Executive

19 June 2018: 9.30 am

London Councils offices are wheelchair accessible

Location: Basinghall Suite, Guildhall Art Gallery, Guildhall Gresham Street, London, EC2V 7HH (entrance F)

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* **Declarations of Interests**

If you are present at a meeting of London Councils’ or any of its associated joint committees or their sub-committees and you have a disclosable pecuniary interest* relating to any business that is or will be considered at the meeting you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your disclosable pecuniary interest during the meeting, participate further in any discussion of the business, or
- participate in any vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public. It is a matter for each member to decide whether they should leave the room while an item that they have an interest in is being discussed. In arriving at a decision as to whether to leave the room they may wish to have regard to their home authority’s code of conduct and/or the Seven (Nolan) Principles of Public Life.

*as defined by the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012

Exempt Items

The Chair to move the removal of the press and public since the following items are exempt from the Access to Information Regulations, under Local Government Act 1972 Schedule 12(a) as amended Section 3 Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Exempt Agenda

Minutes of the Meeting of the Executive

Tuesday 27 February 2018 9:30 am

Cllr Claire Kober OBE was in the chair

Present

Member	Position
Cllr Claire Kober OBE	
Ms Catherine McGuinness	Vice chair
Cllr Ray Puddifoot MBE	
Cllr Julian Bell	
Mayor Sir Steve Bullock	
Cllr Kevin Davis	
Cllr Clyde Loakes	Substituting for Cllr Lib Peck
Cllr Ravi Govindia CBE	Substituting for Cllr Teresa O'Neill OBE

London Councils officers and Mr Theo Blackwell, the Mayor of London's Chief Digital Officer were in attendance.

1. **Apologies for absence and announcement of deputies**

Apologies were received from, Cllr Peter John OBE, Cllr Teresa O'Neill OBE, Cllr Ruth Dombey OBE, Cllr Lib Peck and Cllr Darren Rodwell. The deputies listed above were announced.

2. **Declaration of interest**

Ms Catherine McGuinness declared a pecuniary interest in the exempt item E1 *Southwark Street Site – Review of Lease* and announced her intention to leave the meeting when that item was reached.

3. **Minutes of the Executive Meeting held on 16 January 2018**

The minutes of the Executive meeting held on 16 January 2018 were agreed.

The Chair pointed out that although this would be the last formal meeting of the Executive before the council elections in May, an informal session was being hosted by the City on 27 March and urged members to inform the City if they would be attending if they had not already done so.

4. **Better outcomes for citizens: a London Office for Technology and Innovation**

The Director of Finance, Performance & Procurement introduced the item saying that London Councils had been working with the GLA and twenty or more boroughs on a new London Office for Technology Innovation (LOTI) and this report provided an update prior to a finalised proposal being brought to Leaders' Committee in June. He then asked Mr Theo Blackwell, the Mayor of London's Chief Digital Officer to address the Executive.

Mr Theo Blackwell:

- The London Office of Technology and Innovation (LOTI) was set up to promote greater collaboration in the development of digital standards, infrastructure and solutions amongst London's public services
- The GLA and London Councils jointly commissioned a scoping study by Arup, Futuregov and Stance
- Making London the 'smartest' city in the world was an ambition of the Mayor
- A model may be Scotland's digital office that already had 30 of 32 local authorities involved
- GDPR and Cybersecurity were issues better tackled together than individually
- Leadership and capability was important in digital matters, not just at a senior level but amongst middle managers and service directorates
- Work was being done with the Government Digital Service
- The scoping exercise was based on four main areas of work
    - The first area was operational: developing potential ways of working including structure, steering group, and MOU outlining roles, responsibilities and expected investment (funding and in-kind, e.g. officer time) between London

Councils, individual boroughs and the GLA and to agree a future work programme leading to a further offer

- The second area of work was adoption and promotion of Pipeline, a product developed by the LocalGovDigital Makers community and currently in Beta where users can cite and comment on products they are using (e.g. prototype Using Amazon Alexa skill for waste collection and recycling). The LOTI proposal was to run this product for the benefit of practitioners nationwide
- The third area of work was to promote peer-to-peer networks, including taking on the running of the “Unconference” initiated by the GLA for this year, as well as monthly “teacamps”
- The fourth area of work was to assist the GLA Connectivity team with the adoption of standardised leases across London to improve connectivity.

Finally there was a proposal for ongoing work to share best practice on GDPR compliance and cyber-security standards, liaising with London and national bodies in partnership with the CDO. The involvement of the Police, Ambulance Service, TfL and other London bodies would make the sum greater than the individual parts.

Cllr Ray Puddifoot agreed that the logic of the proposals could not be faulted but asked if a basic cost-benefit analysis could be done if boroughs were going to be expected to contribute funds. Mr Blackwell replied that this would feature as part of the more developed proposals that came through to members. The Scottish Digital Office was run for £350,000 but as important as cash was the offer of officer time required.

The Executive agreed to note:

- The report and that
- A fuller report and proposals would be presented to Leaders’ Committee in June.

5. Fair Funding Review – update

The Strategic Lead: Finance, Performance & Procurement introduced the report:

This was likely to be the first of a number of regular updates to Leaders' Committee and the Executive in the next 18 months, as the Review progressed.

The Government had now confirmed it would implement 75% business rate retention to the sector but from April 2020. The Review would set the funding baselines for the start of the new system.

The principles were broad and generally agreed across the sector that the new needs assessment should be: simpler, more transparent, contemporary, sustainable (as far as it was practicable to be able to predict future demand), robust and stable.

The Government's planned work programme fell into three categories:

- The assessment of relative need (on which it was currently consulting)
- How to account for relative resources that were raised locally
- How to transition to the new funding baselines.

The timeline set out that:

- Further technical papers on resources and transition would be published between now and the summer
- The structure of the needs and resources assessments would be finalised by spring 2019
- Detailed research into the costs drivers of Children's services and the updated Indices of Deprivation would be ready by the summer of 2019
- The provisional figures would be published in autumn 2019 in the provisional finance settlement (likely December).

As this won't leave much time between that time and implementation in April 2020 it was highly likely that any large changes would be heavily damped in first year

The report set out the main themes from the detailed technical consultation on relative need – which proposed an overarching simplified foundation formula with the main drivers of need being: population, deprivation, rurality, adjusted for area costs.

This would be supplemented by service-specific formulae for the most complex service areas – adults, children’s, waste, transport, fire & rescue.

The report went on to outline the broad priorities that would underpin London Councils’ response focussing on the key drivers of costs in London:

- Deprivation – highlighting concerns about using income measures which may fail to reflect housing costs in London
- Area Cost Adjustment – important to reflect London’s unique property and labour markets and
- The need to reflect population growth through population projections - with the caveat that projections should be robust and accurate.

The response would also set out further concerns regarding the evidence base for rurality as a main cost driver, and the potential for it to be double or triple counted if also included within any deprivation measures or the Area Cost Adjustment (ACA). It would also call for other factors to be included that drove additional costs in urban areas related to population density - day time and night time population and congestion. Importantly it would call for housing/homelessness to have its own specific formula – perhaps the biggest omission from the consultation. And finally it would call for specific recognition of smaller but nonetheless significant areas of spend that have a disproportionate impact in London - such as the impact of No Recourse to Public Funds (NRPF) and Unaccompanied Asylum-Seeking Children (UASC).

Following the submission of the consultation response, the next steps were to continue to develop broader lobbying lines which would include further dialogue with Chief Executives and Treasurers in the Spring and would culminate in a report to Leaders’ Committee in June, before aiming to agree a concerted London position with the Mayor in July.

The Chair pointed out that:

- The issue should be placed in the wider context of the difficulties that Northamptonshire County Council had faced as well as Surrey and other counties
- Lobbying was going to be important in the context of various positions and models being advanced from within the sector some of which were rather partial in terms of their coverage of the issues
- An approach needed to be developed that worked at a technical and tactical level, without London appearing to be self-serving.
- Cllr. Govindia agreed with this point and said it would be important to understand the source and nature of pressure that would be applied to ministers on this issue.

The Executive agreed to note:

- The progress of the Fair Funding Review
- The direction of travel of London Councils' response to the techincal consultation on relative need and
- The planned future work programme.

6. Draft London Plan consultation

The Corporate Director, Policy and Public Affairs introduced the item saying:

- The deadline for the submission of London Councils response was Friday 2 March so this meeting represented the last opportunity for members to advise on the final shape of the response.
- The draft response had been shared with relevant portfolio-holders and the vast majority of comments made had been included in the response
- The Examination in Public (EiP) in the Autumn would provide another opportunity to forward views.

Cllr Puddifoot argued that on issues such as Housing and Parking there should be a blunt response making clear that the approach to those issues was over-ambitious.

Building at twice the rate we currently do may be possible, but three times was over-ambitious.

Cllr Govindia expressed his reservations about the Draft Plan emphasis on housing numbers and their deliverability and argued for greater flexibility on space standards to help achieve the stated aim of housing Londoners.

The Chair agreed that with some boroughs the housing targets could look so ambitious as to appear unachievable while with other boroughs they were less of an issue. We needed to reflect the broader contexts however, of the need to build at a level not reached since the war and the need to avoid perceptions of reluctance on our part being seen as the boroughs being ‘in denial’ over the housing crisis. She went on to say that targets that focused on numbers may miss the question of the importance of housing type.

Mayor Sir Steve Bullock commented:

- It was widely accepted that we need to build 67,000 homes a year but have never reached half that figure
- The London that will develop over the next 10 or 20 years will be radically different to the London of today.

In response to a question from Cllr Govindia about permitted development rights for rapid charging points, Cllr Julian Bell confirmed that there had been a robust discussion with the Mayor at the Congress on the issue of the GLA seeking powers for TfL to circumvent existing planning laws in order to promote their installation. Regrettably, London Councils would object to any such amendment being advanced to the Automated and Electric Vehicle Bill currently going through Parliament. He pointed out that there was already a forum through which that aim could be secured – The Ultra-Low Emissions Steering Group.

The Executive agreed:

- To note the report and
- London Councils’ consultation response to the Draft London Plan 2017

attached as an appendix to the report.

7. Month 9 Revenue Forecast 2017/18

The Director of Corporate Resources introduced the report saying it:

- Summarised actual income and expenditure recorded in the accounts as at 31 December 2017 (Month 9)
- Provided a projected outturn figure for the year and highlighted any significant forecast variances against the approved budget
- A separate forecast was provided for each of London Councils three funding streams
- Also provided with an update on London Councils' reserves.

Cllr Puddifoot asked whether it was correct to not include accrued M9 income and expenditure in the actuals to date column in tables in the report? The Director of Corporate Resources concurred and, on reflection, agreed that they should be included in this and all future reports. He went on to give some account of the forecast underspend of £2.972 million projected for 2017/18, across the three funding streams – Leaders' Committee (expenditure on employment was being controlled by the policy on vacant posts), TEC (a surplus on Trading Standards) and Grants (the final ESF programme). Uncommitted reserves were currently projected to be just over £6.2 million by the end of the current financial year and Cllr Puddifoot commended it as a good report.

The Executive agreed to note the overall forecast surplus as at 31 December 2017 (Month 9) of £2.972 million and note the position on reserves as detailed in the report.

8. Debtors Update Report

The Director of Corporate Resources also introduced this report saying it detailed the level of outstanding debt owed to London Councils from all sources as at 31 December 2017 as well as the reduction in the level of outstanding debt due from boroughs, TfL and the GLA in the period to 31 July 2017. In response to questions from members of the Executive, he reassured members that shortfalls on payments for parking services were normally accounted for by short-term issues in boroughs – for example, changes in personnel rather than any serious attempt to avoid payment.

The Executive agreed to note:

- The level of outstanding debt of £27,906 (at the time of publishing the report) in relation to borough, TfL and GLA invoices raised up until 31 July 2017, a reduction on the outstanding figure of £3.237 million reported to the Executive at its meeting on 12 September 2017

- The level of outstanding debt of £1.383 million in respect of borough, TfL and GLA invoices raised in the period 1 August to 31 December 2017

- The level of outstanding debt of £36,793 in relation to other debtors invoices raised up until 31 December 2017 and

- The specific action being taken in respect of significant debtors, as detailed in the report.

The Chair moved the exclusion of the press and public since the next item was exempt from the Access to Information Regulations, Local Government Act 1972 Schedule 12(a) as amended, as it contained material covered by section 3 *Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

Ms Catherine McGuiness declared a pecuniary interest and left the meeting.

The meeting ended at 10:30am.

Action points

	Item	Action	Progress
4.	**Better outcomes for citizens: a London Office for Technology and Innovation** • A fuller report and proposals to be presented to Leaders' Committee in June.	**CG**	This is on the 6th June 2018 agenda
7.	**Month 9 Revenue Forecast 2017/18** • Include accrued M9 income and expenditure in the actuals to date column in tables in this and future reports	**Corporate Resources**	To be reflected in the forecast report to be reported to the Executive in September 2018 (M3 2018/19).

Executive

Proposals for use of top sliced flexible homelessness support grant: Temporary Accommodation and homelessness prevention joint working

Item no: 4

Report by:	Eloise Shepherd	**Job title**:	Head of Housing and Planning Policy
Date:	19/06/2018		
Contact Officer	Eloise Shepherd		
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Summary: In October 2017 Leaders asked for a full business plan to be completed outlining proposals for the £39m top sliced funding held by the Ministry for Housing, Communities and Local Government (MHCLG) for pan-London joint working on Temporary Accommodation (TA). The draft plan is now being finalised. Any drawing down of the funding is reliant on pan-London working, and MHCLG final sign off.

Recommendations Executive is asked to:

- Note developing proposals for joint working to draw down top sliced Flexible Homelessness Support Grant funding for London
- Offer any strategic guidance in further refining the proposal prior to reporting to Leaders Committee

Proposals for use of top sliced flexible homelessness support grant: Temporary Accommodation and homelessness prevention joint working

Background and Context

1. MHCLG has allocated a total of £39million for potential joint working in procurement of accommodation to prevent and relieve homelessness and for use as temporary accommodation, over three years. This funding is top sliced from the Flexible Homelessness Support Grant[1] (FHSG), which supports a range of work combating and relieving homelessness. It is available only to support joint working and to assist with stabilising the cost of homelessness placements, and would not come to London without the joint working approach.

2. In October 2017, Leaders' Committee agreed that a full business planning process should go ahead focusing on how the MHCLG funds could best assist boroughs in homelessness relief work. The plan will be developed further and finalised over the summer.

3. MHCLG will assess viability and commit funding on that basis (the funding has been agreed for this purpose by ministers).

Homelessness and TA

4. The immediate background to this work is the increasing burden of homelessness and the resulting provision of TA and prevention placements. In March 2017 there were 77,240 households in TA nationally, an increase of 60 per cent since March 2011. Seven out of ten of these households are placed by London boroughs. The cost of providing TA in 2015/16 (£845 million) accounted for more than three quarters of the total cost of providing homelessness services nationally (£1.15 billion).

5. London Councils' research[2] from the preceding year (2014/15) found that London boroughs were subsidising temporary accommodation from general fund resources to the amount of £170m, or a quarter of the total cost to London (£663m). While spending by local authorities on temporary accommodation has significantly increased since 2010, spending on overall housing services has fallen by 21 per cent in real terms over the same period.

[1] Formerly this funding was provided in the form of the Temporary Accommodation Management Fee (or TAMF). The FHSG is more flexible in terms of the usage, for example it is easier to use it for prevention cases.
[2] http://www.londoncouncils.gov.uk/our-key-themes/housing-and-planning/homelessness/temporary-accommodation-london-report

6. There are around 50,000 households in temporary accommodation on any given night in London. This is costly and inefficient and the options for individual households very variable.

7. The Greater London Authority forecasts that boroughs may need in the region of 50,000 additional tenancies for homeless households over the four years from 2017. In addition there will be further increases, yet to be quantified, arising from the nascent requirements of the Homelessness Reduction Act.

8. London has lobbied extensively that more funding is needed for boroughs to provide the requisite level of service to meet the increasing statutory requirements via the Homelessness Reduction Act, and increasing incidence of homelessness of all types. The £39 million potentially provided via this route is, of course, no solution to this issue. It will, however, provide some assistance to London in meeting this challenge.

Working group and progress so far

9. Following a competitive tender process, Tim Gray was appointed to produce an initial business case, and then a full business plan.

10. A group of twenty-four boroughs were involved in the working group to support the business planning work. Not all of these boroughs will be involved in any initial roll out, but all have inputted into and scrutinised the proposals.

11. The work is also underpinned by a number of surveys and discussions with London officer groups on a sub-regional and pan-London level including the London Financial Advisory Committee (LFAC), the Housing Needs Group.

Proposals for joint-working

12. The proposals are summarised as follows:

    - Boroughs collectively set up a not for profit company (limited by guarantee) under Teckal rules to act as a procurement and services vehicle. The set-up will be funded 100% by the MHCLG grant, top-sliced FHSG.

- Boroughs second specialist procurement staff into the company. The company pays boroughs for these staff and will recruit additional staff using the MHCLG funding.

  - The company brokers private tenancies direct with landlords and secures leased accommodation from private owners.

  - When buying through the jointly owned company, boroughs pay significantly reduced Landlord Incentives to secure PRS properties, and top up payments to cover the difference between LHA rents and rents required by landlords. This is possible because payments are subsidised by up to 50% by MHCLG funding in at the first 3 years, with possible subsequent MHCLG funding depending on the outcome of the forthcoming Spending Review. This is additional to economies of scale, efficiencies, market development and other benefits detailed in paragraph 13 below and in the appendix to this report.

  - The company will be able to claim 100% Local Housing Allowance (LHA) from the Department of Work and Pensions, which on average across London is £35p.w. higher than borough let TA[3].

  - The company acts as a private landlord, charging LHA levels, to tenants placed by boroughs for homelessness prevention, as TA or under PRSO arrangements.

  - An MHCLG funded tenancy sustainment and landlord liaison team is recruited to help sustain tenants in PRS accommodation and troubleshoot problems for landlords, thus increasing the number of landlords wanting to let their accommodation through the programme.

  - Boroughs pay a procurement fee to the company to cover the cost of landlord incentive payments or the difference between lease rents and LHA. These rates are substantially subsidised by MHCLG top-sliced FHSG.

  - In the case of leased accommodation, boroughs may choose to manage properties themselves or to pay a fee to the company to manage the accommodation at cost.

[3] Which is capped at 90% of January 2011 LHA

- Boroughs make savings on nightly paid accommodation and the ambition is for TA numbers reduce overall as PRSOs enable discharge of duty.

13. The estimated aggregate financial benefit of the proposals to London Boroughs are up to £127m, plus potential savings on changing how placements are made and reduced repeat homelessness through tenancy sustainment. It will also build on the effective work through the Inter Borough Accommodation Agreement (IBAA) which has led to reduced spending through rate sharing and the application of a cap on rates paid for certain accommodation. The company will work within this system, and provide further opportunities to rationalise and secure efficiencies in the procurement of accommodation for homeless households.

14. It is anticipated that a small group of boroughs (around ten) will pilot the proposals, with opportunities for other boroughs to join at a later point. The company will act in line with the agreement on IBAA rates. Boroughs are not compelled to join and there will be no penalty (other than not accessing the MHCLG funding and other potential efficiencies) for boroughs who decide not to join.

Recommendations and decisions:

The Executive is asked to

- Note developing proposals for joint working to draw down top sliced Flexible Homelessness Support Grant funding for London
- Offer any strategic guidance in further refining the proposal prior to reporting to Leaders Committee

Financial implications for London Councils

None

Legal implications for London Councils

None

Equalities implications for London Councils

None

London Councils Executive

London Councils – Consolidated Pre-Audited Financial Results 2017/18   Item no: 5

Report by: Frank Smith   **Job title:** Director of Corporate Resources

Date: 19 June 2018

Contact Officer: Frank Smith

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Summary: This report highlights the pre-audited consolidated financial position for London Councils for the 2017/18 financial year. The provisional consolidated revenue position is shown followed by a separate revenue summary for each of London Councils three funding streams, together with explanations for the significant variances from the approved revised budget. The pre-audited consolidated balance sheet and the provisional level of London Councils reserves as at 31 March 2018 are also shown, together with overall conclusions and prospects for 2018/19 and beyond, after taking into account known commitments. The provisional revenue outturn and reserves position is summarised as follows:

Revenue Account (£000)	**Revised Budget**	**Actual**	**Variance**
Total Expenditure	388,087	384,449	(3,638)
Total Income	(385,459)	(386,142)	(683)
Use of reserves	(2,628)	(2,628)	-
Bad Debts provision	-	(53)	(53)
Net Deficit/(Surplus)	**-**	**(4,374)**	**(4,374)**
General and Specific Reserves (£000)	**General Reserve**	**Specific Reserve**	**Total**
As at 1 April 2017	9,201	3,309	12,510
Transfer (to)/from revenue	(3,472)	844	(2,628)
Provisional Surplus for the Year	3,492	881	4,374
As at 31 March 201	**9,222**	**5,034**	**14,256**[1]

Recommendations: The Executive is asked:

- To note the provisional consolidated outturn surplus of £4.374 million for 2017/18 and the provisional outturn position for each of the three funding streams;

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[1] As detailed in table 12 at paragraph 67, reserves are reduced to £7.455 million once approved commitments of £6.801 million arising from 2018/19 onwards are taken into account.

- To note the carry forward of £130,000 into 2018/19 in respect of TEC system developments (£44,000) and the London Lorry Control scheme review (£86,000), subject to final approval by the TEC Executive on 19 July;

- To note the provisional level of reserves of £14.256 million as at 31 March 2018 (paragraphs 65-66), which reduces to £7.455 million once known commitments of £6.801 million are taken into account (paragraphs 67-68);

- To note the updated financial position of the London Councils as detailed in paragraphs 69-70 of this report; and

- To agree to receive a further report in November 2018 after the completion of the external audit by KPMG LLP to adopt the final accounts for 2017/18. The final accounts will be signed off at the meeting of the Audit Committee on 27 September 2018, at which KPMG will formally present the Annual Audit Report for approval.

London Councils – Consolidated Pre-Audited Final Results 2017/18

Executive Summary

1. The provisional revenue outturn for 2017/18, split across London Councils three funding streams is as follows:

	Grants	TEC	Joint	Consolidated
	£000	**£000**	**£000**	**£000**
Total Expenditure	7,571	368,695	8,183	384,449
Total Income	(7,996)	(369,728)	(8,418)	(386,142)
Use of Reserves	(231)	(855)	(1,542)	(2,628)
Bad Debts provision	-	(53)	-	(53)
Surplus	**(656)**	**(1,941)**	**(1,777)**	**(4,374)**

2. Once figures relating to potential carried forward amounts are taken into account, the headline surplus of £4.374 million reduces to £4.244 million, as follows:

	Grants	TEC	Joint	Consolidated
	£000	**£000**	**£000**	**£000**
Surplus for the Year	**656**	**1,941**	**1,777**	**4,374**
TEC balances c/f	-	(130)	-	(130)
Adjusted underlying Surplus	**656**	**1,811**	**1,777**	**4,244**

3. The provisional level of reserves for each funding stream as at 31 March 2018 is as follows:

	Grants	TEC	Joint	Consolidated
	£000	**£000**	**£000**	**£000**
Audited Reserves at 1 April 2017	**2,018**	**5,075**	**5,417**	**12,510**
Transfer (to)/from Revenue	(231)	(855)	(1,542)	(2,628)
Provisional surplus/ (deficit) for the Year	656	1,941	1,777	4,374
Provisional Reserves at 31 March 2018	**2,443**	**6,161**	**5,652**	**14,256**

4. However, once all potential and known commitments of £6.801 million are taken into account, the estimated level of uncommitted reserves reduces to £7.455 million, as follows:

	Grants	TEC	Joint	Consolidated
	£000	**£000**	**£000**	**£000**
Provisional Reserves at 31 March 2018	**2,443**	**6,161**	**5,652**	**14,256**
Underspends c/f into 2018/19	-	(130)	-	(130)
Committed in setting 2018/19 budget	-	(289)	(1,007)	(1,296)
Potential S.48 ESF grant commitments in	(1,000)	-	-	(1,000)

2018/19				
Provisional commitments for 2019/20-2020/21	(920)	(3,111)	(344)	(4,378)
Uncommitted Reserves	**523**	**2,631**	**4,301**	**7,455**

5. A comparison of the provisional outturn surplus/(deficit) position against the forecast outturn position reported to the Executive and the TEC and the Grants Committee's during the course of the year, excluding the overspend position on taxicard, is as follows :

	Grants	TEC	Joint	Consolidated
	£000	**£000**	**£000**	**£000**
Forecast at Month 3	(32)	786	731	1,485
Forecast at Month 6	541	1,001	761	2,302
Forecast at Month 9	755	1,059	1,158	2,972
Provisional Outturn	656	1,941	1,777	4,374
Movement between M9 and provisional outturn	(99)	882	619	1,402

6. The £99,000 negative movement for the Grants Committee is due to a reduction in ESF borough contributions of £512,000 and ESF grant income of £261,000 attributable to the year, offset by a reduction in ESF payments to providers attributable to the year of £551,000. A sum of £119,000 relates to the return of 2016/17 liabilities to revenue plus there is additional interest on investments of £3,000.

7. The £882,000 movement for TEC is highlighted in Table 7 and explored in detail in the analysis of actual income and expenditure against the approved budgets in paragraphs 18-35 below and is mainly due to an increase in Lorry Control PCN income, including a reduction in the bad debt provision, of £288,000, an improvement on the net position for spend on Freedom Pass issue costs and replacement Freedom Pass income of £137,000, an increase of £137,000 in respect of the reduced cost of the administration of the London Tribunal, an increase in the underspend of £78,000 in respect of non-TfL bus costs, an increase in the surplus of £125,000 in respect of parking traded services, including appeals, and savings in respect of the administration of direct services of £107,000.

8. The £619,000 movement for the Joint Committee is primarily due to an increase in the salaries underspend of £124,000 and a reduction in the overspend on adjusted running costs and central recharge expenditure of £222,000. Additional income arose from movements in member contributions (£31,000) and adjusted movement on other income (£291,000), which is explained in full at paragraphs 51-52. Net movement of £109,000 has arisen from the legitimate charging of central costs to TEC, the Grants Committee and externally financed projects and tenants, as detailed at paragraph 53. Finally, £185,000 of

external contributions received in respect of London Care Placements has been treated as a receipt in advance and carried forward into 2018/19.

9. The IAS19 (formerly FRS17) Pensions Deficit has reduced from £29.989 million as at 1 April 2017 to £28.019 million as at 31 March 2018, a reduction of £1.97 million. The reason for this reduction in the pensions deficit is due to a marginal return across all asset classes, including equities, offset by an increase in the defined benefit obligation as a result of a reduction in the discount rate (which is based on corporate bond yields) used in the calculation of the obligation. This reduced deficit will continue be recovered through future employers' pension contribution rates and will not be a potential call on existing London Councils reserves.

10. The actual financial results and the actual level of reserves will be confirmed during the course of the external audit of the 2017/18 accounts, which will be undertaken by KPMG LLP in July and August. The Audit Report and the audited accounts relating to this year will be reported to the meeting of the Audit Committee on 27 September 2018 and on to the November meeting of the Executive for adoption.

11. The financial year 2017/18 is the final year of the three-year financial strategy period agreed by the Leaders' Committee in December 2014 covering the period 2015/16 to 2017/18. The projected level of uncommitted reserves across all three funding streams of £7.455 million continues to leave the organisation in a strong position to continue to deliver the priorities contained in the business plan, to meet further developments arising from the Challenge process and support member-led initiatives arising from the new administration following the May 2018 local government elections.

Introduction

1. Following the repeal of the Audit Commission Act 1998, with effect from the 2015/16 financial year, London Councils is no longer obliged to produce an annual statutory account to a statutory deadline for each of its three funding streams, as the successor legislation, the Local Audit and Accountability Act 2014, does not apply to joint committees. However, under the London Councils Agreement (as amended), London Councils has on-going obligations to prepare and arrange for the independent audit of the three annual accounts, outside of any statute, and there is still a requirement to submit audited accounts under the Companies Act 2006 for London Councils Limited. As a result of these continuing obligations, the London Councils Audit Committee agreed in March 2015 that London Councils should continue to prepare three separate accounts under the existing Local Authority Accounting Code of Practice and that the accounts should be independently audited and presented to members broadly in accordance with the previous statutory timescale. Following recommendations by the Audit Committee, the Leaders' Committee appointed KPMG LLP as London Councils external auditor for a three year period commencing 1 April 2015. At its meeting in March 2018, the Audit Committee agreed to extend this appointment for a further year in accordance with the contract conditions to cover the 2018/19 financial year.

2. KPMG LLP will, therefore, audit the accounts for 2017/18 during July/August 2018 and present the accounts to the Audit Committee, along with the annual audit report, on 27 September. The audited accounts and the audit report will then be presented for adoption by the London Councils Executive at its November meeting. This report, therefore, details the provisional financial results for the three funding streams and the overall consolidated position and provides commentary on the variances against the revised approved budgets for the year – in effect, the format is similar as the revenue forecast reports presented to the Executive three times each financial year.

3. London Councils approved revenue expenditure budget for 2017/18 was £387.45 million, as agreed by the Leaders' Committee in December 2016. The corresponding revised revenue income budget was £385.078 million, with the budget balanced by the approved transfer of £2.372 million from reserves.

4. After a number of adjustments, gross budgeted expenditure was revised to £388.087 million, with a further £256,000 transferred from reserves for the year. The revised budget is shown in Table 1 below:

Table 1 – Revised budget 2017/18

	£000
Original Expenditure budget	387,450
Plus carried forward funding: NOTIFY, TEC IT system developments and London lorry control review costs	256
Plus adjustment to Taxicard provider budget	222
Plus increased HR Metrics service levels	16
Plus increased London Care Placements service levels	143
Total Expenditure	**388,087**
Funded by:	
Original Income budget	(387,450)
Plus approved additional transfer from reserves	(256)
Plus increased subscriber funding	(159)
Plus increase in Taxicard funding from boroughs/TfL	(222)
Total Funding	**(388,087)**
Net position	**Nil**

5. The format of this report will be:
   - A summary provisional consolidated outturn position for the year (Table 2);
   - The summary position for each of the London Councils three funding streams – the Grants Committee, TEC, and the core functions undertaken by the Joint Committee, (Tables 3-8);
   - Brief explanations will be provided for the main variances against the approved budgets that have emerged during the year for each funding stream;
   - The provisional consolidated balance sheet for 2017/18, including the effect of IAS19 Retirement Benefits (Table 9);
   - The provisional position on London Councils reserves as at 31 March 2018, adjusted for all current and future commitments to provide an updated position on residual uncommitted reserves position (Tables 10-13); and
   - Commentary on the current financial position of the London Councils and the link into the prospects for future years (paragraphs 66-68).

6. Some of the figures included within the results are provisional and may be subject to further clarification (and possible changes) in the run up and during the course of the actual external audit of the accounts by KPMG LLP. London Councils budgets and reports on a gross accounting basis in accordance with UK Generally Accepted Accounting Practice (GAAP). This means that in some instances, additional expenditure will be shown in the revenue account, which is offset by accrued additional income, leaving a neutral or near-neutral effect on the bottom line. Examples of this are illustrated in respect of certain activities undertaken by the Joint Committee (paragraphs 40 and 51).

7. Table 2 below summarises the provisional consolidated revenue outturn position for the year.

Table 2 – Comparison of Income and Expenditure against Consolidated Revised Budget 2017/18

2016/17 Actual		2017/18 Revised Budget	2017/18 Actual	2017/18 Variance	
	Expenditure	**£000**	**£000**	**£000**	**%**
5,171	Employee Costs	5,618	4,994	(624)	(11.1)
3,175	Running Costs	3,376	3,439	63	1.9
583	Central Recharges	616	620	4	0.6
8,929	**Total Operating Expenditure**	**9,610**	**9,053**	**(557)**	**(5.8)**
9,202	TEC Direct Services	8,211	9,218	1,007	12.3
160	European Services contract	66	17	(49)	(74.2)
367,426	Payments in respect of Freedom Pass and Taxicard	359,781	357,973	(1,808)	(0.5)
7,458	Borough commissioned services	6,173	6,054	(119)	(1.9)
-	ESF commissioned services	1,880	659	(1,221)	(64.9)
60	Contribution to London Funders	60	60	-	-
1,651	One-off borough payment	826	826	-	-
178	Improvement and Efficiency	265	154	(111)	(41.9)
322	Research and Commissioning	640	369	(271)	(42.3)
-	Challenge Implementation Fund	525	24	(501)	(95.4)
56	YPES Regional Activities	50	42	(8)	(16.0)
12	Debt write-off	-	-	-	-
395,454	**Total Expenditure**	**388,087**	**384,449**	**(3,638)**	**(0.9)**
	Income				
(368,446)	Contributions in respect of Freedom Pass and Taxicard	(359,838)	(358,988)	850	0.2
(8,022)	Borough contributions towards commissioned services	(7,173)	(7,084)	89	1.2
(10,098)	Charges for direct services	(8,748)	(10,619)	(1,871)	(21.4)
(5,796)	Core Member Subscriptions	(5,706)	(5,741)	(35)	(0.6)
(180)	Borough contributions towards YPES	(180)	(180)	-	-
(338)	Borough contribution towards LCP payments	(496)	(326)	170	34.3
(99)	Government grants	(1,000)	(419)	581	58.1
(95)	Interest of Investments	(75)	(91)	(16)	(21.3)
(298)	Other Income	(273)	(615)	(342)	(125.3)
(1,981)	Central Recharges	(1,970)	(2,079)	(109)	(5.5)
(1,895)	Transfer from Reserves	(2,628)	(2,628)	-	-
(397,248)	**Total Income**	**(388,087)**	**(388,770)**	**(683)**	**(0.2)**
30	Increase/(Reduction) in bad debt provision	**-**	(53)	(53)	-
(1,764)	**Deficit/(Surplus)**	**-**	**(4,374)**	**(4,374)**	***-**
	Applied to Funding Streams				
(517)	Grants Committee	-	(656)	(656)	-
(715)	Transport and Environment Committee	-	(1,941)	(1,941)	-
(532)	Joint Committee Services	-	(1,777)	(1,777)	-
(1,764)	**Deficit/(Surplus)**	**-**	**(4,374)**	**(4,374)**	**-**

8. The above results are split over the London Councils three separate funding streams – the Grants Committee, the Transport and Environment Committee and the core functions undertaken by the Joint Committee, including the financial results of London Councils Limited, to give the following financial results for the year.

Comparison of Income and Expenditure against Revised Budget – Grants Committee

9. Table 3 below summarises the provisional outturn position for the Grants Committee for 2017/18.

Table 3 – Provisional Outturn 2017/18 – Grants Committee

2016/17 Actual		**2017/18 Revised Budget**	**2017/18 Actual**	**2017/18 Variance**	
£000	**Expenditure**	**£000**	**£000**	**£000**	**%**
417	Employee Costs	423	419	(4)	(0.9)
26	Running Costs	18	24	6	33.3
185	Central Recharges	189	199	10	5.3
628	**Total Operating Expenditure**	**630**	**642**	**12**	**1.9**
7,458	Borough commissioned services	6,173	6,173	-	-
-	Borough commissioned services - PY	-	(119)	(119)	-
60	Membership fees to London Funders	60	60	-	-
-	ESF commissions	1,880	659	(1,221)	(64.9)
486	One-off payment to boroughs	156	156	-	-
8,632	**Total Expenditure**	**8,899**	**7,571**	**(1,328)**	**(14.9)**
	Income				
(8,022)	Borough contributions towards commissioned services	(7,173)	(7,084)	89	1.2
(555)	Borough contributions towards the administration of commissions	(495)	(495)	-	-
(63)	ESF Grant	(1,000)	(404)	596	59.6
(17)	Interest on Investments	-	(13)	(13)	-
(492)	Transfer from Reserves	(231)	(231)	-	-
(9,149)	**Total Income**	**(8,899)**	**(8,227)**	**672**	**7.6**
-	Increase/(Reduction) in bad debt provision	**-**	-	-	-
(517)	**Deficit/(Surplus)**	**-**	**(656)**	**(656)**	**-**

10. The provisional surplus of £656,000 compares to a forecast surplus of £755,000 at the month 9 stage of the year, as reported to the Grants Committee in February 2018, a reduction of £99,000. As highlighted in the forecast monitoring reports to the Grants Committee and this Committee during the course of the year, a distinction is made between the transactions relating to the borough funded S.48 commissioned services (priorities 1 and 2) and those in respect of the S.48 ESF/borough matched funded commissions (priority 3). The provisional

surplus of £656,000 is split between the S.48 borough commissioned services and the ESF/borough funded commissions, as detailed in Table 4 below:

Table 4 – Payments for Commissioned Services 2017/18

	S.48 borough	ESF/borough	Total
	£000	£000	£000
Payments for commissioned services	6,173	659	6,832
Plus contribution to London Funders Group	60	-	60
Less return of 2016/17 liabilities	(119)	-	(119)
Sub-Total	**6,114**	**659**	**6,773**
Plus LC grants administration	487	155	642
Plus repayments to boroughs	-	156	156
Sub-Total	**6,601**	**970**	**7,571**
Less Borough subscriptions	(6,668)	(911)	(7,579)
Less ESF grants income	-	(404)	(404)
Less investment income	(13)	-	(13)
Less transfer from reserves	(75)	(156)	(231)
Deficit/(Surplus) for the year	**(155)**	**(501)**	**(656)**

11. For the S.48 borough funded commissions, a provisional breakeven position has been recorded in respect of the payments to providers of commissioned services. In addition, during the course of closing the 2016/17 accounts, liabilities of £754,577 relating to 25 outstanding payments due to commissions were set up. Payments of £635,565 have been released during 2017/18, with the residual £119,012 that has not been paid out being recycled through the revenue account and transferred back to S.48 reserves.

12. There is a provisional underspend of £23,000 in relation to the administration of the S.48 commissions, attributable to an underspend of £18,000 in respect of salary costs and an underspend of £5,000 for general running costs and central recharges. In addition, a sum of £13,000 from investment income has been received on Committee reserves.

13. For the S.48 ESF/borough matched funded commissions, the provisional surplus of £501,000 is attributable to the current ESF programme. The continued slippage for these commissions was reported to the Grants Committee in both November 2017 and March 2018. Performance has increased and improved over the last six months, so that payments to providers of £659,000 can now be recognised in the 2017/18 outturn figures. Due to the payment structure for ESF projects, higher levels of spend are recognised in the accounts towards the latter stages of projects, when outcomes (job entries and sustained jobs) can be verified. Similarly, a sum of £487,000 out of the £1 million boroughs contributions levied during 2017/18 can also be recognised as income in the provisional results for the year, along with £424,000 borough contributions treated as deferred income received during

2016/17. Administrative costs, estimated to be in the region of £155,000, have been incurred in respect of the new programme, for which ESF grant of £74,000 is expected to accrue in respect of eligible expenditure. This is included within the overall ESF grant income due for the year of £404,000. From 2018/19 onwards, no further borough contributions will be levied toward the cost of the S.48 ESF/borough matched funded commissions. Residual expenditure in both 2018/19 and 2019/20 will be funded by provisional accumulated reserves of £1.92 million, as highlighted in Table 12 at paragraph 67 and through ESF grant accruing from eligible expenditure incurred.

14. In terms of grants administration on the combined commissions, total administration costs of £443,000, excluding central recharges and repayments to boroughs, on total spend of £6.892 million, excluding central recharges and repayments to boroughs, equates to 6.4%, which compares to a figure of 5.57% for 2016/17. For the S.48 borough funded commissions, administration costs of £344,000, excluding central recharges and the repayment to boroughs, on total provider spend of £6.173 million, excluding central recharges and repayments to boroughs, equates to 5.57%, compared to 4.74% for 2016/17. For the S.48 ESF commissions, administration costs of £99,000, excluding central recharges and the repayment to boroughs, have been incurred on total provider spend of £659,000, excluding central recharges and repayments to boroughs, equates to 15%. There is no comparator for 2016/17 as no provider expenditure was incurred in this particular year. The high proportion of administrative costs is attributed to further slippage in the overall programme and the corresponding accounting treatment, as highlighted in paragraph 13. Measures to reduce projected levels of administration costs in 2018/19 and 2019/20 are highlighted in paragraph 55.

15. Further commentary on the year-end position for the Grants Committee is included in paragraphs 69-70 of this report.

Comparison of Income and Expenditure against Revised Budget – Transport and Environment Committee.

16. Table 5 below summarises the provisional outturn position for TEC for 2016/17.

Table 5 – Provisional Outturn 2017/18 – Transport and Environment Committee

Actual 2016/17		**Revised Budget 2017/18**	**Actual 2017/18**	**Variance 2017/18**	
£000	**Expenditure**	**£000**	**£000**	**£000**	**%**
582	Non-operational Staffing	675	627	(48)	(7.1)
188	Running Costs	387	376	(11)	(2.8)
102	Central Recharges	90	125	35	38.9

Actual 2016/17		Revised Budget 2017/18	Actual 2017/18	Variance 2017/18	
872	**Total Operating Expenditure**	**1,152**	**1,128**	**(24)**	**(2.1)**
9,202	Direct Services	8,211	9,218	1,007	12.26
367,426	Payments in respect of Freedom Pass and Taxicard	359,781	357,973	(1,808)	(0.5)
-	Research	40	36	(4)	(10.0)
340	One off payment to boroughs	340	340	-	-
12	Debt write-off	-	-	-	-
377,852	**Total Expenditure**	**369,524**	**368,695**	**(829)**	**(0.22)**
	Income				
(368,446)	Contributions in respect of Freedom Pass and Taxicard	(359,838)	(358,988)	850	0.2
(10,004)	Charges for direct services	(8,650)	(10,523)	(1,873)	(21.7)
(97)	Core Member Subscriptions	(97)	(97)	-	-
(1)	Interest on Investments	-	(19)	(19)	-
(140)	Other Income	(84)	(101)	(17)	(20.2)
91	Net transfer to/(from Reserves	(855)	(855)	-	-
(378,597)	**Total Income**	**(369,524)**	**(370,583)**	**(1,059)**	**(0.29)**
30	Increase/(Reduction) in bad debt provision	-	(53)	(53)	-
(715)	**Deficit/(Surplus)**	**-**	**(1,941)**	**(1,941)**	**-**

17. In addition to the transactions detailed in Table 1 above are costs and income associated with the London European Partnership for Transport (LEPT) TfL/EU funded. The provisional results shown below are reflected in TEC's short term reserves position. These transaction are summarised in Table 6 below:

Table 6 – Income and Expenditure relating to LEPT 2017/18

	£000
Employee Related Costs	74
Premises Costs	17
Running/Central Costs	30
Other Costs	19
Total Expenditure	**140**
Grant/Other Income	(140)
Deficit/(Surplus)	**-**

18. A provisional surplus on revenue activities of £1.941million has been posted for 2017/18, the headlines of which are summarised in Table 7 below, compared to the position reported at the end of December 2017 (Month 9), highlighting the movement between the two positions. From this provisional surplus figure, the TEC Executive will be asked to carry forward balances amounting to £130,000 into 2018/19 (paragraphs 27 and 33 below refer). If this request is approved at its meeting on 19 July, the provisional surplus reduces to £1.811 million. An explanation for each of the variances is provided in subsequent paragraphs:

Table 7 – TEC – Analysis of revenue account surplus 2017/18

	Outturn	M9	Movement
	£000	£000	£000
Freedom Pass non-TfL bus services	478	400	78
Freedom Pass survey and reissue costs (net of additional replacement Freedom Passes income)	377	240	137
Interest earned on investment of cash-balances	20	11	9
Research	4	-	4
Net position on Taxicard	2	-	2
Shortfall in replacement taxicard passes income	(4)	(5)	1
Net position on parking appeals	284	221	63
Net position on other traded parking services	88	26	62
London Tribunals Administration	172	35	137
Lorry Control Administration	50	(6)	56
Lorry Control PCNs	310	75	235
Freedom Pass Administration	25	(1)	26
Taxicard Administration	11	(14)	25
Non-operational staffing costs	48	57	(9)
Overspend on running costs/central recharges	(44)	-	(44)
Underspend on IT system developments	44	27	17
Rechargeable parking systems related work	-	-	-
Net additional in Health Emergency Badge income	10	1	9
Miscellaneous Income	17	(8)	25
Reduction in Bad Debt provision	53	-	53
Provisional surplus for the year	**1,941**	**1,059**	**882**

Freedom Pass non-TfL bus services (-£478,000)

19. In December 2016, TEC approved a budgetary provision of £1.7 million for 2017/18 to cover the cost of payments to non-TfL bus operators under the national concessionary fares scheme, the overall cost of which is demand led by eligible bus users. Claims from operators amounting to £1.213 million have been received and accepted for 2017/18, which has led to an underspend of £478,000, or 28%. This is broadly attributable to a 5.7% overestimate of the increase on the 2016/17 cost base, a 10.4% fall in journey volumes and 4% attributable to reimbursement agreements with new operators that took over the services from the existing operators, the terms of which were more favourable to London Councils. There was also a 7.9% reduction in the projected average trip fare of £3.90 to an actual unit fare of £3.59.

Net Freedom Pass survey and issue costs (-£377,000)

20. The budget for the pass survey and issue processes for the year was £1.518 million. This budget covers the issuing of Freedom Passes to new applicants and for the replacement of passes which are lost, stolen or faulty. For 2017/18, it also covered the cost of the mid-term review of pass eligibility. Provisional total expenditure for 2017/18 is £1.296 million, of which £187,000 was spent on the mid-term review, leading to a provisional underspend of

£222,000. In addition, a sum of £777,000 was collected during 2017/18 in respect of replacement Freedom Passes, £177,000 in excess of the £600,000 budgetary provision, which reduces by £22,000 to £155,000 once bank charges are taken into account. In net terms, therefore, there was a surplus of £377,000, which, in accordance with approved TEC practice, will be transferred from the provisional surplus to the specific reserve created to fund the full 2020 freedom pass renewal process.

Interest earned on investment of cash-balances (-£19,000)

21. Cash-flow management undertaken at the City of London, who invest London Councils cash balances on behalf of boroughs, has yielded interest receipts of £18,924 against a zero budgetary provision.

Research Budget (-£4,000)

22. Expenditure on research of £36,000 was incurred during the year, against an approved budget of £40,000, resulting in a minor underspend of £4,000.

Taxicard (Net -£2,000)

23. Total payments to the contractor, City Fleet were £11.433 million, £1.066 million below the revised total budgetary provision of £12.499 million. This is primarily due to the total number of trips taken during the year having decreased by 1.99% on the comparative figure for 2016/17. Both TfL's budget and many of the borough budgets are still higher than the required projected spend so underspending boroughs and TfL will be refunded. TfL also funded the management charge for LB of Barnet of £13,975. Total expenditure, therefore, was £11.447 million. The boroughs and TfL have provided total combined trips funding for the year of £12.499 million, so net refunds totalling £1.052 million have been made; to boroughs of £849,000 (£863,000 underspends less £14,000 overspends) and £203,000 refunded to TfL. The £2,000 surplus is attributable to a minor reduction on a refund payable to TfL in respect of 2016/17.

Income from the issue of replacement Taxicards (+£6,000)

24. A sum of £18,453 was collected against a full year budgetary provision of £24,000, leading to a £5,547 shortfall.

Traded Services (-£332,000)

25. The net surplus position of £332,000 is made up of a number of elements, which are regularly reviewed by TEC during the year. These are listed below:

- Firstly, there are two elements where the effect on income and expenditure levels produces a neutral effect and does not change the overall net surplus position:

    - A provisional overspend of £1.203 million for increased payments to Northampton County Court, which is a borough demand led service for the registration of persistent non-payers of parking PCN's in the County Court at £7 per time. The costs are fully recovered from boroughs, leading to a compensating increased level of income collected for the year.

    - Expenditure on congestion charging appeals is estimated to be £395,000, £82,000 more than the budgetary provision of £313,000. The number of appeals represented by corresponding financial transactions posted in the accounts during the year was 11,326, which is 4,978 more than the budgeted figure of 6,348. The throughput of appeals was calculated at 2.37 appeals per hour, compared to 1.68 per hour for 2016/17. However, as the cost of these appeals is recharged to the GLA/TfL at full cost, there was a corresponding increase in income due for the year of £82,000, which therefore has a zero effect on the Committee's provisional financial position for the year.

- Secondly, there is a net surplus of £284,000 in respect of environmental and traffic appeals. The number of appeals and statutory declarations represented by corresponding financial transactions posted in the accounts during the year was 42,557 against a budget of 40,586, generating income of £1.366 million, £171,000 more than the budget estimate of £1.195 million. In addition, there is an underspend of £147,000 in adjudicators costs, offset by additional contractor costs of £34,000. The throughput of appeals was 3.66 appeals per hour, compared to a budget figure of 2.76 and an actual figure of 2.5 appeals per hour for 2016/17.

- Thirdly, the transaction volumes for other parking systems[1] used by boroughs and TfL continue to fluctuate overall, resulting in a projected net surplus of £8,000. On the expenditure side, this takes into account the pricing structure offered by Northgate and expenditure was £8,000 more than the £183,000 budget. On the income side, unit cost recharges to boroughs for 2017/18 were set by the full Committee in December 2016 and amounted to £500,000, £16,000 more than the £484,000 income target.

[1] These consist of TRACE, which allows a vehicle owner to find out the exact location of their towed-away vehicle and how much the release fee will be; and TEC, the system that allows boroughs to register any unpaid parking tickets with the Traffic Enforcement Centre and apply for bailiff's warrants.

- Finally, there was a surplus of £80,000 on the recoverable fixed costs in respect of the RUCA contract, in accordance with the new contract conditions agreed with TfL/GLA that commenced in December 2016.

London Tribunals Administration (-£172,000)

26. The appeals Hearing Centre underspent the budget of £2.769 million by £172,000. There was a provisional underspend on ETA operations of £227,000, spread across salaries (£15,000), premises costs (£83,000), legal costs (£26,000) plus savings of £103,000 in respect of general office running costs and contract costs. Additional costs apportioned to RUCA operations, due to the increased proportion of RUCA appeals during 2017/18 amounted to £55,000 and is fully rechargeable to Tfl/GLA.

Lorry Control Administration/PCN income (-£360,000)

27. The administration of the London Lorry Control Scheme underspent the budget of £709,000 by £50,000. This is attributable to underspends on salary costs of £2,000, offset by additional premises costs of £5,000, additional central recharges of £21,000, additional general office costs of £5,000 and additional contract payments of £9,000. These overspends were offset by an underspend of £86,000 in respect of the review of LLC Scheme. At its meeting in July, the TEC Executive Sub-Committee will be asked to approve the carry forward of the underspend on the review of the LLC Scheme of £86,000 into 2018/19. Much of the progress with the review recommended actions to be deferred until after the local elections. The signing review and trial of ANPR camera enforcement is now planned for this summer.

28. However, there was a significant overachievement in the collection of PCN income of £310,000 above the budgetary provision of £800,000, due to continued effective performance of the outsourced enforcement function meaning that transaction volumes continue to increase, leading to higher levels of debt actually being raised and collected. In addition, the continued development of the computer management system allows outstanding debt to be registered at the Court more quickly. Of the £1.194 million income due for the year, £105,000 has yet to be collected and has been registered with the County Court. A bad debt provision of £84,000 has been established in respect of this outstanding amount, in accordance with usual accounting practice. This is a reduction of £53,000 on the bad debt provision of £137,000 as at 31 March 2017, so the net surplus income increases to £363,000 for the year.

Freedom Pass Administration (-£25,000)

29. The administration of the freedom pass under spent the budget by £25,000, attributable to underspends on salary costs of £9,000, £27,000 on general office costs and £3,000 on central recharges, offset by additional premises costs of £14,000.

Taxicard Administration (-£11,000)

30. The administration of the taxicard scheme underspent the budget by £11,000. Additional salary costs of £2,000 were incurred, along with additional central costs of £25,000. These were offset by an underspend of £38,000 on general office costs.

Non Operational Staffing Costs (-£48,000)

31. The non-operational employee cost budget of £675,000, including £19,000 for member's allowances plus £30,000 maternity cover, underspent by £48,000 at £627,000. This is primarily attributable to the maternity cover budget not being used, together with vacancies being held in respect of policy staff in the Policy and Public Affairs Directorate, leading to a reduced recharge to TEC for these salary costs of £17,000. Non-operational salaries have been fully recharged, where appropriate, to reflect actual support to direct service and externally funded operations.

Running Costs/Central Recharges (+£44,000)

32. This overspend is primarily attributable to overspends of £47,000 for grossed up bank charges (offset by commensurate additional income) and additional central recharges of £35,000, offset by underspends on general office expenses of £38,000.

IT Systems Developments (-£44,000)

33. The budgetary provision of £50,000 was allocated in 2017/18 for IT developments within transport and mobility, with expressed intention of undertaking further developments to London Tribunals systems. This budget was supplemented by the carry forward of unspent budget of £150,000 from 2016/17, as approved by this Committee in July 2017, plus a sum of £42,000 from Northgate in respect of service credits accrued during 2016/17, making a total budgetary provision of £242,000 for the year. Expenditure of £198,000 has been incurred during 2017/18, leading to an underspend of £44,000. The Committee is requested to approve that this amount be carried forward into 2018/19 to complete the development work.

Other income (-£17,000)

34. Other income exceeded the £84,000 budget by £17,000 as follows:

- £2,000 in respect of sponsorship income;
- Income from hosting the GULCs project of £9,000;
- Rechargeable parking system development work of £13,000; offset by
- A reduction in income of £10,000 from TfL in respect of administrative duties performed in respect of the concessionary fares settlement.

Bad Debts provision (-£53,000)

35. The Committee's bad debt provision as at 1 April 2017 was £139,000, of which £137,000 related to Lorry Control PCNs that had been registered at the County Court but which were unpaid at 31 March 2017. A review of the aged debts at the year-end has resulted in a revised year-end provision of £86,000, £84,000 of which relates to Lorry Control PCN income, a reduction of £53,000, as highlighted in paragraph 28. The remaining £2,000 relates to other parking debt, in accordance with London Councils accounting policies, no change on the £2,000 provision for 2016/17.

36. Further commentary on the year-end position for TEC included in paragraphs 69-70 of this report.

Comparison of Income and Expenditure against Revised Budget – Joint Committee

37. Table 8 below summarises the position for the Joint Committee:

Table 8 – Provisional Outturn 2017/18– Joint Committee

Actual 2016/17		Revised Budget 2017/18	Actual 2017/18	Variance 2017/18	
	Expenditure	**£000**	**£000**	**£000**	**%**
4,172	Employee Costs	4,520	3,948	(572)	(12.7)
2,961	Running Costs	2,971	3,039	68	2.3
296	Central Recharges	337	296	(41)	(12.6)
7,429	**Total Operating Expenditure**	**7,828**	**7,283**	**(545)**	**(7.0)**
160	European Service Contract	66	17	(49)	(74.2)
178	Improvement and Efficiency	265	154	(111)	(41.9)
322	Research and Commissioning	600	333	(267)	(44.5)
-	Challenge Implementation Fund	525	24	(501)	(95.4)
56	YPES Regional Activities	50	42	(8)	(16.0)
825	One-off payment to boroughs	330	330	-	-
8,970	**Total Expenditure**	**9,664**	**8,183**	**(1,481)**	**(15.3)**
	Income				
(94)	Income for direct services	(98)	(96)	2	2.0
(5,144)	Core Member Subscriptions	(5,114)	(5,149)	(35)	(0.7)
(180)	Borough contribution towards YPES payments	(180)	(180)	-	-
(338)	Borough contribution towards LCP payments	(496)	(326)	170	34.3

(36)	Government Grants	-	(15)	(15)	-
(77)	Interest on Investments	(75)	(59)	16	21.3
(158)	Other Income	(189)	(514)	(325)	(172.0)
(1,981)	Central Recharges	(1,970)	(2,079)	(109)	(5.5)
(1,494)	Transfer from Reserves	(1,542)	(1,542)	-	-
(9,502)	**Total Income**	**(9,664)**	**(9,960)**	**(296)**	**(3.1)**
-	Increase/(Reduction) in bad debt provision	**-**	-		
(532)	**Deficit/(Surplus)**	-	**(1,777)**	**(1,777)**	**-**

38. A provisional surplus on revenue activities of £1.777 million has been posted for 2017/18, the main constituents of which are explored in the paragraphs below:

Expenditure

Employee Costs (-£572,000)

39. Employee costs underspend by £572,000, split between the following areas:
    - £271,000 on officer salary costs, primarily due to high staff turnover and holding off recruiting to certain current vacant posts. In addition, an underspend on the incremental drift provision of £115,000 allowed this saving to be reflected in the 2018/19 budget approved by Leaders' in December 2017;
    - £130,000 in respect of the lump sum payment required for 2017/18 to the LGPS fund administered by the LPP/LPFA in respect past service pension costs, again taken as a reduction in the current year's budget as part of the December 2017 budget setting process;
    - £50,000 in respect of the maternity cover budget not used during the year; and
    - £6,000 in respect of members allowances.

Running Costs (+£68,000)

40. The running cost overspend is attributable to a number of under and overspends across a range of functions. Certain spend has been offset by income that has accrued during the year, as noted in paragraph 51, and some expenditure has been recharged to other funding streams and funded projects, which feature in the additional central recharge income detailed in paragraph 53. These particular areas are highlighted below:
    - Expenditure on the annual London Summit and the annual Andy Ludlow Award amounted to £45,000, which is offset by additional income of £44,000 reflected in other income at paragraph 51; and
    - Consultants fees of £16,000 in respect of providing GLEF/ Regional Employers related training courses, which has raised additional income of £12,000, as detailed in paragraph 51;

41. If the expenditure highlighted in paragraph 40 is excluded, the underlying overspend on running costs reduces to £7,000, which is broadly broken down across a range of budget heading as follows:
    - An estimated liability of £347,000 arising from the proposed rent review in respect of the Southwark Street site, in accordance with the 10 year lease agreed with the City of London in 2011, which is subject to a report on the exempt agenda for this meeting.
    - A reduction in the additional business rates estimated to be payable for the Southwark Street site for 2016/17 of £93,000;
    - Provisional underspends on the staff training/recruitment budgets of £36,000 and £10,000 in respect of staff travel;
    - A provisional underspend of £8,000 on the four support service SLAs with the City of London;
    - An underspend of £15,000 in respect of YPES professional fees and £30,000 in respect of other consultancy costs;
    - A provisional underspend of £68,000 on IT and communications (postal/telephony) related costs; and
    - a provisional underspend of £72,000 on general office expenditure, including printing and stationery costs.

Central Recharges (-£41,000)

42. These reduced costs relate to recharges to the Joint Committee managed functions - London Care Placements (-£39,000), the London Health Board (LHB) (-£2,000) and the YPES (-£2,000), marginally offset by an increase charge to the HR Metrics service (+£2,000) and is attributable to changes in desk space occupancy and overall consumption of support services during the year.

European Service contract (-£49,000)

43. The Access Europe contract, which provided advice to boroughs on European funding issues, ceased on 31 July 2017, leading to an underspend of £49,000.

Improvement and Efficiency work (-£111,000)

44. This relates to the funding of former Capital Ambition performance and procurement legacy projects that the Leaders' Committee agreed to continue in December 2011. These are managed via a variety of borough networks, the budget for which in 2017/18 was £265,000. Work has continued on three projects during 2017/18, amounting to £118,000. In addition,

the legal costs in respect of the business rate pooling work, amounting to £36,000, were also charged to this budget head, leading to an overall underspend of £111,000.

Commissioning (-£267,000)

45. Expenditure on commissioning and other priority work, including health, amounted to £333,000 for the year, leading to an underspend of £267,000 against the approved budget of £600,000. In addition, external contributions of £63,127 were received to co-fund specific projects undertaken during the year and this sum is included as part of other income at paragraph 50.

Challenge Implementation Fund (-£501,000)

46. Expenditure charged to the CIF during 2017/18 amounted to £24,000. In accordance with the decision of the Leaders' Committee in December 2017 in setting the revenue budget for 2018/19, the underspend of £501,000 will be rolled into 2018/19, which together with a transfer from general reserves of £24,000 will replenish the available budget back up to the £525,000 level to be used in 2018/19. As Challenge related work is accelerated, the probable level of expenditure in 2018/19 is likely to be in line with this provision.

YPES Regional Activities (-£8,000)

47. Spend on the regional YPES programme for 2017/18 of £42,000 against a budget of £50,000 has led to an underspend of £8,000.

Income

Contributions towards London Care Placements (£170,000)

48. Actual contributions received from boroughs and other subscribers amounted to £511,000 and, therefore, exceeded the budgeted target of £496,000 by £15,000. However, as actual LCP spend amounted to £326,000 for the year, income of £185,000 has been treated as a receipt in advance and carried forward into 2018/19, leaving a deficit in the accounts of £170,000 against the income target.

Government Grants (-£15,000)

49. Grant of £3,404 was received during 2017/18 to continue funding expenditure relating to the Accelerated Learning Project (ALP), managed by the YPES, with ESF grant of £9,900 also accruing for the YPES managed Youth Project. A grant from the Arts Council of £1,278 towards the work of the London Culture Forum network was also received.

Interest on Investments (+£16,000)

50. Investment income on joint committee reserves raised £59,000 for the year, £16,000 short of the budget estimate of £75,000.

Other Income (-£325,000)

51. This additional income is made up of a number of elements:
    - Income in respect of the London Summit (£22,000) and the Andy Ludlow Award (£22,000), offset by expenditure of £45,000 as detailed in paragraph 40 above;
    - Additional income of £118,000 for the letting of meeting room facilities at Southwark Street, including £51,000 relating to charges for use by tenants. Income from lettings is highlighted as part of the exempt report on this agenda relating to the review of the lease at the Southwark Street site;
    - Income of £50,000 for GLEF/Regional Employers related courses and other associated work, offset by the cost of consultants engaged to deliver some of the courses of £16,000, leading to net additional income of £12,000 (refer paragraph 41 above);
    - External contributions amounting to £63,127 towards research projects funded by the commissioning budget, as highlighted in paragraph 44 above;
    - A transfer of £99,000 from Grants Committee accumulated ESF reserves in respect of a projected income shortfall in respect of the borough ESF commissions, which are not administered by the Grants Committee (refer paragraph 55); and
    - A refund of £5,000 in respect of undersubscribed staff training courses.

52. The additional income in paragraph 51 above is offset by a deficit £17,000 in publications and other communications income.

Central Recharge Income (-£109,000)

53. Additional income in respect of central recharges of £109,000 has arisen, primarily due to changes in occupancy and/or actual consumption of supplies and services. A breakdown of the additional recharges broadly comprise of the following:
    - Recharges to the TEC and Grants funding streams of £37,000;
    - Recharges to externally funded projects of £5,000; and
    - Recharges to tenants, including the Pension CIV, of £67,000.

External Projects

54. Not included in the figures detailed in Table 8 are transactions of £2.365 million relating to work or projects financed by external bodies, which have no effect of the bottom-line position. These include:

- The ESF Borough funded commissions, amounting to £486,000, which fall under the purview of the Joint Committee rather than the Grants Committee. Seven projects (total value of £2.9million) started a year to 18 months later than originally scheduled and spend from these projects will be incurred in the 2018/19 financial year. Claims in respect of two additional projects (total value just under £1million) were deferred until clarification of specific funding rules and spend from these projects will be accounted for in the 2018/19 financial year;
- A range of health, child protection and worklessness projects funded by the MPS/ SFA / DfES of £702,000;
- Capital Ambition Programme Office and residual project costs, including London Ventures, of £825,000;
- Various smaller projects, amounting to £352,000, which includes projects under the purview of the London Housing Directors group (£198,000), the Civic Leadership Programme (£74,000) and the London Borough of Culture (£73,000).

55. As reported to the Executive in June 2017, a provision against uncommitted reserves of £77,000 was established in respect of the prospect of not fully recovering all administration costs in respect of the current ESF borough funded commissions. During the course of the external audit of the 2016/17 accounts, KPMG indicated its view that this sum should be fully reflected in the final outturn figures for the year. On that basis, it is prudent to establish a further provision of £344,000 to cover potential shortfalls in claiming ESF grants in respect of administration costs for the current programme. Measures introduced during 2017/18 to mitigate the extent of potential further losses include the recruitment of an ESF technical advisor and a restructuring of the existing administration team to best support delivery of the programme and deliver efficiencies in terms of costs in the 2018/19 financial year. This indicative provision has, therefore, been reflected in the Joint Committees short term reserves position and is included in Tables 12 and 13 at paragraphs 67-68. Any actual loss incurred will be offset by the £99,000 transfer from Grant Committee reserves in 2017/18 (refer paragraph 51), which will be held in Joint Committee general reserves.

Balance Sheet as at 31 March 2018

56. The provisional consolidated balance sheet position as at 31 March 2018 is shown in Table 9 below, compared to the audited position for 2016/17:

Table 9 – Balance Sheet Comparison 2017/18 and 2016/17.

	As at 31 March 2018 (£000)	As at 31 March 2017 (£000)
Fixed Assets	1,255	1,538
Current Assets	23,421	22,485
Current Liabilities	(9,547)	(10,669)
Long-term Liabilities	(29,027)	(30,942)
Total Assets less Liabilities	(13,898)	(17,588)
Represented by:		
General Fund	9,222	9,201
Specific Funds	5,034	3,309
Pension Fund	(28,019)	(29,989)
Accumulated Absence Fund	(135)	(109)
	(13,898)	(17,588)

57. The main features of the provisional balance sheet as at 31 March 2018 are as follows:

- Fixed assets have decreased by £283,000 to £1.255 million from £1.538 million. The decrease is attributable to expenditure of £38,000 on the acquisition of assets offset by the annual depreciation charge of £321,000;
- Current assets have increased by £936,000 to £23.421 million from £22.485 million, which is attributable to an increase of £1.972 million in debtors offset by a £1.036 million decrease in cash balances. The rise in debtors is due to increases of £1.48 million in respect of amounts owed by TfL for the Taxicard scheme, £371,000 in respect of advance payments to ESF commissions, £319,000 in respect of amounts owed by GLA/TfL for the RUCA contract, £303,000 in respect of VAT refunds, £252,000 in respect of ESF match funded grant and residual variances of £64,000. The total value of these increases which amounts to £2.789 million is offset by decreases of £359,000 in respect of borough contributions to the Non-TfL concessionary fare schemes, £255,000 in respect of borough Taxicard budget overspends and £203,000 in respect of advance payments to Northampton County Court for the registration of debts;
- Current liabilities have decreased by £1.122 million to £9.547 million from £10.669 million, which is attributable to decreases of £755,000 in respect of amounts owed to S.48 borough commissioned services, £358,000 in respect of Capital Ambition balances and £319,000 in respect of deferred income for externally funded projects. The total value of these decreases which amounts to £1.432 million is offset by increases of £206,000 in respect of premises costs and residual variances of £104,000;

- Long term liabilities have decreased by £1.915 million to £29.027 million from £30.942 million which is attributable to decreases of £1.97 million in the value of the IAS19 pension deficit and £61,000 in respect of other long term creditors offset by an increase of £116,000 to the long term provisions in respect of property leases; and
- The above movements have resulted in an overall decrease in reserves to a negative balance of £13.895 million as at 31 March 2018, inclusive of the IAS19 deficit (which is explored from paragraph 58 onwards) and the balance on the accumulated absences reserve.

Effect of IAS19 Employee Benefits

58. International Accounting Standard 19 (IAS19), Employee Benefits (formerly Financial Reporting Standard 17, Retirement Benefits or FRS17), is an international accounting standard that all authorities administering pension funds must follow. London Councils, as an Admitted Body of the Local Government Pension Scheme (LGPS) administered by the London Pensions Fund Authority (LPFA), has been subject to this accounting standard since 2003/04, the first year that such disclosures were required (previously under FRS17).
59. IAS19 requires an organisation to account for retirement benefits when it is committed to give them, even if the actual giving will be many years to come and is, therefore, a better reflection of the obligations of the employer to fund pension promises to employees. It requires employers to disclose the total value of all pension payments that have accumulated (including deferred pensions) at the 31 March each year.
60. This value is made up of:
    - The total cost of the pensions that are being paid out to former employees who have retired; and
    - The total sum of the pension entitlements earned to date for current employees – even though it may be many years before the people concerned actually retire and begin drawing their pension.
61. IAS19 also requires London Councils to show all investments (assets) of the Pension Fund at their market value, as they happen to be at the 31 March each year. In reality, the value of such investments fluctuates in value on a day to day basis but this is ignored for the purpose of the accounting standard. Setting side by side the value of all future pension payments and the snapshot value of investments as at the 31 March, results in either an overall deficit or surplus for the Pension Fund. This is called the IAS19 deficit or surplus.

62. London Councils has to obtain an IAS19 valuation report as at 31 March each year in order to make this required disclosure. This is done through the actuaries of the LPFA fund, Barnett Waddingham. The IAS19 surplus or deficit is allocated across London Councils three funding streams– the Joint Committee (JC), the Transport and Environment Committee (TEC) and the London Councils Grants Committee (GC) functions in proportion to the actual employer's pensions contributions paid in respect of staff undertaking each function. IAS19 has no effect on the net position of income and expenditure for the year. However, the IAS19 deficit or surplus needs to be reflected in the balance sheet. For London Councils Joint Committee, the Pension Fund deficit as at 31 March 2017 was £29.989 million. The deficit on the Pension Fund as at 31 March 2018, as determined from the latest valuation undertaken by the actuary, is £28.019 million, a reduction of £1.97 million.

63. The reason for this reduction in the pensions deficit is due to a marginal return across all asset classes, including equities, offset by an increase in the defined benefit obligation as a result of a reduction in the discount rate (which is based on corporate bond yields) used in the calculation of the obligation.

64. Table 9 clearly demonstrates, therefore, that the Committee's provisional reserves of £14.259 million as at 31 March 2018 are notionally reduced by £28.019 million as a result of the requirement to fully disclose the pension fund deficit on the balance sheet. Future reviews of the employers pension contribution rate is intended, over time, to reduce the overall deficit and the Committee, should not view the provisional balance on reserves as being a potential call on funding the pensions fund deficit. The London Councils External Auditors, KPMG LLP will test the assumptions made by the actuary in arriving at this valuation in the course of their external audit during July/August.

Committee Reserves

65. Inclusive of the IAS19 Pension and the Accumulated Absence Reserves, the pre-audited overall position on the Committee's Reserves as at 31 March 2018 is detailed in Table 10:

Table 10 – Overall London Councils Reserves as at 31 March 2018

	General Reserve (£000)	Specific Reserve (£000)	Pension Fund (£000)	Accumu-lated Absences (£000)	Total (£000)
Audited balance at 1 April 2017	**9,201**	**3,309**	**(29,989)**	**(109)**	**(17,588)**
Transfer (to)/from Revenue Account	(2,472)	(156)	(2,050)	(26)	(4,704)
Transfer between reserves	(1,000)	1,000	-	-	-
Movement on Pension Fund Reserve	-	-	4,020	-	4,020
(Deficit)/Surplus for Year	3,493	881	-	-	4,374
Provisional Balance at 31 March 2018	**9,222**	**5,034**	**(28,019)**	**(135)**	**(13,898)**

66. The pre-audited position on the Committee's Reserves as at 31 March 2018, split across the three-funding streams and exclusive of the IAS19 Pension and the Accumulated Absence Reserves, is detailed in Table 11:

Table 11– Analysis of Provisional Reserves as at 31 March 2018

	Transport and Environment Committee (£000)		Joint Committee (£000)	Grants Committee (£000)		Total (£000)
	General	**Specific**	**General**	**S.48**	**ESF**	
Total audited reserves at 1 April 2017	**3,341**	**1,734**	**5,417**	**443**	**1,575**	**12,510**
Resources committed in 2017/18	(288)	-	(1,183)	(75)	-	(1,546)
One-off payment to boroughs 2017/18	(340)	-	(330)	-	(156)	(826)
Approved reserves c/f into 2017/18	(227)	-	(29)	-	-	(256)
In year transfer between reserves	(1,000)	1,000	-	-	-	-
Provisional (deficit)/surplus for 2017/18	1,564	377	1,777	155	501	4,374
Provisional reserves as at 31 March 2018	**3,050**	**3,111**	**5,652**	**523**	**1,920**	**14,256**

67. Table 12 below details the current level of commitments arising from the current and future financial years of £6.801 million and highlights the residual forecast level of uncommitted reserves available:

Table 12– Residual balances after Current Commitments

	Transport and Environment Committee (£000)	Joint Committee (£000)	Grants Committee (£000)	Total (£000)
Estimated General Reserves at 31 March 2018	3,050	5,652	523	9,225
Estimated Specific/ESF reserves at 31 March 2018	3,111	-	1,920	5,031
Provisional reserves at 31 March 2018	**6,161**	**5,652**	**2,443**	**14,256**
Committed in setting 2018/19 budget	(289)	(1,007)	(1,000)	(2,296)
Balances c/f into 2018/19	(130)	-	-	(130)
Potential ESF grants commitments in 2019/20 -2020/21	-	-	(920)	(920)
Provisional other commitments in 2018/19 -2020/21	(3,111)	(344)	-	(3,455)
Uncommitted reserves	**2,631**	**4,301**	**523**	**7,455**

68. The current level of commitments from reserves, as detailed in Table 12, of £6.801 million over the short-to-medium term are detailed in Table 13 below:

Table 13– Commitments from Reserves

	2018/19	**2019/20**	**2020/21**	**Total**
	£000	**£000**	**£000**	**£000**
Approved resources b/f from 2017/18	130	-	-	130
Approved transfer from JC general reserves	300	-	-	300
Approved transfer from TEC general reserves	289	-	-	289
Accumulated YPES funds	82	-	-	82
S.48 residual ESF grants funded commissions	1,000	920	-	1,920
Challenge Implementation Fund	525	-	-	525
Support to the health transition process	100	-	-	100
2020 Freedom Pass reissue	-	771	2,000	2,771
TEC priority projects	340	-	-	340
Provision for boroughs ESF programme	344	-	-	344
Totals	**3,110**	**1,691**	**2,000**	**6,801**

Conclusions

69. Tables 12 and 13 show that the approved use of reserves over the three-year period 2018/19 to 2020/21 is forecast to reduce the overall projected level of reserves by £6.801 million from £14.256 million to £7.455 million. A brief commentary on the financial position of each of the three funding streams is provided below:

- Grants Committee – The £99,000 negative movement for the Grants Committee is due to a reduction in ESF borough contributions of £512,000 and ESF grant income of £261,000 attributable to the year, offset by a reduction in ESF payments to providers attributable to the year of £551,000. A sum of £119,000 relates to the return of 2016/17 liabilities to revenue plus there is additional interest on investments of £3,000. Provisional reserves of £522,000 remain after allowing for potential ESF commitments of £1.92 million during 2018/19 and 2019/20 in respect of the current ESF programme. This equates to 7.8% of on-going borough funded commissions of £6.668 million, above the 3.5% benchmark established by the Grants Committee in 2013.

- TEC – The £882,000 movement for TEC is highlighted in Table 7 and explored in detail in the analysis of actual income and expenditure against the approved budgets in paragraphs 18-35 above. It is mainly due to an increase in Lorry Control PCN income, including a reduction in the bad debt provision, of £288,000, an improvement on the net position for spend on Freedom Pass issue costs and replacement Freedom Pass income of £137,000, an increase of £137,000 in respect of the reduced cost of the administration of the London Tribunal, an increase in the underspend of £78,000 in respect of non-TfL bus costs, an increase in the surplus of £125,000 in respect of parking traded services, including appeals, and savings in respect of the administration of direct services of £107,000. Provisional residual general reserves of £2.631 million equates to 22.5% of operating and trading expenditure of £11.705 million for 2018/19, which exceeds the upper limit of the 10%-15% benchmark established by TEC in 2015; and

- Joint Committee - The £619,000 movement for the Joint Committee is primarily due to an increase in the salaries underspend of £124,000 and a reduction in the overspend on adjusted running costs and central recharge expenditure of £222,000. Additional income arose from movements in member contributions (£31,000) and adjusted movement on other income (£291,000), which is explained in full at paragraphs 51-52. Net movement of £109,000 has arisen from the legitimate charging of central costs to TEC, the Grants Committee and externally financed projects and tenants, as detailed at paragraph 53. Finally, £185,000 of external contributions received in respect of London Care Placements has been treated as a receipt in advance and carried forward into 2018/19. Provisional residual reserves of £4.302 million remain after considering all current known commitments up to 2020/21.

70. The financial year 2017/18 is the final year of the three-year financial strategy period agreed by the Leaders' Committee in December 2014 covering the period 2015/16 to 2017/18. The projected level of uncommitted reserves across all three funding streams of £7.455 million continues to leave the organisation in a strong position to continue to deliver the priorities

contained in the business plan, to meet further developments arising from the Challenge process and support member-led initiatives arising from the new administration following the May 2018 local government elections.

Summary

71. This report summarises the provisional pre- audited consolidated financial position for London Councils for the 2017/18 financial year. A table showing the provisional consolidated revenue position is shown followed by a separate provisional revenue summary for each of London Councils three funding streams, together with explanations for the main variances. The provisional consolidated balance sheet position and the provisional position on the level of London Councils reserves is then detailed and then concludes with commentary on the financial outlook for 2018/19 and beyond.

Recommendations

72. The Executive is asked:

- To note the provisional consolidated outturn position of a surplus of £4.374 million for 2017/18 and the provisional outturn position for each of the three funding streams;

- To note the carry forward of £130,000 into 2018/19 in respect of TEC system developments (£44,000) and the review of the London Lorry Control scheme (£86,000), subject to final approval by the TEC Executive on 19 July;

- To note the provisional level of reserves of £14.256 million as at 31 March 2018 (paragraphs 65-66), which reduces to £7.455 million once known commitments of £6.801 million are taken into account (paragraphs 67-68);

- To note the updated financial position of the London Councils as detailed in paragraphs 69-70 of this report; and

- To agree to receive a further report in November 2018 after the completion of the external audit by KPMG LLP to adopt the final accounts for 2017/18. The final accounts will be signed off at the meeting of the Audit Committee on 27 September 2018, during which KPMG LLP will formally present the Annual Audit Report for approval.

Background Papers

Final Accounts Working Papers File 2017/18;

Budget Monitoring Working Papers File 2017/18;
Budget Working Papers Files 2017/18 and 2018/19.