

Executive

18 June 2019: 9.30 am

Location: Private Dining Room (West Wing of Guildhall)

Contact Officer: David Dent

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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.

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**Minutes of the Meeting of the Executive
Tuesday 21st May 2019 9:30 am**

Cllr Peter John OBE was in the chair

Present

Member	Position
Cllr Peter John OBE	Chair
Cllr Teresa O'Neill OBE	Vice chair
Cllr Nickie Aiken	
Cllr Julian Bell	
Cllr Darren Rodwell	
Cllr Muhammed Butt	
Cllr Jas Athwal	
Cllr Clyde Loakes	Substitute
Cllr Ray Puddifoot MBE	
Cllr Liz Green	Substitute
Mayor John Biggs	Substitute

Cllr Ravi Govindia CBE and London Councils officers were in attendance.

1. Apologies for absence and announcement of deputies

Apologies were received from Cllr Georgia Gould for whom Mayor John Biggs was substituting, Cllr Ruth Dombey OBE for whom Cllr Liz Green was substituting, Cllr Clare Coghill for whom Cllr Clyde Loakes was substituting, and Catherine McGuinness.

2. Declaration of interest

Cllr Teresa O'Neill declared an interest as a board member for Homes for England.

3. Minutes of the Executive Meeting held on 26th February 2019

The minutes of the Executive meeting held on 26th February 2019 were agreed as an accurate record of the meeting

4. Secure Children's Homes

It was reported that item 4 on the Agenda, "Secure Children's Homes' had been withdrawn from the agenda.

5. Exiting the EU – Update on Local Engagement

The Chief Executive introduced the report. There were two primary streams of work in which London local government was engaged – the pan London resilience and contingency arrangements reporting through the Local Authority Panel in to the London Resilience Panel, as well as the regional information hub with MHCLG being delivered through London Councils. Members were informed that since 11th April the daily and weekly reporting schedules had been suspended following the extension of Article 50; weekly teleconferences involving the nine Regional Hub Chief Executives and officials from Government had continued. The Ministerial EU Exit Local Government Delivery Board, with London Councils representation, also continued to meet.

In response to a question from the Chair about position of settled status cases, the Chief Executive confirmed that he had asked the Home Office for a breakdown of cases by borough to match against borough expectations.

Cllr Govindia asked about available information on whether people were opting to apply for dual nationality as opposed to settled status. The Chief Executive agreed to investigate the likely availability of such data.

Members noted the report.

6. Nominations to Outside Bodies

The Chief Executive informed members that the report was made annually to members on the breakdown of nominations to outside bodies and the principles underpinning this.

In response to a question from Cllr Bell, it was confirmed that most nominations were elected members but, on occasion, non-elected people were nominated where, it was felt, this could benefit London local government.

Members noted the report.

The meeting ended at 09:55 am.

Action points			
	Item	Action by	Progress
5.	Exiting the EU – Update on Local Engagement <ul style="list-style-type: none"> Chief Executive to check the availability of dual nationality applications against settled status applications. 	Chief Executive	Ongoing

Executive

Secure Children's Homes

Item 4

Report by: Clive Grimshaw **Job title:** Strategic Lead for Health and Social Care
Date: 18 June 2019
Contact Officer: Clive Grimshaw
Telephone: 020 7934 9830 **Email:** Clive.grimshaw@londoncouncils.gov.uk

Summary This report summarises the background to work undertaken by the Association of London Directors of Children's Services and NHS England (London Region) to review the use of secure children's homes for London's children and young people and sets out the proposed way forward for ensuring strengthened arrangements in the future.

Recommendations The Executive is asked to note the work of the Steering Group and to comment on the proposal being developed.

Secure Children's Homes

Background

1. To address concerns around the availability, distance travelled, outcomes achieved and high costs of secure placements, the Association of London Directors of Children's Services (ALDCS), in partnership with NHS England (London Region), commissioned a regional review of the use of secure children's homes (SCHs) for London's children and young people covering:
 - those placed by a local authority under section 25 of the Children Act 1989 (welfare placements);
 - those sent to a secure children's home on sentence or if they are refused bail and remanded to local authority accommodation with secure conditions (justice placements); and
 - young people held in police custody between being charged and appearing in court because they satisfy the 'serious harm' criterion but no local authority secure accommodation is available.
2. In parallel to this review, the Department for Education (DfE) awarded funding for three feasibility studies into how regions can increase the sufficiency of secure residential places, including to London Borough of Barking and Dagenham. ALDCS, NHS England (London) and the London Borough of Barking and Dagenham have agreed to collaborate to ensure a coherent approach for London. Any final proposition will be put to individual boroughs for their consideration.

Demand and Needs Analysis

3. A data analysis of placements suggests:
 - High numbers of London requests for secure placements, with an estimated average of 33 CYP accommodated in SCHs at any point of time, approximately two thirds welfare and one third justice placements. For welfare placements the average is 4.2 months and for justice placements it is 2.5 months. However, this can vary significantly, from 28 days to more than a year.
 - Of 121 welfare requests from London across 12 months, less than half resulted in a placement, with many requests withdrawn (e.g. through the

Court Order not being granted or missing child). While the options for cases where the request is withdrawn are mixed, they include bespoke wraparound support being put in place with high staff ratios.

- A high degree of variability across London, with two boroughs averaging more than one welfare request a month and up to eight boroughs not making any requests at all during the period of review. There is similarly high variation across justice placements. Data for the period reviewed only covered a 12 month period. However, it is known that in some boroughs where no request was made, placements were requested outside of that 12 month window. In other boroughs, there has been a policy decision not to use secure placements (or to use only as a last resort). Use of secure placements also varies due to other factors, including the quality and availability of local non-secure accommodation, and some boroughs have also built capacity (for example, specialist fostering and community support), which mean there is more capacity to dedicate to working to prevent placements being required.
- An average distance from home of 192 miles for welfare placements, providing geographical barriers to work with families and local services.
- The majority of welfare placements are aged 14-16, of mixed gender and with an overrepresentation from BAME groups. Whilst justice placements have a similar ethnic profile, the majority are male and younger than those placed on welfare grounds.
- Substance misuse, offending and challenging behaviours are prominent complexities displayed. Almost all females have CSE identified, whilst gang affiliation is common amongst males. In some cases, it is acknowledged that a London placement would not be suitable and that it may be more appropriate to place outside of London.

Borough Engagement

4. A Steering Group has overseen the review, made up of joint Senior Responsible Officers from NHS England (London) (Sinéad Dervin, Head of Health and Justice Team) and ALDCS (Martin Pratt, Chair of ALDCS and Executive Director Supporting People, London Borough of Camden).
5. Other members include representatives from:
 - London Borough of Barking and Dagenham
 - London Borough of Barnet
 - London Borough of Bexley
 - London Borough of Croydon
 - London Borough of Hillingdon
 - London Borough of Lambeth
 - London Borough of Newham
 - London Borough of Sutton
 - Department for Education (DfE)
 - Mayor's Office for Police and Crime (MOPAC)
 - NHS England (National)
6. In addition, a wide range of stakeholders have been engaged in the review, including local authorities, Secure Children's Home managers, practitioners and children and young people with lived experience of Secure Children's Homes in order to better understand existing service offers, care pathways, needs and challenges.
7. Common themes revealed included:
 - Planning for both the secure placement itself, as well as discharge can be rushed, which impacts on outcomes and the children and young people's perception of their situation.
 - Effective options for transitioning out of SCH are often limited due to low capacity of stepdown provision. The location of such provision is also often remote from the SCH.
 - There is a gap in provision for those 'on the edge of secure', where early and intensive intervention could possibly prevent a secure placement being

required. For such children and young people it can be difficult to find a placement due to their history – this is a small cohort of children and young people, and more work is needed to identify this demand and develop options to support this cohort. These children were outside the scope of the review.

- Some boroughs have had to resort to bespoke wraparound arrangements with high staff ratios to support children and young people where no other appropriate provision has been available. It is reported that this can cost between £10,000 and £15,000 per annum.
- Consistent and regular communication between stakeholders and with children and young people is critical for effective planning and continuity of care and interventions following a secure placement. For example, effective communication between social workers, the Youth Offending Team, and others within the local authority area, with the SCH staff is important to ensuring that care plans continue and interventions are maintained when the child returns to the community.
- A high proportion of children and young people placed in SCHs either have an Education and Health Care Plan, or require one. A large proportion of those placed have lost engagement with education from an early age.
- There is growing evidence that secure provision and the services provided are currently insufficient to support improved outcomes. Emerging models need to look more closely at the whole pathway.

Options Appraisal

8. The analysis and engagement provided evidence of a need for London to find a better approach to supporting some of the capital's most vulnerable children and young people. As part of the approach the review developed a set of options and a methodology and criteria for assessing those options. The options included elements of secure and non-secure provision to support the identified need:

- Small (8-12 place), large (20-24 place) or two small SCHs in, or close to, London.

- Addition of a step-down facility for children and young people transitioning from a secure placement.
 - Addition of a specialised open facility for children and young people stepping down and those in care that need targeted support to prevent a secure placement.
9. The options were evaluated against the assessment criteria (see appendix 1), which looked at supporting outcomes across the whole pathway from prevention and accessibility of secure placements to continuity of care and supporting transitions into the community. Based upon the options appraisal and views received, the Steering Group has recommended that London:
- Commissions the design and build of two 12 bedded secure children's homes within, or close to, London in separate geographical locations to be allocated for welfare placements.
 - Designs each secure children's home to allow for an additional 6 beds each to be added to accommodate justice placements, subject to gaining in principle agreement from Ministry of Justice.
 - Additionally commissions two step-down units of 6 places, each linked to each SCH, to support children and young people transitioning out of secure accommodation.
 - Undertakes further work to scope the requirements for provision to support the 'edge of secure' cohort and determine the number of beds required.

Commissioning Arrangements

10. In order to support the chosen option, the following principles have been proposed by the Steering Group:
- A partnership of London boroughs should be established via a separate pan-London legal entity, to remove risk from a single borough and facilitate a collaborative approach across London.

- A new entity should act as the purchaser and commission a provider to deliver the service.
- Specification based on best practice to be co-designed with an expert reference group.
- A contract model should be developed to share the risk between boroughs and the provider and incentivise quality of care and education.

Next Steps

11. The outline business case was submitted to DfE at the end of March. A decision is expected in June following Ministerial consideration. Subject to a decision by the DfE, additional funding would be available for design and planning from June. Any financial implications for boroughs would need to be set out in additional reports for further consideration by individual boroughs.

Recommendations

The Executive is asked to note the work of the Steering Group and to comment on the proposal being developed.

Financial Implications for London Councils

The average cost of a secure placement per child per week is £5,666, with an estimated total annual welfare cost to London of £6.2m. However, these figures do not include the ancillary cost of placements, including secure transport, travel and accommodation for visits.

There are no financial implications for London Councils resulting from this report. Any financial implications for boroughs would need to be set out in additional reports further consideration by individual boroughs

Legal Implications for London Councils

There are no legal implications for London Councils resulting from this report.

Equalities implications for London Councils

There are no equalities implications for London Councils.

Evaluation Criteria

Early intervention/ prevention – The impact that the option will have on preventing the need for a secure placement, reducing demand and repeat referrals through early intervention and support

Accessibility of a secure placement – The impact that the option will have on improving accessibility to secure welfare provision for London's CYP in relation to capacity, distance and matching (e.g. for CYP with gang affiliation). There are an average of 18 open referrals not being placed due to a national shortage of capacity and 21 welfare placements from London

Continuity of care and relationships – The impact that the option will have on enabling better continuity of care for CYP placed within a secure placement. This will be positively impacted by placements closer to home. The current average distance from home is 192 miles

Care and education in the placement – The impact that the option will have on the level of care, education and wider support that is provided to CYP whilst they are placed within a secure children's home, such that they can feel safe and develop positive behaviours

Transition from secure to community – The impact that the option will have on supporting transitions from a secure placement and enabling positive resettlement back into the community

Value for money – The total cost for London under each option (taking into account that depending on the option some CYP may still need to be placed under current provision) and value for money implications of each option, particularly around better use of resources to deliver an improved or equivalent level of care.

Initial investment – Many of the options presented will require an initial one-off investment of funds from commissioners, including local government, central government and/or the NHS

Deliverability – The deliverability of each option in terms of availability of land and resources, timelines, commissioning arrangements, governance required and long-term sustainability

Executive

MHCLG Consultation: Future Funding and Delivery of Accommodation-based Domestic Abuse Services Item No 5

Report by: Doug Flight **Job title:** Strategic Policy Lead

Date: 18th June 2019

Contact Officer: Catherine Dunn

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Summary: MHCLG have put forward proposals for future funding and delivery of accommodation-based domestic abuse services in England from 2020, including refuges. Under these proposals, the GLA would take a role in convening a partnership board to oversee the strategy and commissioning of these services in London, as well as delivery of central government funding. This would be underpinned by a statutory duty on the GLA as a 'Tier 1' authority. Boroughs would have a statutory duty as 'Tier 2 authorities' to co-operate with the work led by the GLA, i.e. to engage with the board to support its core functions. This would include conducting needs assessments in local areas and commissioning where relevant.

This report outlines the proposals set out in the White Paper, provides background on the London context and seeks a steer from Members in advance of a London Councils response.

Recommendation: Members of the Executive are asked to:

1. Consider the proposals outlined below in relation to London and local commissioning of domestic abuse services.
 2. Offer a steer to inform a London Councils' response to the consultation proposals and to comment on:
 - The potential benefits of a pan-London approach.
 - The role of boroughs and London Councils in a pan London governance arrangement.
 - The potential role of the London Councils Grants Programme within this model
-

Future funding of accommodation-based support for domestic abuse survivors

Introduction

1. Through the course of last year, MHCLG carried out a review into the funding and delivery of accommodation-based support services for domestic abuse survivors, including an audit of local authority commissioning for all domestic abuse provision. This formed part of a wider programme of work accompanying the Domestic Abuse Bill and findings have informed the development of a new model for funding accommodation-based support services from 2020.
2. A White Paper was published on 13th May by MHCLG based on findings from this review: 'Domestic Abuse Services: Future Delivery of Support to Victims and their Children in Accommodation-based Domestic Abuse Service'. The White Paper concludes that, while there are examples of good practice in local commissioning and strategy, more needs to be done to ensure that provision works fairly across the country and that support is available to all victims and children.
3. Accommodation-based domestic abuse support does not just refer to refuge provision, but the multiple support services which help survivors and their children stay safe and recover in their accommodation. This can include resettlement support, floating support, support for children or 'Sanctuary schemes' (preventative measures which increase security in a tenancy to help prevent a survivor being made homeless as a result of the abuse). It can also include move-on and dispersed accommodation.
4. The proposals from MHCLG aim to establish a new system for funding refuges and other accommodation-based support services from 2020. From 2016, MHCLG have contributed £40 million to refuges and related accommodation support services through two rounds of competitive grant funding.

The current commissioning landscape in London for refuges

5. The commissioning landscape for refuges and related services is complex with funding coming from a variety of sources, including local authorities, direct from MHCLG and through the London Councils' Grants Programme. Information is available on the number of refuge places that are available across boroughs in London, however detail

on spend and funding streams is not available. The audit carried out by MHCLG was intended to gather robust data on local spend and provision, however this has not yet been published.

6. The London Councils Grants programme has funded Women's Aid to develop an interactive dashboard on use of refuges in London, using data from the national Routes to Support Database. This data shows that London compares favourably to other regions in terms of the provision of refuge spaces. There are 892 refuge spaces in London boroughs, 23% of the total refuge provision in the whole of England. Last year, 1,187 women and 1,011 children were placed in London refuges. There is still a high rate of unsuccessful referrals to refuge across London (on average over 60%), which indicates continuing challenges in access to refuge and safe accommodation. Budgets for refuge services and associated support have also been affected by reductions to core local authority resources over recent years.
7. London Councils' Grants Programme also funds a consortium of specialist refuges through the Specialist Refuge Network project on a pan-London basis for survivors of abuse with additional needs, including No Recourse to Public Funds. This represents a significant investment of £3.36 million over four years (2017-21), £840,000 per year.
8. Investment in refuge provision has historically varied across boroughs, reflecting local decision making. Refuges are considered a local resource, but can be seen as part of a London-wide pattern of provision, given that they are typically used by those from outside a local authority area; For example, data from Routes to Support for 2018-19 shows that only 3% of women in one London refuge came from the borough in which the refuge was situated.
9. A number of commissioners and providers have called for a more strategic, London-wide approach to refuges and related provision. One of London Councils' Pledges, as agreed by Leaders' Committee, makes a commitment to establish a pan-London approach for commissioning refuges. Work is underway to progress this in collaboration with key partners. The model put forward by MHCLG could present some opportunities and a framework to progress this.

MHCLG proposals for future funding arrangements

10. The core aims set out in the White Paper are to uplift provision, deliver funding on a more sustainable basis and increase accountability. This would see MHCLG move away from short-term grant-based competition approaches, towards allocating funding through a larger geographical footprint for local delivery. It is expected that this would sit alongside local investment in provision.
11. The White Paper states that local authorities are best placed to lead the commissioning of support for victims and their children. It proposes a multi-agency framework to oversee the delivery of central funding, underpinned by a statutory duty with local authorities taking a lead role.
12. To allow a more strategic approach across larger geographical areas, the proposals make a distinction between 'Tier 1' and 'Tier 2' local authorities, for the purposes of the model:
 - Tier 1: County Councils, Metropolitan Councils, Unitary Authorities and – in the case of London – the GLA (as a 'lead authority').
 - Tier 2: District councils and London boroughs

The inference is that the proposed arrangements in London reflect the exceptional number of cross-border placements within what is seen as a pan-London pattern of provision.

13. The Tier 1 lead authorities will have a duty to convene a multi-agency Local Domestic Abuse Partnership Board (see diagram in [Appendix 1](#) for an overview). The lead authority would perform specified functions, in line with statutory guidance which will be published by the Secretary of State:
 - Assessing need and demand for accommodation-based support
 - Developing an area-wide strategy to meet support needs of victims and their children across the locality
 - Making commissioning/decommissioning decisions
 - Monitoring and evaluating local delivery and reporting to government on progress.
14. Tier 2 local authorities would have a duty to cooperate with the Local Domestic Abuse Partnership Boards. London boroughs would be expected to provide data to inform local

needs assessments, contribute to strategy development and commission services where relevant.

15. The White Paper envisages that the membership of the partnership board would bring together local authorities, CCGs, Public Health, Police, Housing Associations and Sector Experts, but also reflect the specific needs of an area. The paper states that consideration should be given to whether existing partnership structures can be used to exercise these functions. For London, it may be appropriate to establish a new board, to reflect the extent of the work involved and complexities of the commissioning landscape.
16. MHCLG propose that partnerships would have flexibility to decide at what level services are commissioned locally and the White Paper states that central government funding would be provided to facilitate this. While not set out explicitly in the paper, MHCLG officials have advised that they envisage the pan-London investment would sit alongside, rather than replace local investment and commissioning. The needs assessment and strategies developed by the partnership board could inform local commissioning, but the board's direct commissioning remit relates specifically to MHCLG funding.
17. The Secretary of State, Rt Hon James Brokenshire MP, has stated that his department has earmarked £90 million to deliver the proposals, however a full assessment of cost is yet to be conducted. This would also be subject to the outcome of the Comprehensive Spending Review. A 'Call for Evidence' has accompanied the consultation to assist with costings. Given the level and complexity of need in London, it will be critical that these costings reflect the resources required to administer the model and the level of demand, taking trends in population growth and churn into account.

Areas for consideration

18. Borough officer networks in London were engaged as part of an informal consultation process to inform development of proposals. Initial feedback indicated support for a move away from short-term grant-based funding and towards increased resources to uplift provision. The potential for commissioning more strategically and improving the provision of data was also highlighted, but concerns were raised about protecting local provision and pathways, as well as the risks of disincentivising local investment.

19. With a view to informing a London Councils position, the Executive may wish to give their consideration to key areas of the proposals:

- The potential opportunity provided by the proposed approach to establish a more strategic approach to refuges and accommodation-based services.
- How pan-London governance might be best framed within this model?
- How London Councils and in particular its Grants Committee could add value to these proposals.

20. The Executive may consider that the proposed approach is helpful as a platform to support progress towards a more strategic, pan-London approach to commissioning refuges and related accommodation-based support. As envisaged in the White Paper, the approach could offer improved co-ordination of commissioning with needs assessments informing commissioning on a local and London-wide level. The parameters of local commissioning and investment and the interaction with the pan-London level remain to be determined and are likely to be a key concern for boroughs.

21. If the Executive is minded to support the pan-London approach outlined in this model, consideration would need to be given to the details of future governance. The proposed model is illustrated in Appendix A. This envisages a key role for the GLA in the funding and delivery of accommodation-based support services as a Tier 1 authority, given their responsibilities for investment and procurement in London services, in particular with regards to housing, homelessness and rough sleeping.

22. The Executive may wish to consider how governance could be strengthened, to ensure that boroughs play a central role in a Partnership Board and its decision-making. For example, given the key role of boroughs, we could argue for robust borough representation on the board and a borough co-chair, nominated through London Councils.

23. There are likely to be constitutional limitations to the direct role that London Councils could play in governance and delivery. A 'Tier 1' authority would be subject to a statutory duty and obliged to deliver on the associated responsibilities. Section 48 of the Local Government Act 1985 enables boroughs to fund voluntary action through a joint scheme provided by boroughs, namely the London Councils Grants Programme. However, the functions outlined in the proposed model would sit outside

this or other London Councils joint committee powers. There are associated implications for the body that takes on Tier 1 responsibilities relating to resources, commissioning and procurement expertise as well as a level of reputational risk.

24. Nonetheless, the London Councils Grants Programme may offer opportunities to add value. London Councils has experience, through the Grants programme, of commissioning domestic and sexual violence services on a pan-London basis for delivery on a local level. Through well-established consortia and partnerships, it benefits from economy of scale while supporting smaller, specialist providers, such as BAME organisations. This aligns with the priorities outlined by MHCLG in the proposals and suggests that the London Councils Grants programme could be a key delivery partner under the proposed model.

Conclusions

25. The approach outlined in the Government's proposals offers opportunities to work towards a more strategic, pan-London approach to providing refuge and accommodation-services for survivors of domestic abuse – one which reflects the current pattern of use. In particular, the model offers a framework and governance model that could support work towards a pan-London approach to refuge provision, grounded on local delivery and informed by local and pan-London needs assessments. However, the question remains of how effectively this would operate alongside local investment and commissioning.

26. To help form the basis of a London Councils response, the Executive is asked to offer a steer on the following:

- The potential benefits of a pan-London approach through this model.
- The role of boroughs and London Councils in a pan London governance arrangement.
- The potential role of the London Councils' Grants Programme within this model.

27. It is proposed that a formal response from London Councils is drafted for clearance by Cllr Jas Athwal, Executive Lead for Crime and Public Protection, taking account of the steer from the Executive.

Background Papers

Appendix A: Overview of proposed model and partnership arrangements.

MHCLG White Paper:

'Domestic Abuse Services: Future Delivery of Support to Victims and their Children in Accommodation-based Domestic Abuse Services'

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/801097/DA_Consultation_Document.pdf

Financial implications for London Councils

Proposals are at the consultation stage and costings for delivery have not been published.

Legal implications for London Councils

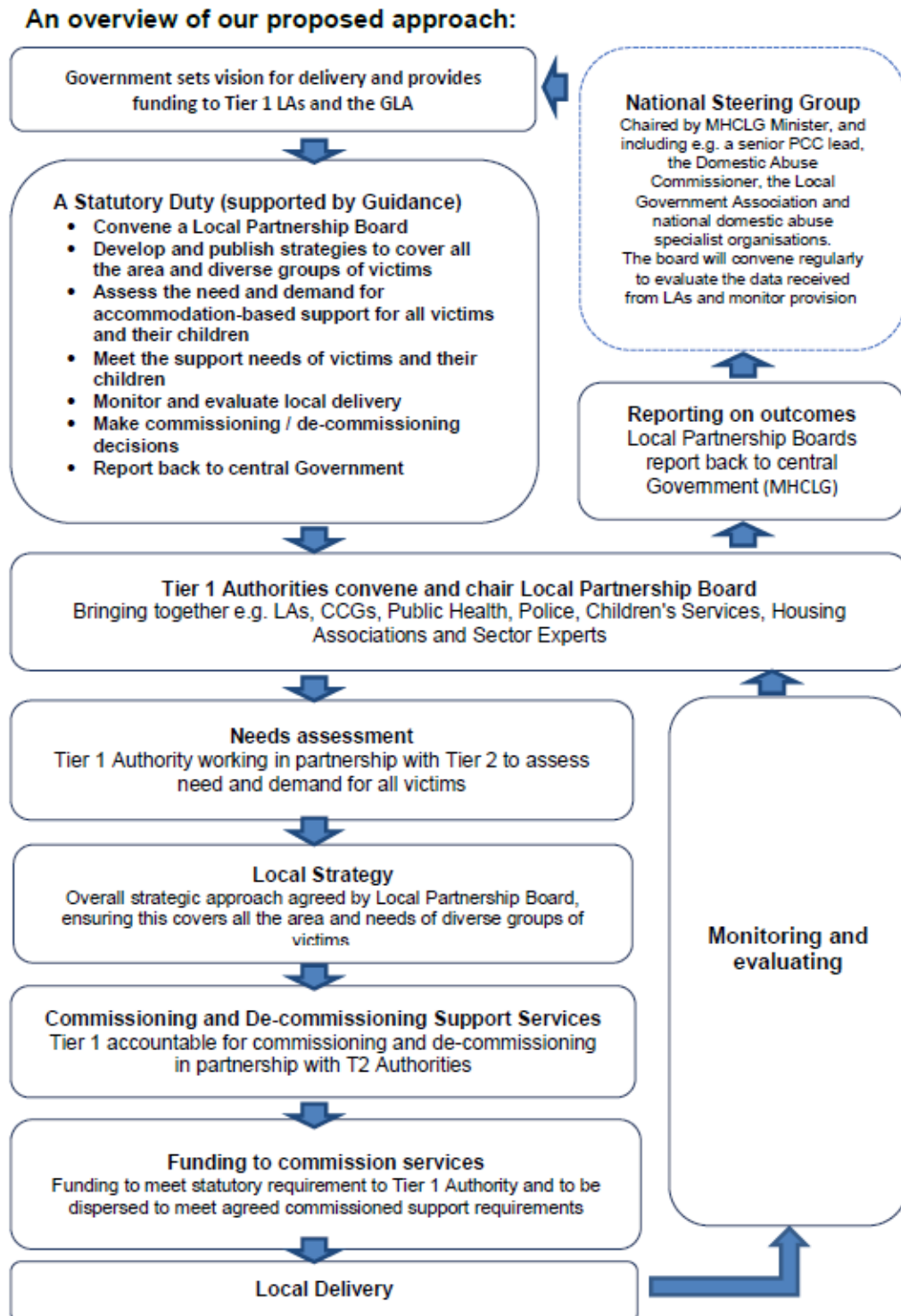
There are likely to be constitutional limitations to the direct role that London Councils could play in governance and delivery. S48 of the Local Government Act would not be sufficient to cover the Tier 1 authority role, as this confers grant-making powers only.

Equalities implications for London Councils

There are no direct equalities implications for London Councils as a result of this paper. However, core elements of the propositions are targeted at improving outcomes for survivors of abuse with protected characteristics, in particular gender, disabilities, LGBT and insecure immigration status.

APPENDIX A

MHCLG Model: GLA as Tier 1 authority, London boroughs as Tier 2 authorities



Executive

Next Steps for Housing Cross Sector Working

Item no: 6

Report by: Eloise Shepherd **Job title:** Head of Housing and Planning Policy

Date: 06/2019

Contact Officer: Eloise Shepherd

Telephone: 0207 934 9813 **Email:** Eloise.shepherd@londoncouncils.gov.uk

Summary This paper builds on previous discussions among members of the Executive in May 2019, as well as the success of London Councils' cross sectoral Housing Conference in March 2019. It recommends creating a clear suite of policy asks in the housing and residential development area via a time limited, focused working group drawn from Local Government, Housing Associations and the Private Sector.

Recommendations That the Executive agree that London Councils help establish and participate in a time limited, Task and Finish Group with Housing Association and Private Sector representation, and comment on potential work areas.

Next Steps for Housing Cross Sector Working

1. In March 2019 London councils held a cross sectoral housing conference, drawing together 111 senior level stakeholders in different housing sectors (e.g. the private sector, housing associations, central government and local government). At the conference several substantive policy areas were identified as being potentially useful for further joint working between these partners.
2. In May 2019 members of the Executive considered some potential ways forward for developing the areas identified. Members of the Executive favoured a means of progressing some discrete areas via time limited, task and finish working between partners.
3. Members of the Executive suggested that these be focused on specific task and finish work that should generate some proposed collaboration that could be endorsed by respective participants including London Councils, subject to agreement by Executive.
4. The proposal for the membership of such a Cross-Sectoral Task and Finish Group on Barriers to Delivery is as follows:
 - a. The group will be chaired by the London Councils Executive Member for Housing and Planning
 - b. The membership will include representation from all three political groupings
 - c. Other membership will be drawn from senior individuals in London local government, and the Housing Association sector and private sectors.
5. The broad categories of task and finish activity could include items from the following list:
 - Technical issues on which the in-house knowledge of either private sector, or housing association developers is important when designing new ways of working.
 - Co-designing a protocol on community engagement for potential adoption by developers working in London and other partners. Individual councils would, of course, determine whether they engaged such a protocol.

- Co-designing an approach to small site development that allowed small builders to enter the market by seeking to reduce the uncertainty associated with aspects of the planning system.
 - Identifying issues in the development of new homes in suburban London and seeking ways to collaborate to address these issues.
 - Identifying the challenges of densification in central London and developing agreed approaches to developing proposals involving densification.
 - Developing common approaches to scaling up the use of modular building and related precision manufacturing of homes across London.
 - Broader policy issues, where the support of the private and housing association sectors would increase London Councils influence in negotiation with government.
 - Developing proposals to government for greater access to public sector land in London.
 - Developing proposals to government for improved borough access to infrastructure funding; including but not limited to better borough access to the Housing Infrastructure Fund. (HIF).
 - Improving the use of apprenticeship funding across borough borders as recommended by the Homes for Londoners Construction Skills Sub-Group.
 - Agreeing a position on greater devolution of decisions concerning NHS estates to London in line with the London Estates Board strategy and the MoU agreed with government in 2017.
 - Agreeing proposals on financial flexibility to fund housing in London.
6. It is anticipated that the group would report back to constituent partners, including the London Councils Executive in early 2020 with a series of developing recommendations. Reports, as appropriate, would also be submitted to Leaders' Committee, contain recommendations that could be adopted by the decision of individual boroughs.
7. The group will draw on the expertise of other officer groups and existing panels in its work, and other discussion or focus groups may be pulled together to augment the work.

Recommendations and decisions:

That the Executive agree that London Councils help establish and participate in a time limited, Task and Finish Group with Housing Association and Private Sector representation, and comment on potential work areas.

Financial Implications for London Councils

Work contributing to the establishment of a proposed Task and Finish Group can be progressed within existing resources. Once the scale of the work programme has been identified, further consideration will need to be given to resourcing the work.

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

Executive

Borough role in the London Local Industrial Strategy and Skills and Employment Vision

Item no: 7

Report by:	Dianna Neal	Job title:	Strategic Lead: Enterprise, Economy and Skills
Date:	18 June 2019		
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Summary	This report outlines progress with the development of a Local Industrial Strategy in London and a Skills and Employment vision for the capital. It outlines the potential role that London boroughs could have in shaping and delivering the LIS and the Skills and Employment Vision.
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Recommendations	<p>That the Executive:</p> <ol style="list-style-type: none">1. Notes the report and progress with the development of London's Local Industrial Strategy (LIS) and a Skills and Employment Vision for London.2. Comments on the focus of London's LIS and the Skills and Employment Vision.3. Comments on the proposed borough role in shaping and delivering the LIS and the Skills and Employment Vision and the proposed next steps outlined in paragraph 15.
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Borough role in the London Local Industrial Strategy and Skills and Employment Vision

Introduction

1. All Mayoral Combined Authorities or Local Enterprise Partnerships (LEPs) have been tasked by the government to develop a Local Industrial Strategy by early 2020. In London, the Mayor is developing a London Local Industrial Strategy. The LIS will set out how London will contribute to the national Industrial Strategy¹ and its five foundations of productivity - ideas, people, infrastructure, business environment and places. It should identify the economy's strengths and weaknesses and set out a clear approach to raising productivity, supported by a robust evidence base.
2. The LIS will also set out London's priorities for future funding for local growth. Whilst the government has stated that the LIS should not be a bidding document, it has also indicated that some future growth funds will be awarded based on Local Industrial Strategies. This includes the UK Shared Prosperity Fund (UKSPF), which will replace European Structural and Investment Funds (ESIF). London received £580m of ESIF funding for the 2014-2020 programme.
3. The Skills and Employment Vision is being developed jointly by the GLA and London Councils. The vision will form the 'people' element of London's LIS, but will go further, setting out a strong pitch for future UKSPF and other funding and arguing for more fundamental reforms to London's skills and employment system and for powers to London government to achieve the vision. The vision is due to be launched in September 2019.

Progress to date

4. The GLA has been engaging with a range of stakeholders, through roundtables and existing meetings, to inform the development of the LIS, and is working with the London Economic Action Partnership (LEAP). The GLA and London Councils have also engaged with stakeholders on the skills and employment vision and worked closely with the Skills for Londoners (SfL) Board on the development of the vision. London Councils held a workshop on the LIS in December 2018 with boroughs and has since held workshops with borough officers on different aspects of the LIS and the employment and skills vision in May 2019.

¹ [HM Government, 2017, Industrial Strategy: Building a Britain fit for the future](#)

Focus of the LIS and skills and employment vision

5. London's LIS will address the challenge of inclusive growth – ensuring all Londoners and all parts of the city can participate in and benefit from London's dynamic and highly productive economy. The LIS will set out policies and priorities in four key areas:

- I. **Enabling access to good work and fair pay for all Londoners:** focusing on skills, health and childcare barriers to work and progression and the role of employers in improving the quality of work.
- II. **Supporting inclusive innovation in London:** supporting London's innovative sectors to develop solutions to the challenges London faces, widening participation in innovation among Londoners and across the business base, particularly in low wage, low productivity sectors.
- III. **Nurturing the conditions for local growth across communities:** supporting the development of economic hubs around town centres, high streets, industrial sites and sectoral clusters, putting in place the necessary supporting infrastructure to facilitate growth and investing in regeneration and placemaking.
- IV. **Collaborating for regional and national growth:** working with partners in the Wider South East to support the development of key economic corridors, identifying opportunities to work with cities and regions across the UK to deliver mutual growth and prosperity.

6. The Skills and Employment Vision will set out policies and priorities in three key areas:

- I. **Empowering Londoners:** providing inclusive and good quality education opportunities, particularly for the most disadvantaged Londoners. Focusing on developing an all-age careers service in London; employment and skills support for the most disadvantaged Londoners and communities and in-work progression opportunities for low-paid Londoners.
- II. **Meeting the needs of the economy:** with businesses and key sectors getting access to the talent they need. Developing progression pathways in key sectors² and around regeneration areas; a more flexible and effective apprenticeship system and the role of employers in improving the quality of work.
- III. **Developing a strategic city-wide offer that is agile, responsive and integrates services:** Coordination and alignment between skills, education, employment support and other local services; providing and using better, more accessible data on labour

² Digital, construction and infrastructure, creative industries, STEAM and health and social care.

demand and skills provision; creating an outcomes and impact framework for London's employment and skills system and improving recruitment, retention and leadership within education and skills.

The role of boroughs

7. London boroughs have an important role in shaping and delivering London's LIS and the skills and employment vision, to ensure that the LIS is delivered efficiently, effectively and meets the needs of London's diverse communities and businesses. Boroughs can make a significant contribution to delivering the LIS and offer unparalleled reach into businesses and a deep knowledge of communities; operating individually, collectively as groups of boroughs via Sub-Regional Partnerships (SRPs) and at a pan-London level via London Councils.
8. The proposals set out in this paper are based on the following underpinning principles:
 - The Mayor has a strategic and political leadership role in skills, employment and inclusive economic growth. The Mayor should set the strategic framework and direction for activities. Given the scale and diversity of London, the Mayor's strategy should be informed by boroughs' strategic priorities at a sub-regional level.
 - London boroughs also have an important political leadership and convening role in skills, employment and inclusive economic growth, setting out a vision for their area and bringing together partners locally and sub-regionally to deliver this.
 - Delivery should be underpinned by the principle of subsidiarity – that is, it should be as close to local communities as possible, with 'local first' approach to new initiatives. When the government or the Mayor are considering new programmes or initiatives, they should consider whether this could be effectively delivered locally or sub-regionally initially.
 - This would not preclude pan-London delivery where it makes sense to do so. Pan-London co-ordination would also be important and local activities may need operate within a consistent strategic framework at a pan-London or national level. Sharing of good practice, data and more consistency around evaluation all lend themselves to pan-London delivery and co-ordination.
 - Delivery should also build on existing infrastructure and activity, where this is possible and appropriate, rather than creating an entirely new infrastructure and delivery mechanism. This would result in an efficient, effective and systematic way of working, rather than a collection of separate initiatives.

Potential borough contribution to the LIS

9. Boroughs' role as place-shapers and conveners between communities, business and other stakeholders is central to supporting innovation, developing the right business environment and getting the infrastructure needed to promote inclusive economic growth. As place-makers, boroughs are uniquely positioned to pull together various funding streams and to use their planning and regulatory functions to support the strategic development of an area. The devolution of business rates would give boroughs a significant additional incentive to develop an environment for inclusive growth.
10. The LIS will need to be flexible enough to work across the many different local economies and communities across the capital. Boroughs can ensure this, by building on existing infrastructure and partnerships, or placing new infrastructure and partnerships within the local context. Boroughs are uniquely placed to bring together both employment, skills, business support, infrastructure and productivity initiatives together locally and at scale, working jointly through SRPs. Given the size, diversity and complexity of London, SRPs have an important role in enabling boroughs to work at scale on shared challenges, pilot different approaches and collaborate across borough boundaries.
11. Boroughs can therefore provide the following to deliver the LIS:
 - **Political leadership to shape place:** Boroughs have a democratic mandate as leaders of place. Boroughs are uniquely positioned to bring together schools, colleges, businesses and other public sector organisations around a vision for place. This activity can create pathways across institutions for Londoners and businesses.
 - **Supporting growth as planning authorities.** Through their planning functions, London boroughs have tangible influence on local inclusive growth. They can set a vision for inclusive growth and land use that balances the needs of business and communities and identify the required physical infrastructure for inclusive growth. They can also protect business space, plus generate affordable workspace, via planning policy and use of planning gain. Boroughs also create job and apprenticeship opportunities using planning policy and planning gain.
 - **Supporting businesses to grow and innovate to develop a co-ordinated, compelling offer.** Boroughs are well placed to bring together different forms of provision to provide a co-ordinated local package of support to businesses such as the London Growth Hub, private sector provision and universities. They can also spot gaps in local provision and encourage collaboration, rather than competition among providers. Boroughs also have good links with businesses in traditionally less innovative sectors, such as health and social care, via their

service provision, and retail and hospitality, through their work in high streets and town centres.

- **Developing and supporting business clusters.** Whilst many business clusters grow organically, once established they can be supported by boroughs through the planning process and by providing broader physical and digital infrastructure. Boroughs have an important role in ensuring that thriving clusters link into and provide opportunities to the surrounding communities. Boroughs can also help grow and develop business clusters through their own leadership.
- **Identifying future infrastructure requirements.** Infrastructure drives economic growth and productivity; poor infrastructure slows these. Boroughs' local knowledge can identify small and large-scale infrastructure improvements in areas such as transport, digital, land supply, skills and affordable housing in order to drive growth and increase productivity. Boroughs collaborate on large scale infrastructure schemes – such as the West London Orbital Transport scheme. Boroughs have a central role to play in ensuring new infrastructure benefits existing communities and business, as well as attracting new ones, using Section 106 agreements. Transport for London is key player in this area and it is vital that TfL works closely with boroughs and sub-regions around its investment to maximise local inclusive growth and ensure they work within the local context.
- **Collaborating with anchor institutions.** Boroughs work closely with local anchor institutions such as universities and colleges or key businesses/assets such as major airports. For example, boroughs work with universities on key regeneration sites and ensuring these are linked to the local community; to support specialist hubs/business clusters associated with the local economy; providing suitable and affordable business space and drawing on students' knowledge and expertise and applying this to urban development issues or via local businesses to support innovation.
- **Working across sectors on complex challenges:** Boroughs are bringing together universities, businesses, the public and voluntary sector to work together on complex challenges such as climate change and youth safety. As democratic leader of places, boroughs have the mandate to set challenges and convene partners around innovative social policy.
- **Providing opportunities as procurers of services.** Boroughs can provide opportunities for businesses by taking a social value and an environmentally sustainable approach to procurement and developing local supply chains.
- **Promoting good work to increase productivity:** Some boroughs are working with and promoting trade unions, as well as adopting and promoting good work standards, such as the ethical care charter and the London Living Wage.

Potential borough contribution to the Skills and Employment Vision

12. Supporting inclusive economic and jobs growth and ensuring that Londoners can benefit from the jobs and opportunities available are central aims to boroughs' role as place-shapers. Whilst boroughs have no formal statutory responsibilities around employment and skills, they are priorities for most London boroughs. For example, many London boroughs provide their own employment support services for their residents or commission others to do so. Sub-Regional Partnerships are managing the devolved Work and Health Programmes in London. Boroughs also have related statutory responsibilities around access to education and skills for 16-19 year olds, care leavers and learners with Special Educational Needs and Disabilities (SEND) up to the age of 25.
13. Boroughs can provide political leadership to drive through change, test out new approaches at a smaller scale and ensure that services are working for their local communities and businesses. They can be powerful conveners – drawing together local providers, business, communities and other stakeholders. They can have an important role in developing a shared local vision and more integrated services across different partners. They can collaborate and work at scale on shared skills and employment challenges through SRPs.
14. Boroughs can therefore provide the following to deliver the skills and employment vision:
 - **Deep knowledge of and access to communities, including the most disadvantaged Londoners.** Boroughs are social landlords and provide a range of different services, often to the most vulnerable Londoners – through social care, housing services, work with care leavers, vulnerable adults and children and through Adult and Community Learning (ACL). Boroughs know their patch and communities well. Many boroughs are moving towards person centred, relational services which look at an individual's needs from health to employment. There is evidence that investing in a place-based relational services supports progression towards employment.
 - **Existing local infrastructure.** Many London boroughs provide their own employment support services for their residents or commission others to do so. Boroughs also have community focused skills support through their ACL services. Boroughs are uniquely placed to integrate local services, so that they can support the most vulnerable Londoners to develop their skills and enter employment. Boroughs are also working strategically via four sub-regional skills and employment boards.
 - **Good links to business.** Boroughs work strategically with large and small businesses. A recent London Councils survey found that over half of all boroughs have a strategic borough-wide business board or forum and the rest have either topic or area specific business

forums. Boroughs also provide a range of services to business such as environmental health, trading standards, licencing and planning. Many boroughs are currently working with businesses to encourage their investment in training, engagement in careers, advice and guidance, taking on apprenticeships and creating opportunities for residents, particularly the most disadvantaged. Given the scale and form of London's businesses, boroughs provide an unrivalled reach into this community³.

- **Strong links to schools.** All boroughs have education partnerships, linking with Headteachers, and many work closely with schools on a range of issues such as careers and support for SEND learners.
- **Influence as procurers of services:** Boroughs spend on procuring goods and services is significant and many take a social value approach, so that their suppliers support local communities, including through job and training opportunities. Last year, boroughs collectively created 758 apprenticeship opportunities via their supply chains in 2018-19⁴. Some boroughs are using procurement to promote 'good work' among their suppliers.

Next steps

15. London Councils will be working with boroughs, SRPs and the GLA to further develop the skills and employment vision and to influence the development of London's Local Industrial Strategy. We will aim to ensure that the potential role of boroughs is reflected in both strategies and to encourage the GLA to view boroughs as key deliverers of the strategy and vision in their areas – translating pan-London priorities into successful delivery locally and sub-regionally. We propose to approach the Mayor and GLA to ask that:

- Sub-regions and boroughs are given a clear and acknowledged leadership role in convening partners locally to deliver London's Local Industrial Strategy and around the skills and employment system.
- The Mayor commits to the principle of subsidiarity when considering new initiatives, funding programmes and devolution opportunities.
- Support are provided from government and/or the Mayor to build up consistent capacity across London boroughs, potentially drawing on new funding streams.

16. Leaders will jointly sign off the skills and employment vision with the Mayor during summer 2019 and will have an opportunity to respond to a draft of the London LIS in autumn 2019.

³ London has 1.1million registered business, with **SMEs** making up over 99% of all **London's** private sector businesses and represents half of all **London** employment

⁴ This is likely to be an underestimate, as only six boroughs provided data on this

Recommendations

17. It is recommended that the Executive:

1. Notes the report and progress with the development of London's Local Industrial Strategy (LIS) and a Skills and Employment Vision for London.
2. Comments on the focus of London's LIS and the Skills and Employment Vision.
3. Comments on the proposed borough role in shaping and delivering the LIS and the Skills and Employment Vision and the proposed next steps outlined in paragraph 15.

Financial implications for London Councils

None

Legal implications for London Councils

None

Equalities implications for London Councils

There are no direct equalities implications for London Councils as a result of this paper.

Attachments

None

London Councils Executive

London Councils – Consolidated Pre-Audited Financial Results 2018/19

Item no: 8

Report by: Frank Smith **Job title:** Director of Corporate Resources
Date: 18 June 2019
Contact Officer: Frank Smith
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Summary: This report highlights the pre-audited consolidated financial position for London Councils for the 2018/19 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 2019 are also shown, together with overall conclusions and prospects for 2019/20 and beyond, after considering known commitments. The provisional revenue outturn and reserves position is summarised as follows:

Revenue Account (£000)	Revised Budget	Actual	Variance
Total Expenditure	385,886	382,918	(2,968)
Total Income	(383,460)	(384,190)	(730)
Use of reserves	(2,426)	(2,016)	410
Bad Debts provision	-	183	183
Net Deficit/(Surplus)	-	(3,105)	(3,105)
General and Specific Reserves (£000)	General Reserve	Specific Reserve	Total
As at 1 April 2018	10,810	3,111	13,921
Transfer (to)/from revenue	(2,318)	302	(2,016)
Provisional Surplus for the Year	3,105	-	3,105
As at 31 March 2019	11,565	3,445	15,010¹

¹ As detailed in table 12 at paragraph 60, reserves are reduced to £10.229 million once approved commitments of £4,781 million arising from 2018/19 onwards are taken into account.

Recommendations: The Executive is asked:

- To note the provisional consolidated outturn surplus of £3.105 million for 2018/19 and the provisional outturn position for each of the three funding streams;
- To agree the carry forward of £50,000 into 2019/20 in respect of London Office for Technology and Innovation (LOTI) set up costs;
- To note the carry forward of £133,000 into 2019/20 in respect of TEC system developments (£17,000) and the London Lorry Control scheme review (£116,000), subject to final approval by the TEC Executive on 18 July;
- To note the provisional level of reserves of £15.010 million as at 31 March 2019 (paragraphs 58-59), which reduces to £10.229 million once known commitments of £4.781 million are considered (paragraphs 60-61);
- To note the updated financial position of the London Councils as detailed in paragraph 62 of this report; and
- To agree to receive a further report in November 2019 after the completion of the external audit by KPMG LLP to adopt the final accounts for 2018/19. The final accounts will be signed off at the meeting of the Audit Committee on 18 September 2019, at which KPMG will formally present the Annual Audit Report for approval.

London Councils – Consolidated Pre-Audited Final Results 2018/19

Executive Summary

1. The provisional revenue outturn for 2018/19, split across London Councils three funding streams is as follows:

	Grants	TEC	Joint	Consolidated
	£000	£000	£000	£000
Total Expenditure	8,217	366,566	8,135	382,918
Total Income	(7,827)	(368,069)	(8,294)	(384,190)
Use of Reserves	(590)	(419)	(1,007)	(2,016)
Bad Debts provision	-	183	-	183
Surplus	(200)	(1,739)	(1,166)	(3,105)

2. Once figures relating to potential carried forward amounts are considered, the headline surplus of £3.105 million reduces to £2,922 million, as follows:

	Grants	TEC	Joint	Consolidated
	£000	£000	£000	£000
Surplus for the Year	200	1,739	1,166	3,105
TEC balances c/f	-	(133)	-	(133)
Joint Committee c/f	-	-	(50)	(50)
Adjusted underlying Surplus	200	1,606	1,116	2,922

3. The provisional level of reserves for each funding stream as at 31 March 2019 is as follows:

	Grants	TEC	Joint	Consolidated
	£000	£000	£000	£000
Audited Reserves at 1 April 2018	2,443	6,171	5,307	13,921
Transfer (to)/from Revenue	(590)	(419)	(1,007)	(2,016)
Provisional surplus/ (deficit) for the Year	200	1,739	1,166	3,105
Provisional Reserves at 31 March 2019	2,053	7,491	5,466	15,010

4. However, once all potential and known commitments of £4.781 million are considered, the estimated level of uncommitted reserves reduces to £10.229 million, as follows:

	Grants	TEC	Joint	Consolidated
	£000	£000	£000	£000
Provisional Reserves at 31 March 2019	2,053	7,491	5,466	15,010
Underspends c/f into 2019/20	-	(133)	(50)	(183)
Committed in setting 2019/20 budget	-	(187)	(1,354)	(1,541)
Potential S.48 ESF				

grant commitments in 2019/20	(1,330)	-	-	(1,330)
Other provisional commitments	-	(1,242)	(485)	(1,727)
Uncommitted Reserves	723	5,929	3,577	10,229

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 year, is as follows:

	Grants	TEC	Joint	Consolidated
	£000	£000	£000	£000
Forecast at Month 3	35	781	250	1,066
Forecast at Month 6	110	1,184	318	1,612
Forecast at Month 9	154	1,411	998	2,563
Provisional Outturn	200	1,739	1,166	3,105
Movement between M9 and provisional outturn	46	328	168	542

6. The £46,000 movement for the Grants Committee is largely due to an increased underspend on employee and central recharge costs.
7. The £328,000 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 15-34 below and is mainly due to an increase in Lorry Control PCN income which outperformed the income budget by £721,000 due to continued effective performance of the outsourced enforcement function.
8. The £168,000 movement for the Joint Committee is due to an increase in the salaries underspend of £39,000, and an increased underspend on adjusted running costs of £139,000.
9. The actual financial results and the actual level of reserves will be confirmed during the external audit of the 2018/19 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 18 September 2019 and on to the November meeting of the Executive for adoption.

Introduction

1. This report details the provisional financial results for the three London Councils funding streams and the overall consolidated position. It 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. KPMG LLP will audit the accounts for 2018/19 during July/August 2019 and present the accounts to the Audit Committee, along with the annual audit report, on 18 September. The audited accounts and the audit report will then be presented for adoption by the London Councils Executive at its November meeting.
2. London Councils approved revenue expenditure budget for 2018/19 was £386.609 million, as agreed by the Leaders' Committee in December 2017. The corresponding revised revenue income budget was £384.313 million, with the budget balanced by the approved transfer of £2.296 million from reserves.
3. After a number of adjustments, gross budgeted expenditure was revised to £385.886 million, with a further £130,000 transferred from reserves for the year. The revised budget is shown in Table 1 below:

Table 1 – Revised budget 2018/19

	£000
Original Expenditure budget	386,609
Reduction to Concessionary Fares Settlement	(393)
Plus carried forward funding: TEC IT system developments and London lorry control review costs	130
Plus adjustment to Taxicard provider budget	(463)
Plus increased HR Metrics service levels	3
Total Expenditure	385,886
Funded by:	
Original Income budget	(386,609)
Reduction in Concessionary Fares funding from Boroughs	393
Plus approved additional transfer from reserves	(130)
Plus increased subscriber funding	(3)
Less reduction in Taxicard funding from boroughs/TfL	463
Total Funding	(385,886)
Net position	Nil

4. 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 2018/19, including the effect of IAS19 Retirement Benefits (Table 9); and
 - The provisional position on London Councils reserves as at 31 March 2019, adjusted for all current and future commitments to provide an updated position on residual uncommitted reserves position (Tables 10-13).
5. 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 38 and 44).
6. Table 2 below summarises the provisional consolidated revenue outturn position for the year.

Table 2 – Comparison of Income and Expenditure against Consolidated Revised Budget 2018/19

2017/18 Actual		2018/19 Revised Budget	2018/19 Actual	2018/19 Variance	
£000	Expenditure	£000	£000	£000	%
4,994	Employee Costs	5,419	5,093	(326)	(6.0)
3,439	Running Costs	3,555	3,377	(178)	(5.0)
620	Central Recharges	453	426	(27)	(6.0)
9,053	Total Operating Expenditure	9,427	8,896	(531)	(5.6)
9,218	Direct Services	8,168	9,390	1,222	15.0
17	European Services contract	-	-	-	-
357,973	Payments in respect of Freedom Pass and Taxicard	358,748	356,110	(2,638)	(0.7)
6,054	Borough commissioned services	6,173	6,093	(80)	(1.3)
659	ESF commissioned services	1,880	1,599	(281)	(14.9)
60	Contribution to London Funders	60	60	-	-
826	One-off borough payment	-	-	-	-
154	Improvement and Efficiency	240	22	(218)	(90.8)

369	Research and Commissioning	615	478	(137)	(22.3)
24	Challenge Implementation Fund	525	208	(317)	(60.4)
42	YPES Regional Activities	50	51	1	2.0
-	Debt write-off	-	-	-	-
384,449	Total Expenditure	385,886	382,918	(2,968)	(0.8)
	Income				
(358,988)	Contributions in respect of Freedom Pass and Taxicard	(358,885)	(356,993)	1,892	0.5
(7,084)	Borough contributions towards commissioned services	(6,173)	(6,476)	(303)	4.9
(10,619)	Charges for direct services	(8,674)	(10,932)	(2,258)	(26.0)
(5,741)	Core Member Subscriptions	(5,744)	(5,726)	18	(0.3)
(180)	Borough contributions towards YPES	(180)	(180)	-	-
(326)	Borough contribution towards LCP payments	(496)	(331)	165	33.3
(419)	Government grants	(1,000)	(840)	160	16.0
(91)	Interest of Investments	(75)	(171)	(96)	128
(280)	Other Income	(264)	(639)	(375)	(142)
(2,079)	Central Recharges	(1,969)	(1,902)	67	(3.4)
(2,251)	Transfer from Reserves	(2,426)	(2,016)	410	16.9
(388,058)	Total Income	(385,886)	(386,206)	(320)	(0.1)
(53)	Increase/(Reduction) in bad debt provision	-	183	183	-
(3,662)	Deficit/(Surplus)	-	(3,105)	(3,105)	-
	Applied to Funding Streams				
(656)	Grants Committee	-	(200)	(200)	-
(1,574)	Transport and Environment Committee	-	(1,739)	(1,739)	-
(1,432)	Joint Committee Services	-	(1,166)	(1,166)	-
(3,662)	Deficit/(Surplus)	-	(3,105)	(3,105)	-

7. 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

8. Table 3 below summarises the provisional outturn position for the Grants Committee for 2018/19.

Table 3 – Provisional Outturn 2018/19 – Grants Committee

2017/18 Actual		2018/19 Revised Budget	2018/19 Actual	2018/19 Variance	
£000	Expenditure	£000	£000	£000	%
419	Employee Costs	352	293	(69)	(19.4)

2017/18 Actual		2018/19 Revised Budget	2018/19 Actual	2018/19 Variance	
24	Running Costs	18	27	9	50.0
199	Central Recharges	185	152	(30)	(16.5)
642	Total Operating Expenditure	555	465	(90)	(16.2)
6,173	Borough commissioned services	6,173	6,093	(80)	(1.3)
(119)	Borough commissioned services - PY	-	-	-	-
60	Membership fees to London Funders	60	60	-	-
659	ESF commissions	1,880	1,599	(281)	(14.9)
156	One-off payment to boroughs	-	-	-	-
7,571	Total Expenditure	8,668	8,217	(451)	(5.2)
	Income				
(7,084)	Borough contributions towards commissioned services	(6,173)	(6,476)	(303)	(4.9)
(495)	Borough contributions towards the administration of commissions	(495)	(495)	-	-
(404)	ESF Grant	(1,000)	(840)	160	16.0
(13)	Interest on Investments	-	(16)	(16)	-
(231)	Transfer from Reserves	(1,000)	(590)	410	41.0
(8,227)	Total Income	(8,668)	(8,417)	251	2.9
-	Increase/(Reduction) in bad debt provision	-	-	-	-
(656)	Deficit/(Surplus)	-	(200)	(200)	-

9. The provisional surplus of £200,000 compares to a forecast surplus of £154,000 at the month 9 stage of the year, as reported to the Grants Committee in February 2019. As highlighted in the forecast monitoring reports to the Grants Committee and Executive 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 £200,000 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 2018/19

	S.48 borough	ESF/borough	Total
	£000	£000	£000
Payments for commissioned services	6,093	1,599	7,692
Plus contribution to London Funders Group	60	-	60
Sub-Total	6,153	1,599	7,752
Plus LC grants administration	331	134	465
Plus repayments to boroughs	-	-	-
Sub-Total	6,483	1,733	8,217
Less Borough subscriptions	(6,668)	(303)	(6,971)
Less ESF grants income	-	(840)	(840)
Less investment income	(16)	-	(16)

Less transfer from reserves	-	(590)	(590)
Deficit/(Surplus) for the year	(200)	-	(200)

10. For the S.48 borough funded services, a provisional underspend of £80,449 has been recorded in respect of the payments to providers of commissioned services. As reported during the month 9 forecast report, the underspend relates to a reduction in payments made to St Mungo Community Housing Association and Shelter. The reduction in the amounts paid out will be recycled through the revenue account and transferred back to S.48 reserves.
11. There is a provisional underspend of £71,000 in relation to the administration of the S.48 commissions, attributable to:
- an underspend of £37,000 in respect of employee costs due to vacancies within the team, an underspend on the maternity provision and other indirect employee underspends such as training;
 - an underspend of £18,000 for general running costs including central recharges; and
 - an additional sum of £16,000 from investment income has been received on Committee reserves, not previously budgeted for.
12. For the S.48 ESF/borough matched funded commissions, performance has increased and improved over the last twelve months, as the programme moves to closure. Payments to providers of £1.599 million have been recognised in the 2018/19 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. From 2018/19 onwards, no further borough contributions were levied; however, £303,000 of the £512,000 advance payments being held from previous borough contributions can be recognised as income in the provisional results for the year, along with £590,000 borough contributions treated as deferred income received during 2016/17, which is being held in reserves. Administrative costs, estimated to be in the region of £134,000, have been incurred in respect of the new programme, for which ESF grant of £40,000 is expected to accrue in respect of eligible expenditure. This is included within the overall ESF grant income due for the year of £840,000. Residual expenditure in 2019/20 will be funded by provisional accumulated reserves of £1.33 million, as highlighted in Table 12 at paragraph 60 and through ESF grant accruing from eligible expenditure incurred.

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

13. Table 5 below summarises the provisional outturn position for TEC for 2018/19.

Table 5 – Provisional Outturn 2018/19 – Transport and Environment Committee

Actual 2017/18		Revised Budget 2018/19	Actual 2018/19	Variance 2018/19	
£000	Expenditure	£000	£000	£000	%
627	Non-operational Staffing	688	661	(27)	(3.9)
376	Running Costs	294	310	16	5.4
125	Central Recharges	111	84	(27)	24.3
1,128	Total Operating Expenditure	1,093	1,055	(38)	(3.5)
9,218	Direct Services	8,168	9,390	1,222	15.0
357,973	Payments in respect of Freedom Pass and Taxicard	358,748	356,110	(2,638)	(0.7)
36	Research	40	11	(29)	(72.5)
340	One off payment to boroughs	-	-	-	-
-	Debt write-off	-	-	-	-
368,695	Total Expenditure	368,049	366,566	(1,483)	(0.4)
	Income				
(358,988)	Contributions in respect of Freedom Pass and Taxicard	(358,885)	(356,993)	1,892	0.5
(10,523)	Charges for direct services	(8,573)	(10,829)	(2,256)	(26.3)
(97)	Core Member Subscriptions	(97)	(97)	-	-
(19)	Interest on Investments	-	(44)	(44)	-
(111)	Other Income	(75)	(106)	(31)	(41)
(478)	Net transfer to/(from Reserves	(419)	(419)	-	-
(370,216)	Total Income	(368,049)	(368,488)	(439)	(0.1)
(53)	Increase/(Reduction) in bad debt provision	-	183	183	-
(1,574)	Deficit/(Surplus)	-	(1,739)	(1,739)	-

14. In addition to the transactions detailed in Table 5 above, there are costs and income associated with the London European Partnership for Transport (LEPT), which is TfL/EU funded, and shown in table 6 below. The provisional outturn indicates there was a surplus of £21,000 largely as a result of a vacancy during the year. The surplus will be carried forward to be spent on future LEPT related activities.

Table 6 – Income and Expenditure relating to LEPT 2018/19

	£000
Employee Related Costs	65
Premises Costs	16
Running/Central Costs	20
Other Costs	18
Total Expenditure	119
Grant/Other Income	(140)
Deficit/(Surplus)	(21)

15. A provisional surplus on revenue activities of £1.739 million has been posted for 2018/19, the headlines of which are summarised in Table 7 below. This compares the position reported at the end of December 2018 (Month 9) and highlights the movement between the two positions.

Table 7 – TEC – Analysis of revenue account surplus 2018/19

	Outturn	M9	Movement
	£000	£000	£000
Freedom Pass non-TfL bus services	501	390	111
Freedom Pass survey and reissue costs (net of additional replacement Freedom Passes income)	302	268	66
Interest earned on investment of cash-balances	44	20	24
Research	29	3	26
Net position on Taxicard	-	-	-
Shortfall in replacement taxicard passes income	(4)	(5)	1
Net position on parking appeals	88	135	(47)
Net position on other traded parking services	88	61	27
London Tribunals Administration	14	32	(18)
Lorry Control Administration	120	136	(16)
Lorry Control PCNs	721	200	521
Freedom Pass Administration	(43)	(27)	(16)
Taxicard Administration	(45)	19	(64)
Non-operational staffing costs	27	10	11
Underspend on running costs/central recharges	24	167	(143)
Underspend on IT system developments	17	-	17
Net additional in Health Emergency Badge income	26	2	24
Miscellaneous Income	13	-	13
Reduction in Bad Debt provision	(183)	-	(183)
Provisional surplus for the year	1,739	1,411	328

16. The TEC Executive will be asked to carry forward balances amounting to £133,000 into 2019/20 (paragraphs 26 and 32 below refer). If this request is approved at its meeting on 18 July, the provisional surplus reduces to £1.606 million. An explanation for each of the variances is provided in subsequent paragraphs.

Freedom Pass non-TfL bus services (-£501,000)

17. In December 2017, TEC approved a budgetary provision of £1.5 million for 2018/19 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. This was made up of projected claims of £1.3m based on mid-year 2017/18 data plus a £200,000 contingency to cover potential new bus operators joining the scheme. Claims from operators amounting to £999,000 have been received and accepted for 2018/19, which has led to an underspend of £501,000, or 33%. This is broadly attributable to the following:

- A 13% fall in journey volumes largely as a result of the eligible age increase which has reduced the number of younger pass holders traveling longer distances;
- A 4% reduction in the projected average trip fare from £3.61 to an actual unit fare of £3.47; and
- A £200,000 or 13% underspend in relation to the contingency budget for potential additional operators not being utilised.

Net Freedom Pass survey and issue costs (-£302,000)

18. The budget for the freedom 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 2018/19, it also covered the cost of the mid-term review of pass eligibility. Total expenditure for 2018/19 was £1.529 million, of which £191,000 was spent on the mid-term review, leading to an overspend of £11,000. This slight overspend was in part due to a number of changes to the way the review was communicated compared to the previous mid-term reviews such as a higher calls to letters sent ratio, which should lead to savings in future periods. In addition, a sum of £1.029 million was collected during 2018/19 in respect of replacement Freedom Passes, £345,000 in excess of the £684,000 budgetary provision, which reduces by £32,000 to £313,000 once bank charges are taken into account. In net terms, therefore, there was a surplus of £302,000, 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 (-£44,000)

19. Cash-flow management undertaken at the City of London, who invest London Councils cash balances on behalf of boroughs, has yielded interest receipts of £44,000 against a zero budgetary provision.

Research Budget (-£29,000)

20. Expenditure on research of £10,825 was incurred during the year, against an approved budget of £40,000, resulting in an underspend of £29,000.

Taxicard (Net Nil)

21. Total payments to the contractor, City Fleet were £9.984 million, £2.254 million below the revised total budgetary provision of £12.238 million. There are two significant factors contributing to this underspend:

- The total number of trips taken during the year having decreased by 10.3% on the comparative figure for 2017/18; and

- A new contract being awarded to City Fleet during the financial year which resulted in the cost per trip decreasing by 10% for the final quarter of 2018/19.

22. Many of the borough budgets were higher than the required projected spend so underspending boroughs will be refunded. The net refund to the Boroughs is £1.979 million. TFL now pay in arrears, based on actual trip data from the preceding quarter. Payments received from TFL have therefore reduced in line with actual claims by £261,000 during the year. This is after taking in to account the management charge for LB of Barnet of £13,975 which TFL fund.

Income from the issue of replacement Taxicards (+£4,000)

23. A sum of £17,380 was collected against a full year budgetary provision of £21,000, leading to a £3,620 shortfall.

Traded Services (-£176,000)

24. The net surplus position of £176,000 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 £1.372 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 £402,000, £49,000 more than the budgetary provision of £353,000. The number of appeals represented by corresponding financial transactions posted in the accounts during the year was 9,644, which is 1,844 more than the budgeted figure of 7,800. The throughput of appeals was calculated at 1.93 appeals per hour, compared to 2.37 per hour for 2017/18. 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 £49,000, which therefore has a zero effect on the Committee's provisional financial position for the year.

- Secondly, there is a net surplus of £99,000 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 42,721 against a budget of 41,278, generating income of £1.189 million, £24,000 more than the budget estimate of £1.165 million. In addition, there is an underspend of £66,000 in adjudicators costs and contractor costs of £10,000. The throughput of appeals was 3.54 appeals per hour, compared 3.66 appeals per hour for 2017/18.
- Thirdly, the transaction volumes for other parking systems used by boroughs and TfL continue to fluctuate overall, resulting in a projected net surplus of £68,000. On the expenditure side, this takes into account the pricing structure offered by Northgate and expenditure was £11,000 more than the £189,000 budget. On the income side, unit cost recharges to boroughs for 2018/19 were set by the full Committee in December 2017 and amounted to £578,000, £79,000 more than the £499,000 income target.

London Tribunals Administration (-£14,000)

25. The appeals Hearing Centre underspent the budget of £2.664 million by £14,000. There was a provisional underspend on ETA operations of £14,000, spread over various budgets primarily legal costs.

Lorry Control Administration/PCN income (-£841,000)

26. The administration of the London Lorry Control Scheme underspent the budget of £793,000 by £120,000. This is attributable to an underspend on general office costs of £29,000, an overspend of central recharge and staffing related costs of £25,000 and an underspend of £116,000 in respect of the review of LLC Scheme, £86,000 of which was a carried forward budget from 2017/18. The TEC Executive Sub-Committee will be asked to approve the carry forward of the underspend on the review of the LLC Scheme of £116,000 into 2019/20. Approximately £20,000 was spent in 2018/19 on the ANPR camera enforcement pilot with further developments planned for later this year.
27. There was, however, a significant overachievement in the collection of PCN income of £721,000 above the budgetary provision of £800,000. This was due to continued effective performance of the outsourced enforcement function leading to increased transaction volumes and higher levels of debt being raised and collected. Of the £1.521 million income due for the year, £333,000 has yet to be collected and has been registered with the County Court. The bad debt provision has been increased by £183,000 in respect of this outstanding

amount, in accordance with usual accounting practice. This increase on the bad debt provision therefore reduces the net surplus income to £538,000 for the year.

Freedom Pass Administration (+£43,000)

28. The administration of the freedom pass over spent the budget by £43,000, attributable to overspends on salary costs of £5,000, £31,000 on general office costs and £7,000 on central recharges.

Taxicard Administration (+£45,000)

29. The administration of the taxicard scheme overspent the budget by £45,000. Additional salary costs of £14,000 were incurred, along with additional central costs and general office costs of £15,000 respectively.

Non-Operational Staffing Costs (-£27,000)

30. The non-operational employee cost budget of £688,000, including £19,000 for member's allowances plus £30,000 maternity cover, underspent by £27,000 at £661,000. This is primarily attributable to the maternity cover budget not being fully 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.

Running Costs/Central Recharges (+£24,000)

31. This overspend is the net effective of an overspend of £64,000 for grossed up bank charges (offset by commensurate additional income), an underspend on central recharges of £27,000 and a number of other small underspends within supplies and services.

IT Systems Developments (-£17,000)

32. The budgetary provision of £50,000 was allocated in 2018/19 for IT developments in respect of London Tribunals systems. This budget was supplemented by the carry forward of unspent budget of £44,000 from 2017/18, as approved by this Committee in July 2018, making a total budgetary provision of £94,000 for the year. Expenditure of £77,000 has been incurred during 2017/18, leading to an underspend of £17,000. The TEC Executive Sub-Committee will be asked to approve that this amount be carried forward into 2019/20 to continue the development work.

Other income (-£39,000)

33. Other income exceeded the budget by £39,000, largely as a result of income from hosting the GULCS project of £10,000 and additional income for Health Emergency Badge sales of £26,000:

Bad Debts provision (+£183,000)

34. The Committee's bad debt provision as at 1 April 2018 was £86,000, of which £84,000 related to Lorry Control PCNs that had been registered at the County Court but which were unpaid at 31 March 2018. A review of the aged debts at the year-end has resulted in a revised year-end provision of £268,000, £267,000 of which relates to Lorry Control PCN income, an increase of £183,000, as highlighted in paragraph 26. The remaining £1,000 relates to other parking debt, in accordance with London Councils accounting policies, no change on the provision for 2017/18.

Comparison of Income and Expenditure against Revised Budget – Joint Committee

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

Table 8 – Provisional Outturn 2018/19– Joint Committee

Actual 2017/18		Revised Budget 2018/19	Actual 2018/19	Variance 2018/19	
£000	Expenditure	£000	£000	£000	%
3,948	Employee Costs	4,349	4,139	(210)	(4.8)
3,039	Running Costs	3,243	3,047	(196)	(6.0)
296	Central Recharges	187	190	3	1.6
7,283	Total Operating Expenditure	7,779	7,376	(403)	(5.2)
17	European Service Contract	-	-	-	-
154	Improvement and Efficiency	240	22	(218)	(90.8)
333	Research and Commissioning	575	478	(97)	(16.9)
24	Challenge Implementation Fund	525	208	(317)	(60.4)
42	YPES Regional Activities	50	51	1	2
330	One-off payment to boroughs	-	-	-	-
8,183	Total Expenditure	9,169	8,135	(1,034)	(11.3)
	Income				
(96)	Income for direct services	(101)	(103)	(2)	(2.0)
(5,149)	Core Member Subscriptions	(5,152)	(5,134)	18	(0.3)
(180)	Borough contribution towards YPES payments	(180)	(180)	-	-
(326)	Borough contribution towards LCP payments	(496)	(331)	165	33.3
(15)	Government Grants	-	-	-	-
(59)	Interest on Investments	(75)	(111)	(36)	48.0
(169)	Other Income	(189)	(533)	(344)	(182.0)
(2,079)	Central Recharges	(1,969)	(1,902)	67	3.4

(1,542)	Transfer from Reserves	(1,007)	(1,007)	-	-
(9,615)	Total Income	(9,169)	(9,301)	(132)	(1.4)
-	Increase/(Reduction) in bad debt provision	-	-		
(1,432)	Deficit/(Surplus)	-	(1,166)	(1,166)	-

36. A provisional surplus on revenue activities of £1.166 million has been posted for 2018/19, the main constituents of which are explored in the paragraphs below.

Expenditure

Employee Costs (-£210,000)

37. Employee costs underspent by £210,000, split between the following areas:

- £150,000 on officer salary costs, primarily due to staff turnover and holding off recruiting to certain vacant posts during the period;
- £50,000 in respect of the maternity cover provision not used during the year; and
- £10,000 in respect of unspent provision for member allowances.

Running Costs (-£196,000)

38. The running cost underspend reflects a number of under and overspends across a large range of functions. Certain spend has been offset by additional income that has accrued during the year, as noted in paragraph 44, and some expenditure has been recharged to other funding streams and funded projects. These particular areas are highlighted below:

- Expenditure on the annual Homelessness Award amounted to £22,000, which is matched by additional income of £22,000 reflected in other income at paragraph 44;
- Expenditure in respect of the London Summit totalled £24,000, offset by additional income of £20,000 as detailed in other income at paragraph 44. The £4,000 deficit was met by the Communications discretionary budget;
- Consultants fees of £9,000 in respect of providing GLEF/ Regional Employers related training courses, which has raised additional income of £25,000, as detailed in paragraph 44;
- Reduction on premises related expenditure of £91,000, largely as a result of smoothing of the Southwark Street rent free period across the lease, and savings on energy costs compared to the original budget;
- £89,000 underspend on the depreciation charge for 2018/19 compared to the original budget of £204,000;
- A net underspend of £6,000 on indirect staff budgets such as recruitment costs and training; and
- £13,000 saving across various Service Level Agreements London Councils has in place.

Improvement and Efficiency work (-£218,000)

39. 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 2018/19 was initially £265,000 but reduced in the year by £25,000 to cover a staffing restructure. Work has continued on the Information Security for London (ISfL) network project during 2018/19 resulting in a cost of £22,000. This budget will be used to fund London Councils contribution to LOTI from 2019/20.

Commissioning (-£97,000)

40. Expenditure on commissioning and other priority work amounted to £478,000 for the year, leading to an underspend of £97,000 against the revised budget of £575,000. This budget is subject to developing proposals and is often impacted upon by the timing of commissioning work, the result of which has been an underspend in 2018/19.

Challenge Implementation Fund (-£317,000)

41. Expenditure charged to the CIF revenue budget during 2018/19 amounted to £208,000. In accordance with the decision of the Leaders' Committee in December 2018 in setting the revenue budget for 2019/20, the underspend, replenished by uncommitted joint committee reserves, will be rolled into 2019/20, to make the available budget £525,000. In addition to the revenue expenditure noted in table 8 above, capital expenditure on CIF relates projects amounted to £266,000. These capitalised costs will be depreciated over the life of the respective assets.

Income

Contributions towards London Care Placements (£165,000)

42. Actual contributions received from boroughs and other subscribers including amounts received in advance from 2017/18 amounted to £714,000 and, therefore, exceeded the budgeted target of £496,000 by £218,000. However, as actual LCP spend amounted to £332,000 for the year, income of £382,000 has been treated as a receipt in advance and carried forward into 2019/20, leaving a deficit in the accounts of £165,000 against the income target.

Interest on Investments (+£36,000)

43. Investment income on joint committee reserves raised £111,000 for the year, £36,000 ahead of the budget estimate of £75,000. This is due to higher returns being received compared to returns anticipated when setting the budget along with stable cash balances being maintained throughout the year.

Other Income (-£344,000)

44. This additional income is made up of a number of elements:

- Income in respect of the London Summit (£20,000) and the Homelessness Award (£22,000), as detailed in paragraph 38 above.;
- Additional income of £79,000 for the letting of meeting room facilities at Southwark Street;
- Contributions recognised from externally funded projects of £200,000 to support of London Councils partnerships working;
- Additional Income of £25,000 for GLEF/Regional Employers related courses and other associated work, offset by the cost of consultants engaged to deliver some of the courses of £9,000, leading to net additional income of £16,000 (refer paragraph 38 above); and
- £9,000 in miscellaneous income.

45. The additional income in paragraph 44 above is offset by a deficit £11,000 in publications and other communications income.

Central Recharge Income (+£67,000)

46. A reduction in central recharge income has been recorded in 2018/19 of £67,000 primarily due to a reduction of £89,000 in respect of income from tenants offset by other small additional income due to changes in occupancy and/or actual consumption of supplies and services.

External Projects

47. Not included in the figures detailed in Table 8 are transactions of £2.187 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 £1,186,000, which fall under the purview of the Joint Committee rather than the Grants Committee;
- A range of health, child protection and worklessness projects funded by the MPS/ SFA / DfES of £223,000;

- Capital Ambition Programme Office and residual project costs, including London Ventures, of £484,000;
- Various smaller projects, amounting to £294,000, which includes projects under the purview of the London Housing Directors group (£147,000), the London Leadership Programme (£83,000) and the London Environment Directors Network (£63,000).

48. A provision against uncommitted reserves of £285,000 has been 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, KPMG may indicate 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 to cover potential shortfalls in claiming ESF grants and borough contributions in respect of administration costs for the current programme. A review of balances held in respect of previous ESF programmes will be carried out to identify funds that can offset any actual loss incurred. Measures introduced during 2017/18 and 2018/19 to support this work 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 reduced costs. 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 60-61.

Balance Sheet as at 31 March 2019

49. The provisional consolidated balance sheet position as at 31 March 2019 is shown in Table 9 below, compared to the audited position for 2017/18:

Table 9 – Balance Sheet Comparison 2018/19 and 2017/18

	As at 31 March 2019 (£000)	As at 31 March 2018 (£000)
Fixed Assets	1,324	1,255
Current Assets	24,446	23,295
Current Liabilities	(9,392)	(9,756)
Long-term Liabilities	(27,992)	(29,027)
Total Assets less Liabilities	<u>(11,614)</u>	(14,233)
Represented by:		
General Fund	11,759	10,810
Specific Funds	3,251	3,111
Pension Fund	(26,483)	(28,019)
Accumulated Absence Fund	<u>(141)</u>	(135)
	<u>(11,614)</u>	(14,233)

50. The main features of the provisional balance sheet as at 31 March 2019 are as follows:

- Fixed assets have increased by £69,000 to £1.324 million from £1.255 million. The increase is attributable to expenditure of £285,000 on the acquisition of assets offset by the annual depreciation charge of £216,000;
- Current assets have increased by £1.151 million to £24.446 million from £23.295 million, which is attributable to an increase of £1.694 million in debtors offset by a £543,000 decrease in cash balances. The increase in debtors is due to:
 - an increase of £968,000 in respect of amounts owed by TfL for the Taxicard scheme;
 - an increase of £900,000 in respect of ESF match funded grant;
 - an increase of £423,000 in respect of advance payments to Northampton County Court for the registration of debts;
 - a decrease of £304,000 in respect of advance payments to ESF commissions; and
 - a decrease in residual variances of £293,000;
- Current liabilities have decreased by £364,000 to £9.392 million from £9.756 million which is attributable to:
 - a decrease of £527,000 in respect of premises costs;
 - a decrease of £358,000 in respect of Capital Ambition balances;
 - a decrease of £291,000 in respect of an overpayment to be refunded to a member borough;
 - a decrease of £273,000 in respect of deferred income for externally funded projects;
 - a decrease of £271,000 in respect of amounts owed to CityFleet the Taxicard contractor;
 - an increase of £1.137 million in respect of borough Taxicard budget refunds;
 - an increase of £336,000 in respect of the ICT transformation programme; and
 - a decrease in residual variances of £117,000;
- Long term liabilities have decreased by £1.035 million to £27.992 million from £29.027 million which is attributable to a decrease of £1.536 million in the value of the IAS19 pension deficit offset by an increase of £501,000 in respect of long-term provisions and creditors on property leases; and

- The above movements have resulted in an overall increase in reserves to a negative balance of £11.614 million as at 31 March 2019, inclusive of the IAS19 deficit (which is explored from paragraph 52 onwards) and the balance on the accumulated absences reserve.

Effect of IAS19 Employee Benefits

51. 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).
52. 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.
53. 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.
54. 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.
55. 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 2018 was £28.019 million. The deficit on the Pension Fund as at 31 March 2019, as determined from the latest valuation undertaken by the actuary, is £26.483 million, a reduction of £1.536 million.

56. The reduction is due to a marginal increase in all asset classes, including equities, offset by an increase in the defined benefit obligation as a result of the net effect of changes in the financial and demographic assumptions used in the calculation of the obligation.
57. Table 9 clearly demonstrates, therefore, that the Committee's provisional reserves of £15.01 million as at 31 March 2019 are notionally reduced by £26.483 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 are intended, over time, to reduce the overall deficit and the provisional balance on reserves is not a potential call on funding the pensions fund deficit. The London Councils' external auditor, 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

58. Inclusive of the IAS19 Pension and the Accumulated Absence Reserves, the pre-audited overall position on the Committee's Reserves as at 31 March 2019 is detailed in Table 10:

Table 10 – Overall London Councils Reserves as at 31 March 2019

	General Reserve (£000)	Specific Reserve (£000)	Pension Fund (£000)	Accumulated Absences (£000)	Total (£000)
Audited balance at 1 April 2018	10,810	3,111	(28,019)	(135)	(14,233)
Transfer (to)/from Revenue Account	(2,106)	-	(1,902)	(6)	(3,924)
Transfer between reserves	(140)	140	-	-	-
Movement on Pension Fund Reserve	-	-	3,438	-	3,438
(Deficit)/Surplus for Year	3,105	-	-	-	3,105
Provisional Balance at 31 March 2019	11,759	3,251	(26,483)	(141)	(11,614)

59. The pre-audited position on the Committee's Reserves as at 31 March 2019, 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 2019

	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 2018	3,060	3,111	5,307	523	1,920	13,921
Resources committed in 2018/19	(289)	-	(1,007)	-	(590)	(1,886)
Approved reserves c/f into 2018/19	(130)	-	-	-	-	(130)
In year transfer between reserves	(140)	140	-	-	-	-
Provisional (deficit)/surplus for 2018/19	1,437	302	1,166	200	-	3,105
Provisional reserves as at 31 March 2019	3,938	3,553	5,466	723	1,330	15,010

60. Table 12 below details the current level of commitments arising from the current and future financial years of £4.781 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 2019	3,938	5,466	723	10,127
Estimated Specific/ESF reserves at 31 March 2019	3,553	-	1,330	4,883
Provisional reserves at 31 March 2019	7,491	5,466	2,053	15,010
Committed in setting 2019/20 budget	(187)	(1,354)	-	(1,541)
Balances c/f into 2019/20	(133)	(50)	-	(183)
Potential ESF grants commitments in 2019/20 -2020/21	-	-	(1,330)	(1,330)
Provisional other commitments in 2019/20 -2021/22	(1,242)	(485)	-	(1,727)
Uncommitted reserves	5,929	3,577	723	10,229

61. The current level of commitments from reserves, as detailed in Table 12, of £4.781 million over the short-to-medium term are detailed in Table 13 below:

Table 13– Commitments from Reserves

	2019/20	2020/21	2021/22	Total
	£000	£000	£000	£000
Approved resources b/f from 2018/19	183	-	-	183
Approved transfer from JC general reserves	729	-	-	729
Approved transfer from TEC general reserves	187	-	-	187
S.48 residual ESF grants funded commissions	1,330	-	-	1,330
Challenge Implementation Fund	525	-	-	525
Support to the health transition process	100	100	100	300
2020 Freedom Pass reissue	492	-	-	492
TEC priority projects	750	-	-	750
Provision for Borough ESF Programme	285	-	-	285
Totals	4,581	100	100	4,781

Conclusions

62. Tables 12 and 13 show that the approved use of reserves over the three-year period 2019/20 to 2021/22 is forecast to reduce the overall projected level of reserves by £4.781 million from £15.010 million to £10.229 million. A brief commentary on the financial position of each of the three funding streams is provided below:

- Grants Committee – The £46,000 movement for the Grants Committee is largely due to an underspend on employee and central recharge costs. Provisional reserves of £723,000 remain after allowing for potential ESF commitments of £1.33 million during 2019/20 in respect of the current ESF programme. This equates to 10.84% of on-going borough funded commissions of £6.668 million, above the 3.5% benchmark established by the Grants Committee in 2013. The Grants Committee is currently considering options for the use of these reserves, which will be presented to the Leaders' Committee for approval in July 2019.
- TEC – The £328,000 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 17-34 below and is mainly due to an increase in Lorry Control PCN income which outperformed the income budget by £721,000 due to continued effective performance of the outsourced enforcement function. Provisional residual general reserves of £3.618 million equates to 28.3% of operating and trading expenditure of £12.778 million for 2018/19, which exceeds the upper limit of the 10%-15% benchmark established by TEC in 2015. TEC will be considering options for the use of reserves during the course of this autumn as part of the budget setting process; and

- Joint Committee - The £168,000 movement for the Joint Committee is primarily due to an increase in the salaries underspend of £39,000, an increase underspend on adjusted running costs of £139,000. Provisional residual reserves of £3.577 million remain after considering all current known commitments up to 2021/22.

Summary

63. This report summarises the provisional pre- audited consolidated financial position for London Councils for the 2018/19 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 2019/20 and beyond.

Recommendations

64. The Executive is asked:

- To note the provisional consolidated outturn position of a surplus of £3.105 million for 2018/19 and the provisional outturn position for each of the three funding streams;
- To note the carry forward of £133,000 into 2019/20 in respect of TEC system developments (£17,000) and the review of the London Lorry Control scheme (£116,000), subject to final approval by the TEC Executive on 18 July;
- To note the provisional level of reserves of £15.010 million as at 31 March 2019 (paragraphs 58-59), which reduces to £10.229 million once known commitments of £4.781 million are considered (paragraphs 60-61);
- To note the updated financial position of the London Councils as detailed in paragraph 62 of this report; and
- To agree to receive a further report in November 2019 after the completion of the external audit by KPMG LLP to adopt the final accounts for 2018/19. The final accounts will be signed off at the meeting of the Audit Committee on 18 September 2019, during which KPMG LLP will formally present the Annual Audit Report for approval.

Background Papers

Final Accounts Working Papers File 2018/19;
Budget Monitoring Working Papers File 2018/19;
Budget Working Papers Files 2018/19 and 2019/20.