

Leaders' Committee

Proposed Revenue Budget and Borough Subscriptions and Charges 2017/18 Item no: 9

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Summary

Following discussions with the members of the Executive, and in advance of any budgetary implications arising from the outcome of the London Councils Challenge process, this report proposes the level of borough subscriptions and charges to be levied in 2017/18, together with the consolidated revenue income and expenditure budget for 2017/18. The report also updates members 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 involve:

- Containing budgetary pressures in 2017/18, including significant business rate increases and the 1% pay award, to allow the three core subscriptions to remain at the current year's level, which are:
 - The Joint Committee subscription of £161,958 per borough;
 - The TEC parking core administration charge of £1,500 per borough; and
 - Total grants administration costs of £555,000, equating to an average cost of £16,808 per borough.
- A reduction in the £8 million S.48 borough funded grants budget of £1.332 million. This is in accordance with the recommendation of the Grants Committee, which was approved by the Leaders' Committee in March 2016 to reduce funding towards the existing Priority 4 Capacity Building;
- The payment of £826,000 from uncommitted reserves to boroughs in 2017/18, an average repayment of £25,030 per borough;
- The creation of a Challenge Implementation Fund of £525,000 from uncommitted joint committee reserves;
- A proposed further transfer from uncommitted TEC general reserves of £800,000 to fund the next Freedom Pass issue

exercise in 2020 plus £200,000 to meet exploratory costs associated with the Ultra-Low Emissions Vehicles project, both subject to agreement by the main TEC meeting on 8 December; and

- A transfer from reserves of £293,000 to fund the YPES at its current level.

The total proposed savings and repatriation of funds to boroughs for 2017/18 amounts to £2.148 million, or an average of £65,090 per borough, which, for illustrative purposes, is an amount that equates to 40% of the level of the current Joint Committee subscription of £161,958.

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 2017/18, no change on the charge of £161,958 for 2016/17. The City of London will pay £158,195, in recognition of the fact the City is not part of the regional Local Government Employers (LGE) arrangements (paragraphs 12-13);
- The proposed Joint Committee subscription for the MOPAC and the LFEPA of £15,410 for 2017/18, no change on the charge of £15,410 for 2016/17 (paragraph 14);
- An overall level of expenditure of £8.668 million for the Grants Scheme in 2017/18 (inclusive of £2 million gross ESF programme), compared to £10 million for 2016/17; and
- That taking into account the application of £1 million ESF grant, net borough contributions for 2017/18 should be £7.668 million, compared to £9 million for 2016/17 (paragraphs 15-19).

The Leaders' Committee is also asked to endorse the following subscription and charges for 2017/18 for TEC, which were considered under the Urgency Procedures by the TEC Executive Sub-Committee and which will be presented to the main TEC meeting on 8 December for final approval:

- The Parking Core Administration Charge of £1,500 per borough and for TfL (2016/17 - £1,500) (paragraph 20);
- No charge to boroughs in respect of the Freedom Pass Administration Charge, which is covered by replacement Freedom Pass income (2016/17 – no charge) (paragraph 22);
- The net Taxicard Administration Charge to boroughs of £338,182 in total (2016/17 - £338,182); (paragraph 23);
- No charge to boroughs and TfL in respect of the Lorry Control Administration Charge, which is fully covered by estimated PCN

income (2016/17 – no charge) (paragraph 24);

- The Parking Enforcement Service Charge of £0.4915 per PCN, which will be distributed to boroughs and TfL in accordance with the number of PCNs issued in 2015/16 (2016/17 - £0.4681 per PCN; paragraphs 27-28);
- The Parking and Traffic Appeals Charge of £32.00 per appeal or £28.50 per appeal where electronic evidence is provided by the enforcing authority (2016/17 - £33.32/£29.90 per appeal). For hearing Statutory Declarations, a charge of £26.74 for hard copy submissions and £26.06 for electronic submissions (2016/17 - £28.17/£27.49 per SD) (paragraphs 29-30);
- Congestion Charging Appeals – to be recovered on a full cost recovery basis, as for 2016/17, under the new contract arrangement with the GLA (paragraph 31);
- The TRACE (Electronic) Charge of £7.31 per transaction (2016/17 - £7.31) (paragraphs 32-34, Table 3);
- The TRACE (Fax) Charge of £7.48 per transaction (2016/17 - £7.48) (paragraphs 32-34, Table 3); and
- The PEC Charge of £0.17 per transaction (2016/17 - £0.17) (paragraphs 32-34, Table 3).

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 2017/18 for London Councils of £387.450 million, as per Table 4 at paragraph 35 and Appendix A of this report;
- The provisional consolidated revenue income budget for 2017/18 for London Councils of £387.450 million, also as per Table 4 at paragraph 35 and Appendix B;
- Within the total income requirement, the use of London Council reserves of £2.372 million in 2017/18, inclusive of the proposed £826,000 repatriation to boroughs and TfL in 2017/18, as detailed in paragraph 4 and Table 12 at paragraph 57.

The Leaders' Committee is also asked to note:

- The reduction of £9.407 million or 2.64% in the Freedom Pass settlement for 2017/18; (paragraphs 41-50) ;
- The position in respect of forecast uncommitted London Council reserves as at 31 March 2017, as detailed at paragraphs 55-61; and

- The positive statement on the adequacy of the residual London Councils reserves issued by the Director of Corporate Resources, as detailed in paragraphs 62-63.
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Proposed Revenue Budget and Borough Subscriptions and Charges 2017/18

Introduction

1. The forthcoming financial year, 2017/18, is the final year of the current three-year financial strategy period agreed by the Leaders' Committee in December 2014 covering the period 2015/16 to 2017/18. It also represents the first year of the new four-year Grants Programme from April 2017 to March 2021, as agreed by the Leaders' Committee in March 2016 following recommendations from the Grants Committee.
2. The timetable agreed by the London Councils Executive on 13 September 2016 in progressing the Challenge process potentially means that consideration of various issues flowing from this will continue well into 2017. This means that developments arising from agreed outcomes in respect of the Challenge process cannot be fully reflected in detail in the budget proposals for 2017/18. Some provision has, however, been made for the potential types of cost that could be incurred as a result of responding to the Challenge process. This reflects informal discussions on this topic by members of the Executive.
3. This makes the budget for 2017/18 effectively a stand-alone single year budget that does not form part of a future medium to longer term strategy period. However, the Challenge report does comment on different options for future budget structures and timescales that could perhaps be adopted for the budget strategy period starting from 2018/19 onwards.
4. This report, therefore, proposes the level of borough subscriptions and charges to be levied in 2017/18, together with the indicative consolidated revenue income and expenditure budget for 2017/18. The proposals include:
 - A Joint Committee core subscription of £161,958 per borough, the same level as for 2016/17;
 - A TEC parking core administration charge of £1,500 per borough, the same level as for 2016/17;
 - Total grants administration costs of £555,000, equating to an average cost of £16,808 per borough, the same level as for 2016/17;

- A reduction in the £8 million S.48 borough funded grants budget of £1.332 million, in accordance with the recommendation of the Grants Committee, which was approved by the Leaders' Committee in March 2016 to reduce funding towards the existing Priority 4 Capacity Building;
 - A return of uncommitted joint committee reserves of £10,000 per borough for 2017/18, totalling £330,000;
 - A return of uncommitted TEC reserves of £10,000 per borough (and for TfL) for 2017/18, totalling £340,000;
 - A return of uncommitted grants committee reserves totalling £156,000 for 2017/18, relating to the borough funded S.48 programme. This amount will be distributed amongst boroughs in accordance with the ONS mid-year population figures as at June 2015;
 - The creation of a Challenge Implementation Fund of £525,000 from uncommitted joint committee reserves to give members the option of exploring some of the recommendation contained in the London Councils Challenge report. This is explored in greater detail at paragraph 53;
 - A proposed further transfer from TEC general reserves of £800,000 to the specific reserve to fund the next Freedom Pass issue exercise in 2020 and a sum of £200,000 to establish a provision to meet potential exploratory costs associated with the Ultra-Low Emissions Vehicles Project (both to be agreed by TEC on 8 December); and
 - An increase in the transfer from reserves of £143,000 (to £293,000 in total) to fund the YPES at its current level to cover the potential loss of financial support from the new LEP, once constituted.
5. The proposal to keep the three main subscription charges at the same level as the current year is inclusive of some significant cost pressures that will arise from 1 April 2017. The two main elements of this are the agreed 1% pay award for staff, which will increase the annual salaries bill by £60,000, plus a potential 45% increase in Business Rates payable on the two London Councils premises at Southwark Street and Chancery Exchange, estimated to be £211,000. The latter will impact on the level of TEC direct services administration charges from 2017/18 onwards and this is highlighted at paragraphs 21-24.
6. The total proposed savings and repatriation of funds to boroughs for 2017/18 amounts to £2.148 million, or an average of £65,090 per borough, which, for illustrative purposes, is an amount that equates to 40% of the level of the current Joint Committee subscription of

£161,958. In addition, there is a reduction of £9.407 million or 2.64% in the Freedom Pass settlement for 2017/18.

7. The timetable for the approval of the budget for 2017/18 is as follows:

- By 18 November - TEC Executive Sub-Committee considered the indicative budget and borough charges for 2017/18 under the Urgency Procedures and made recommendations to the main TEC Committee meeting on 8 December for approval;
- 23 November – Grants Committee considered and agreed the indicative grants budget and borough contributions for 2017/18, which is being recommended to this meeting for approval;
- 6 December - Leaders' Committee considers this report on the indicative consolidated budget and borough charges for 2017/18, and a separate report seeking approval of the grants budget and borough contributions for 2017/18. This report includes the indicative budget and borough charges for TEC which Leaders' are asked to endorse; and
- 8 December – main TEC Committee – considers recommendations of TEC Executive Sub-Committee and approves final budget and charges for 2017/18. The views of this meeting will be reported orally to the main TEC meeting.

Current position on core subscriptions and other charges

8. To help place this properly into context, it may be helpful to report that since 2010/11 (covering the six-year period between 2011/12 and 2016/17):

- The Joint Committee core subscription has been reduced by £96,005 or 37%, with the total accumulated benefit to boroughs over this period being £16.6 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 £91.4 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 £5.1 million; and

- The three main TEC administrations charges for direct services – Freedom Pass, Taxicard and Lorry Control, have reduced by between 9% and 100%, with the total accumulated benefit to boroughs over this period being £4 million.
9. In addition, a further sum of £7.9 million has been repaid to member boroughs from uncommitted reserves over the period 2011/12 to 2016/17. 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 £126.7 million (of which £91.4 million relates to payments to commissions funded by the Grants Committee), an average of £3.84 million per borough. In addition, staffing numbers have reduced by 39% over this period.
10. The proposals contained in this report for 2017/18 amount to annual baseline savings of £1.332 million and a further payment from reserves of £826,000 and, if agreed, will increase the total accumulated benefit to boroughs since 2010/11 to £151 million (of which £109 million relates to payments to commissions made by the Grants Committee), equating to £4.577 million per borough.

Proposed borough subscriptions and charges

11. The following paragraphs detail the proposed borough subscriptions and charges for 2017/18.

Joint Committee Core Subscription

12. As detailed in the first bullet point of paragraph four above, the proposed amount to be levied on member boroughs in respect of the JC core and associated functions in 2017/18 is £161,958, the same level as for 2016/17. This includes a sum of £5,455 per borough as a contribution towards the funding of the YPES.
13. The City of London will pay a baseline £158,195 (£3,763 less) in recognition of the fact the City has, historically, not been part of the regional Local Government Employers (LGE) arrangements.
14. In line with the overall standstill position, it is proposed that the Joint Committee subscription for the MOPAC and the LFEPA for 2017/18 is £15,410, the same level as for the current year.

Commissioned services funded by the Grants Committee 2017/18

15. The overall budget for commissioned services for the current year, as agreed by the Leaders' Committee in December 2015 is £10.486 million, inclusive of gross ESF expenditure of £2 million and a repatriation of resources from reserves of £486,000. At its meeting on 23 November 2016, the Grants Committee was asked to agree to a S.48 borough funded grants programme of £6.668 million for 2017/18, which is the first year of the new four-year programme of commissioned services agreed by the Leaders' Committee in March 2016, following recommendations by the Grants Committee.
16. In order to mitigate the effects to the voluntary sector from ceasing to fund Priority 4, the Grants Committee has agreed, in principle, to fund a post to work with the City Bridge Trust to provide leadership and infrastructure support to the third sector. This is for an initial 12 month period and will be funded from uncommitted S.48 Grants Committee reserves. This estimated full year cost is £75,000.
17. In addition, a matched borough/ESF programme of £2 million will continue, to which the boroughs would contribute £1 million. The Leaders' Committee is, therefore, asked to approve the budget for the Grants Committee for 2017/18.
18. The effect of a £6.668 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 2017/18

	2017/18 Indicative £000	2016/17 Actual £000	Variance £000
LC S.48 grants programme	6,233	7,565	(1,332)
ESF grants programme	1,880	1,880	-
City Bridge Trust liaison	75	-	75
Sub-Total	8,188	9,445	(1,257)
Grants Administration – LC S.48	435	435	-
Grants Administration – LC S.48	120	120	-
Proposed repayment to boroughs	156	486	(330)
Total expenditure	8,899	10,486	(1,587)
Financed by:			
Borough contributions to grant payment	(7,173)	(8,505)	1,332
Borough contributions to grants administration	(495)	(495)	-
Total borough contributions	(7,668)	(9,000)	1,332

ESF grant	(1,000)	(1,000)	-
Total Income	(8,668)	(10,000)	1,332
Transfer from Reserves	(231)	(486)	255
Net expenditure	-	-	-

19. 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 £6.233 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 £8.113 million;
- A further sum of £75,000 to fund a post to work with the City Bridge Trust to provide leadership and infrastructure support to the third sector, funded from uncommitted S.48 reserves;
- A provision for grants administration of £555,000. This comprises of a sum of £435,000, or 6.5% (or 4.2% excluding central recharges of £155,000) of the boroughs grants budget of £6.668 million, reflecting the actual cost of the current contract letting, management and 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 £7.668 million and ESF grant income of £1 million to fund the total expenditure requirement of £8.668 million; the borough contribution of £7.668 million will be apportioned in accordance with the ONS 2015 mid-year population data;
- A proposed transfer from uncommitted S.48 Grants Committee reserves of £156,000 to fund a repayment to boroughs, also apportioned in accordance with the ONS 2015 mid-year population data; and
- In respect of the £156,000 proposed repayment, for those 21 boroughs participating in the new borough ESF programme, which is managed by the Joint Committee, not the Grants Committee, the share of the repayments relating to these boroughs will be transferred to the Joint Committee to contribute towards the overall funding of the new programme.

TEC Core Parking Subscription

20. 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

21. 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 2017/18, the same as 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 2017/18

Charge	Basis	2017/18 (£)	2016/17 (£)	Variance (£)	%
Freedom Pass	Per borough	Nil	Nil	-	-
Taxicard	Total	338,182	338,182	-	-
Lorry Control	Average	Nil	Nil	-	-

22. 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 2017/18 remains at zero per borough, as the cost of administering the scheme continues to 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%.

23. 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 2017/18 is £338,182, no change on the total charge for 2016/17. The Taxicard membership data as at 30 September 2016 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 67,780 to 64,611, a reduction of 3,169, or

4.7%. This further reduction in the spreading base has increased the underlying unit cost of a permit to from £4.99 to £5.24 per member. Since 2010/11, however, the overall amount recharged to boroughs has reduced by £127,000, or 27.3%.

24. 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 2017/18, the population data for 2015 is used. The total cost of administering the scheme is estimated to be £672,708 in 2017/18, compared to £674,119 in 2016/17. A sum of £50,000 has been retained for the review and development of the scheme. After consideration of projected income of £800,000 from the enforcement of the scheme, it is proposed that there will be no borough or TfL contribution to the scheme in 2017/18, 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

25. 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.
26. 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 2017/18

Charge	2017/18 (£)	2016/17 (£)	Variance (£)	%
Parking Enforcement Service Charge (total charge)	0.4915	0.4681	0.0234	5.0
Environment and Traffic Adjudicators (ETA) Appeals (Hard Copy)	32.00	33.32	(1.32)	(3.97)
ETA Appeals (Electronic)	28.50	29.90	(1.40)	(4.68)

ETA Statutory Declarations (Hard Copy)	26.74	28.17	(1.43)	(5.06)
ETA Statutory Declarations (Electronic)	26.06	27.49	(1.43)	(5.21)
TRACE Electronic	7.31	7.31	-	-
TRACE Fax	7.48	7.48	-	-
TEC	0.17	0.17	-	-

27. The **Parking Enforcement Service Charge** is allocated to users in accordance with the number of PCNs issued. For 2017/18, expenditure of £2.769 million needs to be recouped, compared to £2.694 million for 2016/17. The increase is primarily due to the anticipated increase in the level of business rates payable at the hearing centre at Chancery Exchange.
28. After top-slicing this amount for the estimated fixed costs of £454,000 attributable to the new contract (from 1 January 2017) with the GLA/TfL in respect of road user charging appeals (RUCA), a total of £2.316 million remains to be apportioned through the 4.713 million PCN's issued by boroughs and TfL in 2015/16 in respect of parking, bus lane and moving traffic offences, compared to 4.746 million issued in 2014/15. The marginal reduction in the number of PCNs issued over the two comparative years of 33,000, therefore, reduces the cost spreading base, which together with the projected increase in costs leads to an increase in the actual unit charge to boroughs and TfL of £0.0234 per PCN, or 5%, from £0.4681 to £0.4915 per PCN for 2017/18. In addition, under the terms of the new contract with Northgate, there is a separate fixed cost identified in respect of the use of the TRACE and TEC systems. For 2016/17, this sum was £88,000 and is estimated to increase to £89,000 in 2017/18. This sum will be apportioned to boroughs in accordance with volumes of transaction generated on each system.
29. The estimated volume of Environment and Traffic Adjudicators (ETA) appeals for 2017/18, based on indicative volumes in the first half of 2016/17, is 40,586, compared to the budgeted figure of 52,885 for the current year. The actual number of appeals heard in 2015/16 was 42,846 including Statutory Declarations, Moving Traffic Offences and Lorry Ban Appeals.
30. The average throughput of appeals for the first six months of the current year was 2.45 appeals heard per hour. However, officers working on the service have analysed adjudicator performance over the last six months and have identified system and service improvements that are likely to increase throughput to 2.7 cases per hour. Based on this forecast figure, it is proposed that the indicative hard copy unit ETA appeal cost for 2017/18 is £32.00, a reduction of £1.32 or 3.97% on the charge of £33.32 for 2016/17. For appeals where electronic evidence is provided by an enforcing authority, it is proposed that the unit cost will

reduce by £1.40 to £28.50. The lower charge to boroughs recognises the reduced charge from the contractor for processing electronic appeals, demonstrating that there remains a clear financial incentive for boroughs to move towards submitting electronic evidence under the current contract arrangements. As for 2016/17, boroughs will pay a differential charge for the processing of ETA statutory declarations. For hard copy statutory declarations, the proposed unit charge will be £26.74 compared to the charge of £28.17 for the current year, which represents a reduction of £1.43, or 5.06%. For electronic statutory declarations, the proposed unit charge will be £26.06, a reduction of £1.43, or 5.21% on the electronic appeal unit charge for the current year.

31. For RUCA Appeals, the estimated volume of appeals for 2017/18, based indicative volumes in the first half of 2016/17, is 6,348, compared to the budgeted figure of 6,167 for the current year. The actual number of RUCA Appeals dealt with in 2015/16, including Statutory Declarations, was 5,967. Under the terms of the new contract, TfL/GLA will reimburse London Councils on a cost-recovery basis for the variable cost of RUCA appeals, ensuring that a break even position continues in respect of these variable transactions. The rechargeable level of fixed costs is £454,000 for 2017/18; an £18,000 reduction on the budgeted level of £472,000 for 2016/17.
32. In respect of **all other parking traded services**, the variable charges form part of the parking managed service contract provided by the contractor, Northgate, the volumes of which are not controlled by London Councils; 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 2016/17 suggest that transaction volumes appear to be reducing of the use of the TRACE system, but are increasing for the use of TEC.
33. The estimated reduction in expenditure between 2016/17 and 2017/18, due to the projected reduction in transaction volumes, is £9,917. 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 £78,384, leading to a projected net overall reduction in budgeted income of £68,466 for 2017/18.

34. 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 2017/18 and the TEC Executive Sub-Committee has recommended that the main TEC Committee approved the unit charges for the parking service it provides, as detailed in Table 3 above, at its meeting on 8 December.

Proposed revenue budget for 2017/18

35. Based on the proposed level of subscription and charges, as detailed in paragraphs 11-34 above, the proposed revenue budget position for 2017/18, 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 2017/18

	Joint Committee	Grants Committee	TEC	Total
	£000	£000	£000	£000
Indicative Expenditure	9,183	8,744	368,993	386,920
Central Recharges	293	155	82	530
Total Expenditure	9,476	8,899	369,075	387,450
Indicative Income	(5,993)	(8,668)	(368,447)	(383,108)
Use of Reserves	(1,513)	(231)	(628)	(2,372)
Sub-total	(7,146)	(8,899)	(369,075)	(385,480)
Central Recharges	(1,970)	-	-	(1,970)
Total Income	(9,476)	(8,899)	(369,075)	(387,450)
Indicative Net Position	-	-	-	-

36. The detailed breakdown of the proposed budgets for the Joint Committee, Grants Committee and TEC funding streams for 2017/18 is outlined in paragraphs 37-52 below.

Grants Committee

37. The provisional position for the Grants Committee for 2017/18 is as follows:

Table 5 – Indicative Grants Committee budget movements for 2017/18

	£000
Expenditure:	
Revised budget 2016/17	10,486
Proposed budget 2017/18	8,899
Budget Movement	(1,587)
Income	
Revised budget 2016/17	(10,486)
Proposed budget 2017/18	(8,899)

Budget Movement	1,587
Net Budget Movement	-
Developments - expenditure:	
Reduction in payments to commission in respect of Priority 4	(1,332)
Funding of City Bridge Trust support	75
Reduction in repayment to boroughs	(330)
Total	(1,587)
Developments - income:	
Reduction in borough subscription	1,332
Transfer from reserves	255
Total	1,587
Net Budget Movement	-

38. The proposed budget figures for 2017/18, therefore, represent :

- A core, pan-London scheme of commissioned services to meet service priorities agreed by the Leaders' Committee in March 2016, following recommendations from the Grants Committee, of £6.233 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 continuance of the current S.48/ESF commissioned services;
- An indicative gross commissions payments budget, therefore, of £8.113 million;
- A sum of £75,000 to fund a post to work with the City Bridge Trust to provide leadership and infrastructure support to the third sector, funded from uncommitted S.48 reserves;
- A provision for grants administration of £555,000. This comprises of a sum of £435,000, or 6.5% (or 4.2% excluding central recharges of £155,000) of the boroughs' grants budget of £6.233 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 £7.668 million and ESF grant income of £1 million to fund the total expenditure requirement of £8.668 million (excluding borough repayment and City Bridge Trust support); the borough contribution of £7.668 million will be apportioned in accordance with the ONS 2015 mid-year population data; and

- A proposed transfer from uncommitted S.48 Grants Committee reserves of £156,000 to fund a repayment to boroughs, also apportioned in accordance with the ONS 2015 mid-year population data.

Transport and Environment Committee

39. Excluding the position for the payments to transport operators in respect of the Freedom Pass and Taxicard, which are dealt with in paragraphs 41-51 below, the provisional position for TEC for 2017/18 is detailed in Table 6 below:

Table 6 – Indicative TEC budget movements for 2017/18

Expenditure:	£000
Revised budget 2016/17	12,264
Proposed budget 2017/18	12,045
Budget Movement	(219)
Income	
Revised budget 2016/17	(12,264)
Proposed budget 2017/18	(12,045)
Budget Movement	219
Net Budget Movement	-
Developments – expenditure:	
Increase in Freedom Pass administration	95
Decrease in Taxicard administration	(5)
Decrease in Lorry Control administration	(3)
Reduction in London Tribunals administration	(60)
Increase in Health Emergency Badge administration	9
Increase in non-operational staffing costs	17
Volumes changes – adjudicators fees	(200)
Volume changes – Northgate variable costs	(74)
Increase in other running costs	4
Increase in central recharges	8
Reduction in IT systems development budget	(50)
Sub-Total	(259)
Inflation:	
1% increase on salary costs	31
2% increase in Northgate contract costs	9
Budget Movement on expenditure	(219)
Developments – income:	
Volumes changes – appeals income	378
Volume changes – other parking services income	78
Increase in income for replacement Freedom Passes	(50)
Increase in income from Lorry Control PCNs	(50)
Reduction in income for replacement Taxicards	12

Increase in income for fixed parking costs	(164)
Proposed reduction in transfer from general reserve	15
Budget Movement on income	219
Net Budget Movement	-

40. The proposals for the level of subscription and charges for TEC related services in 2017/18, which is detailed in paragraphs 20-34 of this report provide the reasoning for the majority of the budget movements detailed in Table 6.

Freedom Pass

41. The main settlement with TfL for concessionary travel on its service is estimated to be £324.181 million, representing a provisional reduction of £9.759 million, or 2.92%, on the figure of £333.94 million for 2016/17. This represents a reduction of £9.759 million, or 2.92%, on the figure of £333.94 million for 2016/17. The reduction is made up of several elements:

- a 1.27% reduction in journey numbers across all modes;
- a 0.74% increase attributed in a change to the commission rate used by TfL¹;
- a 2.14% decrease due to the introduction of the hopper fare;
- a 0.8% increase in the travel card element (not covered by the Mayor's fares freeze) of the basket of fares used to calculate average fares; and

42. The above elements represent a 1.86% reduction on a like for like basis compared with the 2016/17 settlement. In addition, officers negotiated a 1.08% (£3.64 million) retrospective adjustment in respect of the 2016/17 settlement to account for the introduction of the new hopper fare in September 2016. Together, these elements account for the 2.92% reduction in the TfL element of next year's settlement.

43. The budget in respect of the Association of Train Operating Companies (ATOC) has been provisionally increased by £352,000 to £18.872 million to take into account the anticipated settlement for 2017/18, an increase of 1.9 % (reflecting the July 2016 RP1 figure) on the figure of £18.52 million for the current year.

¹ The Freedom Pass settlement calculation takes account of the commission TfL pays to merchants who sell travel cards and process Oyster Card payments (cost of sales). However, with the introduction and increasing use of contactless payment, the amount of commission paid by TfL to merchants is reducing. The effect of this is to increase TfL fares revenue and thereby increase the amount payable by boroughs in respect of the Freedom Pass scheme, which works on the principle of reimbursement for revenue foregone by the travel operators.

44. The budget for payments to other bus operators for local journeys originating in London has been maintained at the current year's level of £1.7 million, following projections for 2017/18, based on current claim trends being lodged by operators.
45. The budget for the freedom pass issuing costs was £1.518 million for 2016/17. For 2017/18, 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. For 2017/18, there are potential additional costs associated with the customer call centre operations contract, which will be covered by this budgetary provision.
46. For income in respect of replacement Freedom Passes, trends indicate that accrued income continues to exceed the approved budget of £550,000, so it is proposed to increase the income budget for replacement passes by £50,000 to £600,000. As stated in paragraph 22, the estimated cost of the Freedom Pass administration scheme will be fully funded by this income stream in 2017/18.
47. As agreed by TEC in December 2014, any annual surplus arising from both the freedom pass issuing costs budget of £1.518 million (paragraph 45 above) and replacement freedom passes income budget of £600,000 (paragraph 46 above) will be transferred to a specific reserves to accumulate funds to offset the cost of the next pass reissue exercise scheduled for 2020. The current balance on the specific reserve is £1 million, as detailed in Table 10 at paragraph 55.
48. Final negotiations on the actual amounts payable to operators will be completed in time for the meeting of the main TEC Committee on 8 December and any late variations to these provisional figures will be tabled at this meeting.
49. A summary of the provisional freedom pass costs for 2017/18, compared to the current year, can be summarised in Table 7 below:

Table 7 – Comparative cost of Freedom Pass 2017/18 and 2016/17

Estimated Cost of Freedom Pass	2017/18(£000)	2016/17(£000)
TfL Settlement	324,181	333,940
ATOC Settlement	18,872	18,520
Non TfL Bus Operators Settlement	1,700	1,700
Freedom Pass Issue Costs	1,518	1,518
Total Cost	346,271	355,678

50. The total cost of the scheme is fully funded by boroughs and the estimated cost payable by boroughs in 2017/18 is £346.271 million, compared to £355.678 million payable for 2016/17. This represents a reduction of £9.407 million or 2.64%.

Taxicard

51. TfL will provide an estimated fixed contribution of £9.963 million, inclusive of annual Taxicard tariff inflation of £195,000 (2%), compared to £9.781 million for 2016/17. At this stage, the total borough contribution towards the Taxicard scheme in 2017/18 is estimated to be £2.314 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 2017. 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 £12.277 million for 2017/18, a provisional increase of £195,000 on the revised budget of £12.083 million for the current year.

Joint Committee

52. The provisional position for the Joint Committee for 2017/18 is as follows:

Table 8 – Indicative Joint Committee budget movements for 2017/18

	£000
Expenditure:	
Revised budget 2016/17	8,989
Proposed budget 2017/18	9,476
Budget Movement	487
Income	
Revised budget 2016/17	(8,989)
Proposed budget 2017/18	(9,476)
Budget Movement	(487)
Net Budget Movement	-
Developments - expenditure:	
Net Salary pressures, including pay award	140
Reduction in repayment to boroughs	(495)
Establishing Challenge Implementation fund	525
Increase in Southwark Street business rates	162
Reprofiling of running costs budget to match recharge income	155
Total	487

Developments - income:	
Increase in central recharge income	(368)
Increase in income from tenants	(88)
Increase in income towards London Care Placement	(12)
Increase in use of reserves	(150)
Reduction in Grant income	131
Total	(487)
Net Budget Movement	-

53. 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 1% pay award payable from 1 April 2017. This adds £140,000 to the total annual payroll cost;
- **Establishing Challenge Implementation Fund** – a further recommendation in this report is to establish a resource to allow members to explore further some of the recommendations contained in the London Councils Challenge report, if desired. A fund of £525,000 is, therefore, proposed, to be funded by a transfer from uncommitted Joint Committee reserves. Whilst the application of this resource will be determined by members when further reflection on the Challenge report outcome is complete, it already appears likely that there will be a call for some earmarking of resource to:
 - Provide a limited amount of additional senior expertise to help to take forward specific projects – potentially on a time limited basis – in order to support members aspirations to play a stronger leadership role in key areas;
 - Strengthen resilience in identified areas of priority around seeking a greater role for boroughs in a reformed public sector landscape in London; and
 - Manage some of the potential implications of organisational change.

Clearly the application of such funding will depend upon members' further consideration of the Challenge report going into 2017. The progress on the use of this fund will be highlighted in the quarterly budget monitoring reports to the Executive during 2017/18 and any unused amounts will be returned to uncommitted reserves.

- **Increase in Southwark Street Business Rates** – the recent announcement by the Valuation Office Agency of a review of rateable values, effective from 1 April 2017,

means that there is a potential increase in Business Rates for the Southwark Street site of £162,000;

- **Reprofiling of running costs budgets** – in order to fully reflect potential central recharge income in the budgeted figures for 2017/18, a thorough review was undertaken to map expenditure from their source entry into the accounts through to their point of recharge. As a result, a number of centrally held budgets, in particular the support service SLAs with the City of London, had to be grossed up to reflect the correct accounting treatment. These adjustments are fully offset by the realisation of the additional recharge income, as detailed in the next paragraph;
- **Central recharge income** – as previously indicated, income budgets for certain elements of central recharge income have not been formally established in the base budget, particularly 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 any given financial period. Following the review of all transactions highlighted in the paragraph above, a greater proportion of this potential income can now be reflected in the budget, providing additional net income of £213,000;
- **Income from new tenants** – Additional income of £88,000 is expected to arise in 2017/18, primarily from the expansion of the space occupied by the London Pensions CIV on the ground floor at Southwark Street.
- **Increased income towards London Care Placements** – drawing in subscribers from outside of London is estimated to increase overall income for this service by £12,000;
- **Increase in proposed use of reserves** – the proposed transfer from Joint Committee reserves for 2017/18 is £1.513 million, a £150,000 increase on the figure of £1.363 million for the current year. This increase primarily relates to an additional £143,000 require to continue the operation of the YPES in 2017/18 following the possible cessation of LEP funding, which is highlighted in the next paragraph; and
- **Reduction in Grant income** – for planning purposes, it is recommended that the expectation of further funding from the LEP of £131,000 towards the YPES no longer be reflected in the original budget figures for 2017/18. This reflects informal GLA officer

observations on budgetary pressures going forward. If, after the LEP has been reconstituted under the new Mayor, a decision is made to reinstate the funding, this can be reflected in future budget monitoring reports presented to the Executive during the course of 2017/18.

Externally Funded Projects

54. In addition to the proposed expenditure of £387.45 million for largely borough funded activity, expenditure on activities financed through external contributions is currently projected to be in excess of £7 million in 2017/18, with funding being received through various external sources to fully fund the projects, ensuring no cost to boroughs. Once confirmation of continued funding into 2017/18 is received from funders over the coming months, budget plans for expenditure will be revised accordingly to ensure that they match the available funding.

Updated position on Reserves

55. 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:

Table 10 – Current Uncommitted Reserves

	Transport and Environment Committee (£000)	Joint Committee (£000)	Grants Committee (£000)	Total (£000)
General Reserve at 31 March 2016	3,269	6,379	634	10,282
Specific/ESF Reserve at 31 March 2016	1,000	-	1,358	2,358
Total reserves at 31 March 2016	4,269	6,379	1,992	12,640
Committed in setting 2016/17 budget	(303)	(515)	-	(818)
One-off payment to boroughs 2016/17	(340)	(825)	(486)	(1,651)
Balances c/f into 2016/17	-	(23)	-	(23)
Provision for support to 3 rd sector via City Bridge	-	-	(38)	(38)
Borough ESF 2008-15 programme closure provision	-	(300)	-	(300)
Earmarked commitments for 2017/18 -2019/20	(1,000)	(606)	(1,885)	(3,491)
Forecast surplus/(deficit)				

2016/17	767	137	854	1,758
Uncommitted reserves	3,393	4,247	437	8,077

56. The current level of commitments from reserves, as detailed in Table 10, come to £6.321 million and are detailed in full in Table 11 below:

Table 11– Current Commitments from Reserves

	2016/17	2017/18	2018-20	Total
	£000	£000	£000	£000
Approved transfer from JC general reserves	164	-	-	164
Approved transfer from TEC general reserves	303	-	-	303
NOTIFY system developments	23	-	-	23
Accumulated YPES funds	150	150	456	756
Slippage of ESG grants funding	-	-	1,885	1,885
Repayment to boroughs from reserves	1,651	-	-	1,651
Support to the health transition process	201	-	-	201
2020 Freedom Pass reissue	-	-	1,000	1,000
ESF 2008-15 programme closure	300	-	-	300
Support to 3 rd sector via City Bridge Trust	38	-	-	38
Totals	2,830	150	3,341	6,321

57. After taking into account the budget proposals outlined in this report, the level of uncommitted reserves reduces to £5.705 million, as detailed in Table 12 below:

Table 12 - Estimated Uncommitted Reserves as at 1 April 2017

	Transport and Environment Committee (£000)		Joint Committee (£000)	Grants Committee (£000)		Total (£000)
	General	Specific	General	S.48	ESF	
Projected uncommitted reserves (Table 10)	3,393	-	4,247	437	-	8,077
Proposed repayment to boroughs	(340)	-	(330)	(156)	-	(826)
Proposal included in 2017/18 budget figures	(288)	-	(1,183)	(75)	-	(1,546)
Transfer to Specific Reserves	(1,000)	1,000	-			-
Estimated residual uncommitted reserves	1,765	1,000	2,734	206	-	5,705

58. For the Grants Committee, the Grants Executive in September 2013 agreed that the level of reserves to cover the S.48 borough funded commissions should be set at 3.75% of the budget, which will equate to £250,000 in respect of a proposed budget of £6.668 million for 2017/18. The forecast level of uncommitted reserves of £206,000 is, therefore, under this

benchmark at 3.09%, after taking into account the proposed return of £156,000 to boroughs. However, recent trends indicate that reserves are likely to be replenished to the desired benchmark level during 2017/18. For ESF/borough funded commissions, accumulated reserves of £1.808 million relate to the delayed start of the new 2016+ ESF programme and will be used in full over the three-year project period. The residual £77,000 relate to the expired 2013-15 ESF programme, the final accounts for which are nearing completion.

59. For TEC, forecast uncommitted reserves of £3.393 million as at 31 March 2017 reflects the forecast surplus of £767,000 for the current year.
60. After taking into account the proposed returned of £340,000 to boroughs and TfL in the form of a repayment, the proposed transfer of £1 million to a specific reserve (9th bullet point; paragraph 4) and the use of general reserves of £288,000 in setting the 2017/18 budget (all, subject to agreement of main TEC meeting on 8 December), uncommitted general reserves are forecast reduce to £1.765 million, or 15.1% of proposed operating and trading expenditure of £11.705 million. This figure equates the higher end of TEC's formal policy on reserves, agreed in November 2015 that reserves should equate to between 10-15% of annual operating and trading expenditure.
61. For the Joint Committee functions, uncommitted general reserves are projected to be £2.734 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 outcome of the London Councils Challenge Process as well as continuing work on devolution and public sector reform and on the health and housing agendas.
62. Under existing CIPFA guidance, the Chief Financial Officer of an organisation is advised 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.
63. If the Leaders' Committee/TEC approves the use of uncommitted reserves of £2.372 million for 2017/18, plus the transfer of £1 million to specific reserves, as detailed in this report, residual uncommitted reserves would reduce to £4.705 million. This would represent 19.9%

of total operating and trading expenditure in 2017/18 of £23.673 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 2017/18.

Conclusions

64. Following discussions with the members of the Executive and in advance of any budgetary implications arising from the outcome of the London Councils Challenge process, this report proposes the level of boroughs subscriptions and charges to be levied in 2017/18, together with the consolidated revenue income and expenditure budget for 2017/18. The report also updates members on the current level of London Councils reserves after considering all current and proposed commitments and the timetable for the overall budget approval process and the timetable for the overall budget approval process.

65. These proposals involve:

- Containing budgetary pressures in 2017/18, including significant business rate increases and the 1% pay award, to allow the three core subscriptions to remain at the current year's level, which are:
 - The Joint Committee subscription of £161,958 per borough;
 - The TEC parking core administration charge of £1,500 per borough; and
 - Total grants administration costs of £555,000, equating to an average cost of £16,808 per borough.
- A reduction in the £8 million S.48 borough funded grants budget of £1.332 million. This is in accordance with the recommendation of the Grants Committee, which was approved by the Leaders' Committee in March 2016 to reduce funding towards the existing Priority 4 Capacity Building;
- The payment of £826,000 from uncommitted reserves to boroughs in 2017/18, an average repayment of £25,030 per borough;
- The creation of a Challenge Implementation Fund of £525,000 from uncommitted joint committee reserves;
- A proposed further transfer from TEC general reserves of £800,000 to fund the next Freedom Pass issue exercise in 2020 plus £200,000 to meet exploratory costs associated with the Ultra-Low Emissions Vehicles project; and
- A transfer from reserves of £293,000 to fund the YPES at its current level.

66. The total proposed savings and repatriation of funds to boroughs for 2017/18 amounts to £2.148 million, or an average of £65,090 per borough, which, for illustrative purposes, is an amount that equates to 40% of the level of the current Joint Committee subscription of £161,958. In addition, there is a reduction of £9.407 million or 2.64% in the Freedom Pass settlement for 2017/18.
67. If agreed, the proposals contained in this report will increase the total accumulated benefit to boroughs since 2010/11 to £151 million (of which £109.1 million relates to payments to commissions made by the Grants Committee), equating to £4.577 million per borough.

Summary

68. This report proposes the level of boroughs subscriptions and charges to be levied in 2017/18, together with the consolidated revenue income and expenditure budget for 2017/18.
69. The subscription and budget proposals for 2017/18 relating to the Grants Committee, as contained in this report, were considered by the Grants Committee at its meeting on 23 November. The Grants Committee agreed to recommend that the Leaders' Committee approve the proposals as laid out in this report.
70. The subscription and budget proposals for 2017/18 relating to the Transport and Environment Committee were considered by the TEC Executive Sub-Committee under the Urgency Procedures and will be put before the full TEC meeting on 8 December for final approval. The Leaders' Committee is, therefore, asked to endorse the provisional TEC figures as laid out 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 2017/18, no change on the charge of £161,958 for 2016/17. The City of London will pay £158,195, in recognition of the fact the City is not part of the regional Local Government Employers (LGE) arrangements (paragraphs 13-14);

- The proposed Joint Committee subscription for the MOPAC and the LFEPA of £15,410 for 2017/18, no change on the charge of £15,410 for 2016/17 (paragraph 15);
- An overall level of expenditure of £8.668 million for the Grants Scheme in 2017/18 (inclusive of £2 million gross ESF programme), compared to £10 million for 2016/17; and
- That taking into account the application of £1 million ESF grant, net borough contributions for 2017/18 should be £7.668 million, compared to £9 million for 2016/17 (paragraphs 16-20).

72. The Leaders' Committee is also asked to endorse the following subscription and charges for 2017/18 for TEC, which were considered by the TEC Executive Sub-Committee under the Urgency Procedures and which will be presented to the main TEC meeting on 8 December for final approval:

- The Parking Core Administration Charge of £1,500 per borough and for TfL (2016/17 - £1,500) (paragraph 20);
- No charge to boroughs in respect of the Freedom Pass Administration Charge, which is covered by replacement Freedom Pass income (2016/17 – no charge) (paragraph 22);
- The net Taxicard Administration Charge to boroughs of £338,182 in total (2016/17 - £338,182); (paragraph 23);
- No charge to boroughs and TfL in respect of the Lorry Control Administration Charge, which is fully covered by estimated PCN income (2016/17 – no charge) (paragraph 24);
- The Parking Enforcement Service Charge of £0.4915 per PCN, which will be distributed to boroughs and TfL in accordance with the number of PCNs issued in 2015/16 (2016/17 - £0.4681 per PCN; paragraphs 27-28);
- The Parking and Traffic Appeals Charge of £32.00 per appeal or £28.50 per appeal where electronic evidence is provided by the enforcing authority (2016/17 - £33.32/£29.90 per appeal). For hearing Statutory Declarations, a charge of £26.74 for hard copy submissions and £26.08 for electronic submissions (2016/17 - £28.17/£27.49 per SD) (paragraphs 29-30);

- Congestion Charging Appeals – to be recovered on a full cost recovery basis, as for 2016/17, in accordance with the new contractual arrangements with the GLA (paragraph 31);
- The TRACE (Electronic) Charge of £7.31 per transaction (2016/17 - £7.31) (paragraphs 32-34, Table 3);
- The TRACE (Fax) Charge of £7.48 per transaction (2016/17 - £7.48) (paragraphs 32-34, Table 3); and
- The PEC Charge of £0.17 per transaction (2016/17 - £0.17) (paragraphs 32-34, Table 3).

73. 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 £387.45 million, as per Table 4 at paragraph 35 and Appendix A of this report;
- The provisional consolidated revenue income budget for 2016/17 for London Councils of £387.45 million, also as per Table 4 at paragraph 35 and Appendix B;
- Within the total income requirement, the use of London Council reserves of £2.372 million in 2017/18, inclusive of the proposed £826,000 repatriation to borough in 2017/18, as detailed in paragraph 4 and Table 12 at paragraph 57.

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

- The reduction of £9.407 million or 2.64% in the Freedom Pass settlement for 2017/18; (paragraphs 41-50);
- The position in respect of forecast uncommitted London Council reserves as at 31 March 2017, as detailed at paragraphs 55-61; and
- The positive statement on the adequacy of the residual London Councils reserves issued by the Director of Corporate Resources, as detailed in paragraphs 62-63.

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

- Appendix A – the provisional consolidated revenue expenditure budget for London Councils for 2017/18;
- Appendix B – the provisional consolidated revenue income budget for London Councils for 2017/18.

Background Papers

London Councils budget working papers 2010/11 to 2017/18

Appendix A

Proposed Consolidated Expenditure Budget
2017/18

	Jt Ctte £000	Grants £000	TEC £000	Total £000
Payments in respect of Concessionary Fares				
TfL	0	0	324,181	324,181
ATOC	0	0	18,872	18,872
Other Bus Operators	0	0	1,700	1,700
Freedom Pass survey and reissue costs	0	0	1,518	1,518
Freedom Pass Administration	0	0	484	484
Comcab	0	0	12,277	12,277
Taxicard Administration	0	0	527	527
Sub-Total	0	0	359,559	359,559
Payments for commissioned services	0	6,173	0	6,173
Payment to London Funders Group	0	60	0	60
City Bridge Trust support	0	75	0	75
ESF grant payments	0	1,880	0	1,880
TEC Trading Account Expenditure				
Payments to Adjudicators	0	0	1,173	1,173
Payments to Northgate	0	0	518	518
Payments to Northampton County Court	0	0	3,000	3,000
Lorry Control Administration	0	0	673	673
ETA/RUCA Administration	0	0	2,769	2,769
HEB Income	0	0	43	43
Sub-Total	0	0	8,175	8,175
Total Direct Services	0	8,188	367,735	375,923
Operating Expenditure				
Contractual Commitments				
Capital Ambition legacy project costs	265	0	0	265
YPES Regional/Provider Activities	50	0	0	50
Southwark Street Leasehold Costs	1,134	0	0	1,134
Leases for photocopiers	35	0	0	35
GLE European Contract	66	0	0	66
Northgate Fixed Costs	0	0	89	89
External audit fees	39	2	0	41
CoL Finance/Legal/HR/IT SLA	436	13	0	449
Depreciation	203	0	0	203
Grants GIFTS system support	0	10	0	10
Sub-Total	2,228	25	89	2,342
Salary Commitments				
Officers	4,264	349	626	5,239
Members	169	19	19	207
Maternity provision	50	10	30	90
Sub-Total	4,483	378	675	5,536
Discretionary Expenditure				
Staff training/recruitment advertising	105	6	0	111
Staff travel	14	2	0	16
Other premises costs	268	0	0	268
SS ICT support	58	0	0	58
Supplies and service	572	42	114	728
Research	600	0	40	640
One-off payments to boroughs	330	156	340	826
Challenge Implementation Fund	525	0	0	525
Sub-Total	2,472	206	494	3,172
Total Operating Expenditure	9,183	609	1,258	11,050
Central Recharges	293	102	82	477
Total Expenditure	9,476	8,899	369,075	387,450

Appendix B

Proposed Consolidated Income Budget 2017/18

	Jt Ctte £000	Grants £000	TEC £000	Total £000
Borough contributions to TfL	0	0	324,181	324,181
Borough contributions to ATOC	0	0	18,872	18,872
Borough contributions to other bus operators	0	0	1,700	1,700
Borough contributions to surveys/reissue costs	0	0	1,518	1,518
Borough contributions to freedom pass administration	0	0	0	0
Income from replacing lost/faulty freedom passes	0	0	600	600
Income from replacing lost/faulty taxicards	0	0	24	24
Borough contributions to Comcab	0	0	2,314	2,314
TfL contribution to Taxicard scheme	0	0	9,963	9,963
Borough contributions to taxicard administration	0	0	326	326
TfL Contribution to taxicard administration	0	0	118	118
Sub-total	0	0	359,616	359,616
Borough contribution to grants payments	0	7,268	0	7,268
ESF Grant Income	0	1,000	0	1,000
Sub-total	0	8,268	0	8,268
TEC trading account income				
Borough contributions to Lorry ban administration	0	0	0	0
Lorry ban PCNs	0	0	800	800
Borough parking appeal charges	0	0	957	957
TfL parking appeal charges	0	0	238	238
GLA Congestion charging appeal income	0	0	313	313
Borough fixed parking costs	0	0	2,190	2,190
TfL fixed parking costs	0	0	214	214
GLA fixed parking costs	0	0	454	454
Borough other parking services	0	0	484	484
Northampton County Court Recharges	0	0	3,000	3,000
Sub-total	0	0	8,650	8,650
Sub-Total	0	8,268	368,266	376,534
Core borough subscriptions				
Joint Committee	5,081	0	46	5,127
Grants Administration	0	400	0	400
TEC (inc TfL)	0	0	51	51
LFEP/MPA subscription	33	0	0	33
Sub-total	5,114	400	97	5,611
Other Borough charges				
Borough contributions towards LCP functions	353	0	0	353
Borough contributions towards YPES functions	180	0	0	180
Borough contributions to HR Metrics service	82	0	0	82
Sub-total	615	0	0	615
Other Income				
DFE grant towards YPES direct costs	0	0	0	0
LEP funding towards YPES direct costs	0	0	0	0
Investments	75	0	0	75
Room bookings and conferences	125	0	0	125
Deskspace charge to funded groups	370	0	0	370
Sales of publications	18	0	0	18
Employment services trading account income	38	0	0	38
TfL secretariat recharge	0	0	41	41
Sales of Health Emergency badges	0	0	43	43
Miscellaneous income	8	0	0	8
Sub-total	634	0	84	718
Transfer from Reserves	1,513	231	628	2,372
Central Recharges	1,600	0	0	1,600
Total Income Base Budget	9,476	8,899	369,075	387,450