Executive

23 June 2015: 11:00 am or at the rise of a preceeding meeting

London Councils offices are wheelchair accessible

Location: Room 1

Contact Officer: Derek Gadd

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This meeting will be followed by a meeting of the board of London Councils Ltd, comprising Mayor Jules Pipe, Cllr Teresa O'Neill OBE, Cllr Ruth Dombey, Cllr Claire Kober OBE, and Mr Mark Boleat

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* Declarations of Interests

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

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

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

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

Minutes of the Meeting of the Executive
Tuesday 12 May 2015

Mayor Jules Pipe was in the chair

Present

Member	**Position**
Mayor Jules Pipe	Chair
Cllr Claire Kober	Deputy Chair
Cllr Teresa O'Neill,	Vice chair
Mr Mark Boleat	Vice chair
Cllr Ruth Dombey	Vice chair
Cllr Lib Peck	
Cllr Julian Bell	
Cllr Philippa Roe	
Cllr Ray Puddifoot MBE	
Mayor Sir Steve Bullock	

London Councils officers and Cllr Ravi Govindia were in attendance.

1. Declarations of interest

No interests were declared.

2. Apologise for absence

Apologies were received from Cllr Peter John

3. Minutes of the Executive Meeting held on 3 March 2015

The minutes of the Executive meeting held on 3 March 2015 were agreed.

4. Crossrail 2: Emerging Funding Challenges for the New Parliament

Cllr Claire Kober introduced the report drawing on the issues set out in her paper:

- The report followed on from the report on Crossrail 2 presented to the Executive on 20 January, where the focus was on the funding package proposed by PwC to meet 50% of funding of Crossrail 2 within London.
- Considering the report, members asked officers to look further into funding mechanisms that were employed internationally to give London local government a wider range of options.
- The London Infrastructure Plan 2050 identified a shortfall of at least £4.4 billion every year, raising the question of the funding mechanisms for other infrastructure projects as well.
- With current pressures on public finances set to continue, it was likely government would seek a higher proportion of the overall cost of Crossrail 2 from London sources. London contributed over 60% of funding to Crossrail 1.
- Many of the funding mechanisms considered in the report would require devolution of powers and funding from central government, adding to London Councils and the Mayor’s call for greater devolution in London.
- There were some funding mechanisms which were already available to London local government but presented different challenges, such as TIF.
- The report also outlined the funding that could be contributed from those districts that benefit from Crossrail 2 considering Council Tax Precept and Business Rates Supplement in those areas.
- Calculations in the report were officer estimates, taking currently publicly available data and not taking account of population growth, inflation, economic growth, price rises, etc. This could be looked at, if the Executive so wished, in a further iteration.
- International examples taken into a London context could raise an additional 41.89% of Crossrail 2 funding.
- Funding from areas outside London could contribute 0.65% of Crossrail 2 funding.

Cllr Ravi Govindia made the point that raising additional levies on top of existing levies could have an effect on momentum, the development at Nine Elms in his borough Wandsworth being an example and Cllr Kober agreed.

The Executive agreed to note the report.

5. Nominations to Outside Bodies

The Executive agreed to note the report.

6. Report of Decisions taken under Urgency Items

The Executive agreed to note the report.

The Executive ended at 11:50 having started at 11:40

Executive

Right to buy and Council House Sales Item no: 4

Report by: Simon Keal **Job title:** Principal Policy and Project Officer (Housing and Planning team)

Date: 23 June 2015

Contact Officer: Simon Keal

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Summary This report sets out the new government's proposals to extend right to buy discounts to housing association tenants. The government proposes to help fund the policy by requiring councils to sell their 'high-value' housing stock. The report discusses the potential impact of the two policies on local authorities.

Recommendations The Executive is invited to:

- Discuss the impacts of the policies on London local authorities and agree potential policy activity in response to the government's proposals
- Note and comment on any of the issues raised in this report.

Right to buy and council house sales

Introduction

1. The new government plans to introduce a housing bill in the coming months which will extend the right to buy to housing association tenants, with the policy subsidised by the sale of ‘high-value’ council housing stock.

2. This report gives further detail on the two policies and on the available information with regard to their implementation. It goes on to discuss the implications for London boroughs and to update leaders on London Councils’ activity in relation to this policy.

3. Highlighted in particular in the report are: the potential loss of affordable housing in the capital, the implications for new borough housing investment through the Housing Revenue Account, and the distinctive circumstances of London which may mean that the policy leads to a loss of housing funding to the capital.

4. The Executive is invited to consider the details of the government’s proposals as they affect London’s boroughs.

Background

5. The May 2015 Queen’s Speech stated that “legislation will be introduced to support home ownership and give housing association tenants the chance to own their own home”. Key proposals to support this objective are:
    - To enable the extension of Right to Buy levels of discount to housing association tenants
    - To require local authorities to dispose of high-value vacant council houses, which would help fund the Right to Buy extension and the building of more affordable homes in the area.

6. There are also associated proposals to support new housing on brownfield land and discounted homes for first time buyers.

7. Some housing association tenants are already eligible for the ‘right to acquire’ their homes, with relatively small levels of discount of up to £16,000. By comparison, eligible council housing tenants in London are able to buy their homes with a discount of up to £103,900. The only other housing association tenants currently eligible for the right to buy are those

whose homes have been subject to a stock transfer from a local authority landlord. These tenants are eligible for the 'preserved' right to buy on the same basis as council tenants.

8. The government is proposing that housing association tenants will be able to purchase their homes on the same terms as council tenants, with equivalent levels of discount. A DCLG press release indicated that a Housing Bill would "include a comprehensive range of measures to offer England's 1.3 million housing association tenants… significant discounts to buy their home".[1] The supporting notes for the Queen's Speech state that the legislation will "enable the extension of right to buy levels of discount to housing association tenants".

9. It is thought that housing associations will be compensated by the government for the discounts on homes sold through the new right to buy. This compensation will be funded in part by requiring local authorities to sell homes which rank among the most expensive third of all properties of that type in their area as they become vacant.

10. It has not yet been decided how the area will be defined in setting value thresholds to define 'the most expensive third' of properties. The assumptions made by the Conservative Party in support of its manifesto were that areas would be defined at a regional level – in the context of London, with a single threshold across the capital for each bedroom size. The Institute for Fiscal Studies' pre-election analysis[2] of the proposals reported that consultation would be undertaken before determining thresholds.

11. In addition to helping fund the replacement of Right to Buy homes, the government intends that the remaining receipts from high-value council house sales will also be used to support its proposed Brownfield Regeneration Fund, a £1 billion scheme to support local authorities in remediating and supporting the development of new homes on brownfield sites. A proportion of the receipts will also be set aside to secure the 'one-for-one' replacement of the sold homes in the same area they were sold in.

12. Prior to the election there were estimates that the high value sales policy would raise approximately £4.5 billion nationally. This was based on a calculation that around 210,000 homes would meet their definition of 'expensive' and that around 15,000 would fall vacant each year.

Potential impact

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[1] *Over a million more people given the chance to own their own home*, Department for Communities and Local Government, 26 May 2015

[2] *Extending Right to Buy: risks and uncertainties*, IFS Briefing Note BN171, April 2015

13. The National Housing Federation has conducted an early analysis[3] of the potential impact of the right to buy on housing associations. This found that around 850,000 new households would be eligible for the extended right to buy, of which it estimated that around 221,000 would be able to afford mortgage costs. In London, it estimates that around 23,500 homes could be impacted by the policy, with a potential total discount cost of just over £2bn. These figures represent the upper bound of potential sales through the scheme so it may be that overall sales and discount costs are ultimately lower than these figures.

14. The housing association right to buy policy may also have a notable impact on local authorities. If homes sold through the policy are not replaced even in the short term, the reduction in social housing lets would affect the ability of boroughs to meet their housing obligations. Some housing associations are also highly leveraged and it is possible that the extension of right to buy will affect their capacity and willingness to invest in new housing delivery, which would compound the problems of undersupply in the affordable housing sector.

15. London Councils is currently gathering evidence to establish the potential impact of the high value stock sales policy across the capital. Officers are particularly seeking information on existing high value stock levels, vacancy rates and the likely impact of the policy on HRA business plans and new housing investment programmes. This analysis will be used to inform further policy development on the subject.

16. A group of north London boroughs (Camden, Enfield, Haringey and Islington) recently undertook their own study of the potential impact of the policy on their stock levels. This found that around 3,500 new homes were likely to be sold across three of the boroughs in the first five years of the new policy (one borough – Enfield – had no stock that was likely to fall above a regional market value threshold). The study also found that some boroughs would have difficulty in identifying suitable land to build replacement homes, and that at least some replacement homes may have to be built outside of the original local authority area.

17. The four boroughs' study also found that there was a 'strong likelihood' of an increase in requirement for temporary accommodation as a result of the policy, along with increases in overcrowding and, potentially, reductions in vacancy rates as people choose to stay in existing accommodation given increasingly limited alternative options for social housing in their borough.

[3] *Right to Buy extension estimated to cost £12 billion*, National Housing Federation, 14 April 2015

18. The IFS analysis[4] stated that the calculations assume that ‘high value’ homes sold were intended to be replaced by the same properties on a ‘one for one’ basis in the same area. If value thresholds were set at a regional level, this may cause problems for local authorities in high value areas in securing replacements which did not themselves fall within the high value threshold.

19. The IFS also notes[5] the detail of the proposals means that local authorities will be required to support replacement homes with substantially less capital than the value of the homes they are replacing. This means that, in practice, they may be required either to borrow against their own resources to finance new construction, or to build cheaper properties most likely in lower value areas. This could have implications for the way that different London boroughs may seek to work together in meeting their housing responsibilities and implementing strategies. Alternatively, they could transfer the receipts to housing associations, who may be able to call on greater borrowing resources to finance the construction of replacement homes.

20. Based on the estimate of 15,000 high value properties being made available for sale each year, and on the finance required to support the existing Affordable Homes Programme (AHP), the IFS estimates[6] that the up-front finance required to replace these homes annually would be around £300 million nationally.

21. While not opposing the principle of the scheme, the Mayor of London has stated that the policy would only be workable if it ultimately delivered more affordable homes in the capital. He also opposed the notion that the proceeds of council home sales in London should be used to build more homes elsewhere in England.

22. A spokesman for the Mayor has said that the policy “must deliver” an overall increase in housebuilding in London and that all of the money generated from selling London homes is retained in the capital to increase the supply of new housing, in particular affordable housing.

23. The geographical impact of the government’s proposals will differ significantly depending on how thresholds for ‘high value’ council stock are calculated. If (as many analyses have assumed) the thresholds are determined at a regional level, London impacts are likely to be significantly concentrated in higher-cost areas, particularly in inner London.

[4] IFS 2014, op. cit.
[5] Ibid.
[6] Ibid.

24. If thresholds are defined more locally the distribution of stock sales is likely to be more even, with relatively lower impacts in the highest-value boroughs but much larger impacts in lower value areas compared to the effects of a regional threshold. The latter may be far less affected by a regional threshold while some boroughs in the highest value areas could be required to sell a majority of their stock as it became vacant. Unless higher value boroughs were able to finance replacement homes in the same area, this would lead to a gradual diminution of council housing in the more expensive parts of London, with an impact on the overall social mix of the city.

25. As well as the direct financial impact on local authorities from the requirement to sell high-value stock, the impact on wider borough approaches to asset management and in relation to issues such as overcrowding and housing mobility should also be considered. This would include:
    - how boroughs deal with tenants in rent arrears
    - schemes such as Housing Moves which encourage mobility within and out of the social rented sector
    - support for tenants who are under-occupying accommodation and who may wish to downsize, and the availability of larger accommodation for families in overcrowded households

26. In each of these cases, the potential impact of the government's policy could be to require the sale of homes where boroughs were proactively seeking to manage stock in the interests of their residents.

27. The policy will need to be carefully calibrated to ensure that perverse incentives are not created to discourage proactive asset management, and that boroughs are able to manage their stock in a way which meets their obligations to residents and helps support delivery of new homes.

Policy response

28. The key issues for boroughs raised by this policy include:

    - The importance of swift one-for-one replacement of homes sold through the right to buy and stock sales policies to ensure that there is no overall reduction in affordable housing in London
    - The need to ensure that the proceeds of any sales retained by local authorities are sufficient to replace sold homes in the same area and deliver additionality

- The question of rent levels in replacement homes, with suggestions that these will be delivered at the 'affordable rent' rate of up to 80% of market rent
- The consequences for boroughs in managing their homelessness duty and keeping households in temporary accommodation if there is net loss of affordable housing at any stage
- To consider the disproportionately significant impact on stock levels in higher value boroughs if there is a London-wide value threshold, and implications for London's social mix
- To consider how local authorities in high value areas could replace sold stock locally without the new homes themselves falling within the threshold for sale
- The need for London to retain the proceeds of housing sales to ensure that they can be reinvested in new homes in the capital, not used to subsidise right to buy sales or new homes elsewhere in England
- The need to maintain boroughs' ability to manage their stock in a way which helps meet local needs, supports mobility and addresses issues such as overcrowding
- The impact of a potential reduction in housing association rented stock on the ability to of boroughs to meet their obligations to residents in housing need

29. Options for policy proposals in response to the government's initiatives include:

- Securing a commitment from government that their policies lead to an overall increase in affordable housing in London and no loss of housing income from London
- Making the case for additional funding or borrowing capacity to ensure the adequate replacement of lost stock in the council and housing association sectors, and to supply additional homes as needed
- Making the case for all housing sale proceeds to be retained in London, and for London boroughs to be adequately compensated up-front through alternative mechanisms
- Making the case for flexibility on replacement homes where it is impossible to replace stock locally
- Alternative proposals for efficient housing asset management in London based on existing council activity to maximise investment and delivery
- Alternative options for compensating housing associations to fund the right to buy replacements

Conclusion

30. Officers are currently gathering more detailed evidence on the impact of the policies. The timetable for primary legislation and associated regulations is not yet clear. Consultation is

likely on the technical details of the proposals (such as the thresholds for high value stock) and London Councils will respond to any consultation subject to the agreement of the Executive and leaders to its broad policy positions.

31. There is also scope for London Councils to work with other stakeholders in London such as the GLA to discuss issues of mutual interest raised by the two policies and, where appropriate, to agree coordinated submissions to the government in response. Officers will explore the potential of any joint approach in the coming weeks.

32. The Executive is invited to offer its perspective on the issues raised above and on how London Councils might best respond to them.

Recommendations

The Executive is invited to:

- Discuss potential policy and lobbying activity in response to the government's proposals
- Note and comment on any of the issues raised in this report.

Financial Implications for London Councils
None

Legal Implications for London Councils
None

Equalities Implications for London Councils
None

Executive

Rebalancing of cultural funding Item no: 5

Report by: Dianna Neal **Job title:** Head of Economy, Culture and Tourism

Date: 23 June 2015

Contact Officer: Dianna Neal

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Summary This report provides an overview of recent pressures on Arts Council England (ACE) to rebalance public funding for arts and culture away from London and the likely impact of resulting funding policy changes on the London boroughs. It proposes possible approaches to militate against any further rebalancing of funding.

Recommendations The Executive is recommended to comment and provide guidance on the proposed approach to making the case against further rebalancing of cultural funding away from London, which is outlined in paragraph 16.

Rebalancing of cultural funding

Overview

1. For the past 18 months there has been growing pressure on Arts Council England (ACE) to ‘rebalance’ its funding away from London towards the rest of the regions. This pressure is now bearing fruit with a shift in ACE’s funding policy away from the capital towards the rest of England. This shift is likely to have a negative impact on provision in the London boroughs. With further reductions to its budget expected, ACE is likely to come under renewed pressure in the coming months to implement further rebalancing of funding away from London, unless a strong case can be made against this.

Background

2. ACE is the national development agency for the arts in England, supporting a range of activities across the arts, museums and libraries. It distributes two types of funding:

   a) Grant-in-aid funding from government is allocated to National Portfolio Organisations (NPOs) and Major Partner Museums (MPMs). There are currently 663 NPOs across the country, 241 of which are London-based. These range from institutions of international significance such as the Royal Opera House and Sadlers Wells Trust, to more local organisations such as Watermans in Hounslow or the Queens Theatre in Havering. There are currently 21 MPMs, two of which – the Museum of London and the Horniman Museum and Gardens - are in London.

   b) National Lottery funding is distributed through Strategic Funds and Grants for the Arts awards to artists and organisations across the country. Strategic Funds target particular challenges and opportunities and include capital funding, touring funds and various thematic funds. Grants for the Arts funding is open to all individuals and organisations (apart from NPOs and MPMs) to support artistic and cultural projects and events.

3. ACE is a key investment partner for local authorities, including the London boroughs. As local authorities’ funding continues to come under pressure, ACE’s investment in local areas is critical in helping to sustain and develop the arts and culture offer and local communities’ access to it.

4. Since the autumn of 2013, a series of high profile self-funded reports from members of the cultural sector (known as GPS Culture) have made the case that there is a '*bias towards London in public funding of the arts provided by taxpayers and National Lottery players throughout England*'. The arguments made in these reports received considerable media attention and sympathy in the national press, although some were disputed by the sector and by ACE itself. Media coverage has included some negative press around the contributions made by London boroughs to arts and culture, with a criticism of the boroughs in the final GPS Culture report for the supposedly low level of contribution that they make to NPOs. Many of these criticisms are not supported by investment data.

5. Following the publication of the first of the GPS Culture reports, a Culture Media and Sport (CMS) Select Committee inquiry was held last year into the work of ACE, including '*whether the geographical distribution of [its] funding is fair and the justification for the current weighting of this towards London'*. The inquiry was held just before ACE was due to make its next round of grant-in-aid investment in NPOs and MPMs. London Councils submitted written evidence to the inquiry (included in Appendix 1).

6. The CMS inquiry concluded that London receives more than its fair share of cultural investment. Since then, ACE has introduced new Strategic Funds explicitly targeted towards organisations outside London, such as a £15m fund for 2015-18 for '*developing ambition and talent outside London*'. On Thursday 29 May its new Chief Executive, Darren Henley, also made a speech committing to achieve a shift of a minimum of 5 percentage points in the distribution of National Lottery investment away from London, from a current ratio of 70:30 outside the capital, to a 75:25 ratio by the end of 2015/18[1]. This is equivalent to reducing the allocation that goes to London by one sixth (almost 17%). Grant-in-aid funding is currently unaffected.

Arguments against rebalancing cultural funding

7. London Councils, along with partners such as the Greater London Authority (GLA), has been making the case that rebalancing cultural funding away from London is not justified given that:

[1] This follows a rebalancing of the investment ratio from 60:40 over the lifetime of National Lottery investment (since the mid-1990s).

- The arts and culture sector is characterised by interdependence between London and the regions. While there should be strong investment in the regions, this should not be at the expense of London, as this would damage the sector as a whole.
- The significant investment that London receives from ACE is due to the important role it plays as a national and international capital of culture and a tourism gateway to the rest of England. Almost half of the NPO funding that goes to London-based organisations goes to four organisations that serve national and international audiences, namely English National Opera, Royal National Theatre, the Royal Opera House, and the Southbank Centre.
- Many of the London-based organisations that ACE funds do a considerable amount of work outside the capital, and have much wider areas of benefit. These include organisations with a specific touring focus such as English Touring Opera, as well as theatre companies, literary foundations, music producers, and audio description services that have a London post code, but work extensively, or even exclusively, outside London[2].
- Londoners are not benefitting disproportionately from the levels of investment that London-based organisations receive; in 2014, arts participation in London was lower than in all other English regions[3].
- London is not a homogenous entity; the picture of ACE and other cultural investment is very different in inner and outer London. Some parts of London receive considerably less public funding than equivalent areas in regions across the country.
- The extent of the 'imbalance' in funding subsidy to the capital has been widely misreported.

8. These arguments are set out in more detail in our response to the CMS Select Committee inquiry in Appendix 1.

9. ACE has recognised the merit of these arguments to some degree but not wholly. In committing to distribute more of its money outside London, it has stated that it will not do so at the expense of the cultural life of the capital. In his inaugural speech as ACE Chief Executive, Darren Henley said that he is: "*committed to maintaining London's status as a world capital of the arts. A flourishing London, with its arts and cultural organisations that serve the whole nation, is essential"*. However, ACE's commitments to rebalancing National

[2] Examples of these are provided in paragraphs 3.2 and 3.3 of annex 1
[3] Taking Part, 2014

Lottery funding are likely to have a negative impact not only on the sector but also on London's residents.

Implications for London boroughs

10. As previously outlined, while London has a relatively high concentration of NPOs based within its boundaries, many of these serve national and international audiences. Their work is not readily accessible to many of London's communities due to cost, travel and language barriers. These communities are more likely to engage with the work of smaller, locally-based companies who are reliant on the ACE funds that will be affected by rebalancing.

11. The distribution of NPOs is also uneven across the capital. Outer London boroughs in particular have fewer NPOs, and six[4] have none at all, meaning they only receive National Lottery-backed funding from ACE and are reliant on this to create high quality activities which engage and inspire local communities. Any decline in the amount of this funding available to London is therefore of concern, particularly given that participation levels in the arts are already so low in London compared with the rest of the country.

12. The rebalancing of funding away from the capital also needs to be set in the context of the needs of London's rapidly growing population. London is growing by an extra 100,000 people a year. If funding continues to be rebalanced away from London as its population grows, this will lead to more and more Londoners unable to access cultural provision.

Anticipated future developments

13. With further reductions to ACE's budget expected under this parliament, this is likely to reignite debate around how public funding for the arts and culture is distributed. ACE is likely to come under renewed pressure to further rebalance National Lottery funds away from London, and to rebalance grant-in-aid investment as well. This is of concern - any further rebalancing will have a negative impact on the engagement and participation of London's local communities in arts and culture, as well as on the future development and diversity of the sector. The debate around the distribution of public funding for the arts and culture may also generate negative press coverage of the boroughs' contributions to arts and culture, as it has to date.

[4] Bexley, Bromley, Ealing, Enfield, Hillingdon and Sutton

Proposals

14. London Councils has been expressing concerns directly to ACE about the rebalancing of arts and culture funding both at an officer level and through its Member representatives on the Arts Council Area Council for London[5]. Activity has included:

- The publication of an initial report in June 2014 on London local government support for arts and culture;
- The publication of a second report in November 2014 on the value that the cultural sector places on support from London's local authorities;
- A comment piece in Arts Professional[6] in February 2015 on London local government's wider support for arts and culture;
- A letter to the new Secretary of State for Culture Media and Sport in June 2015 on the issue of rebalancing.

15. Through this work, we have highlighted the fact that investment by the London boroughs in arts and culture compares favourably with that of local authorities across the country, particularly on a per capita basis[7], and that the boroughs also provide support for arts and culture in a range of different ways, not just through direct funding.

16. Looking ahead, London Councils can continue to make the case both publicly and directly to ACE against further rebalancing of arts and cultural funding away from London. This would involve working with potential partners such as the GLA, and developing a communications strategy to target central government, the arts council, the sector and the media with:

- Additional reports on the support that London boroughs provide for arts and culture and how this compares with other parts of the country;
- A report and London Councils on-line policy briefing on the different ways that London boroughs support arts and culture;
- Positive stories in the press about boroughs' support for arts and culture in all its forms, including placing content in a local authority Arts Professional special in the autumn of this year;

[5] The London Councils representatives on the Arts Council Area Council for London are: Cllr Kevin Davis, Leader of RB Kingston; Cllr Guy Nicholson, LB Hackney; Cllr Flick Rea, LB Camden; and Cllr Florence Eshalomi, LB Lambeth.

[6] Arts Professional is a prominent arts management journal and website which has run negative stories about the London boroughs' contributions to arts and culture.

[7] In 2013/14 the average London local government arts and culture spend per head was £27.62 compared to an England average of £23.35.

- Information on the needs of local communities in London which are not being met through ACE funding;
- Direct engagement with the Arts Council through our Member representatives on the Arts Council Area Council for London and with ACE's newly appointed Chief Executive, including encouraging him to visit inner and outer London boroughs to see the impact of rebalancing;
- In the longer term, working with the newly formed London APPG to make the case against further rebalancing of cultural funding.

Recommendations

17. The Executive is recommended to comment and provide guidance on the proposed approach to making the case against further rebalancing of cultural funding away from London, which is outlined in paragraph 16.

Financial Implications for London Councils

There are no financial implications for London Councils.

Legal Implications for London Councils

There are no legal implications for London Councils.

Equalities Implications for London Councils

There are no equalities implications for London Councils

Appendices

London Councils' Response to the Culture, Media and Sport Select Committee's Inquiry on the Work of Arts Council England

Background Papers

Rebalancing our Cultural Capital, GPS Culture, 2013

Culture Media and Sport Select Committee Inquiry into the Work of Arts Council England

A New Destination for the Arts – Between a ROCC and a Hard Place, GPS Culture, 2015

APPENDIX 1

London Councils' Response to the Culture, Media and Sport Select Committee's Inquiry on the Work of Arts Council England

Executive summary

London Councils welcomes the opportunity to submit evidence to the Culture, Media and Sport Select Committee's inquiry on the Work of Arts Council England (ACE).

London Councils represents London's 32 borough councils and the City of London. London Councils works to ensure that our member authorities have the resources, freedoms and powers to do the best possible job for their residents and local businesses.

This submission responds primarily to the question raised by the inquiry as to whether the geographical distribution of ACE's funding is fair and the justification for the current weighting of this towards London. Key points in the response are:

- London local government supports and values arts and culture and considers access to good quality arts and culture as an important part of the quality of life for Londoners and communities. London local government supports the arts through funding but also a range of other activities. London Councils would be extremely concerned at a significant reduction in ACE funding to London.

- The arts and culture sector operates within an ecology characterised by interdependence between London and the regions. Each benefits from the activity of the other. There should be strong investment in the regions, but not at the expense of London, as this would damage the ecology as a whole.

- London receives significant investment from ACE, but that is because of the important role it plays as an international capital of culture and a gateway to the rest of England. Much of the ACE investment that London receives goes to organisations of national and international significance.

- Many of the organisations that ACE funds that are based in London do a considerable amount of work outside the capital. There is an important distinction between where organisations are based and where their areas of benefit are, in terms of their audience reach, the impact of their educational offer, and their talent development activities. Looking purely at where funding is received misses this important dimension.

- In terms of access to and participation in the arts, Londoners are not benefitting disproportionately from the levels of investment that organisations based in the capital receive; though improving, rates of engagement in the arts are actually lower in London than the national average.

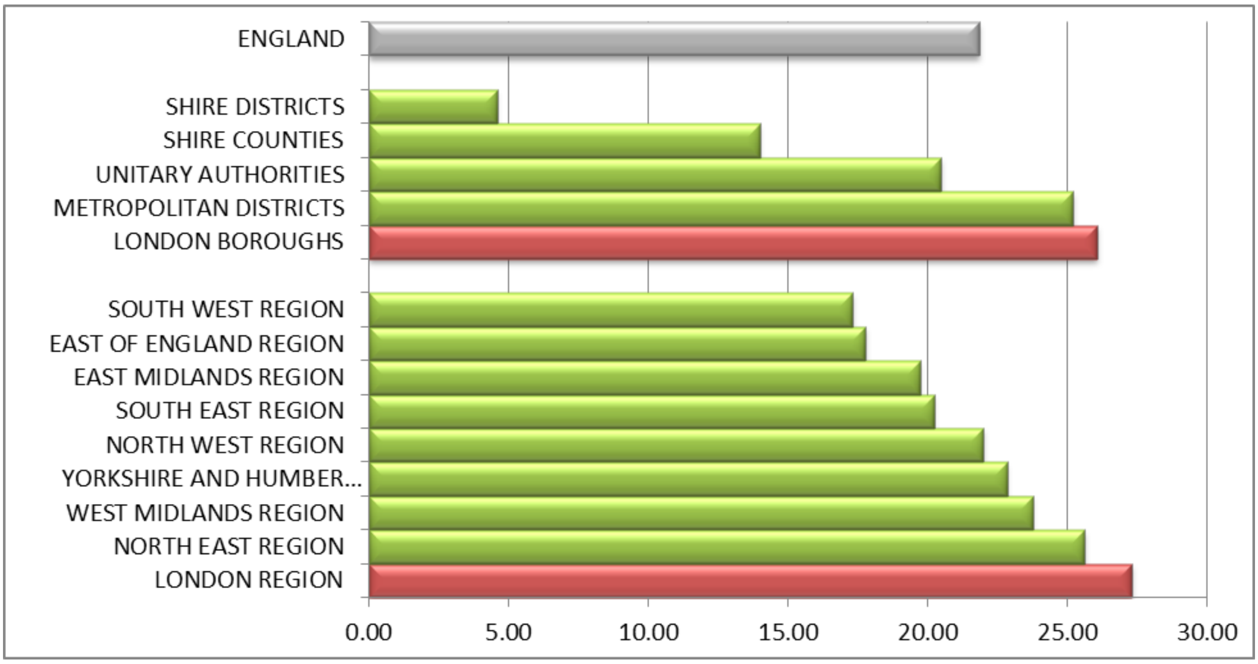
- London is not a homogenous entity; the picture of ACE and other cultural investment is very different in inner and outer London.

- The extent of the 'imbalance' in funding subsidy to the capital has been widely misreported. Significant proportions of National Lottery and other funding streams actually go outside the capital.

1. Perspective of London local government

1.1. Despite facing significant funding cuts from central government and increasing service demand linked to population growth and changing demographics, London local government remains a significant investor in, and supporter of, arts and culture. In 2013-14 local authorities in London spent £220.5 million on arts and culture[8]. This represents around 3 per cent of local authority spending in London in 2013-14[9] compared with 2.2 per cent in the rest of England.

Local government expenditure per capita on arts and culture by region and authority type 2013-14



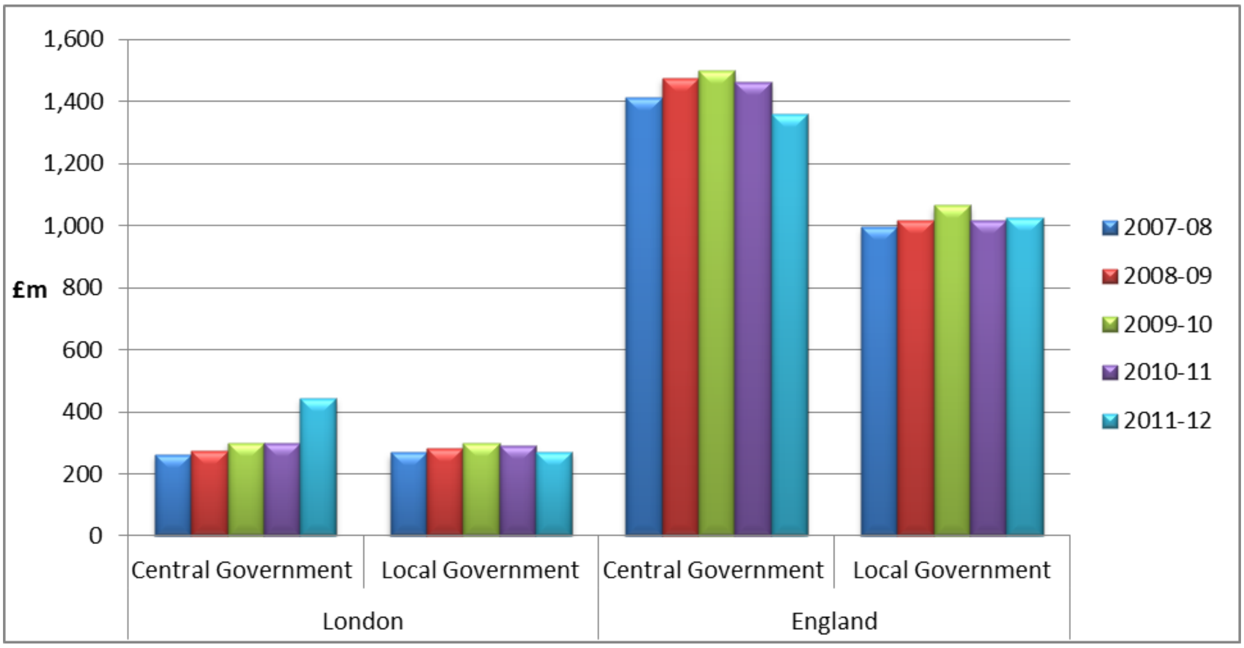
Source: Revenue Account Budget data 2013-14; DCLG

1.2. As a region and authority type, London also spends more per head than other areas, with London boroughs spending £26.07 per capita, compared with the England average of £21.84. Apart from a spike in central government spending in 2011-12 related to the Olympics, local government spends around the same as central government each year on cultural services in London – a pattern which is not replicated at the national level.

[8] Defined as arts development and support; museums and galleries; theatres and public entertainment; and library services

[9] Excluding expenditure on education

Central and local government spend on cultural services - London and England 2007-08 to 2011-12



Source: PESA data, 2007/08 to 2011/12

1.3. This level of investment in arts and culture by London local government is an acknowledgment of the important role that arts and culture play in creating vibrant and cohesive communities, improving people's quality of life, and contributing to social and economic agendas. The investment from London local government goes beyond cultural and grant funding to include a range of other activities such as provision of free and subsidised space for arts and culture activities, provision of business support to cultural organisations and creative businesses, support with partnership brokerage, and support through planning and licensing policy.

1.4. London's boroughs see Arts Council England as a key investment partner, and recognise and support the role that it plays in sustaining and developing the capital and the country's arts and culture offer. London Councils therefore opposes any significant shift of ACE funding away from London, given its important to the quality of life of Londoners.

2. An interconnected cultural ecology

2.1. The cultural sector in England consists of a series of interdependent and interconnected networks and organisations, which should all be supported to grow in tandem. Sharing audiences, artists and expertise, cultural organisations across England help one another to develop their creative offer, their talent and their reach. London sits within this ecology, working with the regions, and benefitting from relationships with them just as they benefit from relationships with the capital. London Councils recognises the need for investment in the regions to support this ecology, but believes this should not be at the expense of investment in London, as taking this investment away would ultimately damage the ecology as a whole.

2.2. The interconnected nature of the country's cultural sector is evident in examples of collaborations between organisations in London and the regions, from Plus Tate - an exchange programme involving 19 galleries across the UK - to the Big Dance, which started in London and is now delivered through 21 dance hubs across the country.

3. Benefits that spread beyond London

3.1. A significant proportion of the funding that ACE gives to National Portfolio Organisations (NPOs) in London benefits audiences and organisations beyond London. Almost half of the NPO funding that goes to London-based organisations[10] goes to four organisations with a national and international remit, namely English National Opera, Royal National Theatre, the Royal Opera House, and the Southbank Centre.

3.2. Many of the other NPOs that receive Arts Council England funding in London also do a considerable amount of their work outside the capital, bringing benefits to audiences and organisations across the regions. This includes organisations with a specific touring focus such as Actors Touring Company, English Touring Opera and English Touring Theatre, as well as organisations such as Artichoke Trust, Arvon Foundation and Vocaleyes that work extensively or even exclusively outside the capital. For example, over the past three years, Artichoke Trust have delivered projects across the UK, with activities in England in East Sussex, Cornwall, Northumberland, Durham, Norfolk and Milton Keynes. The Arvon Foundation is based in London, but runs residential writing courses for schools, groups and individuals in Devon, Inverness-shire, Shropshire and Yorkshire. Vocaleyes provides audio description services for blind and partially sighted people across the UK. This year, it is providing these services for productions in Birmingham, Leeds, Woking, Southampton, Salford, Darlington, Harrogate, Newcastle, Nottingham, Edinburgh, Woking, Belfast, Hull, Dublin, Cardiff, Sunderland, Milton Keynes, Bradford, as well as London.

3.3. Many other organisations from Apples and Snakes to the Unicorn Theatre also bring benefits to audiences and organisations across the regions through touring, digital programmes and artist development work. For example, this year, Apples and Snakes are putting on events in Manchester, Southampton, Birmingham, Newcastle, Exeter, Stockton, Margate, Plymouth, Barnstaple and Devon, as well as London. They are also running masterclasses, workshops and other artist development events in Newcastle and Birmingham. Unicorn Theatre productions this year will be touring to Hedge End, Folkestone, Halifax, Hartlepool, Derby, Manchester, Sale, Burnley, Bath, Cardiff, Nottingham, Edinburgh, Stirling, Norfolk, Norwich, Ipswich, Didcot, Farnham, Canterbury and Oxford.

3.4. It is therefore important to understand the distinction between where organisations are based – which determines the regional categorisation of their funding allocation – and their areas of benefit – in terms of audience reach, educational offer and talent development - through their touring and other work. The picture of funding subsidy is therefore considerably more complex and nuanced than it might seem.

[10] 48.49% of the NPO funding to London-based organisations from 2012/13 to 2014/15 went to the big four national organisations in London.

4. A more nuanced funding picture

4.1. Reports of an 'imbalance' in funding subsidy to the capital have often failed to reflect this more nuanced picture. They have also tended to misrepresent the extent of funding that goes to the capital.

4.2. At £6.15 per attendance, Arts Council subsidy in London is the second lowest out of all the English regions, with only the South West receiving a lower subsidy rate. This compares to £11.40 per attendance in the Midlands, which has the highest rate of subsidy.

4.3. According to Arts Council England, over the last three years more than 70% of its lottery investment has funded projects outside of London, or projects that benefit the whole country. Proportionally, other Arts Council funds, such as Creative People and Places, and the Strategic Touring Fund, also support a significant amount of work outside of London. For example, only 5% of the funding from the first two rounds of Creative People and Places was allocated to projects in London.

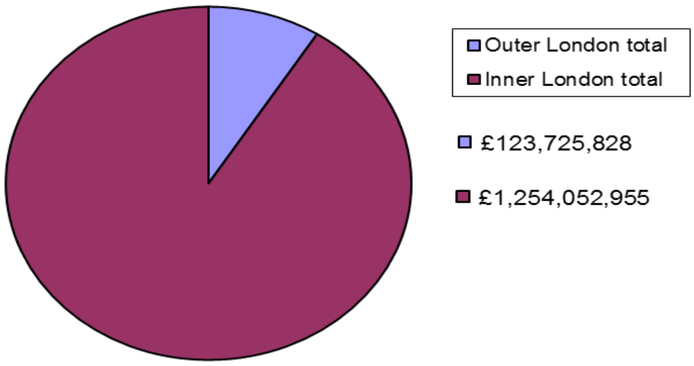
5. London is not a homogenous region

5.1. It is also important to recognise that reports claiming an imbalance of funding towards London, also fail to take into account that fact that London is not a homogenous entity and that there are significant differences in the funding that is received and the level of activity that takes place in different parts of the capital. Whilst some parts of London, such as the Central Activities Zone, have an excellent cultural offer, in other parts of London, particularly some parts of Outer London, the offer is less well developed. ACE's investment in arts and culture organisations and activities is vital to developing and improving access to cultural activities. This is particularly important for some groups who find it difficult to travel very far for cultural activities or are unwilling to do so, such as elderly people.

5.2. Since 1995, £1,377,778,783 of lottery funding has been granted for arts projects in London through capital investment programmes. Significantly more of this funding (91%) has gone to projects in inner London than to outer London (9%) as the graph shows[11].

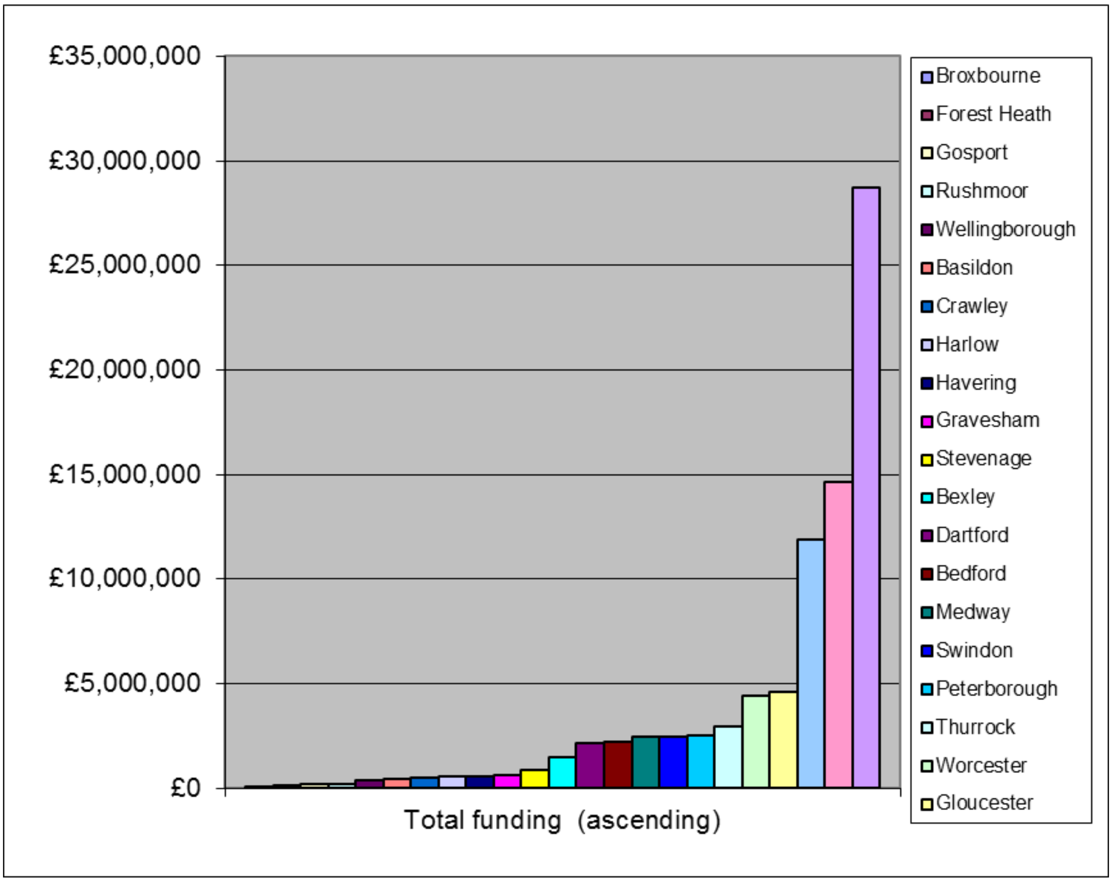
[11] DCMS, Lottery Grants Search, http://www.lottery.culture.gov.uk/Search.aspx

Inner and outer London lottery funding for arts projects since 1995 (capital investment)



5.3. Some areas of London actually receive far less in the way of funding than equivalent areas outside the capital. For example, a comparison of the London Borough of Havering to its nearest statistical neighbours[12] for Lottery Arts funding illustrates that, although part of London, the borough receives less funding than equivalent areas in other parts of the country.

Total Lottery Funding since 1995 for Havering and its statistically nearest neighbours



[12] This is based on the ONS comparator, identifying other geographic populations most similar to Havering across 42 different variables collected at the 2001 census including deprivation, ethnicity and age.

6. Participation

6.1. Despite the concentration of cultural organisations and the richness of the cultural offer in London, on aggregate, Londoners are not benefitting disproportionately from this offer compared with the rest of the country. Data from the annual Taking Part survey13 shows that Londoners' engagement with the arts - although improving - consistently falls below the average for England.

Proportion who have engaged with the arts once or more in the last year - area-level breakdown (adults)

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Jan-Dec 2012
England	76.3	75.9	76.8	75.7	75.7	76.2	78.2	78.5
London	75.1	72.0	74.9	71.3	72.5	73.4	75.9	75.7

Source: Taking Part 2012/13 Quarter 3: Statistical Release

Active or passive arts engagement: Number of arts activities participated in or attended in last 12 months (grouped)

	No activities (%)	1 activity (%)	2 activities (%)	3+ activities (%)
England	21.8	20.6	15.4	42.1
London	24.1	18.6	13	44.3

Source: Taking Part 2011/12

Overall active participation: Whether participated in at least 1 of the listed arts in last year (excl. reading, buying activities, dance for fitness)

	Has not participated in at least 1 activity (%)	Has participated in at least 1 of the activities (%)
England	51.9	48.1
London	52.5	47.5

Source: Taking Part 2011/12

6.2. The data shows that proximity to provision does not necessarily translate into better access. Demographic characteristics such as age, ethnicity, disability, socio-economic status and employment status continue to play an important role in determining participation and attendance. Some parts of London, such as Newham and Hounslow, have particularly low levels of participation and this is recognised by ACE through their Creative People and Places programme. Increasing participation, particularly among more disadvantaged communities, is a long term process that needs a sustainable funding base. A significant shift in ACE funding away from London could erode the benefits of this work.

[13] Commissioned by the Department for Culture Media and Sport, Arts Council England, English Heritage and Sport England,

7. London's national and international cultural offer

7.1. The data also supports the idea that 'London's' cultural offer is actually for everyone, not just for Londoners. London's museums, galleries and theatres, including those funded by Arts Council England and by other sources, attract and benefit both national and international audiences. Data from the Audience Agency, for example, indicates that for each Londoner visiting a gallery, there is one visitor from the rest of the UK and two from overseas.

7.2. The amount of cultural investment that London receives is critical in maintaining and developing this offer and ensuring that London remains an internationally renowned capital of culture, capable of attracting visitors and the best artistic talent from abroad, both of which benefit the rest of the country. Figures from the Office for National Statistics indicate that London is attracting record numbers of overseas visitors who are also spending a record amount[14]. The summer of 2013 saw a record 4.9 million visitors in London, spending £3.37 billion - five per cent more than in the same period the previous year.

7.3. The richness and diversity of London's cultural offer, is key in attracting these visitors. History and heritage are the strongest factor in the decision of overseas visitors to come to London, rated as important or very important by 87% of overseas visitors, whilst museums and galleries are the second strongest factor, cited as important or very important by 82% of overseas visitors[15]. Many of those who come to London also visit other parts of the country, and work is underway to extend this through the London Plus programme, a strategic partnership between London & Partners and Visit Britain, aimed at encouraging more visitors and longer stays across the country. Reducing London's cultural offer would therefore have a negative impact on other parts of the country as well.

7.4. London's cultural offer is important not only in attracting overseas tourists, but also in attracting businesses, persuading them that the capital is a good place to locate to, do business in, and invest in. London is consistently ranked by businesses as being the best city in Europe in terms of the availability of qualified staff, which is the second most highly ranked factor in terms of companies deciding where to locate[16]. There is a wealth of evidence to suggest that skilled workers are attracted by the arts and culture offer in a locality, and such that areas with higher cultural density are more attractive to firms. Diminishing London's cultural offer would therefore also impact on its position as a 'World City' in the eyes of businesses, undermining its capacity to compete with the likes of Paris, Madrid and Amsterdam. Losing business to other European capitals would damage the economy of the country as a whole.

[14] ONS, Overseas Travel And Tourism, Provisional Results Q3 2013 based on the International Passenger Survey
[15] LDA, London Visitor Survey, Annual Report 2008
[16] Cushman and Wakefield, European Cities Monitor

Executive

Moving Forward on Health and Care Reform

Item no: 6

Report by:	Sarah Sturrock	**Job title:**	Strategic Lead, Health and Adult Services
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Summary

This paper explores steps in three particular areas in which London boroughs could seek to make progress within 2015/16 to move forward on health and care reform, both to make progress on improving outcomes and to strengthen the foundations for more ambitious care reform requiring devolution. It seeks the Executive's views on collective aspirations and actions to support locally driven work in these areas.

Recommendations

The Executive is asked to discuss their aspirations for how progress can be made within existing powers to move forward on health and care reform within 2015/16. In particular, the Executive is asked to:

1. agree a common aspiration that all London's Health and Wellbeing Boards should strengthen themselves and increase their effectiveness as system leaders for locally driven health and care reform within 2015/16 and that London Councils' should refresh the stocktake of London Boards at the end of the year;

2. agree that London Councils should develop, as far as possible jointly with London's CCGs, a call to government to clarify the approach to BCF in 2016/17 before the summer, putting forward a series of proposals intended to deliver the aspirations outlined in this paper; and

3. agree a common aspiration to seek the establishment of effective sub-regional partnership working between boroughs and the NHS in London within 2015/16 and that London Councils should do some work with chief executives to support this and draw out broad models.

MOVING FORWARD ON HEALTH AND CARE REFORM

Background

1. The Executive and Leaders Committee have recently clarified their ambitions for health and care reform and devolution as a way of improving outcomes for citizens and addressing the challenges facing both systems. Discussions are continuing to explore the case for specific devolution asks of government or the NHS, to support or unlock health and care reform in the capital. These include a discussion with the Mayor and Simon Stevens in the next month.

2. In the meantime, it is clearly recognised that significant progress can be made on health and care reform within existing powers. The need to improve outcomes and drive greater efficiency in the light of the impact of austerity on the NHS and local government makes such progress imperative. Achieving this will also strengthen the case for any devolution proposals we choose to pursue.

3. This paper therefore considers three key areas in which significant progress could be sought within 2015/16:
    - strengthening Health and Wellbeing Boards;
    - driving integration; and
    - establishing sub-regional working.

4. The Executive is invited to consider and help shape London boroughs' collective aspirations around each of these and what roles London Councils can play in supporting this.

Strengthening Health & Wellbeing Boards

5. Shared Intelligence carried out research[1] for London Councils, published in March, setting out a clear picture of the state of London's Health and Wellbeing Boards. It demonstrates that there is strong commitment to the Boards and they have already made a range of important contributions to driving health and care outcomes and service improvements locally. However, it also identified that no London Boards are yet fully operating in the system leadership role to which they aspire. Further Shared Intelligence work for the LGA has confirmed that the picture in London is similar to that across England.

[1] http://www.londoncouncils.gov.uk/our-key-themes/health-and-adult-services/health/health-and-wellbeing-boards/conquering-twin-peaks

6. Discussions in the London Health & Wellbeing Board Chairs Network recently confirmed shared ambitions to further strengthen the effectiveness and powers of Boards. While this will need to be driven through local commitment and action, being able to demonstrate visible progress on this across London – and its impact in shaping and unlocking progress on health and care reform in the capital – during 2015/16 will be a powerful signal of commitment and readiness to take on any devolved powers. We therefore propose to refresh the stocktake of London's Boards around the end of this year.

7. There are a range of tools available to support local action to strengthen Boards, including a programme of LGA leadership and peer support underpinned by funding from the Department of Health. Some London Boards have already accessed this and found it useful. London Councils will help facilitate increased access to this support, including shaping lighter touch facilitated peer support for those who are not ready for or cannot resource full peer reviews. We will also continue to support the Chairs network and an officer leads network to support local efforts to increase the impact of Boards, as well as making the case for increasing Boards roles and influence in health and care reform.

8. In considering how they should strengthen themselves, Boards will also need to consider whether there is in place suitably robust wider infrastructure locally to drive more significant and effective collaboration on improving outcomes and system change eg joint/aligned commissioning arrangements, use of appropriate s75 agreements, etc.

9. **The Executive is asked to agree a common aspiration that all London's Health and Wellbeing Boards should strengthen themselves and increase their effectiveness as system leaders for locally driven health and care reform within 2015/16 and that London Councils' should refresh the stocktake of London Boards at the end of the year.**

Driving integration

10. While integration is not the solution to all the challenges facing health and care, it is a critical contributor to improving service quality and personalisation, as well as aligning spend to contribute to improving efficiency. Across London there has been real progress on integration and the capital has a good range of examples

of best practice and innovation. But there is still considerably more to do to deliver full integration. Making visible progress on this in the year ahead is a further way of strengthening health and care collaboration and demonstrating London's commitment to reform.

11. The Better Care Fund has provided a powerful catalyst for local collaboration between boroughs and CCGs to increase the scale and pace of integration and has created an important role for Health and Wellbeing Boards that supports their development as forums for system leadership. Despite many frustrations about its surrounding bureaucracy, this approach – of joint planning, pooling budgets and aligned or joint commissioning – is clearly the way forward. Boroughs and their partners are now focussing on delivery of their 2015/16 Better Care Fund Plans. Successful management of this, in the face of growing challenges in the system, will be a significant contribution to demonstrating progress on health transformation and reform.

12. However, the single year plans are not sufficient in themselves. If London wants to demonstrate its commitment to real progress on reform, building on these in ambitious ways over the next few years will be important.

13. In the light of the government's manifesto commitment to integrating health and care through the Better Care Fund, London Councils officers have been exploring with boroughs and CCGs how to frame broad ambitions for the future development of the Fund, learning from the experiences to date. One thing that is clear is that waiting until the publication of the Comprehensive Spending Review in the late autumn for a government steer about how the BCF should develop in 2016/17, would seriously curtail the ability for local shaping of genuinely joint ambitions for furthering integration in that year – and would particularly impede the development of Health & Wellbeing Boards' role in this. Therefore, we are seeking to develop a call to government to clarify the approach to BCF in 2016/17 before the summer, to enable local work to be driven on a more reasonable timeline. We hope to be able to agree this jointly with CCGs, recognising the increased power of a collective call from local commissioners in the capital.

14. In making this call, there is an opportunity to make proposals to shape the development of more detailed national guidance. While reflecting a common

commitment to making significant real progress on integration, these should retain freedom for local priorities and ambitions to shape the specific way in which integration is driven forward locally.

15. We think the proposals should include:

    a. *extending scope* – integration has mostly been focused on the frail elderly where it is clearly critical. But many other groups of people should be able to benefit from integrated services, for example children, those with mental illnesses, learning disabilities, working age adults with multiple long term conditions, or those suffering particular health inequalities. Expanding scope could also involve extending integration to different service areas eg primary care or housing. The focus for extending scope should be for local determination, reflection population priorities.

    b. *extending scale* – BCF 2015/16 required the pooling of £3.8 billion (of which over £1.1 billion was already money that came to local government) and in fact has achieved £5.4 billion across England. But, this is still a very small proportion of overall health and care spend, so if the BCF is to become more influential in the system a greater proportion of funding needs to be included in it or closely aligned to it. A goal of doubling the minimum funding in the pooled pot in 2016/17 would be a meaningful step forward. In London this would mean an increase from a minimum of £588 million in 2015/16 to £1.176 billion – although, of course, local partners could agree to be even more ambitious. As well as starting to make the BCF a more influential proportion of total spend, this is an opportunity to make the case for funding from NHS England to be included, alongside increased amounts of CCGs’ and local authorities’ social care and public health budgets being brought into the pot.

    c. *making prevention and early intervention a mandatory component of BCF* – given government and NHS commitment to placing greater priority on prevention and the importance of starting to rebalance activity towards it, the BCF should be a vehicle for making a reality of this. This supports the case for some NHS England national transformation funding to be included in the pooled budgets, reflecting the fact that prevention cannot always yield a return on investment within the financial year of a BCF plan.

d. *building links between planning at different geographical levels* **–** both BCF and system resilience plans (being developed by the NHS around acute hospital footprints to seek to manage seasonal and other pressures) have strong focuses on reducing unnecessary admissions and facilitating timely discharges from hospital. System resilience (formerly 'winter pressures') funding has now been included in CCG baselines rather than being announced in year and run as a separate programme. Therefore, inclusion of CCG's system resilience funding in BCF pooled budgets would ensure the need to align planning at different geographical levels and thus boost overall efficiency and resilience.

e. *removing nationally mandated payment for performance* – these have been driven by national concerns about costs falling on the NHS if BCF plans fail to deliver reductions in admissions. While integration must continue to play a role in reducing planned and unplanned hospital admissions, the management of BCF delivery risks – for hospitals and for other outcomes including reducing residential care home admissions - should be locally owned. Local authorities and CCGs should therefore be required to develop local risk-share deals to address this.

f. *strengthening alignment of commissioner and provider plans* – this was an issue of particular concern to NHS England and government in 2015/16 planning. Some of their concerns stem from the variability of engagement with providers locally, including through Health and Wellbeing Boards. But part of the problem is also the mis-alignment of incentives for providers to base their plans on commissioner's ambitions for reduced hospital activity. A commitment from local authorities and CCGs to strengthen their engagement with providers should therefore be balanced with a clear requirement from government on provider regulators (Monitor/NTDA) to require alignment with commissioner planning assumptions as part of their assurance of provider plans.

g. *streamlining assurance and performance management bureaucracy around BCF plans* – there must be a reduction in the national process and bureaucracy, which has over-dominated and distorted the BCF process for 2015/16. We believe a more risk-based proportionate approach could be adopted, incentivising greater local responsibility. In London, joint working between London Councils, the London Association of Directors of Adult Social Services and NHS England (London) sought to manage national processes in a more responsive way and this contributed positively to London's BCF plans generally securing earlier assurance. This should be built on for future years.

h. *encouraging the development of longer term locally driven transformation plans* – while, pending the outcome of the Comprehensive Spending Review, we are focussing on how BCF should develop in 2016/17 we would want to it to evolve further to enable longer term planning, rather than just a year by year focus. As a foundation for this and to demonstrate the credibility of locally led approaches, the BCF plans should include broad roadmaps for how local partners want to take forward their integration ambitions over the rest of this parliament.

16. **The Executive is asked to agree that London Councils should develop, as far as possible jointly with London's CCGs, a call to government to clarify the approach to BCF in 2016/17 before the summer, putting forward a series of proposals intended to deliver the aspirations outlined in this paper.**

Developing sub-regional working

17. The Executive and Leaders' Committee discussions about health and care reform and devolution have all clearly acknowledged that this will need to be undertaken through working at different spatial levels. While local government will always want to reinforce a principle of subsidiarity, with responsibilities and action devolved to the lowest possible level, we have acknowledged that some important reforms will need to be driven by working at local health economy and sub-regional levels.

18. CCGs are already strengthening their sub-regional arrangements, both as a means of securing delegation of responsibilities from national or regional levels within the NHS and to seek to address systems resilience issues for hospitals. These arrangements will further strengthen and solidify during this year.

19. Some boroughs are finding ways of engaging these sub-regional arrangements – through officers or Members. However, the pattern is very mixed. The two main challenges are for boroughs to find ways of organising themselves together for effective sub-regional working and to persuade CCGs and NHS England to open up their sub-regional arrangements to creating real partnerships with boroughs.

20. To enable local authorities to be effective partners in health and care reform, it is vital that we make real progress on establishing sub-regional working on health in London during 2015/16.

21. Work on developing boroughs' aspirations for and approaches to sub-regional working will need to be owned and driven locally. However, there is a need to have some overall coherence in the approach, to enable real progress to made with NHS England and other national or regional bodies and to support devolution requests. It is therefore proposed that London Councils should develop some work with chief executives to help facilitate the development of thinking about sub-regional health working across London. This should seek to draw out emerging models (including views on what should happen at different levels, approaches to governance, delivery mechanisms, links between local/sub-regional/regional working, etc) and support some of the engagement with regional and national partners needed to ensure that boroughs can work effectively with the health service at sub-regional level.

22. **The Executive is asked to agree a common aspiration to seek the establishment of effective sub-regional partnership working between boroughs and the NHS in London within 2015/16 and that London Councils should do some work with chief executives to support this and draw out broad models.**

Conclusion

23. **The Executive is asked to discuss their aspirations for how progress can be taken within existing powers to move forward on health and care reform within 2015/16, both to make progress on improving outcomes and to strengthen the foundations for more ambitious reform requiring devolution. In particular, the Executive is asked to:**

a. **agree a common aspiration that all London’s Health and Wellbeing Boards should strengthen themselves and increase their effectiveness as system leaders for locally driven health and care reform within 2015/16 and that London Councils’ should refresh the stocktake of London Boards at the end of the year;**

b. **agree that London Councils should develop, as far as possible jointly with London’s CCGs, a call to government to clarify the approach to BCF in 2016/17 before the summer, putting forward a series of proposals intended to deliver the aspirations outlined in this paper; and**

c. **agree a common aspiration to seek the establishment of effective sub-regional partnership working between boroughs and the NHS in London within 2015/16 and that London Councils should do some work with chief executives to support this and draw out broad models.**

IMPLICATIONS FOR LONDON COUNCILS

Financial Implications for London Councils

None

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

London Councils' Executive

Devolution of infrastructure funding mechanisms

Item 7

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Summary: This report sets out the context for devolution of infrastructure funding mechanisms, in light of London's infrastructure funding gap and the continued reduction of government grant.

Recommendations: The Executive is asked to provide initial guidance on developing the levers for a locally funded approach to London's infrastructure needs and whether, or at what stage, it would be helpful to badge it as part of London Councils' devolution asks.

Devolution of infrastructure funding mechanisms

Background

1. Given the pressures on direct government infrastructure funding through grant, there is a major threat to the UK's main economic engine – London. Addressing this shortfall of funding through other means will be important and this report explores other fund raising mechanisms compatible with a thriving economy. It seeks advice on the broad direction of travel for the proposals it contains.

2. The London Infrastructure Plan 2050 identifies £1.3 trillion investment in infrastructure needed between 2016 and 2050.[1]

3. The Infrastructure Plan 2050 also identified that the current level of infrastructure funding, especially in the public sector, will not meet these costs. There is an annual infrastructure funding gap of:

    i. Housing - £1.3 billion

    ii. Transport - £2.5 billion

    iii. Education - £0.6 billion

    iv. Green infrastructure - £46 million

    v. Waste, by contrast, has no expected funding gap, if London successfully transitions to an economy where reuse and recycling increase.[2]

4. On 20 January 2015 the Executive considered a report which set out the funding package for Crossrail 2 proposed by PwC. The report also included a series of international funding mechanisms which the Executive advised officers to research further.

5. This report includes the research carried out by officers on the international funding mechanisms in a London context at Appendix A and considers further the context for fiscal devolution of infrastructure funding mechanisms in light of meeting the infrastructure funding gap.

6. Many of the mechanisms considered in Appendix A will require devolution of powers and funding from government. This adds to London Councils' and the Mayor's call for greater devolution in London.

7. Appendix B shows the potential contribution that districts immediately outside London on the Crossrail 2 route could make. It explores a council tax precept and business rate supplement and calculates the funds that could be raised in those districts closest to London

[1] London Infrastructure Plan 2050 consultation document, p.67
http://www.london.gov.uk/sites/default/files/London%20Infrastructure%20Plan%202050%20Consultation.pdf
[2] *Ibid*, p.72

which would directly benefit from Crossrail 2. This could be replicated for other schemes, potentially on a wider basis. Mechanisms to collect these funds would need to be explored.

The importance of infrastructure

8. Housing is one of London's most pressing infrastructure needs as London's population grows. To release sites for additional housing, they typically need a range of supporting infrastructure to make them accessible and desirable places to live. These include transport, utilities, telecommunications and sewerage. Good transport links are important already for the construction phase.

9. New homes then drive the need for both primary and secondary school places, hospital and medical services, as well as other facilities, such as open spaces, retail and leisure. Once occupied, the waste and recycling of new residents must be collected and disposed of, preferably within London but often further afield.

10. Who is responsible for implementing this necessary infrastructure, at what point of the construction scheme and cost is an issue that tends to be addressed on a project by project basis and not without difficulties. In particular transport infrastructure, which can play the most significant role to unlocking sites for development will often need to be funded upfront. The most successful example of that recently is the Northern Line extension to Battersea / Nine Elms, which is using Tax Increment Financing (TIF) that will be paid off using a mixture of growth in business rates and S106 and CIL raised in the development area.

11. Much of the other infrastructure required also relies heavily on S106 or CIL contributions from the developer to the borough and these are increasingly getting squeezed. New and innovative funding mechanisms are therefore required.

Funding mechanisms for infrastructure

Funding mechanisms that London could implement without devolution

12. The report the Executive received on 12 May 2015 set out a series of mechanisms already available to boroughs for the funding of infrastructure. These are tax increment financing / betterment levy; business rates pooling; and increasing the density of development, in order to capture CIL/s.106 payments, council tax or business rates supplement/business rates.

13. The London Finance Commission, which reported on 15 May 2013, included a recommendation that the Mayor and London's local authorities should determine which Tax

Increment Financing projects to proceed with; with a presumption in favour by government of all TIF projects that demonstrate net gains to public finances in the meanwhile.

14. As mentioned above, TIF is being used as a funding mechanism for the Northern line extension from Kennington to Nine Elms and Battersea. It will also be used as a funding mechanism for a new station at Brent Cross in Barnet, which will capture business rates growth from the expanded shopping centre.

15. The new Secretary of State for Business, Innovation and Skills, Sajid Javid MP, recently expressed his willingness to improve TIF.

International funding mechanisms that would require devolution to be used in London

16. The report the Executive received on 12 May 2015 set out nine funding mechanisms used internationally to fund infrastructure. They were considered in the context of their contribution to Crossrail 2. Further information including a summary table can be found at Appendix A to this report.

17. The London Finance Commission also recommended the devolution of five property taxes to London. Their report set out their proposed process for this:

    Property taxes should be devolved first, as they have immobile bases and are therefore well suited to local control. We recommend that the full suite (council tax, business rates, stamp duty land tax, annual tax on enveloped dwellings and capital gains property disposal tax) should be devolved to London government, which should then have devolved responsibility for setting the tax rates and authority over all matters including revaluation, banding and discounts. The yields of these taxes should be offset through corresponding reductions in grant to ensure a fiscally neutral position for the Exchequer, at the outset. Not least because the yield from property taxes is already high in London, devolution will lead to much greater pressure on London government to account to residents and businesses alike for the activities the tax revenues fund.

18. Following these principles, the funding mechanisms contained in Appendix A could be devolved in a similar way. In the case of new taxes the issue of reducing grant would not apply. Developing this approach, building on the London Finance Commission, could contribute to the significant funding gap posed in the Infrastructure Plan 2050.

Recommendation

The Executive is asked to provide initial guidance on developing the levers for a locally funded approach to London's infrastructure needs and whether, or at what stage, it would be helpful to badge it as part of London Councils' devolution asks.

Financial Implications

There are no financial implications to London Councils arising from this report.

Legal Implications

There are no legal implications to London Councils arising from this report.

Equalities Implications

There are no equalities implications to London Councils arising from this report.

Appendix A

Appendix A considers a series of possible mechanisms for funding infrastructure, all of which would require devolution. They are considered in the context of Crossrail 2.

In preparing decisions on Crossrail 2 for the Autumn Statement 2014, London was challenged by government to demonstrate that it could source at least half the cost of Crossrail 2, which is estimated to be £27.5 billion. TfL commissioned PwC to explore this further and Table 1 summarises how PwC consider this could be achieved.

Whilst pressure on public finances continues, government may well seek to secure a higher proportion of the overall cost from London sources. By way of comparison, Londoners and London's businesses are contributing over 60 per cent of the funding of Crossrail 1, which is costing £14.8bn.[3]

The calculations in this Appendix are officer estimates, making use of publicly available data sets. They are based on today's prices, and do not consider inflation, indexing or uprating, economic growth or recession, price rises, population growth, or increases or decreases in the units under considerations (households, hotel rooms etc.). They are intended to be indicative only and generally represent an underestimation.

Table 1 below sets out a summary of a series of international mechanisms, together with estimates of how much they could contribute to funding Crossrail 2 in today's prices.

Table 1 – International funding mechanisms and possible contribution to Crossrail 2 funding

Funding mechanism	How much it could raise annually	How much it could raise April 2019-April 2031[4]	Contribution to Crossrail 2 (%)	Summary of model/ assumptions
Payroll levy	£92,979,687	£1,115,756,248	4.06%	Uses a 0.11% New York levy and bases pay calculations on the London Living Wage.
	£187,437,288	£2,249,247,454	8.18%	Uses a 0.11% New York levy and bases pay calculations on the London mean wage.
Visitor and tourism tax (hotel tax)	£25,951,754	£311,421,047	1.13%	Based on an 84 per cent occupancy rate of hotels across all room rates.
Sales tax	£85,000,000	£1,020,000,000	3.7%	Adds a 0.5% levy to VAT in London.
Parcel (land) tax	Not assessed – as information not currently available in a usable format.			A tax on land, which could be calculated on size, rental value, business rates value or proximity to a Crossrail 2 station.
Employer sponsored transit	£90,704	£1,088,446	0.004%	Models London's transport modal share, with businesses charged the equivalent of 1% of travel fares annually.
Fuel taxes	£92,528,913	£1,110,346,955	4.04%	Applies a 3% fuel tax to the retail price of a litre of fuel, and is based on London's estimated fuel consumption.
Parking levy	£347,718,000	£4,172,616,000	15.2%	14p daily charge on 6.8 million spaces.
Business Improvement Districts/	Not assessed – as information not currently available in a usable format.			Could either establish mandatory Business Improvement Districts across

[3] http://www.crossrail.co.uk/about-us/funding
[4] Crossrail is due to open fully in 2019 and Crossrail 2 is forecast to open during 2030. In practice mechanisms could run for much longer. Today's prices are used, and no forecast of growth or recession, increase in population or usage is included in the calculations.

Table 1 – International funding mechanisms and possible contribution to Crossrail 2 funding				
Funding mechanism	**How much it could raise annually**	**How much it could raise April 2019-April 2031[4]**	**Contribution to Crossrail 2 (%)**	**Summary of model/ assumptions**
Benefit Assessment Districts				London, or assess the benefit to businesses of Crossrail 2 and levy accordingly.
Toll bridge	£127,837,500	£1,534,050,000	5.58%	Uses the daily number of vehicle crossings and the car charge at the Dartford Crossing, to estimate how much a similar London crossing could raise.

These mechanisms are considered in greater detail below.

Payroll levy

Introduced in France in 1971, it is levied monthly by Local Transport Authorities on the gross payroll of employers with 10 or more employees. Employers pay the levy on behalf of their staff; those that provide their own transport or accommodation at their place of work can be reimbursed. Non-profit entities are exempt.

The tax rate varies from 0.55 per cent to 1.75 per cent based on a city's population size. A city the size of London would charge 1.75 per cent. In France, the collecting authority retains 1 per cent of receipts to cover its costs.

In New York a payroll tax has been levied on businesses within the transportation district. It is levied on all businesses quarterly, at rates from 0.11 per cent to 0.34 per cent. Government and educational institutions are exempt.

Opportunities	Challenges
London has a clear geographical and political boundary on which to base a payroll tax. This could lend itself to a pan-London Infrastructure Tax. Alternatively, specific areas such as 1km zone around a Crossrail 2 station or the Central Activities Zone boundary could be used.	It could be considered a 'tax on jobs'. It could impact on take-home pay where companies reduce wages to cover their costs. It could place the burden of public transport costs on workers, which ignores public transport use by tourists and residents for leisure, and by schoolchildren.
Existing collection authorities/mechanisms could be adapted e.g. HMRC collects income tax, boroughs collect business rates.	London has a significant number of low paid workers. It could be possible to implement a levy only above a certain pay threshold.
Anyone working in London is included – therefore capturing those who work in London but live outside London and commute in, putting pressure on the transport system.	It could lead to companies relocating outside London or not locating in London at all, especially in outer London boroughs. If a French-style system was used where only businesses employing 10 or more people would be levied, it could act as a barrier to company expansion.
It could support initiatives to help people into work, by exempting from the payroll levy apprentices, people who for most of the year are in full-time education, staff under age 18 or 21, staff employed on back to work schemes etc.	There could be increases in job insecurity, zero-hours contracts or self-employment as companies seek to avoid paying the levy or reduce their costs in calculating it.
There is a clear link between commuting, use of public transport, and the need for Crossrail 2.	There is some evidence in France that the payroll levy has led to employer hostility towards public transport. Individuals who walk, cycle or drive to work could resent the levy.

Table 2 sets out what a levy based on the New York and French examples could mean for an individual's **hourly** salary. Four salary rates are considered: minimum wage, London Living Wage, London's median gross hourly wage and London's mean gross hourly wage. The payroll tax would be paid on gross salary.

Table 2 - Tax payable on hourly salary		*Tax payable on the individual's salary*			
		New York equivalent		**France equivalent**	
		Lowest rate (0.11%)	Highest rate (0.34%)	Lowest rate (0.55%)	Highest rate (1.75%)
Minimum wage (over 21s)	£6.50/hour	£0.007/hour	£0.02/hour	£0.04/hour	£0.11/hour
London Living Wage	£9.15/hour	£0.01/hour	£0.03/hour	£0.05/hour	£0.16/hour
London median hourly wage[5]	£14.50/hour	£0.02/hour	£0.05/hour	£0.08/hour	£0.25/hour
London mean hourly wage[6]	£18.77/hour	£0.02/hour	£0.06/hour	£0.10/hour	£0.33/hour

Table 3 estimates the total **weekly** tax collected by a payroll tax for a range of scenarios. They are not cumulative and should not be added.

The Regional Market Data for London estimates that in 2014 there were 3,241,000 people in full-time employment, and 968,000 part-time workers.[7] In December 2014 the Workforce Jobs measure for London was 5,599,000 workforce jobs.[8] The Workforce Jobs measure does not separate full- and part-time employment.

The modelling below uses the Workforce Jobs measure for London as it is higher, but uses the data on full- and part-time workers to calculate a proportion of the Workforce Jobs measure as part-time workers. Therefore approximately 29.9% per cent of London's workforce is part-time; 1,674,101 people. This figure, together with 3,924,899 full-time workers, is used below.

The median paid hours worked in London in 2014 were 37.5 hours by full-time workers and 18.2 hours by part-time workers.[9]

Table 3 – Weekly tax collected[10]		*The total tax collected **weekly** could be…*			
		New York equivalent		**France equivalent**	
		Lowest rate (0.11%)	Highest rate (0.34%)	Lowest rate (0.55%)	Highest rate (1.75%)
Full-time workers 37.5 hours/week 3,924,899 people If everyone was paid…	**Minimum wage**	£1,052,363.54	£3,252,760.05	£5,261,817.72	£16,742,147.30
	London Living Wage	£1,481,404.07	£4,578,885.30	£7,407,020.33	£23,567,791.96
	London median FT hourly wage[11]	£2,611,480.61	£8,071,849.16	£13,057,403.05	£41,546,282.45
	London mean FT	£3,184,613.99	£9,843,352.32	£15,923,069.94	£50,664,313.44

5 ASHE 2014 (provisional) Table 8 - Place of Residence by Local Authority (ZIP 5941Kb) Table 8.5a

6 ASHE 2014 (provisional) Table 8 - Place of Residence by Local Authority (ZIP 5941Kb) Table 8.5a

7 Regional Market Data for London: Table H107 – 3, January 2014 – December 2014 http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-357392

8 Ibid, Table H107 – 4

9 ASHE 2014 (provisional) Table 8 - Place of Residence by Local Authority (ZIP 5941Kb) Table 8.9a

10 Tax collected is calculated by multiplying levy per hour (Table 3) by average number of hours worked (part or full time).

11 The median wage for full-time workers is higher than the All London median, at £16.13/hour. ASHE 2014 (provisional) Table 8 - Place of Residence by Local Authority (ZIP 5941Kb) Table 8.5a

	hourly wage[12]				
Part-time workers 18.2 hours/week 1674101 people If everyone was paid…	**Minimum wage**	£217,850.76	£673,356.90	£1,089,253.82	£3,465,807.60
	London Living Wage	£306,666.84	£947,879.33	£1,533,334.22	£4,878,790.69
	London median PT hourly wage[13]	£303,985.60	£939,591.86	£1,519,928.02	£4,836,134.60
	London mean PT hourly wage[14]	£419,949.24	£1,298,024.92	£2,099,746.20	£6,681,010.64

If all of London's workforce were paid the London Living Wage, the annual tax take from a payroll levy at 0.11 per cent could be £92,979,687.31. A payroll levy for 12 years running from April 2019 (the year after Crossrail 1 fully opens) to March 2031 (the year after Crossrail 2 is forecast to open) could raise £1,115,756,247.71, which could contribute 4.06 per cent of the cost of the Crossrail 2.

Using the London mean wage, the annual tax take of a payroll levy at 0.11 per cent from London's total workforce could be £187,437,287.84. A payroll levy for 12 years running from April 2019 to March 2031 could raise £2,249,247,454.07, which could contribute 8.18 per cent of the cost of Crossrail 2.

These estimates do not allow for inflation, wage increases, economic growth or recession.

To levy a payroll tax, London local government would need to establish a collection mechanism and secure fiscal devolution.

Visitor and tourism tax (hotel tax)

This is levied by French councils at a fixed rate per room per night. Higher star hotels have higher charges, and there is a lower charge for campsites.

Councils are free to set their rates within bands for each star. The highest tax band (four stars) is set at €0.65 - €1.50 per night (£0.45 - £1.07), with Paris charging €1.50 (£1.07) per night.[15]

In July 2014 the French government proposed an increase in the tax; four and five star room rates would have increased to €8 (£5.75) but this was rejected due to criticism that this would damage the hotel and tourism industries. It is worth noting that London already has higher average overnight accommodation costs than Paris.[16]

LB Camden announced in January 2015 that it wants the power to be able to set a hotel or visitor tax, to pay for street cleaning and public realm maintenance and improvements around tourist attractions.

Opportunities	Challenges
Tourists in London place additional pressure on the transport system. They do however significantly contribute to the visitor economy and support jobs and growth in London.	The link between tourists and city infrastructure like Crossrail 2 which will be used by resident Londoners as well is more tenuous. However, the tax could part-fund infrastructure and part-fund borough functions such as cultural events, street

[12] The mean wage for full-time workers is higher than the All London mean, at £19.67/hour. ASHE 2014 (provisional) Table 8 - Place of Residence by Local Authority (ZIP 5941Kb) Table 8.5a.

[13] The median wage for part-time workers is lower than the All London median, at £9.07/hour. ASHE 2014 (provisional) Table 8 - Place of Residence by Local Authority (ZIP 5941Kb) Table 8.5a. This is less than the London Living Wage.

[14] The mean wage for part-time workers is lower than the All London mean, at £12.53/hour. ASHE 2014 (provisional) Table 8 - Place of Residence by Local Authority (ZIP 5941Kb) Table 8.5a.

[15] Exchange rate on 22.04.2015

[16] Information in this section is taken from PwC Crossrail 2: Funding and Financing study, p.89-90

Opportunities	Challenges
	cleaning and supporting leisure facilities such as parks and museums.
Existing collection of business rates by boroughs could be adapted to collect this tax.	It could be difficult to enforce this tax for the growing trend of renting out rooms, meaning the tax could fall on the established hotel industry. The hospitality industry has a long-running campaign for a lower rate of VAT than 20 per cent to be levied on its services.[17]

Figures from the STR Global London Survey indicate that in July 2014 London had 123,325 hotel rooms. The Survey breaks down this data by hotel category, which has been equated below to number of stars, in line with the Paris rates. PwC Hotel Insight data forecasts London's hotels will be at 84 per cent occupancy in 2015. Their data gave London 135,890 rooms in 2014 and forecasts this will grow by 6,428 rooms in 2015.[18] The lower STR Global London Survey data is used in Table 4 below to calculate how much a hotel tax could raise.

Table 4 – Nightly tax collected[19]	Suggested equivalent to Paris Rate	Rate in London (per room, per night)[20]	Total Rooms	Tax collected at 84% occupancy rate per night
Economy	1 star €0.42	£0.30	27,489	£6,927.23
Midscale	2 star €0.78	£0.56	16,080	£7,564.03
Upper Midscale	2 star €0.78	£0.56	15,752	£7,409.74
Upscale	3 star €1.00	£0.72	28,489	£17,230.15
Upper Upscale	4 star €1.50	£1.07	22,266	£20,012.68
Luxury	5 star €1.50	£1.07	13,249	£11,908.20
Total			**123,325**	**£71,052.03**
Total Rooms Source: STR Global London Survey, July 2014. Occupancy Rate Source: PwC 2015 UK Hotels Forecast Update				

Based on an 84 per cent occupancy rate, a hotel tax could raise £25,951,753.96 annually. A 12-year levy from April 2019 to March 2031 could raise £311,421,047.49 in today's prices, assuming there is no change in the number of hotel rooms or occupancy rates. This could contribute 1.13 per cent of the cost of Crossrail 2 in today's prices.

To levy a visitor and tourism tax, London local government would need to establish a collection mechanism, or secure fiscal devolution from an existing one. London local government would need enforcement powers to follow up any non-payment.

Sales Tax

This was implemented in San Francisco in 2003 at a rate of 0.5 per cent following a public vote. It is charged on all qualifying goods at the point of sale and remitted by the business to the Transportation Authority.

A similar attempt in Atlanta to introduce a 1 per cent sales tax was rejected by voters in 2012. In Toronto an increase in the sales tax to 14 per cent (from 13 per cent) was part of the potential funding package for its transport investment plan.[21]

17 http://www.parliament.uk/briefing-papers/sn06812.pdf
18 http://www.pwc.co.uk/hospitality-leisure/uk-hotels-forecast/uk-hotels-forecast-update-2014-and-2015.jhtml
19 Tax is calculated by multiplying the room rate by number of rooms by occupancy rate.
20 Exchange rate at 20.4.2015
21 Information in this section is taken from PwC's Crossrail 2: Funding and Financing study, p.93, 98, 112

Opportunities	Challenges
The concept of VAT and its collection mechanisms are already in place, and it would be straightforward to calculate. A London-wide levy could be added to VAT, with HMRC remitting this to London government.	Total sales taxes in San Francisco amount to 8.75 per cent (including the 0.5 per cent for transport), compared to Britain's current VAT rate of 20 per cent (excluding a Crossrail 2 sales tax). It is unlikely to be popular with shoppers or businesses.
It would mean everyone living, working and visiting London would contribute towards the cost of Crossrail 2.	HMRC resistance to variable rates of a core UK tax.
	It could damage the already fragile recovery of the high street. It could put London's businesses at a commercial disadvantage, especially at London's boundaries.

VAT for the whole of England was expected to net the Treasury £103 billion in 2013/14.[22] The City of London estimated in November 2014 that London contributed £17 billion in VAT to the Treasury in 2013/14.[23] This would represent 16.5 per cent of national VAT receipts.

An additional 0.5 per cent sales tax in London could net £0.085 billion (£85 million) for Crossrail 2 in one year. This assumes there is no impact on sales and does not take into account inflation, economic growth or recession. Over a 12 year period from April 2019 to March 2031 this could provide £1.02 billion for Crossrail 2 which could contribute 3.7 per cent to the cost.

To levy and collect a sales tax, London local government would need fiscal devolution.

Parcel (land) tax

A flat tax on real estate was considered as part of the funding package for a new metro line in Atlanta.[24]

The Mirrlees Review in 2010 and 2011 considered reform of the way land and property are currently taxed.[25]

Opportunities	Challenges
In London a land tax could be linked to size, rental value, its business rates value or its proximity to a Crossrail 2 station. A flat tax could penalise small landowners.	Establishing the ownership and rental value of land is expensive, lengthy, and complicated if the land in question has had the same usage for a long period of time.
It could be linked to a charge on developers who have planning permission but do not build, or have undertaken a technical start and then stop. This is a recognised problem in London. Encouraging the building of commercial units could bring in greater revenue for Crossrail 2 under the Business Rates Supplement, or council tax precept if housing units.	It could affect the viability of sites or the delivery of affordable housing. If the land tax was calculated using rateable value, businesses could feel double-charged if they also paid the Business Rates Supplement.
Regular reviews of the land tax could capture some of the increase in value of the land, which could in turn then be used for funding infrastructure such as Crossrail 2.	Boroughs, the GLA and the wider public sector, including central government, would be taxed heavily as landowners in London.

To levy a land tax London local government would need to assess and value every piece of land (value could be based on size, rental value, rateable value or proximity to a Crossrail 2 station). A collection mechanism would need to be developed.

[22] Budget 2013, p.6 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221885/budget2013_complete.pdf

[23] London's Finances and Revenues, City of London, https://www.cityoflondon.gov.uk/business/economic-research-and-information/research-publications/Documents/Research-2014/Londons-finances-and-revenues-OnePagerOnline.pdf, p.2

[24] PwC, Crossrail 2: Funding and Financing study, p.99

[25] http://www.ifs.org.uk/publications/mirrleesreview/

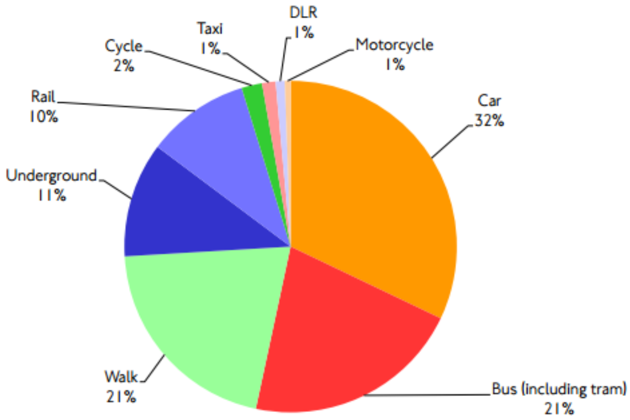
<u>Employer sponsored transit</u>

This was considered as a funding mechanism in Atlanta for a metro line, where businesses contribute financially to the public transport serving their business.[26] The model below assumes the way each business' employees travel to work is representative of how London as a city travels to work. It has links to the payroll levy but is distinct.

Opportunities	Challenges
Many workers in London make significant use of public transport to get to work. It would also capture those employees who work in London but live outside London.	London is too large an area for businesses to feel any link with a specific bus route or tube line, as their employees will probably use a multitude of routes to work.
It could be an annual or monthly charge, and linked to the number of employees, perhaps through banding.	It rewards businesses who have staff that drive (as well as cycle or walk) and penalises those who use public transport. This undermines other London policies for sustainable transport and suggests that a charge/tax on car use might need to be developed alongside it.
Businesses could be asked to complete travel surveys for their staff and then charged based on this. This would be bureaucratic, time-consuming, and overly complex. An alternative could be a flat charge based on the average modal share of all Londoners. Businesses which felt they were significantly different e.g. all employees cycled, could submit a more detailed return, if they felt this would save them money.	Outer London boroughs may feel their residents and businesses have different travel patterns which involve greater use of the car to get to work. Employer sponsored transit ignores the use of public transport by school children to get to school and by residents and visitors for leisure purposes. Passengers could feel they are paying twice to use public transport – once as the fare, and again as their employer deducts their costs from their wages.

The pie chart sets out TfL's breakdown of journeys by modal share in London in 2013.[27]

Figure 2.3 Modal shares of daily journey stages in London, 2013.



Source: TfL Planning, Strategic Analysis.

Table 5 considers charges on employers based on a percentage of public transport ticket prices. Other ways to calculate employer sponsored transit could be used.

Table 5 – Ticket fares and costs to businesses	**Ticket type**	**Ticket price**	**Equivalent of charging businesses 1% of fares**	**Equivalent of charging businesses 5% of fares**	**Equivalent of charging businesses 10% of fares**
Underground,	Zones 1-6 peak	£5.10	£0.05	£0.26	£0.51

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[26] PwC, Crossrail 2: Funding and Financing study, p.99

[27] TfL, Travel in London Report 6, 2013, p.21, http://www.tfl.gov.uk/cdn/static/cms/documents/travel-in-london-report-6.pdf

Overground and DLR	single, Oyster card				
Bus and tram	Bus, pay as you go	£1.50	£0.02	£0.08	£0.15
National Rail	Zones 1-6 National Rail pay as you go peak single	£6.00	£0.06	£0.30	£0.60

Table 6 uses the modal share from TfL and the percentage of ticket costs from Table 6 and calculates how much could be raised from London's workforce (5,599,000 workers).[28] Whilst a business would pay, this scenario assumes that they would be paying a charge per employee, and the business would only be charged once a year.

Table 6 – Annual tax collected from employer sponsored transit[29] **Transport mode**	**Modal share**	**Equivalent of charging businesses 1% of fares**	**Equivalent of charging businesses 5% of fares**	**Equivalent of charging businesses 10% of fares**
DLR	1%	£2,799.50	£14,557.40	£28,554.90
Taxi	1%	Nil	Nil	Nil
Motorcycle	1%	Nil	Nil	Nil
Cycle	2%	Nil	Nil	Nil
Rail	10%	£33,594.00	£167,970.00	£335,940.00
Underground	11%	£30,794.50	£160,131.40	£314,103.90
Walk	21%	Nil	Nil	Nil
Bus and tram	21%	£23,515.80	£94,063.20	£176,368.50
Car	32%	Nil	Nil	Nil
Total charge (annual)		**£90,703.80**	**£436,722.00**	**£854,967.30**
Charge over 12 year period from April 2019 to March 2031		**£1,088,445.60**	**£5,240,664.00**	**£10,259,607.60**
Contribution to Crossrail 2		**0.004%**	**0.019%**	**0.037%**

To levy a charge on employers for public transport, London local government would need to establish a collection mechanism, or secure fiscal devolution of an existing collection mechanism. Enforcement powers would also be needed to follow-up any non-payment. In light of the impact on private vehicle use, it could also lead to calls for consideration of charges on car use.

Fuel taxes

The State of Georgia has two motor fuel taxes which fund 96 per cent of the state's transport department. There is a flat rate tax on gasoline at 7.5 cents per gallon (5p[30]), which was introduced in 1971 and is not indexed for inflation. There is also 4 per cent tax on the weighted average indexed retail sales price for each type of fuel. Of the 4 per cent, 3 per cent is ring-fenced for transport.[31] The average price of fuel in the state of Georgia was $2.339 (£1.57)[32]. The modelling below focuses on a retail tax on a litre of fuel.

[28] Regional Market Data for London: Table H107 – 4, January 2014 – December 2014 http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-357392
[29] Levy is calculated by multiplying the percentage of modal share by total working population and then multiplying this by the equivalent fare.
[30] Exchange rate 20.04.15
[31] Information in this section is taken from PwC, Crossrail 2: Funding and Financing report, 27 November 2014, p.100
[32] Prices retrieved on 20.04.15

Opportunities	Challenges
It could link with public health work such as air quality improvements, the ULEZ, sustainable transport modes and road safety initiatives.	This could raise less in central London where car usage is less common. Revenues could reduce over time if it meant people stopped using their cars. This could worsen public transport capacity over time, which Crossrail 2 is aiming to provide.
If employer sponsored transit was implemented (above), it could avoid incentivising the use of private cars as an alternative.	The government cancelled the fuel duty escalator in the 2015 Budget and fuel price increases are unpopular.

Total fuel consumption for road transport in London (personal and freight) in 2011 was estimated to be 2,173,500 tonnes.[33] The breakdown by type of fuel is given in Table 7.

On 20 April 2015 petrol could be purchased in London for 119.9p/litre and diesel for 108.9p/litre. A 3 per cent ring-fenced tax on the retail price of fuel would represent £0.04/litre and £0.03/litre respectively.

Table 7 – tax collected by fuel type[34]	Tonnes of fuel (annual)	Litres of fuel (annual)[35]	£0.04 tax per litre petrol	£0.03 tax per litre diesel
Diesel				
Buses	191,6000	216,497,175.14		£6,494,915.25
Cars	478,000	541,016,949.15		£16,230,508.47
Motorcycles[23]	12,850	14,214,689.27		£426,440.68
HGV	294,600	332,881,355.93		£9,986,440.68
LGV	269,300	304,293,785.31		£9,128,813.56
Petrol				
Cars	898,100	1,218,225,224.49	£48,729,008.98	
Motorcycles[36]	12,850	17,430,346.44	£697,213.86	
LGV	15,400	20,889,286.78	£835,571.47	
		Annual Total	**£50,261,794.31**	**£42,267,118.64**
		Total April 2019-March 2031	**£603,141,531.70**	**£507,205,423.73**

Annually a fuel tax could raise £92,528,912.95. Over a 12 year period, a fuel tax could raise £1,110,346,955.43. This could contribute 4.04 per cent of the cost of Crossrail 2, in today's prices, with no change in fuel prices or fuel consumption.

Parking levy

A fee or surcharge for on-street and garage parking was being considered as part of the funding package for a new metro line in Atlanta at the time of the PwC report. In Toronto a business parking levy on off-street, non-residential parking is one of the mechanisms proposed to fund a 25-year transport investment plan.[37] The levy would depend on the market value of the parking space but on average would be 25 cents a day (14p[38]), and payable by the owners of those spaces.

[33] Data used is Total for London http://data.london.gov.uk/dataset/road-transport-energy-consumption-borough/resource/239b5d8a-c98b-40b1-9404-bb52e3dbdc9c

[34] Calculations based on litres of fuel used multiplied by tax rate.

[35] Assumes a petrol density of 737.22 kg/m^3 and a diesel density of 885 kg/m^3.

[36] The data does not separate motorcycles by fuel type. Therefore half of motorcycle consumption has been assigned to diesel, and half to petrol.

[37] PwC, Crossrail 2: Funding and Financing report, 27 November 2014, p.99 and 110

[38] Exchange rate 20.04.2015

Opportunities	Challenges
The powers to set parking charges are already held by boroughs, though limits exist. Central government has however taken positions on parking availability and parking prices.	Parking charges are unpopular with residents and businesses, especially when connected to town centres and high streets.
Income could be stable, as the provision of parking spaces does not fluctuate highly from year to year (exceptions being when new car parks are opened, for example as part of a new development).	There are a mix of owners of parking spaces – boroughs, TfL (TLRN) and private owners such as businesses, residents and management agencies for houses or flats in blocks/estates. It is likely a series of collection mechanisms would be needed.

A study in 1999 by MVA Consultancy commissioned by the then Government Office for London estimated London had 6.8 million parking spaces.[39] These included on street parking (controlled and non-controlled), public off-street car parks, private non-residential car parks (such as for employees or customers) and private residential parking.

A daily charge of 14p on 6.8 million spaces could net £347,718,000 annually.[40] A 12-year levy running from April 2019 to April 2031 with static levels of charge and parking spaces could net £4,172,616,000 at today's prices. This could contribute 15.2 per cent of the cost of Crossrail 2, in today's prices.

Traffic Regulation Orders are legal measures used by local authorities to manage traffic and parking in their area. Any parking charges for on-street or off-street parking associated with Traffic Regulation Orders can only by set with reference to parking and traffic objectives. Any surplus from on-street charges or enforcement can be retained by the council but can only be spent on roads and highways maintenance, public transport provision, environmental improvements and anything which facilitates the implementation of the London transport strategy. Surplus from off-street parking charges is not regulated in this way and can be spent on anything the council feels is appropriate. If an off-street car park is not regulated by a Traffic Regulation Order the charges can be set at any level the council feels is appropriate.

Therefore income from parking charges from off-street non-regulated car parks could at present be increased and used to contribute towards the cost of Crossrail 2 as Crossrail 2 features in the Mayor's transport strategy. For parking charges more widely to be raised to fund Crossrail 2, this would require a change in legislation.

Business Improvement Districts/Benefit Assessment Districts

The Melbourne Underground Rail Link, completed in 1981, received 25 per cent of its funding from a Benefit Assessment District. A similar approach is being considered for a proposed AUD11billion Melbourne Rail Link.

Opportunities	Challenges
Ensures that businesses and landowners already in a location contribute to the infrastructure that they will benefit from; not just those who are newly moving in.	Resourcing the capacity to make assessments of benefit, especially as the assessments are based on growth predictions which could be unfounded.
High density development at stations, including commercial, retail or residential units could provide funding for Crossrail 2. Business Improvement Districts could help support these sorts of developments.	Could undermine efforts to regenerate an area by attracting new businesses if taxes are higher. May undermine the support of businesses or landowners for new infrastructure.
There are already 41 Business Improvement Districts in London, and so it is not a new concept.	A Business Improvement District levy together with the Business Rates Supplement may not be popular.

Establishing Business Improvement Districts (BIDs) and levying a charge on businesses is already possible in the UK. However, businesses must vote to approve the establishment of a BID, which usually

[39] http://www.racfoundation.org/assets/rac_foundation/content/downloadables/spaced_out-bates_leibling-jul12.pdf p.16

[40] Daily charge of 14p multiplied by 365.25 days of the year multiplied by number of spaces.

includes paying a levy. London could add compulsion to what is currently a voluntary (requires business approval) scheme, and establish BIDs across London or around key infrastructure sites such as Crossrail 2.

A compulsory system of Business Improvement Districts could assess the benefits to each business or area from Crossrail 2 or other infrastructure projects, and levy businesses according to this benefit. London local government would need to secure powers to establish mandatory BIDs. Existing BID collection mechanisms could be used, or a new collection system developed.

Toll bridges

State-owned toll bridges in San Francisco are being used to contribute towards the cost of the Transbay Redevelopment Project.

The Dartford Crossing carries around 140,000 vehicles daily.[41] The single journey charge for a car is £2.50.

A similar crossing in London which had similar usage and a similar charge for cars could collect £350,000 daily. If a similar crossing existed or were built in London and the revenues were collected by London local government, operating every day could collect £127,837,500 annually.[42] Once costs were paid for, in the longer-term a crossing could act as an Infrastructure Income Stream for new projects.

Over a 12-year period from April 2019 to April 2031 and assuming static levels of vehicles and charges, this could contribute £1,534,050,000 towards the cost of Crossrail 2 at today's prices, which represents 5.58 per cent of the total cost. There could be additional income from enforcement of non-payment of the charge, depending on the collection method.

However, if tolls are levied on major bridges across the Thames the likelihood is Londoners would expect charges to fund the bridges. Nonetheless this modelling does show the scale of sums that could be generated from pinch points of entry to London. Further work might demonstrate that the approach could be adapted to support Crossrail 2 in other circumstances.

[41] http://www.bbc.co.uk/news/uk-england-kent-23231460 and http://www.theguardian.com/money/2014/dec/20/dartford-crossing-toll-invitation-scammers

[42] Daily crossings multiplied by car charge multiplied by 365.25 days of the year.

Appendix B: Council Tax and Business Rates Supplement outside London

Appendix B considers a Council Tax Precept and Business Rates Supplement in the districts immediately outside London which are likely to benefit from the Crossrail 2 route.

To the north of the route, district Broxbourne in Hertfordshire; and district Epping Forest in Essex are likely to benefit from Crossrail 2. To the south, districts Epsom and Ewell and Elmbridge, both in Surrey, are likely to benefit.

Council tax precept outside London

Crossrail 2 is intended as a railway line linking Surrey, Hertfordshire and central London. The regional route has been selected as the preferred option as it offers greater connectivity. It is a more expensive option than the metro route.

PwC has considered how much could be raised to fund Crossrail 2 by a continuation of the Olympics Council Tax Precept on London's householders. The Olympic precept in London was agreed at no more than £20 for a Band D household, to run from 2006/07 to 2016/17. In its final years, this precept has fallen to £8.

PwC have proposed that the Olympic precept be continued at a Band D rate of £8 from April 2017 to March 2025. Between April 2025 and March 2037 a higher Band D rate of £13.33 would apply, which uprates the precept for RPI inflation.[43]

Table 8 calculates how much could be raised if the same PwC proposals for London were applied to households in the districts immediately outside London which could benefit from the Crossrail 2 rail line (see map above). This does not take into account any growth in the number of households.

Table 8[44]

Council	Amount raised in total April 2017-March 2025	Amount raised in total April 2025-March 2037
Epping Forest	£4,022,725.76	£10,054,191.84
Broxbourne	£2,711,525.04	£6,777,055.08
Epsom and Ewell	£2,376,584.80	£5,939,486.40
Elmbridge	£4,635,985.36	£11,586,797.40
All districts	**£13,746,820.96**	**£34,357,530.72**

Between April 2017 and March 2037 a Council Tax precept could contribute £48,104,352 towards the cost of Crossrail 2, in today's prices and with no growth in the number of households. This could contribute 0.17 per cent of the cost.

Business rates supplement outside London

The London Business Rates Supplement is payable by businesses with a rateable value of £55,000 or more.

The Business Rates Supplement for Crossrail 2 adds 2p in the pound to the current multiplier which is 48.2p in the pound, making it 50.2p.

PwC calculate a London Business Rates Supplement for Crossrail 2 over a 30-year period from April 2033 to March 2063. They include revaluations and RPI increases to rateable values for the London calculations, which are not included below.

Table 9 sets out how much could be collected from an equivalent Business Rates Supplement in the four districts outside London.

43 Council tax precepts can be found on p.76 of PwC's report, Crossrail 2: Funding and Financing study.

44 Household band data was obtained from the Council Tax valuation list. PwC rates were applied to the total number of households in each band, and then all bands for a district were totalled.

Table 9[45]

District	Number of businesses with a rateable value of ≤£55,000	This as an average percentage of total businesses	BRS (0.02 multiplier) applied and totalled
Epping Forest	220	5.6%	£796,884
Broxbourne	206	6.95%	£1,208,670
Epsom and Ewell	215	9.95%	£785,508
Elmbridge	396	9.7%	£1,567,688
		Annual total from all districts	**£4,358,750**
		Total April 2033-March 2063	**£130,762,500**

At today's prices, £130,762,500 could be raised towards the cost of Crossrail 2. This could contribute 0.48 per cent towards the cost in today's prices.

The amount raised is much less than in London (PwC estimate the London Business Rates Supplement could raise 15.2 per cent). This is because a much lower proportion of businesses outside London have a rateable value over £55,000 – across all four districts the average is 8.05 per cent. In London, PwC estimates this to be 20 per cent of businesses.[46] Land and rental values are also higher in London.

London local government does not have the power to levy either a Council Tax Precept or Business Rates Supplement on households or businesses outside London. To do this would require the agreement of the local authorities outside London.

45 Data is from the Valuation Office Agency http://www.2010.voa.gov.uk/rli/en/advanced/searchResults

46 PwC, Crossrail 2: Financing and Funding Study, p.25

London Councils Executive

London Councils – Consolidated Pre-Audited Financial Results 2014/15 Item 8

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Summary: This report highlights the pre-audited consolidated financial position for London Councils for the 2014/15 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 2015 are also shown, together with overall conclusions and prospects for 2015/16 and beyond, after taking into account known commitments. The provisional revenue outturn and reserves position is summarised as follows:

Revenue Account (£000)	**Revised Budget**	**Actual**	**Variance**
Total Expenditure	391,351	388,985	(2,366)
Total Income	(388,988)	(387,765)	1,223
Use of reserves	(2,363)	(4,182)	(1,819)
Bad Debts provision	-	103	103
Net Deficit/(Surplus)	**-**	**(2,859)**	**(2,859)**
General and Specific Reserves (£000)	**General Reserve**	**Specific Reserve**	**Total**
As at 1 April 2014	9,114	2,573	11,687
Transfer (to)/from revenue	(2,509)	(1,800)	(4,309)
Provisional Surplus for the Year	2,763	96	2,859
As at 31 March 2015	**9,368**	**869**	**10,237**

Recommendations: The Executive is asked:

- To note the provisional consolidated outturn surplus of £2.859 million for 2014/15 and the provisional outturn position for each of the three funding streams;

- To note the provisional level of reserves of £10.237 million (paragraphs 60-61), which reduces to £6.493 million once known commitments of £3.744 million are taken into account (paragraphs 62-63);

- To note the updated financial position of the London Councils as detailed in paragraphs 64-66 of this report; and

- To agree to receive a further report in November 2015 after the completion of the external audit by PricewaterhouseCoopers (PwC) to adopt the statutory final accounts for 2014/15. The final accounts will be signed off at the meeting of the Audit Committee on 24 September 2015, at which PwC will formally present the Annual Audit Letter to for approval.

London Councils – Consolidated Pre-Audited Final Results 2014/15

Executive Summary

1. The provisional revenue outturn for 2014/15, split across London Councils three funding streams is as follows:

	Grants	TEC	Joint	Consolidated
	£000	**£000**	**£000**	**£000**
Total Expenditure	11,002	369,606	8,377	388,985
Total Income	(10,405)	(368,285)	(9,075)	(387,765)
Use of Reserves	(800)	(2,502)	(880)	(4,182)
Bad Debts provision	29	74	-	103
Surplus	**(174)**	**(1,107)**	**(1,578)**	**(2,859)**

2. Once figures relating to potential earmarked amounts are taken into account, the headline surplus of £2.859 million reduces to £2.568 million, as follows:

	Grants	TEC	Joint	Consolidated
	£000	**£000**	**£000**	**£000**
Surplus for the Year	**174**	**1,107**	**1,578**	**2,859**
YPES balances c/f	-	-	(227)	(227)
TEC IT system developments c/f	-	(64)	-	(64)
Adjusted underlying Surplus	**174**	**1,043**	**1,351**	**2,568**

3. The provisional level of reserves for each funding stream as at 31 March 2015 is as follows:

	Grants	TEC	Joint	Consolidated
	£000	**£000**	**£000**	**£000**
Audited Reserves at 1 April 2014	**1,950**	**3,686**	**6,051**	**11,687**
Transfer (to)/from Revenue	(800)	(2,502)	(1,007)	(4,309)
Provisional surplus/ (deficit) for the Year	174	1,107	1,578	2,859
Provisional Reserves at 31 March 2015	**1,324**	**2,291**	**6,622**	**10,237**

4. However, once all potential and known commitments of £3.744 million are taken into account, including residual costs associated with both the relocation of the appeals hearing centre and the 2015 Freedom Pass reissue exercise, the estimated level of uncommitted reserves reduces to £6.493 million, as follows:

	Grants	TEC	Joint	Consolidated
	£000	**£000**	**£000**	**£000**
Provisional Reserves at 31 March 2015	**1,324**	**2,291**	**6,622**	**10,237**
Committed in setting 2015/16 budget	(250)	-		(250)

One-off payment to boroughs in 2015/16	-	-	(825)	(825)
Residual 2015 freedom pass issue costs	-	(204)	-	(204)
Potential ESF grant commitments in 2015/16	(619)	-	-	(619)
Underspends c/f into 2015/16	-	(64)	-	(64)
Provisional commitments for 2016/17 and 2017/18	-	-	(1,582)	(1,582)
Revenue costs for new appeals hearing centre	-	(200)	-	(200)
Uncommitted Reserves	**455**	**1,823**	**4,215**	**6,493**

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 during the course of the year, excluding the borough overspend position on taxicard, is as follows :

	Grants	**TEC**	**Joint**	**Consolidated**
	£000	**£000**	**£000**	**£000**
Forecast at Month 3	212	268	86	566
Forecast at Month 6	197	188	384	769
Forecast at Month 9	91	418	617	1,126
Provisional Outturn	174	1,107	1,578	2,859
Variation between M9 and provisional outturn	83	689	961	1,733

6. The £83,000 variation between the M9 forecast and the provisional outturn for the Grants Committee is due to an increased net underspend of £30,000 relating to the ESF/borough programme, an increase of £40,000 in the underspend relating to the S.48 borough commissions, a reduction in actual spend on administration costs of £36,000 and additional investment income earned on reserves of £6,000. The benefits of £112,000 detailed above are offset by an increase in the overall bad debt provision of the Grants Committee of £29,000.

7. The £689,000 variation for TEC is mainly due to an increase in Lorry Control PCN income (£599,000), an increase in the underspend on non-TfL bus operators (£211,000), an increase in the underspend on non-operational salaries (£45,000), an underspend on research (£40,000) and an underspend on system developments (£64,000). There was also additional income earned from investment of reserves of £24,000. These credits are offset by an net overspend of £93,000 in respect of the direct service administration charges, mainly due to increased central recharges, and an increase in the bad debt provision of £74,000, all attributable to outstanding Lorry Control PCN debt. Net revenue costs of the new hearing centre at Chancery Exchange amounted to £96,000.

8. The £961,000 variation on the Joint Committee position is primarily due to additional borough and subscriber contributions towards London Care Placements (£114,000), government grants (£18,000) and movement on other income (£539,000), which is explained in full at paragraphs 44, 45 and 47 respectively. Movement of £592,000 has arisen from the legitimate charging of central costs to TEC, Grants and externally financed projects and tenants, as detailed at paragraph 48. In addition, there has been a movement of £15,000 in respect of YPES provider costs and £23,000 through interest earned on committee reserves. These underspends and surpluses are offset by movement on employee costs of £37,000, detailed at paragraph 37, a movement on running costs of £98,000 highlighted at paragraphs 38 to 40 and a reduction in the planned transfer from committee reserves of £201,000 in respect of the London Health Board (paragraph 49).

9. The IAS19 (formerly FRS17) Pensions Deficit has increased from £16.197 million as at 1 April 2014 to £25.449 million as at 31 March 2015, an increase of £9.252 million. The reason for this significant increase in the deficit is attributable to a greater increase in scheme liabilities over the increase in scheme assets over the year, due to changes in the financial assumptions used by the actuary between 2014 and 2015. The increase in the scheme liabilities is primarily due to a change in the financial assumptions which reduced the discount rate from 4.5% p.a. as at 31 March 2014 to 3.4% p.a. as at 31 March 2015. As prescribed by IAS19, the discount rate is based on the yield from high quality corporate bonds as at the accounting date and this yield has fallen steadily since the previous accounting date. The inflation assumption has also decreased, counteracting some of the increase noted above.

10. This deficit will continue be recovered through future employers' pension contribution rates and anticipated improved returns on existing pension fund assets and will not, therefore, be a first call on existing London Councils reserves.

11. The actual financial results and the actual level of reserves will be confirmed during the course of the external audit of the 2014/15 accounts, which was undertaken by PricewaterhouseCoopers (PwC) in July and August. The Audit Letter and the audited statutory accounts relating to this year will be reported to the meeting of the Audit Committee on 24 September 2015 and onto the November meeting of the Executive for adoption.

12. The financial year 2014/15 is the final year of the three-year financial strategy period agreed by the Leaders' Committee in December 2011 covering the period 2012/13 to 2014/15. A new three-year financial strategy covering the period 2015/16 to 2017/18 was agreed by the

Leaders' Committee in December 2014. The projected level of uncommitted reserves across all three funding streams continues to leave the organisation in a favourable position to deliver the priorities contained in the business plan and support other initiatives, within the constraints of the new three-year financial strategy. In addition, the projected level of uncommitted reserves continues to give the organisation some financial cover in meeting some big challenges and potential contingencies that may be called upon in the short to medium term.

13. Furthermore, the projected financial position indicates that the organisation will be able to present further options to members later in the autumn around potentially repatriating a further proportion of these uncommitted reserves back to boroughs as part of the 2016/17 budget package.

London Councils – Consolidated Pre-Audited Final Results 2014/15

Introduction

1. The Accounts and Audit Regulations 2011, which govern the publication of the annual statutory accounts by local authorities, requires member approval and sign off of the annual accounts to coincide with the presentation of the annual Audit Letter by the external auditors by the statutory deadline of 30 September each year. PricewaterhouseCoopers (PwC) will audit the provisional accounts for 2014/15 during July/August. The audited statutory accounts will be presented to the Audit Committee, along with the annual audit letter on 24 September, in order to meet the statutory deadline of 30 September. The Chair of the Audit Committee will, therefore, sign the statutory account in order to meet the statutory deadline.

2. The audited accounts and the audit letter will be presented for adoption by the London Councils Executive at its November meeting. This report, therefore, details the provisional financial results for the three funding streams and the overall consolidated position and provides commentary on the variances against the revised approved budgets for the year – in effect, the format is similar as the revenue forecast report presented to the Executive three times each financial year.

3. London Councils approved revenue expenditure budget for 2014/15 was £390.763 million, as agreed by the Leaders' Committee in December 2013. The corresponding revised revenue income budget was £388.861 million, with the budget balanced by the approved transfer of £1.902 million from reserves.

4. After a number of adjustments, budgeted expenditure was revised to £391.351 million, with a further £461,000 transferred from reserves for the year. The revised budget is shown in Table 1 below:

Table 1 – Revised budget 2014/15

	£000	**£000**
Original Expenditure budget		390,763
Plus London Health Board (LHB) expenditure budget		489
Less POPLA expenditure budget		(856)
Plus carried forward funding:		
TEC system developments	57	
Building depreciation/refurbishment costs	50	107
Plus adjustment to Taxicard provider budget		848
Total Expenditure		**391,351**
Funded by:		
Original Income budget		390,763
Plus external contributions to LHB		135

Plus approved additional transfer from reserves		461
Plus additional Taxicard funding from boroughs/TfL		848
Less income from providing POPLA service		(856)
Total Funding		**391,351**
Net position		**Nil**

5. The format of this report will be:

- A summary provisional consolidated outturn position for the year (Table 2);
- The summary position for each of the London Councils three funding streams – the Grants Committee, TEC, and the core functions undertaken by the Joint Committee, (Tables 3-8);
- Brief explanations will be provided for the main variances against the approved budgets that have emerged during the year for each funding stream;
- The provisional consolidated balance sheet for 2014/15, including the effect of IAS19 Retirement Benefits (Table 9);
- The provisional position on London Councils reserves as at 31 March 2015, adjusted for all current and future commitments to provide an updated position on residual uncommitted reserves position (Tables 10-13); and
- Commentary on the current financial position of the London Councils and the link into the prospects for future years (paragraphs 64-66).

6. Some of the figures included within the accounts 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 PwC.

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

Table 2 – Comparison of Income and Expenditure against Consolidated Revised Budget 2014/15

2013/14 Actual		2014/15 Revised Budget	2014/15 Actual	2014/15 Variance	
	Expenditure	**£000**	**£000**	**£000**	**%**
5,081	Employee Costs	5,577	5,223	(354)	(6.3)
3,085	Running Costs	2,888	2,976	88	3.0
468	Central Recharges	349	526	177	50.7
8,634	**Total Operating Expenditure**	**8,814**	**8,725**	**(89)**	**(0.8)**
9,522	Direct Services	10,980	9,045	(1,935)	(17.6)
344,519	Payments in respect of Freedom Pass and Taxicard	359,779	359,675	(104)	(0.02)
7,424	Borough commissioned services	7,540	7,404	(136)	(1.8)
1,012	ESF commissioned services	1,880	2,204	324	17.2

60	Contribution to London Funders	60	60	-	-
825	One-off borough payment	1,309	1,309	-	-
199	Improvement and Efficiency	305	199	(106)	(34.8)
211	Research and Commissioning	552	203	(349)	(63.2)
107	YPES Regional Activities	132	147	15	11.4
13	Payment of parking PCNs	-	14	14	-
372,526	**Total Expenditure**	**391,351**	**388,985**	**(2,366)**	**(0.6)**
	Income				
(345,505)	Contributions in respect of Freedom Pass and Taxicard	(360,017)	(358,427)	1,590	0.4
(8,600)	Borough contributions towards commissioned grant service	(8,540)	(8,801)	(261)	(3.1)
(9,429)	Charges for direct services	(11,064)	(9,594)	1,470	13.3
(6,071)	Core Member Subscriptions	(6,131)	(6,131)	-	-
(228)	Borough contributions towards YPES	(66)	(66)	-	-
(231)	Borough contribution towards LCP payments	(210)	(324)	(114)	(54.3)
(990)	Government grants	(1,461)	(1,606)	(145)	(9.9)
(168)	Interest of Investments	(75)	(134)	(59)	(78.7)
(12)	Income from parking PCNs	-	(14)	(14)	-
(623)	Other Income	(556)	(1,160)	(604)	(108.6)
(1,828)	Central Recharges	(868)	(1,508)	(640)	(73.7)
(1,269)	Transfer from Reserves	(2,363)	(4,182)	(1,819)	(77.0)
(374,954)	**Total Income**	**(391,351)**	**(391,947)**	**(596)**	**(0.2)**
177	Increase/(Reduction) in bad debt provision	**-**	103	103	-
(2,251)	**Deficit/(Surplus)**	**-**	**(2,859)**	**(2,859)**	**-**
	Applied to Funding Streams				
(223)	Grants Committee	-	(174)	(174)	-
(171)	Transport and Environment Committee	-	(1,107)	(1,107)	-
(1,857)	Joint Committee Services	-	(1,578)	(1,578)	-
(2,251)	**Deficit/(Surplus)**	**-**	**(2,859)**	**(2,859)**	**-**

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

Comparison of Income and Expenditure against Revised Budget – Grants Committee

9. Table 3 below summarise the provisional outturn position for the Grants Committee for 2014/15.

Table 3 – Provisional Outturn 2014/15 – Grants Committee

2013/14 Actual		2014/15 Revised Budget	2014/15 Actual	2014/15 Variance	
£000	**Expenditure**	**£000**	**£000**	**£000**	**%**
381	Employee Costs	350	389	39	11.1
73	Running Costs	72	16	(56)	(77.8)
98	Central Recharges	86	129	43	(50.0)
552	**Total Operating Expenditure**	**508**	**534**	**26**	**5.1**
7,424	Borough commissioned services	7,540	7,404	(136)	(1.8)
1,012	ESF commissioned services	1,880	2,204	324	17.2
-	Research	12	-	(12)	-
60	Membership fees to London Funders	60	60	-	-
-	One-off borough payment	800	800	-	-
9,048	**Total Expenditure**	**10,800**	**11,002**	**202**	**1.9**
	Income				
(8,324)	Borough contributions towards commissioned grant service	(8,540)	(8,801)	(261)	(3.1)
(400)	Core Member Subscriptions	(460)	(460)	-	-
(535)	Government grants	(1,000)	(1,127)	(127)	(12.7)
(33)	Interest of Investments	-	(17)	(17)	-
-	Other Income	-	-	-	-
-	Transfer from Reserves	(800)	(800)	-	-
(9,292)	**Total Income**	**(10,800)**	**(11,205)**	**(405)**	**(3.8)**
21	Increase/(Reduction) in bad debt provision	-	29	29	-
(223)	**Deficit/(Surplus)**	**-**	**(174)**	**(174)**	**-**

10. The provisional surplus of £174,000, compared to a forecast surplus of £91,000 at the month 9 stage, includes an increase in the Committee's bad debt provision of £29,000. As reported to in the forecast monitoring reports to the Grants Committee during the course of 2014/15, a distinction is made between the transactions relating to the borough funded S.48 commissioned services and those in respect of the ESF/borough matched funded commissions. The provisional surplus of £174,000 is split between the S.48 borough commissioned services and the ESF/borough joint funded commissions, as detailed in Table 4 below:

Table 4 – Payments for Commissioned Services 2014/15

	S.48 borough	ESF/borough	Total
	£000	**£000**	**£000**
Payments for commissioned services	7,409	2,208	9,617
Plus Contribution to London Funders Group	60	-	60
Less Returned Payments	(5)	(4)	(9)
Sub-Total	**7,464**	**2,204**	**9,668**
Plus LC grants administration	475	59	534
Plus one-off payment to boroughs	800	-	800
Sub-Total	**8,739**	**2,263**	**11,002**

Less Borough subscriptions	(8,000)	(1,261)	
Less ESF grants income	-	(1,127)	
Less Investment income	(17)	-	(17)
Less transfer from reserves	(800)	-	
Adjustment for Bad Debt provision	-	29	29
Deficit/(Surplus) for the year	**(78)**	**(96)**	**(174)**

11. For the S.48 borough funded services, the provisional surplus of £78,000 is split between:

- a provisional net underspend of £136,000 in relation to payments for commissioned services, split between an underspend of £123,500 relating anticipated payments for 2014/15, plus a return to revenue of estimated liabilities of £12,500 set up in respect of 2011/12, which will not be paid out.

- a provisional net overspend of £58,000 in relation to grants administration expenditure attributable to an overspend of £87,000 in respect of salary costs, general running costs and central recharges, offset by underspends of £12,000 in respect of the research budget and £17,000 in respect of investment income received on Committee reserves.

12. For the ESF/borough funded commissions, payments in 2014/15 were £324,000 in excess of the budgeted provision. However, over the life of the current two-year programme, payments total £3.214m, which is £544,000 less than the total two-year budget provision of £3.76 million. There will be residual final payments in respect of this programme during the first two quarters in 2015/16. To cover the additional payments in 2014/15, borough contributions collected in 2013/14 of £261,000 have been applied, together with additional ESF grant of £127,000. For 2014/15, there has been no call of accumulated ESF/borough funded reserves of £773,000. The administration of the ESF/borough funded commissions, including the establishment of a bad debt provision, was £32,000 under the budgeted provision of £120,000.

13. In terms of grants administration on the combined programme, total administration costs of £434,000, excluding central recharges, on total spend of £10.102 million, excluding central recharges and the £800,000 one-off payment, equates to 4.3%, which compares to a figure of 4.69% for 2013/14. For the London Councils borough funded commissions, administration costs of £369,000, excluding central recharges, on total spend of £7.833 million, excluding central recharges and the £800,000 one-off payment, equates to 4.71%, compared to 4.81% for 2013/14, with ESF administration costs of £65,000, excluding central recharges, on spend of £2.269 million, excluding central recharges, equating to 2.86%. The comparative figure for 2013/14 was 3.95%.

14. The £83,000 increase in the provisional surplus of £174,000, compared to the £91,000 surplus forecast at Month 9, is attributable to:

- an increase in the overall bad debt provision of the Committee of £29,000, offset by
- an increase in the underspend on borough funded S.48 commissions of £40,000;
- a net increase of £30,000 in the position in respect of ESF funded transactions;
- a reduction in actual spend on administration costs of £36,000; and
- additional investment income earned on reserves of £6,000.

15. Further commentary on the year-end position for the Grants Committee is included in paragraphs 64-66 of this report.

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

16. Table 5 below summarises the provisional outturn position for TEC for 2014/15.

Table 5 – Provisional Outturn 2014/15 – Transport and Environment Committee

Actual 2013/14		**Revised Budget 2014/15**	**Actual 2014/15**	**Variance 2014/15**	
£000	**Expenditure**	**£000**	**£000**	**£000**	**%**
414	Non-operational Staffing	644	495	(149)	(23.1)
93	Running Costs	134	223	89	66.4
71	Central Recharges	42	50	8	19.0
578	**Total Operating Expenditure**	**820**	**768**	**(52)**	**(6.3)**
9,447	Direct Services	10,914	8,979	(1,935)	(17.7)
344,519	Payments in respect of Freedom Pass and Taxicard	359,779	359,675	(104)	(0.02)
-	Research	40	-	(40)	-
13	Reimbursement of parking PCNs	-	14	14	-
-	One-off borough payment	170	170	-	-
354,557	**Total Expenditure**	**371,723**	**369,606**	**(2,117)**	**(0.6)**
	Income				
(345,505)	Contributions in respect of Freedom Pass and Taxicard	(360,017)	(358,427)	1,590	0.4
(9,429)	Charges for direct services	(11,064)	(9,594)	1,470	13.3
(97)	Core Member Subscriptions	(97)	(97)	-	-
-	Government grants	-	-	-	-
(48)	Interest on Investments	-	(40)	(40)	-
(12)	Parking PCN income collected	-	(14)	(14)	-
(80)	Other Income	(63)	(113)	(50)	(79.4)
287	Net transfer from Reserves	(482)	(2,502)	(2,020)	(419.1)
(354,884)	**Total Income**	**(371,723)**	**(370,787)**	**936**	**0.3**
156	Increase/(Reduction) in bad debt provision	-	74	74	-
(171)	**Deficit/(Surplus)**	**-**	**(1,107)**	**(1,107)**	**-**

17. Excluded from the transactions detailed in Table 5 above are the costs and income associated with the London European Partnership for Transport (LEPT) externally funded project and Parking Appeals on Private Land (POPLA) service contract that TEC has managed during the year, and these are shown in Table 6 below:

Table 6 – Income and Expenditure relating to Funded Projects 2014/15

	LEPT related (£000)	**POPLA (£000)**	**Total (£000)**
Employee Related Costs	106	529	635
Premises Costs	24	85	109
Running/Central Costs	108	222	330
Other Costs	-	21	21
Total Expenditure	**238**	**857**	**(1,095)**
Grant/Other Income	(238)	(857)	(1,095)
Deficit/(Surplus)	**-**	**-**	**-**

18. A provisional surplus on revenue activities of £1.107 million has been posted for 2014/15, the headlines of which are summarised in Table 7 below, followed by an explanation for each of the variances:

Table 7 – TEC – Analysis of revenue account surplus 2014/15

	£000
Freedom Pass non-TfL bus services	366
Freedom Pass survey and reissue costs (net of additional replacement Freedom Passes income)	194
Freedom Pass 2015 re-issue	-
Interest earned on investment of cash-balances	40
Research	40
Net position on Taxicard	-
Net position on parking appeals	(132)
Net position on other traded parking services	(34)
Capita Fixed Costs	(1)
PATAS Administration	(89)
Lorry Control Administration	10
Lorry Control PCNs	701
Freedom Pass Administration	(13)
Taxicard Administration	(1)
Non-operational staffing costs	143
Members Allowances	5
Underspend on running costs/central recharges	21
Rechargeable parking systems related work	13
Shortfall in publications income	(2)
Net additional in Health Emergency Badge income	20
Net cost of preparatory works for new hearing centre	(96)
Miscellaneous Income	7
Increase in Bad Debts	(74)
Provisional surplus for the year	**1,107**

Freedom Pass non-TfL bus services (-£366,000)

19. In December 2013, TEC approved a budgetary provision of £2 million for 2014/15 to cover the cost of payments to non-TfL bus operators resulting from the introduction of the national concessionary fares scheme in April 2008, the overall cost of which is demand led by eligible bus users. Claims from operators amounting to £1.671 million have been received and accepted for 2014/15, which together with a surplus of liabilities set up in relation to claims for 2013/14 of £37,000 has led to an underspend of £366,000.

Net Freedom Pass survey and issue costs (-£184,000)

20. The budget for the pass survey and issue processes for the year was £950,000. This budget covers the issuing of Freedom Passes to new applicants and for the replacement of passes which are lost, stolen or faulty. To undertake these functions, which were previously undertaken by the Post Office and funded directly by boroughs, a contract was procured with effect from 1 July 2011, which runs up until the completion of the current Freedom Pass reissue exercise. Provisional total expenditure for 2014/15 is £954,331, which includes costs associated with the issuing of replacement Freedom Passes. However, a sum of £688,337 was collected during 2014/15 in respect of replacement Freedom Passes, £188,337 in excess of the £500,000 budgetary provision. In net terms, therefore, there was a surplus of £184,006.

Freedom Pass 2015 re-issue (Net Nil)

21. The exercise to renew approximately 970,000 Freedom Passes due to expire on 31 March 2015 was largely complete by the year end. During 2014/15, £2.42 million has been spent on the renewal process out of revised budget of £3.141 million. A further £204,000 is anticipated to be spent on 2015/16 to conclude the process, leaving a projected underspend of £517,000 against the revised budget. This expenditure is fully funded by boroughs through the use of Committee reserves, so the indicative underspend of £517,000 will be returned to reserves on the completion of the exercise.

Interest earned on investment of cash-balances (-£40,000)

22. Cash-flow management undertaken with colleagues at the City of London, who invest London Councils cash balances on behalf of boroughs, has yielded interest receipts of £39,806 against a zero budgetary provision. The gross amount earned was offset by bank and interest charges of £30,331, which is spread across the outturn figures for each of the

direct services administration charges.

Research Budget (-£40,000)

23. Nil expenditure was incurred during the year, against an approved budget of £40,000. The unspent budget of £40,000 will, therefore, be returned to TEC general reserves on confirmation of the outturn position by the external auditors.

Taxicard (Net Nil)

24. Total payments to the contractor, City Fleet (formally Computer Cab) were £11.366 million, £1.789 million below the revised total budgetary provision of £13.155 million. The surplus is due to the total number of trips taken during the year reducing by 6.13% on the comparative figure for 2013/14. TfL also funded the management charge for LB of Barnet of £17,000. Total expenditure, therefore, was £11.383 million. The boroughs and TfL have provided total combined funding for the year of £13.155 million, so refunds totalling £1.547 million have been made to boroughs (£1.559 million net of £12,000 borough overspends) and to TfL (£225,000).

Traded Services (£167,000)

25. This net deficit position of £167,000 is made up of a number of elements, which have been reported regularly to both the Executive and 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 underspend of £1.549 million for reduced 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 reduced level of income collected for the year.

    - Expenditure on congestion charging appeals is estimated to be £248,000, £72,000 less than the budgetary provision of £320,000. This is attributable to the number of appeals heard during the year of 6,497 being less than the budgeted figure of 8,000. The throughput of appeals is calculated at 3.28 appeals per hour, compared to 3.55 per hour for 2013/14. The cost of these appeals is recharged to the GLA/TfL at full cost, so there was a corresponding reduction in income due for the year of £72,000, which therefore has a zero effect on the Committee's provisional financial position for the year.

- Secondly, there is a net deficit of £132,000 in respect of parking and traffic appeals. The number of appeals and statutory declarations heard during the year was 55,318 against a budget of 70,000, generating income of £2.197 million, £500,000 less than the budget estimate. However, this is offset by a significant reduction in adjudicator, contractor and administration costs of £356,000. The throughput of appeals was 2.9 appeals per hour, compared to a budget figure of 3.29, and an actual figure of 3.38 appeals per hour for 2013/14.The number of live parking appeals to be heard as at 31 March 2015 was 4,164, compared to 6,204 for 2013/14, which broadly equates to the notice of appeals received during the last month of the financial year.

- Thirdly, there has been a reduction in the use of other parking systems by boroughs and TfL, particularly the TRACE system. This has led to a reduction in income of £68,000 for the year offset by an increase in variable unit charges of £34,000 payable to the contractor, Capita. The projected net deficit for other parking systems is, therefore, £34,000. In addition, the fixed cost element of the Capita contract has marginally overspent by £1,000, due to minor variations in service levels and system access developments.

PATAS Administration (+£89,000)

26. The administration of the appeals Hearing Centre overspent the budget of £3.074 million by £89,000. This is attributable to additional direct staffing costs of £54,000. The remainder of overspend has arisen due to the full year effect of the recharging of central costs following the revision to London Councils charging mechanism. This has had a particular impact for the services carried out at Angel Square as the adjudicator hours worked have to be annualised as full-time equivalent staff numbers to ensure parity with the way the other services are recharged for central costs. This effective increase in notional staffing numbers increases the share of overheads apportioned to the activities of the hearing centre. The budgets for 2015/16 fully reflect the implications of the revised charging mechanism.

Lorry Control Administration/PCN income (-£711,000)

27. The administration of the London Lorry Control Scheme underspent the budget of £549,000 by £10,000. However, there was a significant increase in the collection of PCN income of £701,000 above the budgetary provision of £450,000, due to continued effective performance of the outsourced enforcement function meaning that transaction volumes continue to increase, leading to higher levels of debt actually being raised and collected. In addition, the development of the Adaptis computer management system allows outstanding debt to be registered at the Court more quickly. Of the £1.151million income due for the year, £360,000 has yet to be collected and has been registered with the County Court. A bad debt provision of £288,000 has been established in respect of this outstanding amount, in accordance with usual accounting practice. This is an increase of £113,000 on the bad debt provision of £175,000 as at 31 March 2014, so the net surplus income reduces to £588,000 for the year.

Freedom Pass Administration (+£13,000)

28. The administration of the freedom pass overspent the budget by £13,000, again attributable to additional staffing costs of £5,000 and additional central costs of £8,000 chargeable following the revision to London Councils recharging mechanism.

Non Operational Staffing Costs (-£148,000)

29. The non-operational employee cost budget of £595,000, plus £30,000 maternity cover, underspent by £143,000 at £481,000. This is primarily attributable to 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. Non-operational salaries have been fully recharged, where appropriate, to reflect actual support to direct service and externally funded operations. In addition, allowances paid to leading TEC members also underspent by £5,000.

Running Costs/Central Recharges (-£21,000)

30. This underspend is primarily attributable to an under spend of £64,000 relating to the budget for IT system developments (mainly the PATAS system), offset by a £33,000 contribution towards London Councils relaunched website and additional central recharges of £8,000.

Other income (-£37,000)

31. Other income exceeded the £63,000 budget by £37,000 as follows:

- Rechargeable works to boroughs, TfL and the GLA for parking related systems work raised £12,000;
- A surplus in income of £23,000 from the issue of Health Emergency parking permits to clinicians, offset by additional administration costs of £3,000;
- Miscellaneous income of £7,000, including £5,000 in respect of sponsorship; offset by
- A deficit in the sales of parking publications and literature of £2,000.

Net cost of preparatory works for new hearing centre (+£96,000)

32. The majority of costs of the new hearing centre can be capitalised over the 10 year life of the new leasehold agreement. However, as the tenancy at Chancery Exchange commenced on 3 February 2015, some rental and service charge costs amounting to £54,000 have been charged to revenue, along with £26,000 relating to stamp duty payable on sealing the new lease. In addition, costs of £37,000 relating to engaging a property finder to source new premises cannot be capitalised, leading to gross expenditure of £117,000. This sum is offset by a contribution of £21,000 from the landlord at Chancery Exchange to provide floor covering and IT access at the new premises, leaving a net cost of £96,000.

Bad Debts provision (+£74,000)

33. The Committee's bad debt provision as at 1 April 2014 was £214,000. A review of the aged debts at the year-end has resulted in an increase in the provision of £74,000 (excluding the externally funded projects), giving a year-end provision of £288,000. As noted in paragraph 27, this provision relates entirely to Lorry Control PCNs that had been registered at the County Court but which were unpaid at 31 March 2015, an increase of £113,000 on the figure of £175,000 for 2013/14. This means that the bad debt provision of £39,000 as at 31 March 2014 relating to invoices for other services provided by the Committee to boroughs and TfL/GLA is no longer required and has been returned to revenue, leading to a net increase of £74,000.

34. Further commentary on the year-end position for TEC included in paragraphs 64-66 of this report.

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 2014/15– Joint Committee

2013/14 Actual		2014/15 Revised Budget	2014/15 Actual	2014/15 Variance	
	Expenditure	**£000**	**£000**	**£000**	**%**
4,286	Employee Costs	4,583	4,339	(244)	(5.3)
2,919	Running Costs	2,682	2,737	55	2.1
299	Central Recharges	221	347	126	57.5
7,504	**Total Operating Expenditure**	**7,486**	**7,423**	**(63)**	**(0.8)**
75	Direct Services	66	66	-	-
199	Improvement and Efficiency	305	199	(106)	(35.8)
211	Research and Commissioning	500	203	(297)	(59.4)
107	YPES Regional Activities	132	147	15	11.4
825	One-off payment to boroughs	339	339	-	-
8,921	**Total Expenditure**	**8,828**	**8,377**	**(451)**	**(5.1)**
	Income				
(5,574)	Core Member Subscriptions	(5,574)	(5,574)	-	-
(228)	Borough contributions towards YPES	(66)	(66)	-	-
(231)	Borough contributions towards LCP	(210)	(324)	(114)	
(731)	Government Grants	(461)	(479)	(18)	(54.3)
(87)	Interest on investments	(75)	(77)	(2)	(2.7)
(543)	Other Income	(493)	(1,047)	(554)	(112.4)
(1,828)	Central Recharges	(868)	(1,508)	(640)	(73.7)
(1,556)	Transfer from Reserves	(1,081)	(880)	201	18.6
(10,778)	**Total Income**	**(8,828)**	**(9,955)**	**(1,127)**	**(12.8)**
-	Increase/(Reduction) in bad debt provision	-	-	-	-
(1,857)	**Deficit/(Surplus)**	**-**	**(1,578)**	**(1,578)**	**-**

36. A provisional surplus on revenue activities of £1.578 million has been posted for 2014/15, the main constituents of which are explored in the paragraphs below:

Expenditure

Employee Costs (-£244,000)

37. The headline position on salaries is an underspend of £270,000 on officer salary costs, offset by an overspend of £26,000 relating to members allowances. For officer salary costs, the maternity budget of £60,000 was not used during the year and there were underspends of

£26,000 in the Chief Executive's Office, £73,000 in PAPA and £96,000 in respect of the YPES due to vacancies not being filled during the year.

Running Costs (+£55,000)

38. The running cost overspend is attributable to a number of under and overspends across arranges of functions which leaves a net overspend of £55,000. The main areas of overspending are highlighted below:

- Expenditure on the annual London Summit and the annual Andy Ludlow Award amounted to £96,000, which is offset by additional income of £90,000 reflected in other income at paragraph 47 below;
- Expenditure on the redesign and relaunch of the London Councils website of £157,000, although £52,000 was recharged to the TEC funding stream, leaving a net cost to the Joint Committee of £105,000;
- Consultants fees of £11,000 in respect of providing GLEF related training courses, which has raised additional income of £24,000, as detailed in paragraph 47 below; and
- Additional depreciation charges of £10,000 arising from the residual works, including IT upgrades, to Southwark Street following the 2012 major refurbishment.

39. The provisional overspend on running costs highlighted above come to £222,000. This is offset by ;

- a provisional underspend on the staff training/recruitment budgets of £56,000;
- a provisional underspend of £27,000 on premises running costs,
- a provisional underspend of £10,000 on staff travel costs;
- provisional underspends of £31,000 on photocopiers leases, £39,000 for telephones and £32,000 on postal costs;
- A provisional underspend of £12,000 on NOTIFY IT system development costs; and
- Various underspends of general office costs of £15,000.

Central Recharges (+£126,000)

40. These costs relate to recharges to London Care Placements (+£108,000) and the HR Metrics services (+£5,000), which are unbudgeted. The London Health Board (LHB) attracted a charge of £109,000, which was £17,000 above the budgeted figure. Recharges to the YPES were £3,000 below the budgeted estimate. A proportion of these additional costs are

attributable to the full year effect of the review of London Councils central recharging mechanism undertaken in 2013/14.

Improvement and Efficiency work (-£106,000)

41. The Leaders' Committee agreed to continue funding five former performance and procurement legacy projects in December 2011. These are managed via a variety of borough networks. The budget for 2014/15 was £305,000 and work has continued to develop thinking within both procurement and performance, undertaken in close cooperation with senior borough officers and against a backdrop of wider conversations on performance and procurement systems in London and the development of pan-London category management strategies (funded by the Capital Ambition Board). Work has continued on three projects during 2014/15, amounting to £199,000, leading to the underspend of £106,000, which includes £40,000 in respect of member development work.

Research and Commissioning (-£297,000)

42. Expenditure on commissioning research and other priority work amounted to £203,000 for the year, leading to an underspend of £297,000 against the approved budget of £500,000. This saving reflects the fact that the profile of work requiring externally commissioned support has again been lower during the course of the year than in previous years. During the last year previous enhancements to in-house capability have been reinforced with expanded finance input into published research across all policy areas. The problem with this heading may be expected to change through 2015/16 in the context of joint work to secure further devolution and reform.

YPES Regional Activities (+£15,000)

43. The regional YPES programme for 2013/14 of £132,000, funded by borough contributions of £66,000, matched by a transfer from accumulated reserves of £66,000 has overspent by £15,000. An uncommitted sum of £754,000 remains in Joint Committee reserves for overall YPES activities, after transferring £150,000 to the revenue account for 2015/16, which will used to continue to fund the service from 2016/17 onwards, now that special purposes grant has ceased.

Income

Borough Contributions towards London Care Placements (-£114,000)

44. Contributions from boroughs and other subscribers exceeded the budgeted target of £210,000 by £12,000. In addition, contributions carried forward as a receipt in advance from 2013/14 of £102,000 led to overall additional income of £114,000.

Government Grants (-£18,000)

45. The surplus is again attributable to the YPES area of activity. Additional grant of £55,000 was received during 2014/15 to fund the Accelerated Learning Project. Expenditure of £18,000 was incurred during 2014/15, leaving £37,000 to be carried forward as a receipt in advance for application in 2015/16.

Interest on Investments (-£2,000)

46. Investment income on joint committee reserves raised an additional £2,000, accruing £77,000 for the year, again reflecting a reasonable return from the investment of London Councils cash balances by the City of London in the money markets.

Other Income (-£554,000)

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

- Charges for office space at Southwark Street of £114,000, which includes £23,000 for letting of accommodation space under licence to the London Social Care Partnership and the London Directors of Public Health;
- Contributions of £145,000 towards the work of the LHB from funding partners;
- Income in respect of the London Summit (£23,000) and the Andy Ludlow Award (£67,000) (refer paragraph 38 above);
- Additional income of £49,000 for the letting of meeting room facilities at Southwark Street, including £25,000 raised from the London Social Care Partnership and the London Directors of Public Health ;
- Additional income of £24,000 for GLEF related courses and other associated work, offset by the cost of consultants engaged to deliver some of the courses of £11,000, leading to net additional income of £13,000 (refer paragraph 38 above);

- Funding sources raised by the YPES of £3,000 relating to South East Strategic leaders and £43,000 in respect of matched skills funding;
- £14,000 in respect of the HR Metric services, which London Councils took over the management of from LB Haringey in January 2015;
- A VAT refund of £38,000 and £14,000 absorbed into JC reserves from the obsolete balances on completed projects; and
- Arts Councils funding of £6,000 to part fund work charged to the commissioning budget.

Central Recharge Income (-£640,000)

48. Additional income in respect of central recharges of £640,000 has arisen, which is partly attributable to the full year effect of the additional central costs chargeable to the TEC and Grants funding streams, to externally funded projects and to service contracts following the revision to London Councils central recharging mechanism. Budgets for 2015/16 have been adjusted to reflect the anticipated outcome of the recharge model moving forward and there may be scope for further adjustment from 2016/17 onwards. The additional recharges result in increased income for the Joint Committee and broadly comprise of the following:

- Recharges for communications staffing and running costs of £201,000;
- Recharges for Corporate Governance functions, including that of the Chief Executive's Office of £146,000;
- Recharges for Corporate Resources staffing, SLAs with the City of London, External Audit and general office costs of £215,000 to TEC and the Grants Committee; and
- Recharges for Corporate Resources staffing, SLAs with the City of London, External Audit and general office costs of £76,000 to externally funded functions and service contracts.

Transfer from reserves (+£201,000)

49. The reduction in the forecast transfer relates to the work of LHB. Only £153,000 out of a planned £354,000 was required to be transferred to the revenue account to fully fund the activities of the LHB in 2014/15.

External Projects

50. Not included in the figures detailed in Table 8 are transactions of £6.744 million relating to work or projects financed by external bodies, which have no effect of the bottom-line position. These include:

- ESF Borough funded projects, amounting to £5.450 million;
- A range of health, child protection and worklessness projects funded by the MPS/ SFA of £335,000;
- Various smaller projects, amounting to £192,000;
- RIEP Programme Office and residual project costs, including London Ventures, of £415,000;
- Pensions CIV £352,000 funded by borough contributions.

Balance Sheet as at 31 March 2015

51. The provisional consolidated balance sheet position as at 31 March 2015 is shown in Table 9 below, compared to the audited position for 2013/14:

Table 9 – Balance Sheet Comparison 2014/15 and 2013/14.

	As at 31 March 2015 (£000)	**As at 31 March 2014 (£000)**
Fixed Assets	1,123	1,134
Current Assets	24,472	22,582
Current Liabilities	(15,270)	(11,924)
Long-term Liabilities	(25,645)	(16,439)
Total Assets less Liabilities	(15,320)	(4,647)
Represented by:		
General Fund	10,237	11,085
Specific Funds	-	1,800
Pension Fund	(25,449)	(16,197)
Accumulated Absence Fund	(108)	(137)
	(15,320)	(3,449)

52. The main features of the provisional balance sheet as at 31 March 2015 are as follows:

    - Fixed assets have decreased by £11,000 to £1.123 million from £1.134 million. The decrease is attributable to the annual depreciation charge of £297,000 offset by the acquisition of assets of £286,000;
    - Current assets have increased by £1.89 million to £24.472 million from £22.582 million, which is attributable to an increase in cash balances of £4.731 million offset by a decrease in debtors of £2.841 million. The reduction in debtors is due to decreases of £1.755 million in respect of unpaid claims for the ESF match funded grant programmes, £885,000 in respect of advance payments to voluntary

organisations under the ESF match funded programmes, £267,000 in respect of borough payments for TEC parking services offset by residual variances of £66,000;

- Current liabilities have increased by £3.346 million to £15.270 million from £11.924 million, which is attributable to increases of £3.918 million in respect of Capital Ambition balances, £444,000 in respect of amounts owed for the 2015 Freedom Pass issue exercise, £441,000 in respect of borough contributions to the Pensions Common Investment Vehicle project and residual variances of £240,000. The total value of these increases which amounts to £5.043 million is offset by decreases of £1.063 million in respect of borough contributions to the ESF match funded grant programme and £604,000 in respect of amounts owed to non-TfL bus operators;
- Long term liabilities have increased by £9.206 million to £25.645 million from £16.439 million which is attributable to an increase in the value of the IAS19 pension deficit of £9.252 million and a decrease of £46,000 to the long term provisions in respect of property leases; and
- The above movements have resulted in an overall increase in reserves to a negative balance of £15.32 million as at 31 March 2015, inclusive of the IAS19 deficit (which is explored from paragraph 53 onwards) and the balance on the accumulated absences reserve.

Effect of IAS19 Employee Benefits

53. 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 pensions 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).
54. 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.
55. 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.

56. 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.

57. 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 2014 was £16.197 million. The deficit on the Pension Fund as at 31 March 2015, as determined from the latest valuation undertaken by the actuary, is £25.449 million, an increase of £9.252 million.

58. The reason for this significant increase in the deficit is attributable to a greater increase in scheme liabilities over the increase in scheme assets over the year, due to changes in the financial assumptions used by the actuary between 2014 and 2015. The increase in the scheme liabilities is primarily due to a change in the financial assumptions which reduced the discount rate from 4.5% p.a. as at 31 March 2014 to 3.4% p.a. as at 31 March 2015. As prescribed by IAS19, the discount rate is based on the yield from high quality corporate bonds as at the accounting date and this yield has fallen steadily since the previous accounting date. The inflation assumption has also decreased, counteracting some of the increase noted above.

59. Table 9 clearly demonstrates, therefore, that the Committee's reserves are notionally reduced by £25.449 million as a result of the requirement to fully disclose the pension fund deficit on the balance sheet. Recent and future reviews of the employer's pension contribution rate is intended, over time, to assist in further reducing the overall deficit and the Committee, should, therefore, not view the provisional balance on reserves of £10.237 million

as being a first call on funding the IAS19 pensions deficit. The London Councils External Auditors, PricewaterhouseCoopers (PwC) 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

60. Inclusive of the IAS19 Pension and the Accumulated Absence Reserves, the pre-audited overall position on the Committee's Reserves as at 31 March 2015 is detailed in Table 10:

Table 10 – Overall London Councils Reserves as at 31 March 2015

	General Reserve (£000)	Specific Reserve (£000)	Pension Fund (£000)	Accumu-lated Absences (£000)	Total (£000)
Audited balance at 1 April 2014	**9,887**	**1,800**	**(16,197)**	**(137)**	**(4,647)**
Transfer (to)/from Revenue Account	(2,509)	(1,800)	(1,111)	29	(5,391)
Movement on Pension Fund Reserve	-	-	(8,141)	-	(8,141)
(Deficit)/Surplus for Year	2,859	-	-	-	2,859
Provisional Balance at 31 March 2015	**10,237**	**-**	**(25,449)**	**(108)**	**(15,320)**

61. The pre-audited position on the Committee's Reserves as at 31 March 2015, 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 2015

	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 2014	**1,886**	**1,800**	**6,051**	**1,177**	**773**	**11,687**
Resources committed in 2014/15	(532)	(2,200)	(668)	-	-	(3,400)
One-off payment to boroughs 2014/15	(170)	-	(339)	(800)	-	(1,309)
Budgeted transfer to 2015 freedom pass issue reserve	-	400	-	-	-	400
Provisional (deficit)/surplus for 2014/15	1,107	-	1,578	78	96	2,859

Provisional reserves as at 31 March 2015	**2,291**	**-**	**6,622**	**455**	**869**	**10,237**

62. Table 12 below details the current level of commitments arising from the current and future financial year and highlights the residual 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)
General Reserve at 31 March 2015	2,291	6,622	455	9,368
Specific/ESF reserve at 31 March 2015	-	-	869	869
Provisional reserves at 31 March 2015	**2,291**	**6,622**	**1,324**	**10,237**
Committed in setting 2015/16 budget	-	(564)	(250)	(814)
One-off payment to boroughs 2015/16	- -	(825)	-	(825)
Balances c/f into 2015/16	(64)*	-	-	(64)
Potential ESF grants commitments in 2015/16	-	-	(619)	(619)
Provisional commitments for 2016/17 and 2017/18	-	(1,018)	-	(1,018)
Provision for 2015 Freedom Pass issue	(204)	-	-	(204)
Provision for new appeals hearing centre	(200)	-	-	(200)
Uncommitted reserves	**1,823**	**4,215**	**455**	**6,493**

*****Subject to approval by the TEC Executive on 16 July 2015

63. The current level of commitments from reserves, as detailed in Table 12, come to £3.744 million over the short-medium term and are detailed in Table 13 below:

Table 13– Commitments from Reserves

	2015/16	**2016/17**	**2017/18**	**Total**
	£000	**£000**	**£000**	**£000**
Approved transfer from JC general reserves	164	164	-	328
Approved transfer from TEC general reserves	-	-	-	-
TEC system developments	64	-	-	64
Accumulated YPES regional funds	150	150	604	777
Slippage of ESG grants funding	869	-	-	869
2015 Freedom Pass Issue	204	-	-	204
One-off repayment to boroughs in 2015/16	825	-	-	825
New appeals hearing centre	200	-	-	200
Support to the health transition process	250	100	-	250
Totals	**2,726**	**414**	**604**	**3,744**

Conclusions

64. Tables 12 and 13 show that the approved use of reserves over the three-year period 2015/16 to 2017/18 is likely to reduce the overall projected level of reserves by £3.744 million from £10.237 million to £6.493 million. A brief commentary on the financial position of each of the three funding streams is provided below:

- Grants Committee – the £83,000 variation between the M9 forecast and the provisional outturn for the Grants Committee is due to an increased net underspend of £30,000 relating to the ESF/borough programme, an increase of £40,000 in the underspend relating to the S.48 borough commissions, a reduction in actual spend on administration costs of £36,000 and additional investment income earned on reserves of £6,000. The benefits of £112,000 detailed above are offset by an increase in the overall bad debt provision of the Grants Committee of £29,000. Provisional reserves of £455,000 remain after allowing for potential ESF commitments of £869,000 during 2015/16 in respect of the concluding 2013-15 two year programme. This equates to 5.69% of on-going borough funded commissions of £8 million. This slightly exceeds the benchmark of £300,000, or 3.75%, established by the Grants Committee in September 2013 and is deemed adequate to cover potential future unforeseen events;

- TEC – the £689,000 variation on the TEC position is mainly due to an increase in Lorry Control PCN income (£599,000), an increase in the underspend on non-TfL bus operators (£211,000), an increase in the underspend on non-operational salaries (£45,000), an underspend on research (£40,000) and an underspend on system developments (£64,000). There was also additional income earned from investment of reserves of £24,000. These credits are offset by an net overspend of £93,000 in respect of the direct service administration charges, mainly due to increased central recharges, and an increase in the bad debt provision of £74,000, all attributable to Lorry Control PCN income. Net revenue costs of the new hearing centre at Chancery Exchange amounted to £96,000. Provisional reserves of £1.823 million remain after deducting known commitments, including the residual cost of the 2015 freedom pass reissue of £204,000, plus a sum of £200,000 earmarked for further revenue costs associated with the relocation of the appeals hearing centre to Chancery Exchange. This equates to 15.5% of estimated operating and direct trading expenditure of £11.735 million for 2015/16, which significantly exceeds the 2% - 3% yardstick established by the Committee in December 2005; and

- Joint Committee – the £961,000 variation on the Joint Committee position is primarily due to additional borough and subscriber contributions towards London Care Placements

(£114,000), government grants (£18,000) and movement on other income (£539,000), which is explained in full at paragraphs 44, 45 and 47 respectively. Movement of £592,000 has arisen from the legitimate charging of central costs to TEC, Grants and externally financed projects, service contracts and tenants, as detailed at paragraph 48. In addition, there has been a movement of £15,000 in respect of YPES provider costs and £23,000 through interest earned on committee reserves. These underspends and surpluses are offset by movement on employee costs of £37,000, detailed at paragraph 37, a movement on running costs of £98,000 highlighted at paragraphs 38 to 39 and a reduction in the planned transfer from committee reserves of £201,000 in respect of the London Health Board (paragraph 49). Provisional reserves of £4.215 million remain after deducting known commitments of £2.407 million over the three-year period 2015/16 to 2017/18. Continued prudent financial management and maximisation of income generating opportunities has enabled a significant level of reserves to be maintained in respect of the Joint Committee activities.

65. The financial year 2014/15 is the final year of the three-year financial strategy period agreed by the Leaders' Committee in December 2011 covering the period 2012/13 to 2014/15. A new three-year financial strategy covering the period 2015/16 to 2017/18 was agreed by the Leaders' Committee in December 2014. The projected level of uncommitted reserves across all three funding streams continues to leave the organisation in a favourable position to deliver the priorities contained in the business plan and support other initiatives, within the constraints of the new three-year financial strategy. In addition, the projected level of uncommitted reserves continues to give the organisation some financial cover in meeting some big challenges and potential contingencies that may be called upon in the short to medium term.

66. Furthermore, the projected financial position indicates that the organisation will be able to present further options to members later in the autumn around potentially repatriating a further proportion of these uncommitted reserves back to boroughs as part of the 2016/17 budget package.

Summary

67. This report summarises the provisional pre- audited consolidated financial position for London Councils for the 2014/15 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 2015/16 and beyond.

Recommendations

68. The Executive is asked:

- To note the provisional consolidated outturn position of a surplus of £2.859 million for 2014/15 and the provisional outturn position for each of the three funding streams;

- To note the provisional level of reserves of £10.237 million (paragraphs 60-61), which reduces to £6.493 million once known commitments of £3.744 million are taken into account (paragraphs 62-63);

- To note the updated financial position of the London Councils as detailed in paragraphs 64-66 of this report; and

- To agree to receive a further report in November 2015 after the completion of the external audit by PricewaterhouseCoopers (PwC) to adopt the statutory final accounts for 2014/15. The final accounts will be signed off at the meeting of the Audit Committee on 24 September 2015, during which PwC will formally present the Annual Audit Letter to for approval.

Financial Implications

The financial implications are contained within the report.

Legal Implications

There are no legal implications to London Councils arising from this report.

Equalities Implications

There are no equalities implications to London Councils arising from this report.

Background Papers
Final Accounts Working Papers File 2014/15;
Budget Monitoring Working Papers File 2014/15;
Budget Working Papers Files 2014/15 and 2015/16.

Executive (sitting as the Appointments Panel)

Nominations to Outside Bodies   Item no: 9

Report by:	Derek Gadd	**Job title:**	Head of Governance
Date:	23 June 2015		
Contact Officer:	Derek Gadd		
Telephone:	020 7934 9505	**Email:**	derek.gadd@londoncouncils.gov.uk

Summary: This report provides the Executive in its capacity as the Appointments Panel, with details of London Councils' nominations/appointments made to outside bodies.

Recommendations: The Executive is recommended to note the appointment of a London Councils' representative to an outside bodies.

Nominations to Outside Bodies

Background

1. In 2002, London Councils' Elected Officers, acting in their capacity as its Appointments Panel, agreed to delegate the making of nominations to outside bodies to the Chief Executive within agreed guidelines and on Nolan principles and on the basis that they were reported to the next available meeting of the Appointments Panel. The guidelines were refined in 2012 with a fresh set of principles agreed

Appointment to the Outer London Commission

2. The Conservative group have requested the replacement of Cllr Ray Puddifoot MBE by Cllr Stephen Carr on the Outer London Commission.

Financial Implications:
Where remunerated, payments are made by the appointing body and there are, therefore, no financial implications arising directly from this report.
Legal Implications:
In making appointments London Councils complies with relevant legislation. It also seeks to comply with the 'Nolan' Seven Principles of Public Life.
Equalities Implications:
There are no equalities implication

Recommendation:
The Executive is recommended to note the replacement of Cllr Ray Puddifoot MBE by Cllr Stephen Carr on the Outer London Commission.