

London Councils' TEC Executive Sub-Committee Urgency Report

Draft Revenue Budget and Borough Charges 2017/18

Item no:

Report by: Frank Smith **Job title:** Director of Corporate Resources
Date: 10th November 2016
Contact Officer: Frank Smith
Telephone: 020 7934 9700 **Email:** frank.smith@londoncouncils.gov.uk

Summary

This report details the outline revenue budget proposals and the proposed indicative borough subscription and charges for 2017/18.

The Director, Transport and Mobility recommends that the Executive Sub-Committee recommends this report to the full TEC meeting in December, where the detailed budget proposals and levels of subscriptions and charges for 2017/18 will be presented for approval.

Recommendations

The Director, Transport and Mobility recommends that the Executive-Sub Committee recommends that the Full Committee approve at their meeting on 8 December:

- The changes in individual levies and charges for 2017/18 as follows:
 - The Parking Core Administration Charge of £1,500 per borough and for TfL (2016/17 - £1,500; paragraph 36);
 - The total Parking Enforcement Service Charge of £0.4915 which will be distributed to boroughs and TfL in accordance with PCNs issued in 2015/16 (2016/17 - £0.4681 per PCN; paragraphs 34-35);
 - No charge to boroughs in respect of the Freedom Pass Administration Charge, which is covered by replacement Freedom Pass income (2016/17 – nil charge; paragraph 15);
 - The Taxicard Administration Charge to boroughs of £338,182 in total (2016/17 - £338,182; paragraphs 16-18).
 - No charge to boroughs in respect of the Lorry Control Administration Charge, which is fully covered by estimated

PCN income (2016/17 – nil charge; paragraphs 19-20);

- 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) (paragraph 27);
- Congestion Charging Appeals – to be recovered on a full cost recovery basis under the new contract arrangements with the GLA (paragraph 28);
- The TRACE (Electronic) Charge of £7.31 per transaction (2016/17 - £7.31; paragraphs 29-33);
- The TRACE (Fax) Charge of £7.48 per transaction (2016/17 - £7.48; paragraphs 29-33); and
- The TEC¹ Charge of £0.17 per transaction (2016/17 - £0.17; paragraphs 29-33);
- The provisional gross revenue expenditure of £370.707 million for 2017/18, as detailed in Appendix A;
- On the basis of the agreement of the above proposed charges, the provisional gross revenue income budget of £370.079 million for 2017/18, with a recommended transfer of £628,000 from uncommitted Committee reserves to produce a balanced budget, as shown in Appendix B; and
- From proposed reserves of £628,000, a provisional sum of £10,000 be repatriated to each borough (and TfL) from TEC uncommitted reserves, amounting to £340,000 in total, in the form of a repayment, as per paragraph 51.

The Director, Transport and Mobility recommends that the Executive-Sub Committee is also asked to note

- the current position on reserves, as set out in paragraphs 50-54 and Table 9 of this report and agree on the preferred option(s) to be recommended to the main Committee for reducing uncommitted reserves towards the agreed benchmark level of between 10%-15% of operating and trading expenditure, as specifically highlighted in paragraphs 53-54;
- the estimated total charges to individual boroughs for 2017/18, as set out in Appendix C.1; and
- The Month 6 forecast position for the current year, as detailed in Appendix E and highlighted in Table 8 at paragraph 50.

¹ The system that allows boroughs to register any unpaid parking tickets with the Traffic Enforcement Centre and apply for bailiff's warrants.

Introduction

1. This report details the outline revenue budget proposals and the proposed indicative borough subscription and charges for 2017/18. The reports seeks the Executive Sub-Committee's agreement in order that recommendations can be made to the main Committee meeting in December, who will formally set the budget and the associated level of subscriptions and charges for 2017/18.
2. The report will, therefore, examine the key features of the proposed budget for 2017/18 and make proposals as to the level of charges for the Committee's consideration.

Proposed Revenue Budget 2017/18 - Overview

3. The proposals in this report incorporate the following assumptions:
 - A continued nil charge to boroughs in respect of the Freedom Pass administration fee, which remains fully funded by income receipts from replacing Freedom Passes that are lost or damaged. The income budget for such receipts is proposed to increase by £50,000 to £600,000 for 2017/18;
 - A continued nil charge to boroughs in respect of the London Lorry Control scheme, which remains fully financed from PCN income receipts. The income budget for such receipts is proposed to increase by £50,000 to £800,000 for 2017/18. A sum of £50,000 will remain in the budget to fund work on the review and development of the Lorry Control scheme during 2017/18;
 - A reduction in the TfL element of the freedom pass settlement for 2017/18 of £8.451 million, or 2.53% (subject to further negotiation);
 - An increase in the ATOC element of the freedom pass settlement of £676,000 (3.65%) (subject to further negotiation);
 - 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.
 - The annual Freedom Pass survey and reissue costs budget to remain at the current year's level of £1.518 million;
 - Subject to their business plan approval process later this month, 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, currently 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

- An estimated 1% cost of living increase on all salary costs, including adjudicators' fees.
 - The overall staffing budget continues to include a £30,000 provision for maternity cover and the vacancy level remains at 2%;
 - A zero inflationary increase in all other running cost budgets for 2017/18, unless subject to binding contractual increases;
4. The draft proposals in this report recommend the following:
- The Parking Core administration charge being held at the 2016/17 level of £1,500;
 - A reduction in the unit cost of hard copy parking appeal charged to boroughs and TfL street management of £1.32 per appeal, or 3.97%. For appeals where evidence is submitted electronically, the unit cost will reduce by £1.40 or 4.68%. For statutory declarations, a hard copy transaction will reduce by £1.43 or 5.06%, with electronic transactions reducing by £1.43 or 5.21%;
 - An increase in the Parking Enforcement service charge of £0.0234 per PCN, or 5%, which will be apportioned to boroughs and TfL in accordance with the total number of PCNs issued by enforcing authorities in 2015/16;
 - No charge to boroughs for the Freedom Pass administration charge for 2016/17, as for the current year;
 - The total Taxicard administration charge of £338,000 being held at the current year's level, which will be apportioned to boroughs in accordance with the scheme membership as at 30 September 2016;
 - No charge to boroughs for the London Lorry Control Scheme administration charge for 2016/17, as for the current year;
 - No change in the charges to boroughs for TRACE electronic, TRACE fax and TEC transactions.
5. The following paragraphs detail the main proposed budget headings for 2017/18 and highlight any significant changes over 2016/17. The proposed level of expenditure for 2017/18 amounts to £370.707 million. A sum of £358.662 million relates to direct expenditure on the transport operators providing the Freedom Pass and the Taxicard schemes. After excluding the £340,000 in respect of the proposed one-off payment to boroughs in 2016/17, this leaves £11.705 million relating to expenditure on parking and traffic related traded service and other operating expenditure. This compares to a comparable sum of £11.923 million for the current year, a reduction of £218,000, or 1.8%.

Freedom Pass

6. The main settlement with TfL for concessionary travel on its service is estimated to be £325.489 million, although the final figure is subject to further negotiations.

This represents a provisional reduction of £8.451 million, or 2.53%, on the figure of £333.94 million for 2016/17.

7. The budget in respect of the Association of Train Operating Companies (ATOC) has been provisionally increased by £676,000 to £19.196 million to take into account the anticipated settlement for 2017/18, an increase of 3.65 % (July 2016 RPI +1.75%) on the figure of £18.52 million for the current year.
8. 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.
9. The budget for the freedom pass support services and issuing costs was £1.518 million for 2016/17. For 2017/18, it is proposed that the budget remains at this level. Although there is no bulk reissue in 2017/18, the current retendering of externally provided support services (call centre, card production, application processing etc.) means there is cost uncertainty until new contract rates are negotiated. The budget will continue to be reviewed each year in the light of estimated annual reissue numbers in the run up to the next substantive reissue exercise in 2020.
10. 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 paragraphs 3 and 4 and detailed in paragraph 15 below, it is proposed that the in-house cost of administering the Freedom Pass scheme will be fully funded by this income stream in 2017/18.
11. As agreed by this Committee in December 2014, any annual surplus arising from both the freedom pass issuing costs budget of £1.518 million (paragraph 9 above) and replacement freedom passes income budget of £600,000 (paragraph 10 above) will be transferred to a specific reserves to accumulate funds to offset the cost of the next major pass reissue exercise scheduled for 2020. The current balance on the specific reserve is £1 million, as highlighted in paragraph 52.
12. Final negotiations on the actual amounts payable to transport operators will be completed in time for the meeting of the full Committee on 8 December and any late variations to these provisional figures will be tabled at this meeting.
13. A summary of the estimated freedom pass costs for 2017/18, compared to the actual costs for the current year, can be summarised in Table 1 below:

Table 1 – Comparative cost of Freedom Pass 2017/18 and 2016/17

| Estimated Cost of Freedom Pass | 2017/18(£000) | 2016/17(£000) |
|---------------------------------------|----------------------|----------------------|
| TfL Settlement | 325,489 | 333,940 |
| ATOC Settlement | 19,196 | 18,520 |
| Non TfL Bus Operators Settlement | 1,700 | 1,700 |
| Support services and issue costs | 1,518 | 1,518 |
| Total Cost | 347,903 | 355,678 |

14. The total cost of the scheme is fully funded by boroughs and the estimated cost payable by boroughs in 2017/18 is £347.903 million, compared to £355.678 million payable for 2016/17. This represents a reduction of £7.775 million or 2.19%. This is the first time an annual budget reduction is expected and is largely

due to the increasing eligibility age and also a reduction in bus use. The majority of costs payable by boroughs will be apportioned in accordance with usage data, in accordance with the agreed recommendations of the arbitrator in 2008.

15. The administration of the freedom pass covers London Councils in-house costs in negotiating the annual settlements and managing the relationships with transport operators and contractors. For 2017/18, the total cost is estimated to be £483,814, compared to £386,816 in 2016/17. This equates to £14,661 per borough. However, it is proposed to use a proportion of the income accrued from the replacement of lost and damaged Freedom Passes (refer paragraph 10) to levy a nil charge in 2017/18, which members are asked to recommend to the full Committee. This position will be reviewed annually to ensure forecast income streams continue to cover the in-house costs of administering the scheme.

Taxicard

16. As stated in paragraph 3, 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, currently 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.
17. The cost of administration of the Taxicard Scheme is estimated to be £526,694 in 2017/18 compared to £528,735 in 2016/17. After excluding the contribution from TfL towards these costs of £104,768 and anticipated income of £24,000 from charging for replacement taxicards, the net cost to be charged to boroughs in 2017/18 is £397,926. However, it is proposed to use uncommitted general reserves held by the Committee to hold the total charge at the 2016/17 level of £338,182.
18. The active Taxicard membership data as at 30 September 2016 is 64,611, compared to 67,780 as at 30 September 2015, a reduction of 3,169, or 4.7%, due to further cleansing of the membership data in accordance with the Executive Sub-Committee's decision of July 2014. The reduction in the spreading base has increased the underlying unit cost of a permit from £4.99 to £5.24 per member.

Lorry Control Scheme

19. This 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 for, in the case of 2017/18, June 2015. The total cost of administering the scheme is estimated to be £672,708 in 2017/18, compared to £674,119 in 2016/17. This figure includes a sum of £50,000 that has been earmarked for the review and development of the scheme in 2017/18.
20. After analysing receipts from PCNs issued in relation to the scheme over the past three financial years, it is proposed to increase the income target from £750,000 to £800,000, meaning that there will be a continuation of the nil charge to the 29 participating boroughs plus TfL towards the scheme in 2017/18. Again, this

position will be reviewed annually to ensure forecast income streams continue to cover the costs of administering the scheme.

Environment and Traffic Adjudicators (ETA) Fees

21. The budget for adjudicators' fees and training will be increased for 2017/18, in accordance with the recommendation of the Senior Salaries Review Board in respect of the 2016 pay award. This mechanism, which was agreed by TEC in November 2001, keeps the Adjudicators' pay at 80% of that for Group 7 full-time judicial appointments outside London. This hourly rate increases by £0.61, or 1% from £60.60 to £61.21, inclusive of employers' National Insurance Contributions.
22. The estimated volume of ETA appeals and statutory declarations for 2017/18, based volumes in the first half of 2017/18 is 40,586, significantly less than the 52,885 budgeted level for the current year. The actual number of appeals heard in 2015/16 was 42,846 including Statutory Declarations, Moving Traffic Offences and Lorry Control Appeals, indicating that there is a continuing minor downward trend in the number of appeals.
23. The average throughput of appeals for the first six months of the current year is 2.45 appeals heard per hour (compared to 2.76 appeals per hour when the current year's budget was set in December 2015). This average figure takes account of all adjudicator time spent on postal and personal appeal hearing and also non-appeal 'duty adjudicator' activities. 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 average throughput to 2.7 cases per hour during 2017/18. The ETA adjudicator fees base budget of £1.162 million has, therefore, been reduced by £251,000 to £911,000 for 2017/18 to reflect the current volumes and throughput rate, and then inflated by £9,000 to £920,000 to reflect the pay award.

Road User Charging Adjudicators (RUCA) Fees

24. The estimated volume of RUCA appeals for 2017/18, based volumes in the first half of 2016/17, is 6,348, a slight increase on the 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.
25. The budget for RUCA adjudicators' fees has, therefore, been increased by £51,000 from £198,000 to £249,000 for 2016/17 to reflect current costs, and then inflated by £3,000 to £252,000 to reflect the pay award. The Committee will be fully reimbursed at cost by the GLA/TfL for the hearing of RUCA appeals under the new contract arrangements.

Appeals Unit Charges 2017/18

26. The estimated overall cost for hearing appeals for 2017/18 is laid out in Table 2 below:

Table 2 – Proposed Unit Cost for Appeals 2017/18

| | ETA | RUCA | Total |
|------------------------------|---------------|--------------|---------------|
| Estimated Appeal Nos. | 40,586 | 6,348 | 46,934 |
| Average Case per hour | 2.7 | 1.54 | 2.45 |

| | | | |
|---|------------------|----------------|------------------|
| Adjudicator Hours | 15,032 | 4,122 | 19,154 |
| Expenditure | £ | £ | £ |
| Adjudicators Fees | 920,100 | 252,312 | 1,172,412 |
| Northgate Variable Cost | 274,582 | 60,806 | 335,388 |
| Postage/Admin | - | - | - |
| Total | 1,194,682 | 313,118 | 1,507,800 |
| Income | | | |
| Hearing Fees | 1,194,682 | 313,118 | 1,507,800 |
| Average Indicative Unit Cost of Appeal | 29.44 | 49.33 | 32.13 |

27. For ETA appeals, based on an estimated 40,586 appeals and a projected throughput rate of 2.7 cases being heard per hour during 2017/18, 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 Northgate 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. The Executive Sub-Committee is asked, therefore, to recommend that the main Committee approve these appeal charges to users for 2017/18.
28. London Councils is contracted to provide the RUCA appeals service up until January 2022 after recently being awarded the new contract to provide the service from 1 January 2017. Under the new contract arrangements, there will be a continuation of the current agreement for TfL/GLA to reimburse London Councils on an actual cost-recovery basis for the variable cost of these transactions, rather than on a unit cost basis. Continuation of this agreement will ensure that a breakeven position continues in respect of these transactions, so the estimated cost of £313,118 for hearing an estimated 6,348 RUCA appeals will be fully recovered. The fixed cost element of the new contract is £453,611, a reduction of £18,293 of the recharge of £471,904 for 2016/17; although London Councils has the right to further review this sum if operational circumstances change.

Parking Managed Services – Other Variable Charges to Users

29. These variable charges form part of the parking managed service contract provided by Northgate, the volumes of which the Committee has no control. The individual boroughs are responsible for using such facilities and the volumes should not, therefore, be viewed as service growth. The volumes are based on those currently being processed by the contractor and are recharged to the boroughs and TfL as part of the unit cost charge. Current trends during the first half of 2016/17 suggest that the TRACE electronic and fax transactions are

reducing, but that TEC volumes are increasing over 2016/17. The estimated effect on expenditure trends are illustrated in Table 3 below:

Table 3 – Estimated expenditure on variable parking services 2017/18 and 2016/17

| 2017/18 | Estimated Volumes (Nos) | Contractor Charge (£) | Expenditure Budget (£) |
|-------------------------|--------------------------------|------------------------------|-------------------------------|
| TRACE (Electronic) | 33,804 | 1.698/1.732 | 58,269 |
| TRACE (Fax Transaction) | 10,614 | 3.739/3.814 | 40,301 |
| TEC | 926,540 | 0.09/0.92 | 84,790 |
| Total | | | 183,359 |
| | | | |
| 2016/17 | Estimated Volumes (Nos) | Contractor Charge (£) | Expenditure Budget (£) |
| TRACE (Electronic) | 46,100 | 1.69/1.698 | 77,909 |
| TRACE (Fax Transaction) | 16,516 | 3.72/3.739 | 61,440 |
| TEC | 599,204 | 0.09 | 53,928 |
| Total | | | 193,277 |

30. The estimated reduction in expenditure between 2016/17 and 2017/18, based on the current projected transaction volumes for 2017/18, is £9,917.
31. The corresponding estimated effect on income trends are illustrated in Table 4 below:

Table 4 – Estimated income accruing from variable parking services 2017/18 and 2016/17

| 2017/18 | Estimated Volumes (Nos) | Proposed Unit Charge (£) | Income Budget (£) |
|-------------------------|--------------------------------|---------------------------------|--------------------------|
| TRACE (Electronic) | 33,804 | 7.31 | 247,107 |
| TRACE (Fax Transaction) | 10,614 | 7.48 | 79,393 |
| TEC | 926,540 | 0.17 | 157,512 |
| Total | | | 484,012 |
| | | | |
| 2016/17 | Estimated Volumes (Nos) | Actual Unit Charge (£) | Income Budget (£) |
| TRACE (Electronic) | 46,100 | 7.31 | 336,991 |
| TRACE (Fax Transaction) | 16,516 | 7.48 | 123,540 |
| TEC | 599,204 | 0.17 | 101,865 |
| Total | | | 562,396 |

32. The corresponding estimated effect on income, between 2016/17 and 2017/18, , based on the current projected transaction volumes for 2017/18 is a reduction of £78,384, leading to a net overall reduction in budgeted income of £68,466. The

charging structure historically approved by TEC for the provision of the variable parking services (excluding appeals) includes a profit element in each of the charges made to boroughs and other users for these services. However, it is proposed to maintain the three charges to boroughs at the same level for the current year.

33. The Executive Sub-Committee is asked, therefore, to recommend that the main Committee approve the following non-appeal charges to users for 2017/18:

- The TRACE (Electronic) charge of £7.31 per transaction, the same charge as for the current year;
- The TRACE (Fax) charge of £7.48 per transaction, the same charge as for the current year; and
- The TEC charge of £0.17 per transaction, the same charge as for the current year.

Parking Enforcement Service Charge

34. The majority of this charge is made up of the fixed cost element of the parking managed service contract provided by Northgate and the provision of accommodation and administrative support to the appeals hearing centre. The calculation for 2017/18 reflects the likely significant increase in the level of Business Rates payable at the hearing centre at Chancery Exchange following the recent announcement by the Valuation Office Agency of a review of rateable values. The total fixed cost is allocated to users in accordance with the number of PCNs issued, which for 2017/18 will be those issued by enforcing authorities during 2015/16, which is detailed in Appendix D. For 2017/18, expenditure of £2.769 million needs to be recouped, compared to £2.694 million for 2016/17, which is detailed in Table 5 below:

Table 5 – Breakdown of Parking Enforcement Charge 2017/18

| | 2017/18 (£000) | 2016/17 (£000) |
|-------------------------------|-----------------------|-----------------------|
| Fixed Contract Costs | 1,079 | 1,064 |
| Hearing Centre Premises Costs | 644 | 620 |
| Direct Staffing Costs | 500 | 542 |
| General Office Expenditure | 191 | 190 |
| Central Recharges | 355 | 278 |
| Total | 2,769 | 2,694 |

35. After top-slicing this amount for the revised fixed contract sum of £454,000 attributable to congestion charging and LEZ offences rechargeable to the GLA (refer paragraph 28), a total of £2.315 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, moving traffic and lorry ban enforcement, compared to 4.746 million issued in 2014/15. The 33,000 decrease in the number of PCNs issued over the two comparative years decreases the spreading base, which together with an increase in total costs leads to an increase in the actual unit charge to boroughs and TfL of £0.0234, or 5%, from £0.4681 to £0.4915 per PCN for 2017/18, which members are asked to recommend to the main Committee. 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.

Parking Core Administration Charge

36. The core subscription covers a proportion of the cost of the central management and policy work of the Committee and its related staff, accommodation, contract monitoring and other general expenses. It is charged to boroughs and TfL at a uniform rate, which for 2016/17 was £1,500 per borough. As there is limited scope for additional savings or efficiencies to be identified from within the £51,000 this levy raises for the Committee, it is recommended that this charge be held at the current level of £1,500 per borough and TfL for 2017/18.
37. Estimated individual borough costs for 2017/18, covering the proposed charges highlighted in paragraphs 15-36 above, are detailed in Appendix C.1 and can be compared against the estimated charges for the current year at Appendix C.2, forecast at the budget setting stage for the current year 12 months ago. Indicative overall estimated savings of £298,000 in 2017/18 to boroughs and TfL arising from the proposed charges, together with the projected reduction in transaction volumes, are projected, assuming that the detailed proposed charges for 2017/18 are approved by the main Committee in December.

Registration of Debt – Northampton County Court

38. Expenditure in respect of the registration of debt related to parking penalties is directly recouped from the registering borough, so the transactions have a neutral effect on the financial position of the Committee. The Court Service recently increased the £7 unit fee to £8 from 25 July 2016, so no further increases are envisaged during 2017/18. Volumes generated by users registered parking debt is not expected to exceed £3 million for the current year, so it is, therefore, proposed to maintain both the income and expenditure budgets for 2017/18 at £3 million.

Contractual Commitments

39. **Staffing Costs** -The proposed staffing budget for TEC for 2017/18 is illustrated in Table 6 below:

| Table 6– TEC Indicative Staffing Budget 2017/18 | £000 |
|--|--------------|
| 2016/17 Revised Budget | 2,087 |
| 1% pay award 2016/17 | 21 |
| Incremental salary drift | (50) |
| 2017/18 Base Budget | 2,058 |
| Split between: | |
| Services – Parking and Traffic | 93 |
| Services – ETA | 332 |
| Services - RUCA | 168 |
| Services – Transport and Mobility | 754 |
| PAPA - Policy | 355 |
| PAPA - Communications | 227 |

| | |
|---------------------------------------|--------------|
| Chief Executive – Committee Servicing | 48 |
| Chief Executive – DP/FOI work | 81 |
| 2017/18 Base Budget | 2,058 |

40. In line with other London Councils funding streams, the vacancy level for 2017/18 remains at 2%. The salary figures include an estimated 1% cost of living increase on all salary costs and the figures include a reduction to cover incremental salary drift of £50,000. In addition to the salaries figure of £2.058 million shown in Table 6, the £18,987 budgetary provision for member's allowances has been maintained at the 2016/17 level, as has the provision for maternity cover of £30,000.

41. **Accommodation Costs – Chancery Exchange** – The new appeals hearing centre at Chancery Exchange, EC4 has been operational since July 2015. The budget for 2017/18 of £528,902 includes the full year cost of the leasehold agreement plus other premises running costs. In addition, a budget for depreciation in respect of the refurbishment costs of Chancery Exchange of £101,068 is required, along with the continuation of a provision for potential dilapidation and reinstatement costs payable at the end of the Chancery Exchange lease of £14,126 per annum. These premises costs are fully recovered as part of the Parking Enforcement service charge (refer paragraphs 34-35).

42. **Accommodation Costs - Southwark Street** – These are included as part of central recharges cost and covers the 17.13 desks at Southwark Street that are used by staff who are directly chargeable to the TEC funding stream. Use of this accommodation will attract a per capita desk space charge of £8,750 for 2017/18, equating to £164,663. In addition, ancillary premises costs such as cleaning, security and maintenance contracts, plus accumulated depreciation, again apportioned on a per capita basis, come to £71,480. The recharges in respect of the Southwark Street accommodation forms part of the administration charge for the direct services– for the freedom pass, taxicard, health emergency badge and the London lorry control scheme, as detailed in paragraphs 6-20 of this report.

Discretionary Expenditure

43. **Research Budget** – It is recommended that the budget of £40,000 for 2017/18 is maintained at the current year's level.

44. **General/Office Costs** - The budgetary provision of £585,000 for 2017/18 is broken down in Table 7 below:

| Table 7 – TEC General/Office costs budget 2017/18 | £000 |
|---|-------------|
| 2015/16 Revised Budget | 726 |
| Volume changes on appeals numbers – postage/stationery | (108) |
| Less reduction in IT system development costs | (50) |
| Revised SLA/general office costs | 17 |
| 2016/17 Base Budget | 585 |
| Split between: | |
| System Developments | 100 |
| General/Office Costs – postage, telephones, copiers, etc. | 279 |
| Appeals administration – postage/stationery | - |

| | |
|---|------------|
| Appeals related legal costs | 26 |
| Staff Training/Recruitment Advertising | 28 |
| Staff Travel | 4 |
| External audit fees* | 26 |
| City of London finance, legal, HR and IT SLA* | 122 |
| 2015/16 Base Budget | 585 |

*forms part of central recharge costs

45. The reduction of £141,000 primarily relates to appeals administration costs (£108,000), as the contractor now bears the administrative cost of processing an appeal. There is also a reduction in the IT systems development budget of £50,000 for 2017/18 from £150,000 to £100,000 to cover reduced anticipated system development works on the new IT system at Chancery Exchange. These savings are offset by minor revisions to the charge for central service provided through SLAs with the City of London (£17,000).
46. No inflation has been allowed for 2017/18 on general running costs, except where there are contractual commitments. This factor has been applied to all London Councils budgets.

Central Recharges

47. Southwark Street accommodation costs (paragraph 42), the Parking Enforcement Charge (paragraph 34) and general office costs (paragraph 44) all contain significant element of central recharge costs, which are apportioned to all London Councils functions in accordance with a financial model that is subject to annual scrutiny by the external auditors. The premises costs of the hearing centre are split between the ETA and RUCA functions, as detailed in paragraphs 34-35. Of the total central costs apportioned to TEC in 2017/18 (excluding LEPT) of £817,000, a sum of £735,000 feeds into the recharges for the direct services administration charges based at Southwark Street and for the ETA and RUCA services at the appeals hearing centre. The residual £82,000 relates the TEC policy and administrative function based at Southwark Street. In addition, as detailed in paragraph 34, a further sum of £644,000 relates the premises costs at Chancery Exchange.
48. As detailed in paragraph 51 below, it is proposed that this Committee recommend that the main Committee approved the transfer of a sum of £327,000 from uncommitted general reserves to smooth the effect of the underlying increase to direct service costs.

Other Income

- 49. Miscellaneous Income** – It is estimated that income of £84,000 will continue to accrue from two main sources in 2017/18. Firstly, £43,000 is expected to accrue for the administration of the Health Emergency badge (HEB) in the form of registration fees and charges for badges to Doctors Surgeries. This will enable this service to be provided at no cost to boroughs. Secondly, £41,000 is expected to accrue from London Transport for secretarial services provided by the Committee during the freedom pass negotiations.

Committee Reserves

50. Table 8 below updates the Committee on the revised projected level of reserves as at 1 April 2017, if all current known liabilities and commitments are considered and the draft proposals outline in this report are agreed in December:

Table 8– Analysis of Estimated Uncommitted Reserves as at 1 April 2017

| | General Reserve | Specific Reserve | Total |
|---|------------------------|-------------------------|--------------|
| | £000 | £000 | £000 |
| Audited reserves at 31 March 2016 | 3,269 | 1,000 | 4,269 |
| Proposed one-off repayment to boroughs and TfL in 2016/17 | (340) | - | (340) |
| Proposed use in setting 2016/17 budget | (303) | - | (303) |
| Projected Budget Surplus 2016/17 | 767 | - | 767 |
| Projected uncommitted reserves as at 31 March 2017 | 3,393 | 1,000 | 4,393 |
| Proposed one-off repayment to boroughs and TfL in 2017/18 | (340) | - | (340) |
| Proposed use in setting 2017/18 budget | (288) | - | (288) |
| Estimated uncommitted reserves as at 1 April 2017 | 2,765 | 1,000 | 3,765 |

51. The projected level of uncommitted general reserves as at 1 April 2017 assumes that the draft proposal made in this report to return of a further sum of £340,000 to boroughs and TfL in 2017/18 is agreed by this Committee and approved by the main TEC meeting in December. In addition, it is proposed that a further sum of £238,000 be transferred from general reserves to continue to smooth the effect of the underlying increase in direct service charges and also a reduced sum of £50,000 to enhance the IT systems development budget for 2017/18 only as a contingency for any further expenditure on developing the new parking managed services IT system at Chancery Exchange.
52. In addition, the position also reflect the transfer of £1 million from general reserves to the specific reserve to meet the cost of the next bulk freedom pass renewal exercise in 2020, as agreed by the full TEC meeting in October 2015. For comparative purposes, the final cost of the 2015 bulk freedom pass renewal exercise was £2.61 million.
53. After taking into account the forecast surplus of £767,000 for the current year (which is explored in detail at Appendix E), uncommitted general reserves are forecast to be £2.765 as at 1 April 2017. This equates to 23.6% of proposed operating and trading expenditure of £11.705 million in 2017/18. This figure, therefore, significantly exceeds the Committee's formal policy on reserves, agreed in December 2015 that reserves should equate to between 10-15% of annual operating and trading expenditure. Options, therefore, exist for the Sub-Committee to recommend that the main Committee agrees to, for instance :
- To transfer a further sum to the specific reserve in 2017/18 to continue to accumulate funds to meet the cost of the 2020 Freedom Pass issue. Transferring a sum of £800,000 to the specific reserve would increase it to £1.8 million, which equates to 69% of the total cost of the 2015 reissue exercise; and

- To establish a new provision for potential costs arising from future work streams – such as the Ultra-Low Emission Vehicles project, where a provision of £200,000 could be established.

54. If both these options were recommended to and adopted by the main Committee in December, it would reduce uncommitted general reserves to £1.765 million, which equates to 15.1% of proposed operating and trading expenditure of £11.705 million for 2017/18 – nearer to the upper reserves benchmark threshold of 15%.

Summary

55. This report details the outline revenue budget proposals and the proposed indicative borough subscription and charges for 2017/18. The Executive Sub-Committee is asked to agree these outline proposals, which will inform the basis of the report to the full TEC meeting in December, where the detailed budget proposals and levels of subscriptions and charges for 2017/18 will be presented for final approval. The proposed level of expenditure for 2017/18 amounts to £370.707 million. A sum of £358.662 million relates to direct expenditure on the transport operators providing the Freedom Pass and the Taxicard schemes. After excluding the £340,000 in respect of the proposed one-off payment to boroughs in 2016/17, this leaves £11.705 million relating to expenditure on parking and traffic related traded service and other operating expenditure. This compares to a comparable sum of £11.923 million for the current year, a reduction of £218,000, or 1.8%.

Recommendations

56. The Director, Transport and Mobility recommends that the Executive-Sub Committee recommends that the Full Committee approve at their meeting on 8 December:

- The changes in individual levies and charges for 2017/18 as follows:
 - The Parking Core Administration Charge of £1,500 per borough and for TfL (2016/17 - £1,500; paragraph 36);
 - The total Parking Enforcement Service Charge of £0.4915 which will be distributed to boroughs and TfL in accordance with PCNs issued in 2015/16 (2015/16 - £0.4681 per PCN; paragraphs 34-35);
 - No charge to boroughs in respect of the Freedom Pass Administration Charge, which is covered by replacement Freedom Pass income (2016/17 – nil charge; paragraph 15);
 - The Taxicard Administration Charge to boroughs of £338,182 in total (2016/17 - £338,182; paragraphs 16-18).
 - No charge to boroughs in respect of the Lorry Control Administration Charge, which is fully covered by estimated PCN income (2016/17 – nil charge; paragraphs 19-20);
 - 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) (paragraph 27);

- Congestion Charging Appeals – to be recovered on a full cost recovery basis, under the new contract arrangement with the GLA (paragraph 28);
- The TRACE (Electronic) Charge of £7.31 per transaction (2016/17 - £7.31; paragraphs 29-33);
- The TRACE (Fax) Charge of £7.48 per transaction (2016/17 - £7.48; paragraphs 29-33); and
- The TEC Charge of £0.17 per transaction (2016/17 - £0.17; paragraphs 29-33);
- The provisional gross revenue expenditure of £370.707 million for 2017/18, as detailed in Appendix A;
- On the basis of the agreement of the above proposed charges, the provisional gross revenue income budget of £370.079 million for 2017/18, with a recommended transfer of £628,000 from uncommitted Committee reserves to produce a balanced budget, as shown in Appendix B; and
- From proposed reserves of £628,000, a sum of £10,000 be repatriated to each borough (and TfL) from TEC uncommitted reserves, amounting to £340,000 in total, in the form of a one-off payment, as per paragraph 51.

57. The Director, Transport and Mobility recommends that the Executive-Sub Committee is also asked to note:

- the current position on reserves, as set out in paragraphs 50-54 and Table 9 of this report and agree on the preferred option(s) to be recommended to the main Committee for reducing uncommitted reserves towards the agreed benchmark level of between 10%-15% of operating and trading expenditure, as specifically highlighted in paragraphs 53-54;
- the estimated total charges to individual boroughs for 2017/18, as set out in Appendix C.1; and
- The Month 6 forecast position for the current year, as detailed in Appendix E and highlighted in Table 8 at paragraph 50.

Financial Implications for London Councils

None, other than those detailed in the report

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

Appendices

Appendix A – Proposed revenue expenditure budget 2017/18;

Appendix B – Proposed revenue income budget 2017/18;

Provisional TEC Expenditure Base Budget 2017/18

Appendix A

| | Revised 2016/17 £000 | Develop- ments £000 | Base 2017/18 £000 | Inflation £000 | Estimate 2017/18 £000 |
|---|----------------------------|---------------------------|-------------------------|-------------------|-----------------------------|
| Payments in respect of Concessionary Fares | | | | | |
| TfL | 333,940 | -8,451 | 325,489 | 0 | 325,489 |
| ATOC | 18,520 | 0 | 18,520 | 676 | 19,196 |
| Other Bus Operators | 1,700 | 0 | 1,700 | 0 | 1,700 |
| Freedom Pass issue costs | 1,518 | 0 | 1,518 | 0 | 1,518 |
| Freedom Pass Administration | 387 | 95 | 482 | 2 | 484 |
| City Fleet Taxicard contract | 12,082 | 0 | 12,082 | 195 | 12,277 |
| Taxicard Administration | 529 | -5 | 524 | 3 | 527 |
| | 368,676 | -8,361 | 360,315 | 876 | 361,191 |
| Grant Payments to Voluntary Organisations | 0 | 0 | 0 | | 0 |
| TEC Trading Account Expenditure | | | | | |
| Payments to Adjudicators | 1,361 | -200 | 1,161 | 12 | 1,173 |
| Northgate variable contract costs | 584 | -74 | 510 | 8 | 518 |
| Payments to Northampton County Court | 3,000 | 0 | 3,000 | 0 | 3,000 |
| Lorry Control Administration | 674 | -3 | 671 | 2 | 673 |
| ETA/RUCA Administration | 2,824 | -60 | 2,764 | 5 | 2,769 |
| HEB Administration | 33 | 9 | 42 | 1 | 43 |
| | 8,476 | -328 | 8,148 | 27 | 8,175 |
| Sub-Total | 377,152 | -8,689 | 368,463 | 904 | 369,367 |
| Operating Expenditure | | | | | |
| Contractual Commitments | | | | | |
| NG Fixed Costs | 88 | 0 | 88 | 1 | 89 |
| | 88 | 0 | 88 | 1 | 89 |
| Salary Commitments | | | | | |
| Non-operational staffing costs | 603 | 17 | 620 | 6 | 626 |
| Members | 19 | 0 | 19 | 0 | 19 |
| Maternity/Paternity Provision | 30 | 0 | 30 | 0 | 30 |
| | 652 | 17 | 669 | 6 | 675 |
| Discretionary Expenditure | | | | | |
| Supplies and services | 160 | -46 | 114 | 0 | 114 |
| Research | 40 | 0 | 40 | 0 | 40 |
| One off payment to boroughs | 340 | 0 | 340 | 0 | 340 |
| | 540 | -46 | 494 | 0 | 494 |
| Total Operating Expenditure | 1,280 | -29 | 1,251 | 7 | 1,258 |
| Central Recharges | 74 | 8 | 82 | 0 | 82 |
| Total Expenditure | 378,506 | -8,710 | 369,796 | 911 | 370,707 |

| | Revised 2016/17 £000 | Develop- ments £000 | Base 2017/18 £000 | Inflation £000 | Estimate 2017/18 £000 |
|--|----------------------------|---------------------------|-------------------------|-------------------|-----------------------------|
| Borough contributions to TfL | 333,940 | -8,451 | 325,489 | 0 | 325,489 |
| Borough contributions to ATOC | 18,520 | 0 | 18,520 | 676 | 19,196 |
| Borough contributions to other bus operators | 1,700 | 0 | 1,700 | 0 | 1,700 |
| Borough contributions to surveys/reissue costs | 1,518 | 0 | 1,518 | 0 | 1,518 |
| Borough contributions to freedom pass administration | 0 | 0 | 0 | 0 | 0 |
| Income from replacing lost/faulty freedom passes | 550 | 50 | 600 | 0 | 600 |
| Income from replacing lost/faulty taxicards | 36 | -12 | 24 | 0 | 24 |
| Borough contributions to Comcab | 2,314 | 0 | 2,314 | 0 | 2,314 |
| TfL contribution to Taxicard scheme | 9,768 | 0 | 9,768 | 195 | 9,963 |
| Borough contributions to taxicard administration | 326 | 0 | 326 | 0 | 326 |
| TfL Contribution to taxicard administration | 118 | 0 | 118 | 0 | 118 |
| | 368,790 | -8,413 | 360,377 | 871 | 361,248 |
| TEC trading account income | | | | | |
| Borough contributions to Lorry ban administration | 0 | 0 | 0 | 0 | 0 |
| Lorry ban PCNs | 750 | 50 | 800 | 0 | 800 |
| Borough parking appeal charges | 1,543 | -586 | 957 | 0 | 957 |
| TfL parking appeal charges | 89 | 149 | 238 | 0 | 238 |
| RUCA appeals income | 254 | 59 | 313 | 0 | 313 |
| Borough fixed parking costs | 2,011 | 179 | 2,190 | 0 | 2,190 |
| TfL fixed parking costs | 211 | 3 | 214 | 0 | 214 |
| RUCA fixed parking costs | 472 | -18 | 454 | 0 | 454 |
| Borough other parking services | 562 | -78 | 484 | 0 | 484 |
| Northampton County Court Recharges | 3,000 | 0 | 3,000 | 0 | 3,000 |
| | 8,892 | -242 | 8,650 | 0 | 8,650 |
| Sub-Total | 377,682 | -8,655 | 369,027 | 871 | 369,898 |
| Core borough subscriptions | | | | | |
| Joint Committee | 46 | 0 | 46 | 0 | 46 |
| TEC (inc TfL) | 51 | 0 | 51 | 0 | 51 |
| | 97 | 0 | 97 | 0 | 97 |
| Other Income | | | | | |
| TfL secretariat recharge | 41 | 0 | 41 | 0 | 41 |
| Sales of Health Emergency badges | 43 | 0 | 43 | 0 | 43 |
| | 84 | 0 | 84 | 0 | 84 |
| Transfer from Reserves | 643 | -15 | 628 | 0 | 628 |
| Central Recharges | 0 | 0 | 0 | 0 | 0 |
| Total Income Base Budget | 378,506 | -8,670 | 369,836 | 871 | 370,707 |

Indicative Charges to Boroughs 2017/2018

Appendix C.1

| BOROUGH | Core Parking (£) | Fixed Parking (£) | Con.Fares Admin. (£) | Taxicard Admin. (£) | Lorry Ban Admin. (£) | Parking Appeals (£) | TRACE Electronic (£) | TRACE FAX (£) | TEC (£) | Total Estimate 2017/18 (£) | Total Estimate 2016/17 (£) | Estimated Movement (£) |
|--|------------------------|-------------------------|----------------------------|---------------------------|----------------------------|---------------------------|----------------------------|---------------------|----------------|----------------------------------|----------------------------------|------------------------------|
| Barking & Dagenham | 1,500 | 50,479 | 0 | 7,703 | 0 | 30,540 | 0 | 0 | 0 | 90,221 | 91,978 | -1,756 |
| Barnet | 1,500 | 72,762 | 0 | 13,975 | 0 | 85,222 | 0 | 0 | 5,236 | 178,695 | 146,017 | 32,678 |
| Bexley | 1,500 | 23,812 | 0 | 5,046 | 0 | 12,941 | 0 | 0 | 0 | 43,299 | 57,599 | -14,300 |
| Brent | 1,500 | 89,697 | 0 | 13,797 | 0 | 43,448 | 0 | 19,451 | 0 | 167,892 | 176,730 | -8,838 |
| Bromley | 1,500 | 42,044 | 0 | 5,806 | 0 | 17,446 | 0 | 19 | 0 | 66,816 | 81,039 | -14,223 |
| Camden | 1,500 | 117,151 | 0 | 13,011 | 0 | 67,237 | 13,384 | 6,341 | 7,394 | 226,019 | 252,188 | -26,169 |
| Croydon | 1,500 | 53,176 | 0 | 12,146 | 0 | 42,288 | 488 | 0 | 5,646 | 115,244 | 139,466 | -24,221 |
| Ealing | 1,500 | 84,462 | 0 | 13,362 | 0 | 38,066 | 17 | 524 | 7,244 | 145,175 | 158,875 | -13,700 |
| Enfield | 1,500 | 47,562 | 0 | 4,768 | 0 | 10,666 | 6,326 | 3,665 | 5,931 | 80,419 | 87,735 | -7,316 |
| Greenwich | 1,500 | 14,979 | 0 | 11,764 | 0 | 13,790 | 0 | 582 | 2,418 | 45,032 | 42,499 | 2,533 |
| Hackney | 1,500 | 55,921 | 0 | 14,284 | 0 | 31,888 | 24,120 | 931 | 4,210 | 132,854 | 165,657 | -32,803 |
| Hammersmith & Fulham | 1,500 | 123,587 | 0 | 9,448 | 0 | 44,709 | 23,580 | 1,377 | 5,467 | 209,667 | 252,500 | -42,833 |
| Haringey | 1,500 | 94,955 | 0 | 10,952 | 0 | 25,468 | 17,602 | 4,577 | 10,910 | 165,963 | 212,640 | -46,677 |
| Harrow | 1,500 | 77,918 | 0 | 14,138 | 0 | 52,375 | 0 | 0 | 6,670 | 152,601 | 121,065 | 31,536 |
| Havering | 1,500 | 24,550 | 0 | 13,902 | 0 | 9,745 | 0 | 0 | 0 | 49,697 | 53,864 | -4,167 |
| Hillingdon | 1,500 | 38,320 | 0 | 4,611 | 0 | 5,822 | 0 | 0 | 2,188 | 52,441 | 51,359 | 1,083 |
| Hounslow | 1,500 | 51,797 | 0 | 9,600 | 0 | 19,390 | 0 | 9,677 | 4,368 | 96,332 | 139,366 | -43,034 |
| Islington | 1,500 | 117,044 | 0 | 13,121 | 0 | 15,185 | 8,313 | 97 | 10,255 | 165,515 | 157,564 | 7,951 |
| Kensington & Chelsea | 1,500 | 99,166 | 0 | 10,202 | 0 | 27,825 | 36,040 | 3,161 | 6,874 | 184,768 | 218,363 | -33,595 |
| Kingston | 1,500 | 53,925 | 0 | 9,647 | 0 | 14,412 | 0 | 19 | 4,339 | 83,843 | 87,668 | -3,825 |
| Lambeth | 1,500 | 100,910 | 0 | 10,391 | 0 | 36,103 | 17 | 7,039 | 26,695 | 182,656 | 196,770 | -14,114 |
| Lewisham | 1,500 | 28,047 | 0 | 8,992 | 0 | 7,182 | 0 | 0 | 1,255 | 46,975 | 66,227 | -19,252 |
| Merton | 1,500 | 41,314 | 0 | 10,333 | 0 | 28,113 | 0 | 19 | 0 | 81,279 | 94,752 | -13,472 |
| Newham | 1,500 | 69,257 | 0 | 13,304 | 0 | 63,885 | 58,627 | 795 | 8,704 | 216,072 | 281,311 | -65,239 |
| Redbridge | 1,500 | 49,156 | 0 | 15,013 | 0 | 43,288 | 0 | 0 | 7,310 | 116,268 | 145,256 | -28,988 |
| Richmond | 1,500 | 33,912 | 0 | 9,820 | 0 | 11,789 | 0 | 465 | 1,487 | 58,973 | 55,693 | 3,280 |
| Southwark | 1,500 | 53,429 | 0 | 15,070 | 0 | 21,482 | 174 | 14,932 | 7,107 | 113,695 | 146,736 | -33,041 |
| Sutton | 1,500 | 11,349 | 0 | 7,037 | 0 | 2,949 | 0 | 0 | 813 | 23,649 | 27,384 | -3,735 |
| Tower Hamlets | 1,500 | 51,058 | 0 | 8,829 | 0 | 25,074 | 23,039 | 58 | 0 | 109,560 | 204,140 | -94,581 |
| Waltham Forest | 1,500 | 75,614 | 0 | 8,106 | 0 | 52,363 | 24,381 | 2,094 | 0 | 164,059 | 142,015 | 22,044 |
| Wandsworth | 1,500 | 75,795 | 0 | 9,872 | 0 | 16,569 | 8,871 | 175 | 4,822 | 117,603 | 139,358 | -21,755 |
| City of Westminster | 1,500 | 127,963 | 0 | 9,883 | 0 | 29,415 | 2,126 | 2,948 | 10,169 | 184,005 | 250,764 | -66,759 |
| City of London | 1,500 | 47,717 | 0 | 629 | 0 | 7,884 | 0 | 446 | 0 | 58,176 | 48,372 | 9,804 |
| | 49,500 | 2,098,829 | 0 | 338,562 | 0 | 954,562 | 247,107 | 79,393 | 157,512 | 3,925,465 | 4,492,950 | -567,485 |
| Transport for London - Street Management | 1,500 | 215,069 | 0 | 0 | 0 | 237,822 | 0 | 0 | 0 | 454,391 | 301,972 | 152,419 |
| Transport for London - Congestion Charging | 0 | 453,611 | 0 | 0 | 0 | 313,118 | 0 | 0 | 0 | 766,729 | 651,477 | 115,252 |
| Lorry Control | 0 | 2,454 | 0 | 0 | 0 | 2,313 | 0 | 0 | 0 | 4,767 | 4,193 | 574 |
| TEC/TRACE fixed costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 89,000 | 88,000 | 1,000 |
| Registration of Debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,000,000 | 3,000,000 | 0 |
| Transfer from Reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grand Total | 51,000 | 2,769,964 | 0 | 338,562 | 0 | 1,507,816 | 247,107 | 79,393 | 157,512 | 8,240,353 | 8,538,592 | -298,240 |

Indicative Charges to Boroughs 2016/2017

Appendix C.2

| BOROUGH | Core Parking (£) | Fixed Parking (£) | Con.Fares Admin. (£) | Taxicard Admin. (£) | Lorry Ban Admin. (£) | Parking Appeals (£) | TRACE Electronic (£) | TRACE FAX (£) | TEC (£) | Total Estimate 2016/17 (£) |
|--|------------------------|-------------------------|----------------------------|---------------------------|----------------------------|---------------------------|----------------------------|---------------------|---------------|----------------------------------|
| Barking & Dagenham | 1,500 | 44,479 | 0 | 7,715 | 0 | 38,284 | 0 | 0 | 0 | 91,978 |
| Barnet | 1,500 | 71,787 | 0 | 11,936 | 0 | 55,658 | 0 | 0 | 5,137 | 146,017 |
| Bexley | 1,500 | 22,291 | 0 | 5,115 | 0 | 28,693 | 0 | 0 | 0 | 57,599 |
| Brent | 1,500 | 76,115 | 0 | 13,433 | 0 | 62,182 | 17,229 | 6,271 | 0 | 176,730 |
| Bromley | 1,500 | 42,095 | 0 | 5,763 | 0 | 31,681 | 0 | 0 | 0 | 81,039 |
| Camden | 1,500 | 123,061 | 0 | 15,464 | 0 | 75,704 | 24,049 | 4,867 | 7,543 | 252,188 |
| Croydon | 1,500 | 53,607 | 0 | 12,365 | 0 | 37,341 | 24,020 | 5,803 | 4,830 | 139,466 |
| Ealing | 1,500 | 76,539 | 0 | 13,543 | 0 | 59,510 | 60 | 187 | 7,537 | 158,875 |
| Enfield | 1,500 | 46,515 | 0 | 4,576 | 0 | 23,269 | 8,166 | 749 | 2,961 | 87,735 |
| Greenwich | 1,500 | 13,678 | 0 | 11,702 | 0 | 12,892 | 120 | 374 | 2,233 | 42,499 |
| Hackney | 1,500 | 43,479 | 0 | 14,057 | 0 | 73,738 | 26,682 | 374 | 5,826 | 165,657 |
| Hammersmith & Fulham | 1,500 | 122,826 | 0 | 9,251 | 0 | 84,823 | 24,648 | 9,453 | 0 | 252,500 |
| Haringey | 1,500 | 96,702 | 0 | 10,928 | 0 | 73,267 | 18,306 | 4,867 | 7,070 | 212,640 |
| Harrow | 1,500 | 60,543 | 0 | 13,977 | 0 | 40,564 | 0 | 0 | 4,481 | 121,065 |
| Havering | 1,500 | 18,214 | 0 | 13,947 | 0 | 20,203 | 0 | 0 | 0 | 53,864 |
| Hillingdon | 1,500 | 32,883 | 0 | 4,775 | 0 | 10,455 | 0 | 0 | 1,745 | 51,359 |
| Hounslow | 1,500 | 60,876 | 0 | 9,895 | 0 | 37,891 | 9,333 | 16,098 | 3,773 | 139,366 |
| Islington | 1,500 | 98,161 | 0 | 12,864 | 0 | 25,549 | 9,153 | 4,118 | 6,220 | 157,564 |
| Kensington & Chelsea | 1,500 | 91,126 | 0 | 10,289 | 0 | 47,718 | 48,637 | 19,092 | 0 | 218,363 |
| Kingston | 1,500 | 48,701 | 0 | 9,022 | 0 | 26,414 | 0 | 0 | 2,031 | 87,668 |
| Lambeth | 1,500 | 93,730 | 0 | 9,461 | 0 | 60,925 | 6,491 | 20,122 | 4,542 | 196,770 |
| Lewisham | 1,500 | 28,136 | 0 | 9,341 | 0 | 25,156 | 0 | 0 | 2,094 | 66,227 |
| Merton | 1,500 | 42,215 | 0 | 10,394 | 0 | 40,643 | 0 | 0 | 0 | 94,752 |
| Newham | 1,500 | 78,366 | 0 | 13,258 | 0 | 126,016 | 51,120 | 936 | 10,115 | 281,311 |
| Redbridge | 1,500 | 55,060 | 0 | 15,639 | 0 | 69,336 | 0 | 0 | 3,721 | 145,256 |
| Richmond | 1,500 | 33,024 | 0 | 9,152 | 0 | 9,827 | 209 | 655 | 1,326 | 55,693 |
| Southwark | 1,500 | 48,948 | 0 | 15,080 | 0 | 60,925 | 5,085 | 10,950 | 4,249 | 146,736 |
| Sutton | 1,500 | 13,782 | 0 | 6,891 | 0 | 4,560 | 0 | 0 | 652 | 27,384 |
| Tower Hamlets | 1,500 | 66,283 | 0 | 8,653 | 0 | 106,048 | 21,656 | 0 | 0 | 204,140 |
| Waltham Forest | 1,500 | 57,349 | 0 | 8,328 | 0 | 48,897 | 22,494 | 281 | 3,166 | 142,015 |
| Wandsworth | 1,500 | 78,474 | 0 | 10,195 | 0 | 27,436 | 11,636 | 1,591 | 8,526 | 139,358 |
| City of Westminster | 1,500 | 142,572 | 0 | 10,599 | 0 | 71,930 | 7,598 | 16,566 | 0 | 250,764 |
| City of London | 1,500 | 26,512 | 0 | 614 | 0 | 19,260 | 299 | 187 | 0 | 48,372 |
| | 49,500 | 2,008,127 | 0 | 338,222 | 0 | 1,536,792 | 336,991 | 123,540 | 99,778 | 4,492,950 |
| Transport for London - Street Management | 1,500 | 211,036 | 0 | 0 | 0 | 89,436 | 0 | 0 | 0 | 301,972 |
| Transport for London - Congestion Charging | 0 | 471,904 | 0 | 0 | 0 | 179,573 | 0 | 0 | 0 | 651,477 |
| Lorry Control | 0 | 2,542 | 0 | 0 | 0 | 1,651 | 0 | 0 | 0 | 4,193 |
| TEC/TRACE fixed costs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 88,000 |
| Registration of Debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,000,000 |
| Transfer from Reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grand Total | 51,000 | 2,693,609 | 0 | 338,222 | 0 | 1,807,452 | 336,991 | 123,540 | 99,778 | 8,538,592 |

Parking Enforcement Fixed Costs 2017/18
(based on PCNs issued for 2015/16)

Appendix D

| Enforcing Authority | Total PCNs | Parking Fixed Costs |
|---|------------------|---------------------|
| | | 0.4915 |
| Barking & Dagenham | 102,704 | 50,479.02 |
| Barnet | 148,041 | 72,762.15 |
| Bexley | 48,447 | 23,811.70 |
| Brent | 182,496 | 89,696.78 |
| Bromley | 85,543 | 42,044.38 |
| Camden | 238,354 | 117,150.99 |
| City of London | 97,084 | 47,716.79 |
| Croydon | 108,191 | 53,175.88 |
| Ealing | 171,846 | 84,462.31 |
| Enfield | 96,769 | 47,561.96 |
| Greenwich | 30,476 | 14,978.95 |
| Hackney | 113,777 | 55,921.40 |
| Hammersmith & Fulham | 251,449 | 123,587.18 |
| Haringey | 193,194 | 94,954.85 |
| Harrow | 158,532 | 77,918.48 |
| Havering | 49,949 | 24,549.93 |
| Hillingdon | 77,966 | 38,320.29 |
| Hounslow | 105,385 | 51,796.73 |
| Islington | 238,137 | 117,044.34 |
| Kensington & Chelsea | 201,761 | 99,165.53 |
| Kingston | 109,715 | 53,924.92 |
| Lambeth | 205,310 | 100,909.87 |
| Lewisham | 57,064 | 28,046.96 |
| Merton | 84,056 | 41,313.52 |
| Newham | 140,909 | 69,256.77 |
| Redbridge | 100,013 | 49,156.39 |
| Richmond | 68,996 | 33,911.53 |
| Southwark | 108,707 | 53,429.49 |
| Sutton | 23,091 | 11,349.23 |
| Tower Hamlets | 103,883 | 51,058.49 |
| Waltham Forest | 153,843 | 75,613.83 |
| Wandsworth | 154,212 | 75,795.20 |
| Westminster | 260,353 | 127,963.50 |
| Transport for London Street Management | 437,577 | 215,069.10 |
| London Councils London Lorry Control Scheme | 4,993 | 2,454.06 |
| Total | 4,712,823 | 2,316,353 |

Appendix C.1 – Indicative charges to boroughs 2017/18;

Appendix C.2 – Indicative charges to boroughs 2016/17;

Appendix D – Parking Enforcement statistics 2015/16; and

Appendix E – Month 6 Revenue Forecast 2016/17.

Background Papers

TEC Budget Working Papers 2016/17 and 2017/18;

TEC Final Accounts Working Papers 2015/16;

TEC Revenue Budget Forecast Working Papers 2016/17; and

London Councils Consolidated Budget Working Papers 2016/17 and 2017/18.

Appendix E - London Councils' TEC Executive Sub-Committee

Month 6 Revenue Forecast 2016/17

Report by: Frank Smith **Job title:** Director of Corporate Resources
Date: 10 November 2016
Contact Officer: Frank Smith
Telephone: 020 7934 9700 **Email:** Frank.smith@londoncouncils.gov.uk

Summary

This report outlines actual income and expenditure against the approved budget to the end of September 2016 for TEC and provides a forecast of the outturn position for 2016/17. At this early stage, a surplus of £767,000 is forecast over the budget figure. In addition, total expenditure in respect of Taxicard trips taken by scheme members is forecast to underspend by a net figure of £721,000, if trip volumes in the first quarter continue for the remainder of the year. The net borough proportion of this underspend is projected to be £517,000, with £204,000 accruing to TfL. However, as reported separately on the agenda, some boroughs are forecasted to overspend their Taxicard budget and are required to take action accordingly.

Recommendations

The Executive Committee is asked to :

- note the projected surplus of £767,000 for the year, plus the forecast net underspend of £721,000 for overall Taxicard trips, as detailed in this report; and
 - note the projected level of Committee reserves, as detailed in paragraph 5 of this report and the commentary on the financial position of the Committee included in paragraphs 6-8.
-

Introduction

1. This is the second budget monitoring report to be presented to the Committee during the current financial year. The next report will be the Month 9 figures (31 December 2016) for the year, which will be reported to the February 2017 meeting of this Committee.
2. The London Councils Transport and Environment Committee's income and expenditure revenue budget for 2016/17 was approved by the Full Committee in December 2015 and adjusted for the confirmation of borough funding and TfL funding for the Taxicard scheme for the year. This report shows the actual income and expenditure at 30 September 2016 and a forecast of the outturn position for the year, together with the projected variance from the approved budget.

Variance from Budget

3. The current figures indicate that the Committee is projected to underspend gross expenditure budgets by £1.5133 million for the year, although £721,000 relates to payments for taxicard trips. However, a shortfall of income of £746,000 over budgeted targets is likely to arise, including a reduction in the financial contribution from boroughs and TfL towards taxi card of £721,000, making an overall projected surplus of £767,000. Table 1 below summarises the forecast position, with commentary that details the trends that have begun to emerge during the first quarter and providing explanations for the variances that are projected.

Table 1 –Summary Forecast as at 30 September 2016

| | M6 Actual | Budget | Forecast | Variance |
|---|------------------|------------------|------------------|-----------------|
| Expenditure | £000 | £000 | £000 | £000 |
| Employee Costs | 285 | 652 | 568 | (84) |
| Running Costs | 116 | 297 | 297 | - |
| Central Recharges | 0 | 74 | 74 | - |
| Total Operating Expenditure | 401 | 1,023 | 939 | (84) |
| Direct Services | 4,755 | 8,426 | 8,413 | (13) |
| Research | - | 40 | 40 | - |
| Payments in respect of Freedom Pass and Taxicard | 180,907 | 368,677 | 367,261 | (1,416) |
| One-off payment to boroughs | 340 | 340 | 340 | - |
| Total Expenditure | 186,403 | 378,506 | 376,993 | (1,513) |
| Income | | | | |
| Contributions in respect of Freedom Pass and Taxicard | (183,227) | (368,790) | (368,231) | 559 |
| Income for direct services | (1,798) | (8,892) | (8,703) | 189 |
| Core Member Subscriptions | (97) | (97) | (97) | - |
| Government Grants | - | - | - | - |
| Interest on Investments | (2) | - | (2) | (2) |
| Other Income | (24) | (84) | (84) | |
| Transfer from Reserves | - | (643) | (643) | - |
| Total Income | (185,118) | (378,506) | (377,760) | 746 |
| Net Expenditure | 1,285 | - | (767) | (767) |

4. The projected surplus of £767,000 is made up broadly of the following:

- A projected overall deficit of £252,000 in respect of TEC parking traded services, after considering an estimate of the level of borough/TfL/GLA usage volumes during the first quarter. This is attributable to a number of areas.
 - Firstly, there is a projected net deficit of £185,000 in respect of environmental and traffic appeals (ETA). The estimated number of notice of appeals and statutory declarations received at the half-year stage amounts to 20,293, giving a projected number for the year of 40,586, 12,299 less than the budgeted figure of 52,885. The current throughput of appeals is 2.45 appeals per hour, compared to a budget figure of 2.76. Throughput has been affected by the move to a new case management system and new procedures for considering statutory declarations and witness statements. However, with the bedding in of the new systems and further planned enhancements, officers expect to see an increase in throughput over the final quarter of the year and beyond.
 - Secondly, the transaction volumes for the TRACE parking systems used by boroughs and TfL over the first half of the year have significantly reduced, although use of the TEC system has increased. This has resulted in a projected net deficit of £69,000; and
 - Finally, the fixed cost of the parking managed services contract with NPS is projected to marginally underspend by £2,000.
- A projected underspend of £61,000 in respect of employee costs. The cost of staff providing direct services (included within the direct services administration charge) is estimated to overspend by £23,000, although this is offset by an underspend on staffing costs attributable to non-operational and policy staff of £54,000. In addition, the maternity cover budget is estimated to be underspent by £30,000.
- A projected underspend of £200,000 in respect of the £1.7 million budget for payments to independent bus operators, based on trends and claims emerging during the year.
- A projected underspend of £500,000 in respect of the £1.518 million budget for payments in respect of the issuing/reissuing costs of Freedom Passes.
- Based on income collected at the half year stage, receipts from Lorry Control PCN income are forecast to exceed the budget of £750,000 by £95,000.
- Based on income collected at the half year stage, income receipts from replacement Freedom Passes are forecast to exceed the budget of £550,000 by £174,000. For replacement Taxicards, there is a projected deficit on the £36,000 income budget of £12,000 for the year.

Committee Reserves

5. Table 2 below updates the Committee on the projected level of reserves as at 31 March 2017, if all current known liabilities and commitments are considered:

Table 2– Analysis of Projected Uncommitted Reserves as at 31 March 2017

| | General Reserve | Specific Reserve | Total |
|---|------------------------|-------------------------|--------------|
| | £000 | £000 | £000 |
| Unaudited reserves at 31 March 2016 | 3,269 | 1,000 | 4,269 |
| One-off payments to boroughs 2016/17 | (340) | - | (340) |
| Approved in setting 2016/17 budget (December 2015) | (303) | - | (303) |
| Projected Budget Surplus 2016/17 | 767 | - | 767 |
| Estimated Residual Balances at 31 March 2017 | 3,393 | 1,000 | 4,393 |

Conclusions

6. This report reflects the position at the half-year stage in the current financial year and forecasts a surplus position of £767,000 for the year. In addition taxicard trips are forecast to underspend by £721,000, with the borough proportion of this underspend projected to be £517,000, with £204,000 accruing to TfL.
7. The majority of the projected surplus is attributable to projected additional income from Lorry Control enforcement and replacement Freedom Passes, plus underspends on non-direct salary costs and payments to independent bus operators. This is offset by an overall net deficit on trading operations based on transaction volumes during the first half of the year.
8. After taking into account the forecast surplus and known commitments, general reserves are forecast to be £3.393 million at the year-end, which equates to 31.6% of budgeted operating and trading expenditure of £10.746 million. This figure continues to exceed the Committee's formal policy on reserves, agreed in November 2015 that reserves should equate to between 10-15% of annual operating expenditure. As discussed at the July TEC Executive meeting, options for the treatment of general reserves in excess of the benchmark range are included in the draft budget proposals for 2017/18, which is subject to the main report being considered by the Executive Sub-Committee under the Urgency Procedures.

Recommendations

9. Members are asked to :

- note the projected surplus of £767,000 for the year, plus the forecast underspend of £721,000 for overall Taxicard trips, as detailed in this report; and
- note the projected level of Committee reserves, as detailed in paragraph 5 of this report and the commentary on the financial position of the Committee included in paragraphs 6-8.

Financial Implications for London Councils

As detailed in report

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

Background Papers

London Councils-TEC Budget working papers 2016/17 and 2017/18
London Councils Income and Expenditure Forecast File 2016/17