment Committee (£000)		Joint Committee (£000)	Grants Committee (£000)		Total (£000)
	General	Specific	General	S.48	ESF	
<b>Total audited reserves at 1 April 2015</b>	<b>3,535</b>	-	<b>6,623</b>	<b>455</b>	<b>869</b>	<b>11,482</b>
Balances c/f into 2015/16	(64)	-	-	-	-	(64)
Resources committed in 2015/16	-	-	(515)	-	(499)	(1,014)
One-off payment to boroughs 2015/16	-	-	(825)	-	-	(825)
Residual expenditure on 2015 Freedom Pass issue	(190)	-	-	-	-	(190)
Revenue costs of hearing centre relocation	(39)	-	-	-	-	(39)
Provisional approvals for 2016/17 and 2017/18	-	-	(1,119)	-	-	(1,119)
Approved transfer to specific reserve	(500)	500	-	-	-	-
Projected (deficit)/surplus for 2015/16	616	-	242	30	735	1,623
<b>Projected uncommitted reserves as at 31 March 2016</b>	<b>3,358</b>	<b>500</b>	<b>4,406</b>	<b>485</b>	<b>1,105</b>	<b>9,854</b>

55. The current level of commitments from reserves, as detailed in Table 10, come to £3.251 million and are detailed in full in Table 11 below:

**Table 11– Current Commitments from Reserves**

	2015/16	2016/17	2017/18	Total
	£000	£000	£000	£000
Approved transfer from JC general reserves	164	164	-	328
Approved transfer from TEC general reserves	-	-	-	-
TEC system developments	64	-	-	64
Accumulated YPES regional funds	150	150	604	904
Slippage of ESG grants funding	499	-	-	499
2015 Freedom Pass Issue	190	-	-	190
Appeal hearing centre relocation	39	-	-	39
One-off repayment to boroughs in 2015/16	825	-	-	825
Support to the health transition process	201	201	-	402
<b>Totals</b>	<b>2,132</b>	<b>515</b>	<b>604</b>	<b>3,251</b>

56. After taking into account the budget proposals outlined in this report, the level of uncommitted reserves reduces to £7.9 million, as detailed in Table 12 below:

**Table 12 - Estimated Residual Uncommitted Reserves as at 31 March 2015**

	Transport and Environment Committee (£000)		Joint Committee (£000)	Grants Committee (£000)		Total (£000)
	General	Specific	General	S.48	ESF	
<b>Projected uncommitted reserves as at 31 March 2016 (Table 10)</b>	<b>3,358</b>	<b>500</b>	<b>4,406</b>	<b>485</b>	<b>1,105</b>	<b>9,854</b>
One-off repatriation to boroughs	(340)	-	(825)	(185)	(301)	(1,651)
New proposal included in 2016/17 budget figures	(303)	-	-	-	-	(303)
Proposed further transfer to specific reserve	(500)	500	-	-	-	-
<b>Estimated residual uncommitted reserves</b>	<b>2,215</b>	<b>1,000</b>	<b>3,581</b>	<b>300</b>	<b>804</b>	<b>7,900</b>

57. For the Grants Committee, the Grants Executive in September 2013 agreed that the level of reserves to cover the £8 million S.48 borough funded commissions should be set at 3.75% of the budget, which currently equates to £300,000. The forecast level of uncommitted reserves of £300,000, therefore, accords with this benchmark, after taking into account the proposed return of £185,000 to boroughs. For ESF/borough funded commissions, residual reserves of £301,000 relating to schemes expiring in the current financial year are proposed to be

returned to boroughs. Residual reserves of £804,000, therefore, relate to potential residual liabilities arising out of the expiring 2013-15 ESF commissions as final claims are submitted (£97,000), including the possibility of final grant claims being reduced, and the surplus of £707,000 accumulated in the current financial year due to the delayed start of the new 2016+ ESF programme, which is expected to commence in January 2016.

58. For TEC, provisional uncommitted reserves of £3.358 million as at 31 March 2016 reflects the reversal of the provision of £1.198 million required by the external auditors in the 2013/14 final accounts in respect of income from the BPA for the POPLA contract, which is no longer required. Key short-term projects such as the 2015 Freedom Pass issue and the move of the appeals hearing centre from Angel Square to Chancery Exchange have now been completed. This figure also reflects the transfer of general reserves of £500,000 to a specific reserve (paragraph 43) plus the forecast surplus of £188,000 for the current year.
59. After taking into account the proposed returned of £340,000 to boroughs and TfL in the form of a one-off payment, the use of general reserves of £303,000 in setting the 2016/17 budget and a further proposed transfer of £500,000 to the specific reserve, uncommitted general reserves are forecast reduce to £2.215 million, which equates to 18.6% of proposed operating and trading expenditure of £11.923 million for 2016/17. This figure continues to exceed TEC's formal policy on reserves, agreed in December 2005 that reserves should equate to between 2-3% of annual operating expenditure. TEC will be reviewing its policy on reserves at the full meeting on 10 December.
60. For the Joint Committee functions, uncommitted general reserves are projected to be £3.581 million if the proposals in this report are approved. In a period of continuing financial constraint for London local government, and as demonstrated in the recent past, there is continued value in holding a reasonable level of reserves as a contingency to fund further one-off incidences of expenditure and to explore additional key priorities identified by members during the course of the year, such as the current work on devolution and public sector reform and on the health and housing agendas.
61. Under the Audit Commission's Use of Resources criteria, the Chief Financial Officer of an organisation is required to make an annual statement on the adequacy of the level of an organisation's reserves. This is achieved by expressing the total level of estimated uncommitted reserves as a percentage of operating costs.

62. If the Leaders' Committee approve the proposal to use uncommitted reserves of £2.469 million, as detailed in this report, residual uncommitted reserves would reduce to £6.1 million, after excluding specific and ESF reserves. This would represent 27.4% of total operating and trading expenditure in 2016/17 of £22.225 million. On this basis, the Director of Corporate Resources is content to issue a positive statement on the adequacy of the residual London Councils reserves for 2016/17.

## **Conclusions**

63. This report proposes the level of boroughs subscriptions and charges to be levied in 2016/17, together with the consolidated revenue income and expenditure budget for 2016/17. The report also updates Leaders' on the current level of London Councils reserves after considering all current and proposed commitments and the timetable for the overall budget approval process.

64. These proposals were approved by the London Councils Executive at its meeting on 17 November and, in summary, propose:

- The payment of £1.651 million from uncommitted reserves to boroughs in 2016/17, an average repayment of £49,727, as shown at Appendix C;
- A reduction of £5,515 per borough, or 3.3%, in the borough subscription for the Joint Committee for 2016/17; and
- Total reductions of £617,000 from the operation of the TEC direct services in 2016/17, producing an average saving of £18,147 per borough and for TfL.

65. The total proposed savings and repatriation of funds to boroughs for 2016/17 amounts to £2.423 million, or an average of £73,424 per borough, which, for illustrative purposes, is an amount that equates to 44% of the level of the current Joint Committee subscription of £167,473.

66. 2016/17 is the final year of the current commissioned Grants Programme. Members will be making decisions this winter about the programme for April 2017 onwards that could impact upon the potential for further reductions in the budgets agreed in the autumn/winter of 2016.

67. If agreed, the proposals contained in this report will increase the total accumulated savings and repayments to boroughs since 2010/11 to £126.751 million (of which £91.4 million relates to savings in commissions made by the Grants Committee), equating to £3.841 million per borough.

## **Summary**

68. This report proposes the level of boroughs subscriptions and charges to be levied in 2016/17, together with the consolidated revenue income and expenditure budget for 2016/17. These proposals were considered by the London Councils Executive at its meeting on 17 November and this package was agreed for submission to this Committee for final consideration and approval.

69. The subscription and budget proposals for 2016/17 relating to the Grants Committee were considered by the Grants Committee at its meeting on 18 November. The Grants Committee agreed to recommend that the Leaders' Committee approve these proposals.

70. The subscription and budget proposals for 2016/17 relating to the Transport and Environment Committee were considered by the TEC Executive Sub-Committee at its meeting on 24 November and will be put before the full TEC meeting on 10 December for final approval. The Leaders' Committee is, therefore, asked to endorse the provisional TEC figures outlined in this report.

## **Recommendations**

71. The Leaders' Committee is asked to approve the following borough subscription and charges:

- The proposed Joint Committee subscription for boroughs of £161,958 per borough for 2016/17, a reduction of 3.3% on the charge of £167,473 for 2015/16. The City of London will pay £158,195, in recognition of the fact the City is historically not part of the regional Local Government Employers (LGE) arrangements (paragraphs 11-13);
- The proposed Joint Committee subscription for the MOPAC and the LFEPA of £15,410 for 2016/17, a reduction of 3.3% on the charge of £15,920 for 2015/16 (paragraph 13);

- An overall level of expenditure of £10 million for the Grants Scheme in 2016/17 (inclusive of £2 million gross ESF programme); and
- that taking into account the application of £1 million ESF grant, net borough contributions for 2016/17 should be £9 million, the same level as for 2015/16 (paragraphs 14-16).

72. The Leaders' Committee is also asked to endorse the following subscription and charges for 2016/17 for TEC, which were considered by the TEC Executive Sub-Committee on 24 November, and which will be considered by the full meeting of TEC on 10 December for final approval:

- The Parking Core Administration Charge of £1,500 per borough and for TfL (2015/16 - £1,500) (paragraph 17);
- No charge to boroughs in respect of the Freedom Pass Administration Charge, which is covered by replacement Freedom Pass income (2015/16 - £8,674) (paragraph 19);
- The total Taxicard Administration Charge to boroughs of £338,182 in total (2015/16 - £338,182; (paragraph 20);
- No charge to boroughs in respect of the Lorry Control Administration Charge, which is fully covered by estimated PCN income (2015/16 – no charge) (paragraph 21);
- The Parking Enforcement Service Charge of £0.4681 per PCN, which will be distributed to boroughs and TfL in accordance with the number of PCNs issued in 2014/15 (2015/16 - £0.4333 per PCN; paragraphs 24-25);
- The Parking and Traffic Appeals Charge of £33.32 per appeal or £29.90 per appeal where electronic evidence is provided by the enforcing authority (2015/16 - £33.40/£29.97 per appeal). In addition, a new differential charge is proposed for hearing Statutory Declarations of £28.17 for hard copy submissions and £27.49 for electronic submissions (2015/16 - £33.40/£29.97 per SD) (paragraphs 26-27);
- Congestion Charging Appeals – to be recovered on a full cost recovery basis, as for 2015/16, subject to the continuing agreement of the GLA under existing contractual arrangements (paragraph 28);

- The TRACE (Electronic) Charge of £7.31 per transaction (2015/16 - £8.60) (paragraphs 29-31);
- The TRACE (Fax) Charge of £7.48 per transaction (2015/16 - £8.80) (paragraphs 29-31); and
- The PEC, PED and PIE Charges of £0.17 per transaction (2015/16 - £0.20) (paragraphs 29-31).

73. On the basis of the above proposed level of subscriptions and charges, the Leaders' Committee is asked to approve:

- The consolidated revenue expenditure budget for 2016/17 for London Councils of £398.193 million, as per Table 4 at paragraph 32 and Appendix A of this report;
- The consolidated revenue income budget for 2016/17 for London Councils of £398.193 million, also as per Table 4 at paragraph 32 and Appendix B;
- Within the total income requirement, the use of London Council reserves of £2.469 million in 2016/17, inclusive of the £1.651 million repatriation to borough in 2016/17, as detailed in paragraph 3, Table 12 at paragraph 56 and Appendix C.

74. The Leaders' Committee is also asked to note:

- The indicative London Councils revenue budget, for the period 2017/18 and 2018/19, as detailed in paragraphs 51-53;
- The position in respect of forecast uncommitted London Council reserves as at 31 March 2016, as detailed at paragraphs 54-60; and
- The positive statement on the adequacy of the residual London Councils reserves issued by the Director of Corporate Resources, as detailed in paragraphs 61-62.

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### **Financial Implications for London Councils**

As detailed in the body of the report.

### **Legal Implications for London Councils**

None

## **Equalities Implications for London Councils**

None

## **Appendices**

75. Appendix A – the provisional consolidated revenue expenditure budget for London Councils for 2016/17;
76. Appendix B – the provisional consolidated revenue income budget for London Councils for 2016/17.

## **Background Papers**

London Councils budget working papers 2010/11 to 2016/17