

Executive

Proposed Revenue Budget and Borough Subscriptions and Charges 2021/22

Item 9

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Summary

This report proposes the level of boroughs subscriptions and charges to be levied in 2021/22, together with the consolidated revenue income and expenditure budget for 2021/22. The report also updates the Executive on the current level of London Councils reserves after considering all current and proposed commitments and the timetable for the overall budget approval process. Following consideration by this meeting, proposals will be submitted to the Leaders' Committee meeting on 8 December for final consideration and approval.

Recommendations

The Executive is asked to recommend that the Leaders' Committee approve at their meeting on 8 December 2020 the following borough subscription and charges:

- The proposed Joint Committee subscription for boroughs of £161,958 per borough for 2021/22, no change on the charge of £161,958 for 2020/21 (paragraph 14);
- The proposed Joint Committee subscription for MOPAC of £15,410 for 2021/22, no change on the charge of £15,410 for 2020/21 (paragraph 15);
- An overall level of expenditure of £6.668 million for the Grants Scheme in 2021/22, no change from 2020/21; and
- Borough contributions for 2021/22 to fully cover the scheme of £6.668 million, the same level as for 2020/21 (paragraphs 16-18).

The Executive is also asked to recommend that the Leaders' Committee endorse the following subscription and charges for 2021/22 for TEC, which will be considered by the TEC Executive Sub-Committee on 19 November, before being presented to the main meeting of TEC on 10 December for final approval:

- The Parking Core Administration Charge of £1,500 per borough and for TfL (2020/21 - £1,500) (paragraph 19);
- No charge to boroughs in respect of the Freedom Pass Administration Charge, which is covered by replacement Freedom Pass income (2020/21 – no charge) (paragraph 21);
- The net Taxicard Administration Charge to boroughs of £338,000 in total (2019/20 - £338,000); (paragraph 22);
- No charge to boroughs and TfL in respect of the Lorry Control Administration Charge, which is fully covered by estimated PCN income (2020/21 – no charge) (paragraph 23);
- The Parking Enforcement Service Charge of £0.3596 per PCN, which will be distributed to boroughs and TfL in accordance with the number of PCNs issued in 2019/20 (2020/21 - £0.3708 per PCN; paragraphs 26-27);
- The Parking and Traffic Appeals Charge of £27.84 per appeal or £24.06 per appeal where electronic evidence is provided by the enforcing authority (2020/21 - £27.35/£23.63 per appeal). For hearing Statutory Declarations, a charge of £22.15 for hard copy submissions and £21.40 for electronic submissions (2020/21 - £21.78/£21.04 per SD) (paragraphs 28-29);
- Congestion Charging Appeals including the ULEZ scheme – to be recovered on a full cost recovery basis, as for 2020/21, under the current contract arrangement with the GLA (paragraph 30);
- The TRACE (Electronic) Charge of £7.53 per transaction (2020/21 - £7.53) (paragraphs 31-33);
- The TRACE (Fax/Email) Charge of £7.70 per transaction, which is levied in addition to the electronic charge of £7.53 per transaction, making a total of £15.23 (2020/21 - £15.23) (paragraphs 31-33); and
- The TEC Charge of £0.175 per transaction (2020/21 - £0.175) (paragraphs 31-33).

Based on the above proposed level of subscriptions and charges, the Executive is asked to recommend to the Leaders' Committee:

- The provisional consolidated revenue expenditure budget for 2021/22 for London Councils of £341.317 million, as per Table 4 at paragraph 34 and Appendix A of this report;
- The provisional consolidated revenue income budget for 2021/22 for London Councils of £339.787 million, also as per Table 4 at paragraph 34 and Appendix B;

- Within the total income requirement, the use of London Councils reserves of £1.530 million in 2021/22, as detailed in paragraph 53.

The Executive is also asked to recommend that the Leaders' Committee note:

- The position in respect of forecast uncommitted London Councils reserves as at 31 March 2021, as detailed at paragraphs 51-59; and
 - The positive statement on the adequacy of the residual London Councils reserves issued by the Director of Corporate Resources, as detailed in paragraphs 58-59.
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Introduction

1. This paper outlines the background and context to setting the London Councils budget for 2021/22 and sets out a proposed approach. It reflects the impact of several budgetary pressures that will impact on 2021/22, which are highlighted in detail at paragraph 6.
2. The on-going national COVID crisis is significantly impacting the finances of all London Councils member boroughs. The crisis is having a less dramatic impact on London Councils finances, although effects will be felt in both the current financial year and into 2021/22. Forecasts for the current year (2020/21) indicate that whilst overall levels of London Councils expenditure are being managed within the overall approved budgetary provision, certain income targets are unlikely to be met for both the Joint Committee and the Transport and Environment Committee. The Month 6 forecast position reported to the Executive in a separate report on this agenda projects a small overall surplus of £325,000 and highlights the specific areas of concern.
3. The COVID crisis has also delayed the development of the Southwark Street building into a more agile and contemporary working environment. Whilst the extension of agile working arrangements has been completed, the approved wider building improvements are now not likely to be fully completed until February 2022, compared to the estimated original completion date of March 2021 pre-COVID.
4. In terms of budget strategy, the delays highlighted above have impacted on previously agreed plans to seek/attract new income paying tenants to Southwark Street to occupy significant office space released on both the ground and 4th floors through the extension of agile working. This rental income was projected to accrue an estimated £250k in the current year (2020/21), rising to £550k by 2023/24, which would progressively reduce the annual amounts requiring transfer from uncommitted Joint Committee reserves to balance the Joint Committee budget over this period. This strategy would allow borough subscription to be held at the

current level. Apart from the continued occupation of LOTI, no additional tenants have been sourced in the current year.

5. Whilst efforts to explore the potential for suitable tenants can be taken forward as the office space is now technically available, the effect of COVID on the Central London commercial rental sector is likely to make this a very challenging task. In addition, it would seem increasingly unlikely that any income will be yielded in respect of the hire of meeting rooms in the current year (annual budget target £100k) and could be further compromised into 2021/22.

Budgetary pressures

6. Amongst the backdrop of the current unprecedented circumstances, traditional budget pressures prevail to increase future expenditure levels. Specifically, these include:
 - A necessary increase to the 2021/22 base budget to cover a deficit arising from the increased employers pension contribution of 1.6%, effective from 1 April 2020, and the additional 0.75% agreed pay award for 2020/21 (2% provided in budget, 2.75% settled). This in-year budget deficit equates to approximately £166,000 across all committees' salary budgets.
 - A further estimated 2% increase in pay and price movements for 2021/22.
 - The ending of, and funding for, certain functions during 2020/21 such as the borough ESF programme and Capital Ambition activities reduces the base for allocating centrally incurred costs, with these costs now needing to be reallocated across all services, leading to a net loss of central recharge income to the Joint Committee.
 - Slippage and increased costs in respect of the wider building works will mean that the increased depreciation charge relating to the capital spend will be spread over a reduced time-period up until the expiry of the current lease in March 2026.

Summary Budget Outlook

7. For the current year, the Leaders' Committee and TEC approved the total use of uncommitted general reserves of £979k (£400k and £579k respectively) to balance the budget. In addition, TEC subsequently approved the transfer of resources from its special projects specific reserve to fund the climate change/EV/car club policy work in 2020/21, which is estimated to amount to £160k. These decision were taken, however, against the pre-COVID backdrop of a budget strategy that envisaged the more effective use of the Southwark Street building, which, as referenced in paragraph 4, was intended to reduce the take from uncommitted Joint Committee reserves in the period up until 2023/24 and move towards delivering a balanced budget, with the only on-going commitment from Joint Committee reserves being the annual sum of £100,000 earmarked by members to support collaborative work on the health agenda.
8. London Councils has, of course, made significant savings since 2011/12. If the proposals outlined in this report are agreed by the Leaders' Committee in December, these savings will amount to £65.4 million, with a further £183.7 million of savings related to payments to commissions made by the Grants Committee. Overall savings through this period equate to £7.5 million per borough. In addition, London Councils has contained all inflationary pressures since 2011 within existing subscription levels, including absorbing 12.5% of total salary costs as a result of pay awards since that time.
9. This report, therefore, proposes the level of borough subscriptions and charges to be levied in 2021/22, together with the indicative consolidated revenue income and expenditure budget for 2021/22. The proposals include:
 - A Joint Committee core subscription of £161,958 per borough, the same level as for 2020/21;
 - A TEC parking core administration charge of £1,500 per borough, the same level as for 2020/21;

- Total S.48 grants administration costs of £435,000, equating to an average cost of £13,182 per borough, the same level as for 2020/21;
- An increase in the level of the proposed transfer from uncommitted TEC reserves of £346,000. The total sum proposed to be transferred is a maximum of £925,000 compared to £579,000 for the current year.
- An increase in the level of the proposed transfer from uncommitted Joint Committee reserves of £205,000. The total sum proposed to be transferred is a maximum of £605,000 compared to £400,000 for the current year.

10. The timetable for the approval of the budget for 2021/22 following this meeting is as follows:

- 11 November – Grants Committee considers and agrees the indicative grants budget and borough contributions for 2021/22, and makes recommendations to the Leaders' Committee meeting on 8 December for approval;
- 19 November - TEC Executive Sub-Committee considered the indicative budget and borough charges for 2021/22 and make recommendations to the main TEC Committee meeting on 10 December for approval;
- 8 December - Leaders' Committee considers this report on the indicative consolidated budget and borough charges for 2021/22 (as amended by this meeting), and a separate report seeking approval of the grants budget and borough contributions for 2021/22. This report will include the indicative budget and borough charges for TEC which the Leaders' Committee is asked to endorse; and
- 10 December – main TEC Committee – considers recommendations of TEC Executive Sub-Committee and any views arising from the Leaders' Committee and approves final budget and charges for 2021/22. The views of the Leaders' Committee will be reported orally to the main TEC meeting.

Current position on core subscriptions and other charges

11. Members are reminded that since 2010/11 (covering the ten period between 2011/12 and 2021/22):

- The Joint Committee core subscription has been reduced by £96,005 or 37%;

- The TEC core parking subscription has been reduced by £500 or 25%;
- Payments for commissioned services funded by the Grants Committee have reduced from an annual average of £754,545 per borough to £188,879, an annual average reduction of £565,667 per borough or 75%;
- Payments for the administration of commissioned services have reduced from an average of £43,333 per borough to an average of £13,182, an average reduction of £30,152 per borough or 69.6%; and
- The three main TEC administrations charges for direct services – Freedom Pass, Taxicard and Lorry Control, have reduced by between 5% and 100%.

12. A further sum of £8.7 million has been repaid to member boroughs from uncommitted reserves over the period 2011/12 to 2020/21. The total accumulated benefit to boroughs, therefore, arising from the reduction in the main borough subscriptions and from charges for direct service charges since 2010/11, plus one-off repayments to date, equates to £59.8 million, with an additional overall reduction of £165 million that relates to payments to commissions funded by the Grants Committee. The total accrued benefit to boroughs is, therefore, £224.8 million, an average of £6.8 million per borough. In addition, staffing numbers have reduced by 39% over this period.

Proposed borough subscriptions and charges

13. The following paragraphs detail the proposed borough subscriptions and charges for 2021/22.

Joint Committee Core Subscription

14. As detailed in the first bullet point of paragraph 9 above, the proposed amount to be levied on member boroughs in respect of the JC core and associated functions in 2021/22 is £161,958, the same level as for 2020/21. This includes a sum of £5,455 per borough as a contribution towards the continued funding of the YPES.

15. In line with the overall standstill position, it is proposed that the 2021/22 Joint Committee subscription for MOPAC be £15,410, the same level as for the current year.

Commissioned services funded by the Grants Committee 2021/22

16. The overall budget for commissioned services for the current year, as agreed by the Leaders' Committee in December 2019, is £6.668 million. At its meeting on 11 November 2020, the Grants Committee will be asked to agree to a S.48 borough funded grants programme of £6.668 million for 2021/22, which is the final year of the extended five-year programme of commissioned services agreed by the Leaders' Committee in March 2016, following recommendations by the Grants Committee.

17. Following consideration by the Grants Committee at its meeting on 11 November, the Leaders' Committee will be asked to approve the budget for the Grants Committee for 2021/22 as shown in the Table 1 below:

Table 1 – Indicative Grants Budget 2021/22

	2021/22 Indicative £000	2020/21 Budget £000	Variance £000
LC S.48 grants programme	6,233	6,233	-
Sub-Total	6,233	6,233	-
Grants Administration – LC S.48	435	435	-
Total expenditure	6,668	6,668	-
Financed by:			
Borough contributions to grant payment	(6,173)	(6,173)	-
Borough contributions to grants administration	(495)	(495)	-
Total borough contributions	(6,668)	(6,668)	-
Total Income	(6,668)	(6,668)	-
Transfer from Reserves	-	-	-
Net expenditure	-	-	-

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

- A core, pan-London scheme of commissioned services to meet service priorities agreed by the Grants Committee of £6.233 million, which includes the membership subscriptions for boroughs for London Funders of £60,000;
- An indicative gross commissions payments budget, therefore, of £6.233 million;

- A provision for grants administration of £435,000 or 6.5% (4.0% excluding central recharges of £169,000) for the S.48 borough programme of £6.668 million, reflecting the actual cost of the current contract management and monitoring arrangements for commissions; and
- A total borough contribution of £6.668 million which will be apportioned in accordance with the ONS 2019 mid-year population data.

TEC Core Parking Subscription

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

TEC Direct Services

20. TEC currently provides three direct services on behalf of boroughs, one of which is also provided to TfL, which are recouped by an annual administration fee – the Freedom Pass, Taxicard and the London Lorry Control Scheme (LLCS). In overall terms, a sum of £338,000 needs to be recouped from boroughs in 2021/22, the same as for the current year. The proposed level of charge for each direct service, compared to those for the current year are detailed in Table 2 below:

Table 2 – Proposed TEC Direct Services Administration Charge 2021/22

Charge	Basis	2021/22 (£)	2020/21 (£)	Variance (£)	%
Freedom Pass	Per borough	Nil	Nil	-	-
Taxicard	Total	338,000	338,000	-	-
Lorry Control	Average	Nil	Nil	-	-

21. The **administration of the Freedom Pass** covers London Councils costs in negotiating the annual settlements and managing the relationships with transport operators and other contractors. After considering the overall income requirement for TEC, the proposed charge for 2021/22 remains at zero per borough, as the cost of administering the scheme continues to be met from income collected in

respect of lost and damaged freedom passes. This position is reviewed on an ongoing basis particularly considering the current pressures on this income budget (paragraph 43) to ensure forecast income streams continue to cover the costs of administering the scheme.

22. The **administration of the Taxicard Scheme** covers London Councils costs in processing and issuing passes to members and managing the relationships with various contractors. After considering the overall income requirement for TEC, the proposed net cost to be charged to boroughs in 2021/22 is £338,000, no change on the total charge for 2019/20. This proposal includes the use of uncommitted TEC reserves of £118,000 to maintain the unit charge at this level. The active Taxicard total membership as at 30 September 2020 is 58,534, compared to 64,552 as at 30 September 2019, a decrease of 6,018, or 9.3% this is a result of officers carrying out a review of members to establish if they are still active and less members joining since the nationwide lockdown. The decrease in the spreading base and the recommended use of reserves of £118,000 has increased the underlying subsidised unit cost of a scheme member from £5.24 to £5.78 per member.

23. The **Lorry Control administration charge** total charge is calculated in the same manner as the Freedom Pass and taxicard administration charge, although it is apportioned to boroughs in accordance with the ONS mid-year population figures for, in the case of 2021/22, June 2019. The total cost of administering the scheme is estimated to be £769,704 in 2021/22, compared to £754,773 in 2020/21. This figure includes a sum of £50,000 that has been retained in anticipation of further development of the scheme in 2021/22. After consideration of projected income of £1 million from the enforcement of the scheme, it is proposed that there will be no borough or TfL contribution in 2021/22, as for the current year. Again, this position will be reviewed annually to ensure forecast income streams continue to cover the costs of administering the scheme.

TEC Traded Services

24. A further range of services provided by TEC relate to various parking and traffic activities, primarily the London Tribunals (LT). A unit charge for each of these 'traded' services is made to the users, which covers the marginal costs of these services. The volumes of these transactions are solely generated by each borough; London Councils has no influence on the levels generated. In addition, an amount apportioned by the number of PCNs issued by each borough and TfL, covers the fixed costs of the parking related services - principally the LT- covering the actual cost of the appeals hearing centre and the fixed cost of the parking managed services contract.

25. The proposed level of charge for each traded service, compared to those for the current year is detailed in Table 3 below:

Table 3 – Proposed TEC Traded Services Unit Charges 2021/22

Charge	2021/22 (£)	2020/21 (£)	Variance (£)	%
Parking Enforcement Service Charge (total charge)	0.3596	0.3708	(0.011)	(3.0)
Environment and Traffic Adjudicators (ETA) Appeals (Hard Copy)	27.84	27.35	0.49	1.79
ETA Appeals (Electronic)	24.06	23.63	0.43	1.80
ETA Statutory Declarations (Hard Copy)	22.15	21.78	0.37	1.70
ETA Statutory Declarations (Electronic)	21.40	21.04	0.36	1.72
TRACE Electronic	7.53	7.53	-	-
TRACE Fax	7.70	7.70	-	-
TEC	0.175	0.175	-	-

26. The **Parking Enforcement Service Charge** is allocated to users in accordance with the number of PCNs issued. For 2021/22, expenditure of £3.060 million needs to be recouped, compared to £3.084 million for 2020/21; a decrease of £24,000. The decrease is largely due to a reduction in the budgeted leaseholder costs.

27. After top-slicing the amount for the estimated fixed costs of £835,798 attributable to the contract with the GLA/TfL in respect of road user charging appeals (RUCA) and ULEZ, a total of £2.225 million remains to be apportioned through the 6.187 million PCN's issued by boroughs and TfL in 2019/20 in respect of parking, bus

lane and moving traffic offences, compared to 5.958 million issued in 2018/19. The increase in the number of PCNs issued over the two comparative years increases the cost spreading base, which together with a reduction in the total costs of the London Tribunal attributable to ETA appeals, leads to a marginal reduction in the actual unit charge to boroughs and TfL of £0.011 per PCN, or 3%, from £0.3708 to £0.3596 per PCN for 2021/22. In addition, under the terms of the contract with Northgate, there is a separate fixed cost identified in respect of the borough use of the TRACE and TEC systems. For 2020/21, this sum was £95,000 and is estimated to increase to £97,000 in 2021/22. This sum will be apportioned to boroughs in accordance with volumes of transaction generated on each system by users.

28. The estimated volume of Environment and Traffic Adjudicators (ETA) appeals for 2021/22, based on actual volumes to date in 2019/20, is 43,995, compared to the budgeted figure of 44,722 for the current year. Due to the impact of the COVID-19 pandemic on appeal numbers in the current year, the 2019/20 actual number of appeals was used as the base budget.
29. Due to the COVID-19 pandemic the most accurate information on the throughput of appeals is the full 2019/20 year where 3.79 appeals were heard per hour, compared to 3.78 appeals per hour when the current year's budget was set in December 2019. This average figure takes account of all adjudicator time spent on postal and personal appeal hearing and also non-appeal 'duty adjudicator' activities. The slight increase in throughput is attributable to continued system and service improvements that now feed through into the processing figures. Based on this forecast figure, it is proposed that the indicative hard copy unit ETA appeal cost for 2021/22 is £27.35, an increase of £0.49 or 1.79% on the charge of £27.35 for 2020/21. For appeals where electronic evidence is provided by an enforcing authority, it is proposed that the unit cost will increase by £0.43 or 1.80% to £24.06. The lower charge to boroughs recognises the reduced charge from the contractor for processing electronic appeals, demonstrating that there remains a clear financial incentive for boroughs to move towards submitting electronic evidence under the current contract arrangements. As for 2021/22, boroughs will

pay a differential charge for the processing of ETA statutory declarations. For hard copy statutory declarations, the proposed unit charge will be £22.15 compared to the charge of £21.78 for the current year, which represents an increase of £0.37, or 1.70%. For electronic statutory declarations, the proposed unit charge will be £21.40, an increase of £0.36, or 1.72% on the electronic appeal unit charge of £21.04 for the current year.

30. For RUCA Appeals, the estimated volume of appeals for 2021/22, based on 2019/20 actual volumes and taking in to account the extension of the scheme to weekends and evening charging is 19,478, compared to 20,784 for the current year. The original estimate for 2020/21 incorporated an estimate for the Ultra Low Emission Zone (ULEZ) scheme which came in to force in April 2019 therefore there was a level of uncertainty around appeal levels, which for 2021/22 is compounded by the COVID-19 pandemic. Under the terms of the contract, TfL/GLA will reimburse London Councils on a cost-recovery basis for the variable cost of RUCA appeals, ensuring that a break even position continues in respect of these variable transactions. The rechargeable level of fixed costs associated with this contract is £836,000 for 2021/22; a decrease of £40,000 on the 2020/21 budgeted level of £875,000, due to the net impact of forecasted costs increases and a reduction in estimated leaseholder costs.

31. In respect of **all other parking traded services**, the variable charges form part of the parking managed service contract provided by the contractor, Northgate, the volumes of which are again not controlled by London Councils; the individual boroughs are responsible for using such facilities. The volumes are based on those currently being processed by the contractor and are recharged to the boroughs, TfL and the GLA as part of the unit cost charge. Again, due to the ongoing COVID-19 pandemic, 2019/20 actual transactions have been used as the basis for setting the 2021/22 budget which are perceived to be a more accurate reflection of potential caseloads. Trends suggest that transaction volumes appear to be reducing for the use of the TRACE electronic systems but are increasing for the use of the TEC system.

32. The estimated increase in expenditure between 2020/21 and 2021/22 based on the actual transaction volumes for 2019/20 and estimated movement in contract prices is £5,813. The corresponding estimated effect on income, between 2020/21 and 2021/22, based on the 2019/20 actual transaction volumes is an increase of £4,452, leading to a net overall decrease in budgeted income of £1,361.

33. The charging structure historically approved by TEC for the provision of the variable parking services (excluding appeals) includes a contribution to overheads in each of the charges made to boroughs and other users for these services.

Proposed revenue budget for 2021/22

34. Based on the proposed level of subscription and charges, as detailed in paragraphs 13-33 above, the proposed revenue budget position for 2021/22, is summarised in Table 4 below. A detailed breakdown of proposed expenditure and income is shown at Appendices A and B to this report.

Table 4 – Proposed revenue budget 2021/22

	Joint Committee	Grants Committee	TEC	Total
	£000	£000	£000	£000
Indicative Expenditure	9,227	6,499	324,699	340,425
Central Recharges	156	169	567	892
Total Expenditure	9,383	6,668	325,266	341,317
Indicative Income	(6,575)	(6,668)	(324,341)	(337,584)
Central Recharges	(2,203)	-	-	(2,203)
Sub-total	(8,778)	(6,668)	(324,341)	(339,787)
Use of Reserves	(605)	-	(925)	(1,530)
Total Income	(9,383)	(6,668)	(325,266)	(341,317)
Indicative Net Position	-	-	-	-

35. The detailed breakdown of the proposed budgets for the Joint Committee, Grants Committee and TEC funding streams for 2021/22 is outlined in paragraphs 36-49 below.

Grants Committee

36. The provisional position for the Grants Committee for 2021/22 is as follows:

Table 5 – Indicative Grants Committee budget movements for 2020/21

	£000
Expenditure:	
Revised budget 2020/21	6,668
Proposed budget 2020/21	6,668
Budget Movement	-
Income	
Revised budget 2019/20	(6,668)
Proposed budget 2020/21	(6,668)
Budget Movement	-
Net Budget Movement	-

Transport and Environment Committee

37. Excluding the position for the payments to transport operators in respect of the Freedom Pass and Taxicard, which are dealt with in paragraphs 39-47 below, the provisional position for TEC for 2021/22 is detailed in Table 6 below:

Table 6 – Indicative TEC budget movements for 2021/22

Expenditure:	£000
Revised budget 2020/201	14,008
Proposed budget 2021/22	14,291
Budget Movement	283
Income	
Revised budget 2020/21	(14,008)
Proposed budget 2021/22	(14,291)
Budget Movement	(283)
Net Budget Movement	-
Developments – expenditure:	
Increase in Freedom Pass administration	15
Increase in Taxicard administration	17
Increase in Lorry Control administration	15
Decrease in London Tribunals administration	(48)
Increase in Health Emergency Badge administration	1
Increase in non-operational staffing costs	62
Volumes changes – Adjudicators fees	14
Volume changes – Northgate variable costs	(1)
Other running costs	2
Increase in payments between committees	84
Increase in central recharges not included in Direct Services	81
Sub-Total	242
Inflation:	
Salary costs	16

Northgate contract costs	25
Other	-
Budget Movement on expenditure	283
Developments – income:	
Reduction in income from replacing lost/faulty freedom passes	150
London Lorry Control Scheme PCN income	-
Volumes changes – appeals income	(7)
Volume changes – other parking services income	(4)
Increase in income for Health Emergency Badges	(1)
Reduction in income for replacement Taxicards	-
Decrease in income for fixed parking costs	23
Other adjustments	-
TfL income – Environmental policy work	(98)
Proposed increase in transfer from general reserve	(346)
Budget Movement on income	(283)
Net Budget Movement	-

38. The proposals for the level of subscription and charges for TEC related services in 2021/22, which are detailed in paragraphs 21-33 above, provide the rationale for the majority of the budget movements detailed in Table 6.

Freedom Pass

39. The main settlement with TfL for concessionary travel on its service is estimated to be £281.656 million, representing a provisional reduction of £37.107 million, or 11.64%, on the figure of £318.763 million for 2020/21. The reduction is significant and represents estimates considering the ongoing COVID-19 pandemic.

40. The Rail Delivery Group (RDG) settlement is still being negotiated. Early estimates are for a reduction of costs of £2.893 Million, reducing this part to £17.772 million compared to the budget of £20.665 million for the current year. However, officers are continuing to negotiate regarding the price per journey to be paid and will update TEC accordingly in December.

41. The budget for payments to other bus operators for local journeys originating in London has been reduced by £200,000 to £1.1 million, following projections for

2021/22, based on the 2019/20 outturn position plus taking into consideration a wider issues such as reduced trips levels as a result of the pandemic.

42. The budget for the freedom pass issuing costs was £1.518 million for 2020/21. For 2021/22, it is proposed that the budget remains at this level, which will include the cost of an annual pass eligibility review that yields significant cost savings to boroughs.
43. For income in respect of replacement Freedom Passes, current trends indicate that income is significantly behind the current year budget of £750,000. Considering the COVID-19 pandemic and the fact a bulk renewal process was undertaken in 2020, it is anticipated that fewer replacement cards will be issued. The 2021/22 income budget is being reduced to £600,000 and there is no proposed change to the unit cost of £12 for a replacement pass. As stated in paragraph 20, it is proposed that the in-house cost of administering the Freedom Pass scheme will be fully funded by this income stream in 2021/22.
44. As agreed by TEC in December 2014, any annual surplus arising from both the freedom pass issuing costs budget of £1.518 million (paragraph 42 above) and replacement freedom passes income budget of £600,000 (paragraph 43 above) will be transferred to a specific reserves to accumulate funds to offset the cost of future major pass reissue exercises. As detailed in Table 9 at paragraph 51, the current balance on the specific reserve is £2.741 million, £1.241 million of which relates to Freedom Pass.
45. Final negotiations on the actual amounts payable to operators will be completed in time for the meetings of the Leaders' Committee on 8 December and the main TEC Committee on 10 December; any late variations to these provisional figures will be tabled at these meetings.
46. A summary of the provisional freedom pass costs for 2021/22, compared to the current year, can be summarised in Table 7 below. The total cost of the scheme is fully funded by boroughs and the estimated cost payable by boroughs in 2021/22

is £302.046 million, compared to £342.246 million payable for 2020/21. This represents a reduction of £40.2 million or 11.75% which reflects significant reductions in anticipated usage of the schemes due to the ongoing impact of the COVID-19 pandemic.

Table 7 – Comparative cost of Freedom Pass 2021/22 and 2020/21

Estimated Cost of Freedom Pass	2021/22(£000)	2020/21(£000)
TfL Settlement	281,656	318,763
RDG Settlement	17,772	20,665
Non TfL Bus Operators Settlement	1,100	1,300
Freedom Pass Issue Costs	1,518	1,518
Total Cost	302,046	342,246

Taxicard

47. it is assumed that TfL will provide an estimated fixed contribution of £8.859 million, no change in the figure for 2020/21. The total borough contribution towards the Taxicard scheme in 2021/22 is estimated to be £1.588 million, the same as for the current year, although the decision on boroughs' contributions is a matter for boroughs to take individually and will be confirmed in February 2021. The indicative budgetary provision for the taxicard trips contract with CityFleet Networks Limited, will, therefore, be an amalgam of the TFL and borough funding, currently equating to £10.447 million for 2021/22, the same figure as for the current year. However, several factors such as usage of the scheme particularly considering the COVID-19 pandemic could influence the final outturn position for 2021/22.

Joint Committee

48. The provisional position for the Joint Committee for 2021/22 is as follows:

Table 8 – Indicative Joint Committee budget movements for 2020/21

	£000
Expenditure:	
Revised budget 2020/21	9,069
Proposed budget 2021/22	9,383
Budget Movement	314
Income	
Revised budget 2020/21	(9,069)
Proposed budget 2021/22	(9,383)

Budget Movement	(314)
Net Budget Movement	-
Developments - expenditure:	
Increase in net salary costs	204
Decrease in City of London SLAs	(20)
Decrease in depreciation provision	(9)
Net increase in Southwark Street premises related costs	9
Increase in Supplies and Services	14
Increase in Central Recharges	6
Sub-total	204
Inflation	
Salary costs	100
Other	10
Budget Movement on expenditure	314
Developments - income:	
Decrease in LFC subscription	16
Increase in use of reserves	(205)
Net Increase in income from tenants and funded groups and central recharges	(67)
Decrease in Investment income	10
Transfer between committees - TEC	(68)
Total	(314)
Net Budget Movement	-

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

- **Increase in salary cost** - this covers the following salary related costs of the Joint Committee:
 - An estimated 2% pay award for 2021/22, which is subject to negotiations, will add £100,000 to total salary costs included members allowances;
 - In addition, staff salary progression through the approved staff structure plus other changes to specific posts and roles amounts to a net additional £44,000 in the JC salaries budget for 2021/22;
 - A necessary increase to the 2021/22 base budget to cover a deficit arising from the increased employers pension contribution of 1.6%,

effective from 1 April 2020, and the additional 0.75% agreed pay award for 2020/21 (2% provided in budget, 2.75% settled) totalling £92,000

- Finally, costs associated with additional environmental policy work, which are funded by TEC, of £68,000.

- **Depreciation charge** – There have been delays to the planned capital expenditure building works at Southwark Street during 2020/21. As a result, there is a net reduction of £9,000 depreciation charge in 2021/22;
- **Reduction in City of London SLA costs** – A reduction to the SLA costs of £20,000 as a result of previously assumed inflationary increases not being applied.
- **Increase in Southwark Street premises costs** – Marginal inflationary increases to premises costs of £9,000;
- **Additional Supplies and Services** – Small inflationary increases to supplies and services totalling £14,000;
- **Central Recharge expenditure** – An increase of central recharges costs within the joint committee due to annual movement of costs being recharge.
- **Decrease in London Fire Commissioner subscription** – London Councils is no longer in receipt a subscription from the LFC.
- **Increase in proposed use of reserves** – the proposed transfer from Joint Committee reserves for 2021/22 is £605,000, a £205,000 increase on the figure of £400,000 for the current year. As stated in paragraph 4, rental income was projected to accrue an estimated £250k in the current year (2020/21), rising to £550k by 2023/24, which would progressively reduce the annual amounts requiring transfer from uncommitted Joint Committee reserves to balance the budget over this period. Delays due to the COVID-19 pandemic have resulted in no additional tenants in the current year therefore this, coupled with pressures on income and general inflationary cost increases, such as staffing costs as set out

in paragraph 8, has resulted in an increased reliance on uncommitted reserves. As with boroughs, there has been a significant increase in the flexible deployment of resource during the pandemic to try and meet the needs of supporting member councils and working with wider London partners in response. These steps have been previously reported to members and there continues to be a high degree of turbulence in the nature of tasks that need to be undertaken separate from that originally envisaged. In time, it will be necessary to consider what lasting impact these developments will have on the base of ongoing activity and what the medium term impact of that will be in terms of future budget decisions. In the current phase of activity, however, it has not been possible to do that reliably and to engage in a broader debate with members and councils about the impact of that on London Councils service to member boroughs.

- **Net Increase in income from tenants, funded groups and central recharges**
– Net income from funded groups and central recharges across the committees has resulted in a small increase of £67,000 largely due to additional policy posts being funded by TEC and the spreading of central costs which have increased in line with inflation.
- **Decrease in Investment Income** – A reduction in investment income receivable to reflect the reduced interest rates being achieved on cash balances.
- **Transfer between committees (TEC)** – Income for specific Environment Policy work to be funded from TEC as agreed by TEC members in 2019.

Externally Funded Projects

50. In addition to the proposed expenditure of £341.317 million for largely borough funded activity, expenditure on activities financed through external contributions is currently projected to be in excess of £4.2 million in 2021/22, with funding being received through various external sources to fully fund the projects, ensuring no cost to boroughs. Once confirmation of continued funding into 2021/22 is received

from funders over the coming months, budget plans for expenditure will be revised accordingly to ensure that they match the available funding.

Updated position on Reserves

51. The current position on the overall level of London Councils reserves is detailed in Table 9 below, which includes the forecast outturn position for the current year at the half-year stage:

Table 9 – Current Uncommitted Reserves

	Transport and Environment Committee (£000)	Joint Committee (£000)	Grants Committee (£000)	Total (£000)
General Reserve at 1 April 2020	3,889	5,573	820	10,282
Specific/ESF reserve at 1 April 2020	2,741	-	1,074	3,815
Provisional reserves at 1 April 2020	6,630	5,573	1,894	14,097
Committed in setting 2020/21 budget	(579)	(400)	-	(979)
Balances c/f into 2020/21	(91)	(452)	-	(543)
NRPF grants commitments in 2020/21	-	-	(960)	(960)
Use of TEC priority projects reserves in 2020/21	(160)	-	-	(160)
Provisional other commitments for 2021/22 -2022/23	(1,340)	-	-	(1,340)
Projected surplus/(deficit) for the year	200	94	31	325
Uncommitted reserves	4,660	4,815	965	10,440

52. The current level of commitments from reserves, as detailed in Table 9, come to £3.982 million and are detailed in full in Table 10 below:

Table 10– Current Commitments from Reserves

	2020/21	2021/22	2022/23	Total
	£000	£000	£000	£000
Balances b/f from 2019/20	543	-	-	543
Approved transfer from JC general reserves	300	-	-	300
Approved transfer from TEC general reserves	579	-	-	579

NRPF grants funding	960	-	-	960
Support to the health transition process	100	-	-	100
TEC priority projects	160	199	1,141	1,500
Totals	2,642	199	1,141	3,982

53. After taking into account the budget proposals outlined in this report and the recommended use of reserves of £1.530 million, which is made up of previously approved resources of £199,000 for TEC priority projects included in table 10 above and £1.331 million in general reserves in Table 11, the level of uncommitted reserves reduces to £9.109 million, as detailed below:

Table 11 - Estimated Uncommitted Reserves as at 1 April 2021

	Transport and Environment Committee (£000)		Joint Committee (£000)	Grants Committee (£000)		Total (£000)
	General	Specific	General	S.48	ESF/ NRPF	
Projected uncommitted reserves (Table 10)	3,419	1,241	4,815	851	114	10,440
Proposal included in 2021/22 budget figures	(726)	-	(605)*	-	-	(1,331)
Transfer to Specific Reserves	-	-	-	-	-	-
Estimated residual uncommitted reserves	2,693	1,241	4,210	851	114	9,109

*Includes £100,000 to support the Health agenda

54. For the Grants Committee, the Grants Executive in September 2013 agreed that the level of reserves to cover the S.48 borough funded commissions (priorities 1 and 2) should be set at 3.75% of the budget, which will equate to £250,000 in respect of a proposed budget of £6.668 million for 2021/22. The forecast level of uncommitted reserves of £851,000 is, therefore, in excess of this benchmark at 12.76% of the proposed budget. In addition, residual S.48 ESF reserves of £114,000 are retained following the end of the programme following payments made in respect of No Recourse to Public Funds.

55. For TEC, uncommitted general reserves are forecasted to be £3.419 million as at 31 March 2021 and reflects the forecast surplus on general reserves of £200,000 for the current year.

56. After considering the proposed use of general TEC reserves of £925,000 in setting the 2021/22 budget (all, subject to agreement of main TEC meeting on 10 December), uncommitted general TEC reserves are forecast reduce to £2.693 million, or 18.8% of proposed operating and trading expenditure of £14.291 million. The TEC Executive Sub-Committee will be considering options for the level of uncommitted reserves in the short-term at its meeting on 19 November, with a view to making recommendations to the main TEC meeting in December.
57. For the Joint Committee functions, uncommitted general reserves are projected to be £4.210 million if the proposals in this report are approved. In a period of continuing financial constraint for London local government, and as demonstrated in the recent past, there is continued value in holding a reasonable level of reserves as a contingency. This will also facilitate a period of transition for the organisation, both in terms of the direction of travel relating to redefined priorities and pledges, the completion of the outcomes of the London Councils Challenge work and managing the impact of the COVID-19 pandemic.
58. Under existing CIPFA guidance, the Chief Financial Officer of an organisation is advised to make an annual statement on the adequacy of the level of an organisation's reserves. This is achieved by expressing the total level of estimated uncommitted reserves as a percentage of operating costs.
59. If the Leaders' Committee/TEC approves the use of uncommitted reserves of £1.530 million for 2021/22, as detailed in this report, residual uncommitted reserves would reduce to £9.109 million. This would represent 37.8% of total operating and trading expenditure in 2021/22 of £24.108 million. The comparable figures reported to the Executive 12 months ago was projected uncommitted reserves of £11.626 million, which equated to 49.4% of provisional operating and trading expenditure of £23.512 million for 2020/21. This position maintains the desire expressed at recent meetings of the Executive for a healthy reserves position, particularly in the current economic climate. The Director of Corporate

Resources is, therefore, content to issue a positive statement on the adequacy of the residual London Councils reserves for 2021/22.

Conclusions

60. This report proposes the level of boroughs subscriptions and charges to be levied in 2021/22, together with the consolidated revenue income and expenditure budget for 2021/22. The report also updates the Executive on the current level of London Councils reserves after considering all current and proposed commitments, plus the timetable for the overall budget approval process. Following consideration by this meeting, proposals will be submitted to the Leaders' Committee meeting on 8 December for final consideration and approval.

Summary

61. This report proposes the level of boroughs subscriptions and charges to be levied in 2021/22, together with the consolidated revenue income and expenditure budget for 2021/22.

62. The subscription and budget proposals for 2021/22 relating to the Grants Committee, as contained in this report, will be considered by the Grants Committee at its meeting on 11 November. The Grants Committee will be asked to recommend that the Leaders' Committee approve the proposals as laid out in this report on 8 December.

63. The subscription and budget proposals for 2021/22 relating to the Transport and Environment Committee will be considered by the TEC Executive Sub-Committee at its meeting on 19 November and will be put before the main TEC meeting on 10 December for final approval. The Executive is, therefore, asked to recommend that the Leaders' Committee endorse the provisional TEC figures as laid out in this report, at its 8 December meeting.

Recommendations

64. The Executive is asked to recommend that the Leaders' Committee approve at their meeting on 8 December 2020 the following borough subscription and charges:

- The proposed Joint Committee subscription for boroughs of £161,958 per borough for 2021/22, no change on the charge of £161,958 for 2020/21. (paragraph 14);
- The proposed Joint Committee subscription for MOPAC of £15,410 for 2021/20, no change on the charge of £15,410 for 2020/21 (paragraph 15);
- An overall level of expenditure of £6.668 million for the Grants Scheme in 2021/22, no change on the expenditure for 2020/21; and
- Borough contributions for 2021/22 should be £6.668 million to fully cover the cost of the Grants scheme, no change from 2020/21 (paragraphs 16-18).

65. The Executive is also asked to recommend that the Leaders' Committee endorse the following subscription and charges for 2020/21 for TEC, which will be considered by the TEC Executive Sub-Committee on 14 November, before being presented to the main meeting of TEC on 5 December for final approval:

- The Parking Core Administration Charge of £1,500 per borough and for TfL (2020/21) - £1,500 (paragraph 19);
- No charge to boroughs in respect of the Freedom Pass Administration Charge, which is covered by replacement Freedom Pass income (2020/21 – no charge) (paragraph 21);
- The net Taxicard Administration Charge to boroughs of £338,000 in total (2020/21 - £338,000); (paragraph 22);
- No charge to boroughs and TfL in respect of the Lorry Control Administration Charge, which is fully covered by estimated PCN income (2020/21 – no charge) (paragraph 23);

- The Parking Enforcement Service Charge of £0.3596 per PCN, which will be distributed to boroughs and TfL in accordance with the number of PCNs issued in 2019/20 (2020/21 - £0.3708 per PCN; paragraphs 26-27);
- The Parking and Traffic Appeals Charge of £27.84 per appeal or £24.06 per appeal where electronic evidence is provided by the enforcing authority (2020/21 - £27.35/£23.63 per appeal). For hearing Statutory Declarations, a charge of £22.15 for hard copy submissions and £21.40 for electronic submissions (2020/21 - £21.78/£21.04 per SD) (paragraphs 28-29);
- Congestion Charging Appeals including ULEZ – to be recovered on a full cost recovery basis, as for 2020/21, under the current contract arrangement with the GLA (paragraph 30);
- The TRACE (Electronic) Charge of £7.53 per transaction (2020/21 - £7.53) (paragraphs 31-33);
- The TRACE (Fax/Email) Charge of £7.70 per transaction, which is levied in addition to the electronic charge of £7.53 per transaction, making a total of £15.23 (2020/21 - £15.23) (paragraphs 31-33); and
- The TEC Charge of £0.175 per transaction (2020/21 - £0.175) (paragraphs 31-33).

66. Based on the above proposed level of subscriptions and charges, the Executive is asked to recommend to the Leaders' Committee:

- The provisional consolidated revenue expenditure budget for 2021/22 for London Councils of £341.317 million, as per Table 4 at paragraph 34 and Appendix A of this report;
- The provisional consolidated revenue income budget for 2021/22 for London Councils of £341.317 million, also as per Table 4 at paragraph 34 and Appendix B;

- Within the total income requirement, the use of London Councils reserves of £1.530 million in 2021/22, as detailed in Table 11 at paragraph 53.

67. The Executive is also asked to recommend that the Leaders' Committee note:

- The position in respect of forecast uncommitted London Councils reserves as at 31 March 2021, as detailed at paragraphs 51-57; and
 - The positive statement on the adequacy of the residual London Councils reserves issued by the Director of Corporate Resources, as detailed in paragraphs 58-59.
-

Financial Implications for London Councils

As detailed in the body of the report.

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

Appendices

- Appendix A – the provisional consolidated revenue expenditure budget for London Councils for 2021/22.
- Appendix B – the provisional consolidated revenue income budget for London Councils for 2021/22.

Background Papers

London Councils budget working papers 2010/11 to 2021/22.

Appendix A

Proposed Consolidated Expenditure Budget 2021/22

	Jt Ctte £000	Grants £000	TEC £000	Total £000
Payments in respect of Concessionary Fares				
TfL	0	0	281,656	281,656
RDG	0	0	17,772	17,772
Other Bus Operators	0	0	1,100	1,100
Freedom Pass survey and reissue costs	0	0	1,518	1,518
Freedom Pass Administration	0	0	520	520
Comcab	0	0	10,447	10,447
Taxicard Administration	0	0	598	598
Sub-Total	0	0	313,611	313,611
Payments for commissioned services				
S.48 pan-London commisions	0	6,173	0	6,173
Subscription to London Funders Group	0	60	0	60
S.48 ESF pan-London commissions	0	0	0	0
Sub-Total	0	6,233	0	6,233
TEC Trading Account Expenditure				
Payments to Adjudicators- ETA	0	0	780	780
Payments to Adjudicators - RUCA	0	0	532	532
Northgate variable contract costs - ETA	0	0	304	304
Northgate variable contract costs - RUCA	0	0	174	174
Northgate variable contract costs - Other	0	0	211	211
Payments to Northampton County Court	0	0	4,000	4,000
Lorry Control Administration	0	0	770	770
ETA/RUCA Administration	0	0	3,060	3,060
HEB Administration	0	0	43	43
Sub-Total	0	0	9,874	9,874
Total Direct Services	0	6,233	323,485	329,718
Operating Expenditure				
Contractual Commitments				
Capital Ambition legacy project costs	82	0	0	82
Contribution to LOTI	100	0	0	100
YPES Regional/Provider Activities	50	0	0	50
Southwark Street Leasehold Costs	1,366	0	0	1,366
Leases for photocopiers	29	0	0	29
HR Metrics Infinistats contract	35	0	0	35
Northgate Fixed Costs	0	0	97	97
External audit fees	40	0	0	40
CoL Finance/Legal/HR/IT SLA	497	0	0	497
Depreciation	191	0	0	191
Grants GIFTS system support	0	10	0	10
Sub-Total	2,390	10	97	2,497
Salary Commitments				
Officers	4,867	218	786	5,871
Members	219	19	20	258
Maternity provision	50	10	30	90
Sub-Total	5,137	247	835	6,219
Discretionary Expenditure				
Staff training/recruitment advertising	112	7	0	119
Staff travel	17	2	0	19
Other premises costs	291	0	0	291
SS ICT support	60	0	0	60
Supplies and service	718	0	157	875
Research	402	0	40	442
Contributiobn to Health related work	100	0	0	100
Other 3rd party payments	0	0	84	84
Sub-Total	1,701	9	281	1,991
Total Operating Expenditure	9,227	266	1,213	10,706
Central Recharges	156	169	567	892
Total Expenditure	9,383	6,668	325,266	341,317

Appendix B

Proposed Consolidated Income Budget 2021/22

	Jt Ctte £000	Grants £000	TEC £000	Total £000
Borough contributions to TfL	0	0	281,656	281,656
Borough contributions to ATOC	0	0	17,772	17,772
Borough contributions to other bus operators	0	0	1,100	1,100
Borough contributions to surveys/reissue costs	0	0	1,518	1,518
Borough contributions to freedom pass administration	0	0	0	0
Income from replacing lost/faulty freedom passes	0	0	600	600
Income from replacing lost/faulty taxicards	0	0	18	18
Borough contributions to Comcab	0	0	1,588	1,588
TfL contribution to Taxicard scheme	0	0	8,859	8,859
Borough contributions to taxicard administration	0	0	324	324
TfL Contribution to taxicard administration	0	0	124	124
Sub-total	0	0	313,559	313,559
Borough contribution to grants payments	0	6,233	0	6,233
ESF Grant Income	0	0	0	0
Sub-total	0	6,233	0	6,233
TEC trading account income				
Borough contributions to Lorry Control administration	0	0	0	0
London Lorry Control PCN income	0	0	1,000	1,000
Borough ETA appeal charges	0	0	967	967
TfL ETA appeal charges	0	0	118	118
GLA RUCA appeal income	0	0	706	706
Borough fixed parking costs	0	0	2,051	2,051
TfL fixed parking costs	0	0	270	270
GLA fixed parking costs	0	0	836	836
Borough other parking services	0	0	566	566
Northampton County Court Recharges	0	0	4,000	4,000
Sub-total	0	0	10,514	10,514
Sub-Total	0	6,233	324,073	330,306
Core borough subscriptions				
Joint Committee	5,119	0	46	5,165
Grants Administration	0	435	0	435
TEC (inc TfL)	0	0	51	51
MPA subscription	17	0	0	17
Sub-total	5,136	435	97	5,668
Other Borough charges				
Borough contributions towards LCP functions	496	0	0	496
Borough contributions towards YPES functions	180	0	0	180
Borough contributions to HR Metrics service	101	0	0	101
Sub-total	777	0	0	777
Other Income				
Investments	65	0	0	65
Room bookings and conferences	100	0	0	100
Letting of office space	252	0	0	252
Deskpace charge to funded groups	113	0	0	113
Sales of publications	18	0	0	18
Employment services trading account income	38	0	0	38
TfL secretariat recharge	0	0	31	31
Sales of Health Emergency badges	0	0	43	43
Miscellaneous income	8	0	0	8
Contribution from TfL for Environmental Policy priorities	0	0	98	98
Transfer from TEC Committee	68	0	0	68
Sub-total	662	0	172	834
Transfer from Reserves	605	0	925	1,530
Central Recharges	2,203	0	0	2,203
Total Income Base Budget	9,383	6,668	325,266	341,317