

Executive

16 June 2020 : 9:30

Location: Teams Virtual Meeting

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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 19th May 2020 09:30 am

Cllr Peter John OBE was in the chair

Present

Member	Position
Cllr Peter John OBE	Chair
Cllr Teresa O'Neill OBE	
Cllr Julian Bell	
Cllr Darren Rodwell	
Cllr Georgia Gould	
Cllr Ray Puddifoot MBE	
Cllr Muhammed Butt	
Cllr Ruth Dombey	
Cllr Clare Coghill	
Cllr Danny Thorpe	
Cllr Elizabeth Campbell	
Catherine McGuinness	

Cllr Ravi Govindia CBE was in attendance.

London Councils officers were in attendance.

The Chair welcomed everyone to London Councils' first formal 'virtual' meeting, and reminded members of the 'housekeeping' rules.

1. Apologies for absence and announcement of deputies

No apologies for absence were tendered.

2. Declaration of interest

Cllr Bell declared an interest in that he was a member of the Transport for London (TfL) Board.

3. Minutes of the Executive Meeting held on 3rd March 2020

The minutes of the Executive meeting held on 3rd March 2020 were agreed as an accurate record of the meeting

4. London Local Government Resilience Response to the Covid 19 Pandemic

The Chief Executive introduced the report. It:

- covered the range of activities undertaken and the context for the response in terms of the Civil Contingencies Act 2004;
- summarised the work of the London co-ordination arrangements which covered sub regional structures, and 'task and finish' group work as well as its links to the Strategic Co-ordination Group;
- referred to work done in individual boroughs and by London Councils.

Members raised points about:

- funding of future PPE provision;
- funding of hospital discharges and the need to try and reach a concerted position;
- the degree of political involvement in the first stages of the response, which should be picked up as part of review activity, alongside the way members had worked together with chief executives at different spatial levels;
- the potential for an Adult Social Care portfolio holders meeting. The relevant portfolio holder indicated that he thought that the priority should be on LHB Leaders working together in the first instance to consider the lessons from the pandemic so far for future integration of health and social care;

- the response to the crisis had demonstrated to Government the integral role of London boroughs in terms of understanding the needs of residents and supporting them.

The Chair made the following responses to the points made by members:

- he agreed with the value brought about by Group Leader discussions with the SCG Co-Chairs. He also agreed that review activity would need to build on previous work on London local authority resilience from 2017;
- he recognised the importance of both the PPE and NHS discharge issues.

The Chief Executive added that London Councils was undertaking some work with boroughs on hospital discharges and should this reach an agreed position it would be reported to members.

He also noted the Executive's comments about review activity.

The Chair thanked members for their comments and members noted the report.

5. Covid-19 – Recovery/Transition

The Chief Executive introduced the report.

The Chair reported that as well as the framework for Transition which, it was envisaged, would be overseen by a structure led by the Secretary of State and the Mayor, and on which London local government would have clear representation, there was also a London Recovery structure envisaged that would be jointly led by the Mayor and London Councils.

Members made the following comments in relation to the paper:

- it was important that the planned lobbying for a Climate Emergency Board continued, although integrated into the recovery model;

- the interconnectedness between the London economy and the national one should be emphasised. Also, transport considerations were crucial: it was important to enable people to return to the workplace safely because of its criticality to London business;
- the issues of culture and tourism had not been included in the paper;
- the comments on the role of sub regions were noted but those arrangements did not always align with the day to day work of boroughs, and also did not reflect partnership work carried out with others outside of the sub regional framework;
- an alternative should be found to the word 'reconstitution';
- regarding the issue of the financial challenge facing boroughs, in terms of lost income and the amount of unbudgeted spending required, in making a case to the Government, both for financial assistance and future investment, boroughs should be clear about their recovery and renewal 'offer' to the Government and the national economic recovery;
- there was a need to revisit the work being carried out by Localis, because of the changing context as a result of the pandemic.

The Chair commented that one of the advantages of the government being a co-sponsor of the Transition structures would be to raise the salience of the issues that boroughs were facing.

The Chair also reminded party groups to share their thinking on recovery priorities.

The Chair agreed that some thinking would be done to replace the word 'reconstitution' in the paper.

The Chief Executive also responded to members' comments, confirming that:

- there was an agreed Protocol covering the way London Councils worked collectively with London Chief Executives;
- the evidence base was envisaged as the first step of the recovery work;
- he had met with Localis on the subject of their work in a changed context;

- there was a recognition that different sub-regional structures would apply for different activities and in some cases were not relevant to the work that would proceed in any case;
- he had met with London and Partners on the issue of economic recovery and links to tourism and culture.

The Chair thanked members for their contributions and felt that they would help Leaders and Officers in developing future work.

6. Proposed Protocol for London Councils Virtual Meetings

The Director of Corporate Governance introduced the report, informing members that the Coronavirus Act 2020 allowed Councils for the first time to hold decision making meetings virtually. The Regulations required a number of elements to be put in place to achieve compliance, which had been captured in a proposed Protocol attached to the report.

Members' views and comments on the report, the Protocol and a revised schedule of future meetings were sought. The schedule would normally have been reported to Leaders Committee and TEC AGMs in June; however it was proposed to move the AGMs to the autumn, and also to change the proposed next meeting of Leaders' Committee from 2nd June to 7th July, with the 2nd June meeting offered as a Leaders' call instead of the next scheduled call on 29th May. If accepted by Executive, it was proposed to take the report, including the Protocol and the schedule of dates, to the next Leaders' Committee meeting for formal adoption.

Cllr O'Neill supported the paper and felt that it would be useful for other boroughs to 'sense check' their processes against the report. Cllr O'Neill had previously suggested such an arrangement to be introduced, to make the best use of members' time, and was pleased to see that this was now in place.

Cllr Dombey asked about the practicality of taking a 'roll call' at the beginning of meetings. It was confirmed that there was a legal requirement to determine those present at meetings, and it was agreed as an alternative that the Chair could physically check who was on the call to ensure quoracy and confirm attendance.

Members agreed the report, the Protocol and the schedule of dates, subject to the amendment within the Protocol regarding the requirement for a roll call, which the Director of Corporate Governance was given permission to amend without referring back to the Executive.

7. Nominations to Outside Bodies

The Chief Executive informed members that the report was presented to members annually, providing information on nominations to outside bodies: the nominations process was delegated to the Chief Executive and discharged against a set of principles contained in the report, including the need to achieve some broad proportionality reflecting the political parties. The report provided the present position.

Cllr Bell confirmed that there remained a number of TEC vacancies which needed to be filled before August. However, the schedule of meetings contained in the previous item would now provide the ability to fill the vacancies within the timescales.

Members noted the report.

The meeting closed at 10.46.

Action points

	Item	Action by	Progress
4.	London Local Government Resilience Response to the Covid 19 Pandemic <ul style="list-style-type: none">• Analysis of NHS hospital discharge costs results to be shared with members• Discuss with LAP on resilience the issue of emergency response governance structures	Chief Executive Chief Executive	Ongoing Ongoing
6.	Proposed Protocol for London Councils Virtual Meetings <ul style="list-style-type: none">• Protocol to be amended to remove the need to take a roll call at the start of the meeting and substitute with alternative guidance	Director of Corporate Governance	Ongoing

Executive

Covid 19 Pandemic: Recovery and Renewal

Item no: 4

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

Date: 16 June 2020

Contact Officer: Doug Flight

Summary: This report provides an overview of the emerging pan-London Coronavirus (Covid 19) transition, recovery and renewal structures before beginning to explore the role London local government can play.

Recommendations: The Executive is asked to:

1. Note the transition from the London resilience arrangements, including the establishment of the Transition Board and the Recovery Board.
 2. Comment on:
 - a. The opportunities and challenges for London local government during the recovery phase?
 - b. How London Councils might best support co-ordination of London local government's own renewal aspirations – drawing on political, managerial and professional expertise in the boroughs?
 - c. How to optimise alignment of borough-led renewal work with the work of the Transition Board and the Recovery Board?
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London Local Government Resilience Response to the Covid 19 Pandemic – Recovery and Renewal

Introduction

1. London local government's Covid 19 related work is now emerging from the immediate response and mitigation phase - and transitioning towards recovery and renewal. The initial response was grounded in established ways of working that have been developed through our long-standing shared commitment to building London's resilience and protecting Londoners. The local government response was escalated in step with the stand-up of the formal inter-agency London Covid 19 Strategic Coordination Group (SCG) - with London local government representation represented through London Local Authority Gold.
2. The strategic and tactical responses at local and pan-London level were subsequently strengthened through enhanced sub-regional co-ordination - to marshal the resources of boroughs as effectively as possible. The next phase of activity will move on from mitigating the immediate implications of the pandemic on our communities, businesses and transition through the necessary steps which will allow us to build London's recovery and renewal, using newly developed structures and arrangements.
3. This report provides an overview of the new pan-London transition and recovery arrangements, including the structures that will facilitate leadership of London's recovery and renewal. It will outline the role of London local government within these structure and arrangements and the potential role London Councils can play in capturing the political and professional learning of member councils, commissioning specific interventions that will add value to the work of councils and groups of councils, develop options and arguments for London local government to deploy. This will involve co-ordinating policy input, sharing information and practice and playing an active influencing role.

Background – pan-London Covid-19 resilience arrangements: immediate response and mitigation

4. A formal SCG was initiated on 3 March 2020 with the mandated responsibility to lead the pan-London emergency pandemic response. John Barradell, chief executive at the City of London and Eleanor Kelly, chief executive at Southwark became independent Co-Chairs following confirmation from Government.
5. A dedicated Local Authority Gold chief executive was introduced for the Covid 19 response to represent the local government sector on the SCG, provide continuity and release the regular on-call Gold chief executive to respond to any other incidents which might occur. Martin Esom (Chief Executive, Waltham Forest) took the London Local Authority Co-ordinating 'Gold' chief executive role with the support of 'Deputy Gold' chief executives who cover sub-regional resilience footprints; a range of Task and Finish groups, led by chief executives, covered key local government issues; supported by a wider group of chief executives, directors, professional networks, other staff and colleagues from London Councils.
6. The initial pan-London response phase has been characterised by close working between a range of partners, with local government often at the forefront. Through the initial arrangements, in collaboration with partners, London local government achieved a number of successes including the establishment of a pan-London Personal Protection Equipment (PPE) procurement system, accommodating over 1000 homeless people during the pandemic and establishing robust Shielding Hubs that have provide essential support to vulnerable residents and beyond. London Councils played has played a multifaceted role in support of the broader London local government contribution, as set in the report to the Executive of 19 May 2020.

Pan-London recovery arrangements: the transition to recovery and renewal

7. The initial emergency response phase of the Covid 19 pandemic is being reshaped, reflecting the consistent fall in Covid-related deaths (particularly when compared to the designated 'peak' in May); the increasing relaxation of lockdown measures and the gradual re-opening of public sector institutions and businesses. The marks a national transition towards recovery from the immediate

impact of the pandemic. However, nationally, and particularly in London, this increasingly being recognised as an opportunity not only to recover, but also to renew and aim to build a better London for everyone, not simply seek to a return to pre-Covid normality.

8. London's recovery effort will be led, in parallel, by two distinct boards addressing the need for both a short-term transition and longer-term recovery:

- **The London Transition Board** – co-chaired by the Secretary of State for Housing, Communities and Local Government, and Sadiq Khan, Mayor of London – will lead the Capital's transition out of lockdown, coordinating the response to emerging trends, issues and risks, as the economy begins to reopen - whilst controlling the virus.
 - The Transition Board will convene a range of key stakeholders to address broader short-term challenges such as transport, social care, infection control, re-opening the economy, community cohesion and the potential of a 2nd wave. The Board will also oversee the existing programmes that underpin the ongoing and future response to C19 – including the Mortality Management Group, the PMART process alongside other risk identification, mitigation and co-ordination planning.
 - The inaugural meeting was due to take place on 9 June 2020, after despatch of this report, and was due to be attended by the London Councils' Chair, Deputy Chair and Vice-Chairs, representing the perspectives of London boroughs.
 - The work of the SCG will morph into the Transition Management Group. This multi-agency group, Chaired by John Barradell, will be responsible for the oversight of the joint work undertaken across London viewing this at both pan-London and sub-regional levels and will provide assurance and deliver the objectives of the Transition Board.
- **The London Recovery Board (LRB)**, will run in tandem with the Transition Board and is Co-Chaired by Cllr Peter John, Chair of London Councils and the Mayor and. The LRB will plan and oversee the capital's wider long-term economic and social recovery. The Government is represented on the Board

by Paul Scully MP, Minister for London and for Small Business, Consumers and Labour Markets.

- London Councils has been asked to nominate leads for two key strands dealing respectively with social and economic recovery: Cllr Georgia Gould will lead on the Economic Recovery Strand and we are talking to Conservative group in relation to Social Recovery strand
 - **The Economic Recovery** working group will focus on the stabilising and kickstarting the Capital's economy, encompassing broad themes such as unemployment, economic growth and a cleaner, greener London.
 - **The Social Recovery** working group will address the broad spectrum of social issues that have been impacted by the pandemic, including themes of poverty and destitution, keeping young people safe, health inequality, social isolation and the Shielding cohort.
- Two additional working groups will cover the following strands:
 - *Covid 19 Housing Delivery Taskforce* – Chaired by Tom Copley, Deputy Mayor for Housing. This group was established in April 2020 to develop a housing recovery plan focused on continued housing supply and developments that can deliver more social and other genuinely affordable homes. London Councils is represented by Darren Rodwell, Executive Member for Housing and Planning.
 - Commemoration. Details of this group of still under discussion and will be confirmed in due course.
- The LRB is designed to bring together cross-sectoral representatives including local and central government, police, health, business, trade unions and the voluntary, community and faith sector - to lead, develop and establish long-term London recovery and renewal. The overarching objective of this programme is to restore confidence in the city, minimise the impacts on London's most vulnerable communities, and rebuild the city's economy and society. The inaugural meeting took place 4 June

where overarching principles and ways of working for the structures were agreed.

- The LRB will oversee and be supported by the multi-agency London Recovery Taskforce which will be chaired by Nick Bowes, Mayoral Director of Policy at the Greater London Authority. The wider membership of the Taskforce is still under discussion and the inaugural meeting is set to take place on the 19 June. The Taskforce will implement the Board's vision and it will work closely and collaboratively with the SCG and Transition Management Group.

London Councils Recovery and Renewal Engagement

9. London Councils Office Holders and staff are engaged directly with the recovery and renewal work, with a view to adding value to the work of boroughs and groups of boroughs.
 - Lead members have continued to play a key role, including convening member-level 'virtual meetings' in relation to business and the economy; transport and the environment; housing; community safety; and children's services - including liaison with MPS leads and MOPAC.
 - Leading Members made a number of points during the initial meeting of the Recovery Board on 4 June 2020, including the following:
 - The importance of aiming to 'build back better'.
 - The critical potential of Green investment (e.g.. green energy and retrofitting) to generate jobs.
 - The need to focus economic and social interventions on young people who are understood to be hardest hit, economically.
 - The importance of rebuilding business confidence.
 - The need to consider the impact on social cohesion and inequalities (including the digital divide).
 - The need to consider the mental health impacts.
 - The balance of emphasis needed between inner and out London.
 - Public transport issues, including work to support a modal shift as well as the need to improve orbital vs radial capacity.

10. In addition, **London Councils** has:

- Initiated work to gather evidence of the impact to inform the development of policy solutions.
- Continued to actively engage with Treasurers, SLT and MHCLG officials to support boroughs prepare and assure their assessment of the financial implications of managing the pandemic, and to analyse and understand the overall impact for London. This will help develop the case to Government around challenges for councils, particularly around loss of income (including Council Tax and business rates), as well as direct costs and undelivered savings. Clearly these issues remain vital going forward and Members may wish to reflect on finance and resource matters when they come to discuss this paper at the Executive.
- Continued to monitor key economic concerns across boroughs, making the case for support to local businesses and the self-employed and convening economic Development Leads.
- Worked with professional networks, to initiate the development of the key learning points for the future of collaborative working with the NHS in London.
- Continued to help harness London local government's wider managerial and professional capacity, Helping interpret the data which is being collected to provide a stock-take for LLAG and the SCG.
- Worked with Housing Directors to help support boroughs in taking the next steps for rough sleepers that are currently placed in temporary accommodation.
- Worked with Government and TfL to articulate borough concerns around the impact of changes to the concessionary travel arrangements and to support boroughs in developing next steps.
 - Working with other funders and the voluntary and community sector to continuously assess the stability of the sector (staffing, funding, increased demand on services), support contingency plans in response to the needs of Londoners and provide links across local, sub-regional, pan-London and national support structures.

11. In addition, as discussed by the Executive at its meeting in May, London Councils will work with portfolio holders, Lead Chief Executives and other key professional groupings to:

- Capture the political and professional learning from member councils over the past few months and use that to help inform boroughs' consideration of their own recovery strategies.
- Commission interventions that add value to the work of individual councils and groups of councils in their own recovery and renewal work.
- Make the case to Government, the Mayor and others for investing in propositions built on London local government leadership of key recovery and renewal themes, e.g. A locally-led Green Recovery proposal.
- Deploy this additional work as part of the consideration of the London recovery Board as well as directly.

Conclusion

12. London local government, including London Councils, has the opportunity to play a potentially quite important role in shaping and implementing the new recovery structures and strategy.

13. London Councils' Office Holders and officers have been working closely with partners, particularly City Hall, Health and Resilience partners, as well as Government, business, and wider public sector agencies, in developing the emerging arrangements.

14. This engagement provides a platform which Office Holders and the broader Executive can use to seize the opportunity to help inform a potential vision not only for recovery, but potentially for building back better – supported by London Councils and the deeper political, managerial and professional resources of all of London local government.

Recommendations

The Executive is asked to:

1. Note the transition from the London resilience arrangements, including the establishment of the Transition Board and the Recovery Board.
 2. Comment on:
 - d. The opportunities and challenges for London local government during the recovery phase?
 - e. How London Councils might best support co-ordination of London local government's own renewal aspirations – drawing on political, managerial and professional expertise in the boroughs?
 - f. How to optimise alignment of borough-led renewal work with the work of the Transition Board and the Recovery Board?
- Note the transition of London resilience arrangements towards recovery, the new pan-London recovery arrangements and the role of local government.
 - Comment on the opportunities and role of London local government in being at the forefront of London's recovery.
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Financial Implications for London Councils

Additional expenditure and potential reductions in income from London Councils' response to the pandemic are being identified and monitored. Each Directorate has an appointed officer responsible for recording these incidences in their respective areas of operation and an overall model is being maintained by the Finance team. This is being reviewed on a very regular basis. Most of the additional burden will have been incurred from the start of the 2020/21 financial year, so there will be significant opportunity to review income and expenditure to consider the need for any adjustments and the potential use of any uncommitted reserves.

Legal Implications for London Councils

None specifically flowing from this paper.

Equalities Implications for London Councils

None specifically flowing from this paper.

Executive

Local Government Finance - update

Item 5

Report by: Paul Honeyben **Job title:** Strategic Lead: Finance & Improvement
Date: 19 June 2020
Contact Officer: Paul Honeyben
Telephone: 0207 934 9748 **Email:** paul.honeyben@londoncouncils.gov.uk

Summary

This report updates the Executive on the funding measures taken by government to date to support local government in response to the COVID-19 pandemic and provides a summary of the latest estimate of the financial impact of the crisis across London local government.

It sets out the timeline for upcoming fiscal and other notable events that will provide opportunities to lobby and influence government funding decisions.

Recommendations

The Executive is asked to note the details of the report and the opportunities to influence the Government's approach to funding over the coming months.

Local Government Finance update

Introduction

1. London boroughs have been at the forefront of the response to both the public health and economic crises caused by COVID-19, having mobilised rapidly and played a central part in coordinating the emergency response across public services in the capital. Both crises have resulted in additional expenditure and significant lost income, which will test the financial resilience of London local government in the next couple of years.
2. The Government's initial response has been to provide direct funding and other supportive financial measures to lessen the impact on local government since March. MHCLG has also begun the process of beginning to estimate the scale of the financial impact of the virus on local government by collecting monthly survey returns from all local authorities.
3. This paper summarises the funding measures announced by the Government so far in response to the COVID-19 pandemic and provides an overview of the latest estimate of the financial impact of the crisis on London local government, before setting out the upcoming events over the next 6 months that will provide opportunity to lobby and influence government funding decisions.

Funding measures announced since March

4. The financial support so far from Government falls within four broad categories:
 - general emergency funding;
 - targeted funding for specific services/purposes;
 - support for businesses and residents that councils administer and have varying degrees of control over; and
 - measures aimed at easing the upfront cash flow pressures caused by the crisis.
5. There have been two tranches of £1.6 billion (totalling £3.2 billion) of emergency funding to support local authorities in meeting the costs of the activities that they

have been asked to deliver. London boroughs received £254 million of the first tranche and £245m of the second tranche (totalling £499 million). This funding is not ringfenced, but the Government has set out services it particularly expects the funding to support, including: adult social care; children's services; public health services; fire and rescue services; waste collection services; shielding the clinically extremely vulnerable people; homelessness and rough sleeping; domestic abuse; supporting the NHS; and managing excess deaths. Annex A sets out a comprehensive list of service areas which Ministers have signalled, in their communications, that councils should prioritise.

6. With regard to specifically targeted funding, the Government has announced: £600 million for infection control in care homes (of which London boroughs received £52 million); £300 million to support the new test and trace service (of which London boroughs' share is not yet known); and £50 million for the Reopening High Streets Safely Fund (of which London boroughs received £8 million); and plans to accelerate £433 million of funding previously announced for long-term, sustainable rough sleeping accommodation, in addition to the £3.2 million of initial emergency funding (of which London boroughs received around £850k), which reimbursed councils for providing accommodation and services for rough sleepers to help them self-isolate.
7. Over £12 billion has been provided in business rates reliefs and grant schemes (London with London boroughs receiving £1.7 billion), as well as a £500 million hardship relief scheme for councils to support local residents largely through their Local CTS schemes (London boroughs' share was £90 million).
8. Finally, over £5 billion of cashflow support has been provided to councils including: up-front payment of £1.8 billion of business rates reliefs (London boroughs received £205 million); the deferral of local authority payments of the Central Share of business rates and up-front payment of the first quarter of social care grant in April, which together totalled £3.4 billion (London boroughs' share is estimated to be £871 million).

9. Table 1 below lists each of the funding measures announced so far. It suggests around a fifth of the total financial measures announced so far have been directed towards London boroughs. To some extent, this is skewed by London's comparatively high share of business rates yield. Considering direct funding measures alone, London boroughs have received around 15% of the national total.

Table 1 - COVID-19 Financial measures announced by Government since March

	Date	London Boroughs (£m)	England (£m)	% share of England total
Business rates reliefs	11-Mar	3,040.0	10,221.1	30%
Rough sleeping fund	16-Mar	0.9	3.2	27%
Hardship Fund	24-Mar	89.5	500.0	18%
Emergency funding (tranche 1)	27-Mar	254.2	1,600.0	16%
Estimated S.31 grants paid in advance	27-Mar	205.3	1,800.0	11%
Small Business Grants Fund and the Retail, Hospitality & Leisure Grants Fund*	01-Apr	1,662.4	12,333.5	13%
Cashflow measures	16-Apr	871.4	3,400.0	26%
Emergency funding (tranche 2)	28-Apr	245.0	1,594.0	15%
Infection control fund for adult social care	15-May	50.7	600.0	8%
Reopening High Streets Safely	24-May	8.0	50.1	16%
Test and trace	27-May	TBC	300.0	TBC

*NB – A Local Authority Discretionary Fund was subsequently announced to be funded from the overall funding included here.

Financial impact on London local government

10. To date, MHCLG has undertaken two surveys to gauge the scale of the financial impact of COVID-19 relating to lost income and additional expenditure across local government. The April survey provided some very initial estimates. The survey was repeated in May and expanded to include a more detailed breakdown of expenditure and income losses, including figures for the Housing Revenue Account. All 33 London authorities responded and shared their returns with London Councils. It should be noted that figures are still based on initial estimates with varying assumptions, in what is a constantly changing environment, and should therefore be treated with caution.

11. Notwithstanding this caveat, the broad headlines are as follows:

- The total estimated financial impact of COVID-19 across London boroughs is **£1.8 billion** in 2020-21; comprising **£1.1 billion** in estimated lost income and an estimated **£709 million** in increased expenditure.
- Taking account of the £499 million in emergency funding for London boroughs confirmed so far, the estimated remaining funding gap is **£1.3 billion** for 2020-21.
- Around half of the estimated lost income (**£549 million**) comes from sales, fees & charges, commercial and other income; and around half (**£554 million**) comes from council tax (£261 million), business rates (£185 million¹) and the HRA (£104 million).
- Approximately half of the estimated increased expenditure will be on adult social care (**£200 million**) and in covering planned savings that will not now be achieved (**£178 million**), with more than **£50 million** extra expected to be spent on homelessness and rough sleeping, and a similar amount on children's social care.
- **Five boroughs** are anticipating cashflow issues by the end of July.
- Combining the estimates from the two surveys for March, April and May indicates the total financial pressure across London so far is estimated to be around **£600 million** (which exceeds the emergency funding by around **£100 million**).

12. The LGA has reported that the overall impact of COVID-19 from March to May is estimated to be £3.2 billion across England - exactly matching the emergency funding provided by Government so far - with a further funding gap of around £6 billion for the remainder of the year (suggesting a total impact of over £9 billion). This suggests the financial impact on London boroughs is at least in line with – and probably higher than – the equivalent for the country overall. It also suggests a universal need for further funding from government.

¹ This figure is the initial estimate of the impact on London boroughs having updated the London business rates pool model with the borough estimates from the May MHCLG survey. .

13. There are significant uncertainties around the collection of business rates and, to a lesser extent, council tax. Of the £9 billion in business rates due to be collected in London in 2020-21 over £3 billion (a third) will now be funded by the Government through reliefs, notably the expanded retail discount. That still leaves around £6 billion to be collected from businesses, many of which will not be operating normally due to the pandemic. It is not yet clear how much of this will be collected as usual, how much at a later stage and how much will have to be written off. The broad estimate from the May survey suggests the overall loss in business rates for the London pool (including the GLA) is around £30 million, with the impact on London boroughs estimated to be around £185 million. The first comprehensive in-year monitoring of the London pool is due to be undertaken by the Lead Authority in June, which will provide more robust estimates of the potential impact on individual authorities.
14. It is worth noting that council tax and business rates losses will not impact borough budgets until 2021-22 because of how they are accounted for. In addition, there may be ongoing spending pressures related to increases in demand for services and new burdens councils have taken on as a result of COVID-19, as well as the uncertainty over income streams like sales, fees and charges, mean that the pressure on finances will not be limited to 2020-21 but will impact on next year's budget too. With boroughs due to start considering medium term financial plans and budgets for 2021-22 soon, there is an urgent need for certainty regarding the 2021-22 settlement.
15. The Secretary of State for Housing, Communities and Local Government confirmed, in a letter to council leaders on 30 April, that the Review of Relative Needs and Resources ('Fair Funding Review') and 75 per cent business rates retention will no longer be implemented in 2021-22, although reiterated the Government's commitment to the wider reforms in the longer term. He indicated the Government will keep an open dialogue with local authorities about the best approach to the next financial year, including how to treat accumulated business rates growth and the approach to the 2021-22 local government finance settlement. It is officers' understanding that this means that some form of a reset of retained business rates next year has not been ruled out.

C19 finance lobbying lines

16. Following the analysis of the May MHCLG survey, Group Leaders agreed the following lobbying lines for use by London Councils and borough senior officers in any discussions with government:

- **While very welcome, the funding received to date in London (£500m) has not been enough** to cover the lost income and additional spending so far (March to May), let alone for the rest of 2020-21 where there is a further funding gap of £1.3bn across London.
- **There is an urgent need for another round of funding** – with 5 boroughs likely to face cashflow difficulties by the end of July.
- **A clear strategy is needed to get councils through 2020-21:** short-term monthly bailouts are not the best use of public money and risk councils not spending money in the most efficient and effective way.
- **This strategy must address the issue of lost income as well as additional costs, including the new burdens councils have been asked to take on,** and must recognise the need to support those councils on the brink of financial failure.
- **The crisis will not be over this year** – the impact on council tax and business rates alone could cause major budget issues next year without significant government support.
- **The current settlement should be rolled forward plus a significant uplift** to not only ease the impact of these tax base losses but address the inevitable ongoing spending pressures that will arise from C-19.
- **Councils need certainty over next year's settlement as soon as possible** – ideally before the summer when councils will start to plan next year's budgets and will have to consider cutting services.

17. These lines broadly align with those emerging from the LGA and others across the sector. The immediate focus is to secure further financial support as soon as possible, and it will be important to continue to work with these partners to help make that case as part of a broader strategic approach.

Upcoming fiscal events and lobbying opportunities

18. The next six months will include a number of fiscal and other events that will determine future funding allocations for London local government, which provide a framework for potential lobbying activity.
19. Most immediately, MHCLG has indicated it intends to undertake a further survey in June (although the exact timing is yet to be confirmed), which will provide updated figures and analysis of the financial impact of COVID-19 across London, with subsequent surveys to monitor the ongoing impact also likely.
20. The Chancellor recently confirmed the Government's intention to hold an emergency Budget on July 6th. It is likely to focus on restarting the economy, rather than contain funding announcements, but will nonetheless provide an opportunity for London Councils to make further representations.
21. The Spending Review is due later in the autumn, although it is now doubtful whether this will be the multiyear fiscal event previously anticipated and may be a one-year Spending Round (similar to 2019). This will provide further opportunity to influence. Given the degree of financial uncertainty caused by the crisis, it is proposed to push for certainty over the 2021-22 finance settlement as soon as possible, making the parallel with last year's Spending Round, which effectively confirmed much of the local government finance settlement early in September.

Recommendations

22. The Executive is asked to note the details of the report and the opportunities to influence the Government's approach to funding over the coming months.

Financial Implications for London Councils

None

Legal Implications for London Councils

None

Equalities Implications for London Councils

None

Appendix A – Service areas Government has asked local government to prioritise

This annex provides a comprehensive list of the areas Government has asked local government to prioritise during the COVID-19 crisis in relation to the £3.2billion of additional financial support. The following text is from a letter from the MHCLG Director of Local Government Finance to all local authority Chief Finance Officers dated 28 May 2020.

Adult social care - Councils should use the funding provided to meet the increased costs for adult social care as a result of COVID-19 and to provide additional support to social care providers who need help with COVID-19 related costs. This could include those with whom councils do not have contracts if they are under financial strain. Councils have a role in ensuring that, in particular, small providers are aware of the support and advice available to them and are acting upon it.

As part of this local authorities have a central role in the critical national task of controlling the outbreak in care homes. The Government has announced an additional £600 million for infection control in care homes, this funding will support care homes to reduce the rate of transmission in, and between, care homes and support wider workforce resilience.

Children's services - The funding provided by Government should meet extra costs in children's services including: pressures on the workforce as a result of COVID-19 related absences and any increased case management activity or cost for children in need, home to school transport, special education needs and disability, care-leavers, foster care, residential provision and the need for increased accommodation to address the need for isolation, including unaccompanied asylum-seeking children.

Public Health - The response to COVID-19 has seen an increased pressure on public health services, in particular, drug and alcohol treatment services, sexual and reproductive health services and support for children and families. In line with NHS Community Health Services guidance, local authorities are operating a minimum level of service but social distancing measures and staff absence/redeployment has necessitated a change in service delivery model and increased pressure on the workforce.

Fire and rescue services - Ensuring our emergency services have the resources to continue to operate during the pandemic is essential. Therefore, Fire and Rescue authorities have been provided with a funding allocation to support them with the increased pressures on staffing due to self-isolation and caring responsibilities and to ensure they can support the work of Local Resilience Forums.

Waste management services - The Government recognises the pressures which have been placed on waste management services as a result of the pandemic. Part of this funding allocation is therefore to address the increase in volume of household waste being generated, as households are switching consumption away from restaurants and workplaces to the home.

Shielding the clinically extremely vulnerable people - Government has asked councils to provide support for the 2.2 million clinically vulnerable people who are shielding themselves from the virus by staying at home. This includes meeting the basic care needs of those shielding (for example through check in and chats), making contact with people where the national call centre has tried to be in contact with them but been unable to/the contact has been inconclusive, and coordinating food packages for those with special dietary requirements.

Homelessness and rough sleeping – Government has asked local leaders to help rough sleepers into alternative accommodation. This was to protect their health and stop wider transmission, particularly in hot spot areas, and included those in assessment centres and shelters that are unable to comply with social distancing advice.

Domestic abuse - The Government has also asked that councils ensure domestic abuse services are well supported and equipped to deal with what are already challenging situations, and even more so during these uncertain times. Councils should prioritise supporting survivors of domestic abuse into safe accommodation, providing support where councils deem it necessary in order to protect victims. Councils should work closely with domestic abuse safe accommodation providers to ensure that victims of domestic abuse and their families, including those out of area, can be provided with safe emergency accommodation with appropriate support to avoid further pressures on frontline homelessness services.

Managing excess deaths - Councils should use the funding for any costs relating to managing excess deaths, in response to an increased pressure to ordinary death management provision.

London Councils Executive

London Councils – Consolidated Pre- Audited Financial Results 2019/20

Item no: 7

Report by: Frank Smith **Job title:** Director of Corporate Resources
Date: 16 June 2020
Contact Officer: Frank Smith
Telephone: 020-7934-9700 **Email:** frank.smith@londoncouncils.gov.uk

Summary: This report highlights the pre-audited consolidated financial position for London Councils for the 2019/20 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 2020 are also shown, together with overall conclusions and prospects for 2020/21 onwards, after considering known commitments. The provisional revenue outturn and reserves position is summarised as follows:

Revenue Account (£000)	Revised Budget	Actual	Variance
Total Expenditure	381,774	380,918	(856)
Total Income	(379,918)	(380,366)	(448)
Use of reserves	(1,856)	(3,038)	(1,182)
Bad Debts provision	-	(133)	(133)
Net Deficit/(Surplus)	-	(2,619)	(2,619)
General and Specific Reserves (£000)	General Reserve	Specific Reserve	Total
As at 1 April 2019	9,843	4,883	14,726
Transfer (to)/from revenue	(1,674)	(1,364)	(3,038)
Provisional Surplus for the Year	2,323	296	2,619
As at 31 March 2020	10,492	3,815	14,307

Recommendations: The Executive is asked:

- To note the provisional consolidated outturn surplus of £2.619 million for 2019/20 and the provisional outturn position for each of the three funding streams;

- To agree the carry forward of £452,000 into 2020/21 in respect of the Challenge Implementation Fund (CIF);
- To note the carry forward of £91,000 into 2020/21 in respect of TEC London Lorry Control scheme review, subject to final approval by the TEC Executive on 16 July;
- To note the provisional level of reserves of £14.307 million as at 31 March 2020 (paragraphs 58-59), which reduces to £9.743 million once known commitments of £4.564 million are considered (paragraphs 59-60);
- To note the updated financial position of London Councils as detailed in paragraph 62 of this report; and
- To agree to receive a further report in November 2020 after the completion of the external audit by Grant Thornton LLP (GT) to adopt the final accounts for 2019/20. The final accounts will be signed off at the meeting of the Audit Committee on 17 September 2020, at which GT will formally present the Annual Audit Report for approval.

London Councils – Consolidated Pre-Audited Final Results 2019/20

Executive Summary

1. The provisional revenue outturn for 2019/20, split across London Councils three funding streams is as follows:

	Grants	TEC	Joint	Consolidated
	£000	£000	£000	£000
Total Expenditure	7,515	365,308	8,095	380,918
Total Income	(7,357)	(364,281)	(8,728)	(380,366)
Use of Reserves	(256)	(1,428)	(1,354)	(3,038)
Bad Debts provision	-	(133)	-	(133)
Surplus	(98)	(534)	(1,987)	(2,619)

2. Once figures relating to potential carried forward amounts are considered, the headline surplus of £2.619 million reduces to £2.076 million, as follows:

	Grants	TEC	Joint	Consolidated
	£000	£000	£000	£000
Surplus for the Year	(98)	(534)	(1,987)	(2,619)
TEC balances c/f	-	91	-	91
Joint Committee c/f	-	-	452	452
Adjusted underlying Surplus	(98)	(443)	(1,535)	(2,076)

3. The provisional level of reserves for each funding stream as at 31 March 2020 is as follows:

	Grants	TEC	Joint	Consolidated
	£000	£000	£000	£000
Audited Reserves at 1 April 2019	2,051	7,489	5,186	14,726
Transfer (to)/from Revenue	(256)	(1,428)	(1,354)	(3,038)
Provisional surplus/ (deficit) for the Year	98	534	1,987	2,619
Provisional Reserves at 31 March 2020	1,893	6,595	5,819	14,307

4. However, once all potential and known commitments of £4.564 million are considered, the estimated level of uncommitted reserves reduces to £9.743 million, as follows:

	Grants	TEC	Joint	Consolidated
	£000	£000	£000	£000
Provisional Reserves at 31 March 2020	1,893	6,596	5,819	14,307
Underspends c/f into 2020/21	-	(91)	(452)	(543)
Committed in setting 2020/21 budget	-	(579)	(400)	(979)
Reinvestment of surplus S.48 ESF reserves	(1,074)	-	-	(1,074)

Other provisional commitments to 2021/22	-	(1,596)	(372)	(1,968)
Uncommitted Reserves	819	4,330	4,595	9,743

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

	Grants	TEC	Joint	Consolidated
	£000	£000	£000	£000
Forecast at Month 3	(36)	(299)	(1,133)	(1,468)
Forecast at Month 6	(40)	(595)	(1,155)	(1,790)
Forecast at Month 9	(21)	(743)	(1,531)	(2,295)
Provisional Outturn	(98)	(534)	(1,987)	(2,619)
Movement between M9 and provisional outturn	(77)	209	(456)	(324)

6. The £77,000 movement for the Grants Committee is largely due to an increased underspend on employee and central recharge costs.
7. The £209,000 movement for TEC is highlighted in Table 7 and explored in detail in the analysis of actual income and expenditure against the approved budgets in paragraphs 15-34 below and is mainly due to an increase in central recharges and general running costs.
8. The £456,000 movement for the Joint Committee is due to further savings on staffing and general running costs along with an additional underspend on the commissioning budget.
9. Overall estimated uncommitted reserves of £9.743 million compares to £10.229 million 12 months ago. However, the previous year's figure included a provision for the £1.108 million spent during 2019/20 on the 2020 bulk Freedom Pass issue exercise. If this one-off expenditure is excluded; the estimated current position is some £600,000 better than the comparative position at the end of 2018/19. This leaves the organisation in a strong position to meet the financial challenges currently faced by the Covid-19 crisis, which will impact during the current financial year. Brief commentary on the estimated financial effects of the Covid-19 crisis on each of London Council's three funding streams is included at paragraph 61.
10. The actual financial results and the actual level of reserves will be confirmed during the external audit of the 2019/20 accounts, which will be undertaken by Grant Thornton LLP in July and August. The Audit Report and the audited accounts relating to this year will be reported to the meeting of the Audit Committee on 17 September 2020 and on to the November meeting of the Executive for adoption.

Introduction

1. This report details the provisional financial results for the three London Councils funding streams and the overall consolidated position. It provides commentary on the variances against the revised approved budgets for the year – in effect, the format is similar as the revenue forecast reports presented to the Executive three times each financial year. Grant Thornton LLP will audit the accounts for 2019/20 during July/August 2020 and present the accounts to the Audit Committee, along with the annual audit report, on 17 September. The audited accounts and the audit report will then be presented for adoption by the London Councils Executive at its November meeting.
2. London Councils approved revenue expenditure budget for 2019/20 was £382.765 million, as agreed by the Leaders' Committee in December 2018. The corresponding revised revenue income budget was £381.041 million, with the budget balanced by the approved transfer of £1.724 million from reserves.
3. After a number of adjustments, gross budgeted expenditure was revised to £381.775 million, with a further £133,000 transferred from reserves for the year. The revised budget is shown in Table 1 below:

Table 1 – Revised budget 2019/20

	£000
Original Expenditure budget	382,765
Reduction to Rail Delivery Group Settlement	(503)
Plus carried forward funding: TEC IT system developments and London lorry control review costs	133
Less adjustment to Taxicard provider budget	(620)
Total Expenditure	381,775
Funded by:	
Original Income budget	(382,765)
Reduction in Borough Contribution to Rail Delivery Group	503
Plus approved additional transfer from reserves	(133)
Less reduction in Taxicard funding from boroughs/TfL	620
Total Funding	(381,775)
Net position	Nil

4. The format of this report will be:
 - A summary provisional consolidated outturn position for the year (Table 2);
 - The summary position for each of the London Councils three funding streams – the Grants Committee, TEC, and the core functions undertaken by the Joint Committee, (Tables 3-8);

- Brief explanations will be provided for the main variances against the approved budgets that have emerged during the year for each funding stream;
 - The provisional consolidated balance sheet for 2019/20, including the effect of IAS19 Retirement Benefits (Table 9); and
 - The provisional position on London Councils reserves as at 31 March 2020, adjusted for all current and future commitments to provide an updated position on residual uncommitted reserves position (Tables 10-13).
5. Some of the figures included within the results are provisional and may be subject to further clarification (and possible changes) in the run up and during the actual external audit of the accounts by Grant Thornton LLP. This may be more apparent this year, given that these results were compiled remotely during the lockdown period. London Councils budgets and reports on a gross accounting basis in accordance with UK Generally Accepted Accounting Practice (GAAP). This means that in some instances, additional expenditure will be shown in the revenue account, which is offset by accrued additional income, leaving a neutral or near-neutral effect on the bottom line. Examples of this are illustrated in respect of certain activities undertaken by the Joint Committee (paragraphs 38 and 44).
6. Table 2 below summarises the provisional consolidated revenue outturn position for the year.

Table 2 – Comparison of Income and Expenditure against Consolidated Revised Budget 2019/20

2018/19 Actual		2019/20 Revised Budget	2019/20 Actual	2019/20 Variance	
£000	Expenditure	£000	£000	£000	%
5,093	Employee Costs	5,742	5,381	(361)	(6.3)
3,377	Running Costs	3,563	3,487	(76)	(2.1)
426	Central Recharges	491	845	354	72.1
8,896	Total Operating Expenditure	9,796	9,713	(83)	(0.8)
9,390	Direct Services	9,221	10,437	1,216	13.2
-	European Services contract	-	-	-	-
356,110	Payments in respect of Freedom Pass and Taxicard	355,105	353,291	(1,814)	(0.5)
6,093	Borough commissioned services	6,173	6,149	(24)	(0.4)
1,599	ESF commissioned services	102	828	726	711.8
60	Contribution to London Funders	60	60	-	-
-	One-off borough payment	-	-	-	-
22	Improvement and Efficiency	201	122	(79)	(39.3)
478	Research and Commissioning	542	218	(324)	(59.8)
208	Challenge Implementation Fund	525	73	(452)	(86.1)
51	YPES Regional Activities	50	27	(23)	46.0
-	Debt write-off	-	-	-	-
382,918	Total Expenditure	381,775	380,918	(857)	(0.2)
	Income				

(356,993)	Contributions in respect of Freedom Pass and Taxicard	(355,254)	(352,915)	2,339	0.7
(6,476)	Borough contributions towards commissioned services	(6,173)	(6,382)	(209)	(3.4)
(10,932)	Charges for direct services	(9,789)	(11,274)	(1,485)	(15.2)
(5,726)	Core Member Subscriptions	(5,744)	(5,726)	18	(0.3)
(180)	Borough contributions towards YPES	(180)	(180)	-	-
(331)	Borough contribution towards LCP payments	(496)	(390)	106	21.4
(840)	Government grants	(58)	(471)	(413)	(712.1)
(171)	Interest of Investments	(75)	(121)	(46)	(61.3)
(337)	Other Income	(285)	(434)	(149)	(52.3)
(1,902)	Central Recharges	(1,864)	(2,473)	(609)	(32.7)
(1,732)	Transfer from Reserves	(1,857)	(3,038)	(1,181)	(63.6)
(385,620)	Total Income	(381,775)	(383,404)	(1,629)	(0.4)
183	Increase/(Reduction) in bad debt provision	-	(133)	(133)	-
(2,519)	Deficit/(Surplus)	-	(2,619)	(2,619)	-
	Applied to Funding Streams				
(198)	Grants Committee	-	(98)	(98)	-
(1,435)	Transport and Environment Committee	-	(534)	(534)	-
(886)	Joint Committee Services	-	(1,987)	(1,987)	-
(2,519)	Deficit/(Surplus)	-	(2,619)	(2,619)	-

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

Comparison of Income and Expenditure against Revised Budget – Grants Committee

8. Table 3 below summarises the provisional outturn position for the Grants Committee for 2019/20.

Table 3 – Provisional Outturn 2019/20 – Grants Committee

2018/19 Actual		2019/20 Revised Budget	2019/20 Actual	2019/20 Variance	
£000	Expenditure	£000	£000	£000	%
286	Employee Costs	328	276	(52)	(15.9)
29	Running Costs	19	30	11	57.9
152	Central Recharges	227	172	(55)	(24.2)
467	Total Operating Expenditure	574	478	(96)	(16.7)
6,093	Borough commissioned services	6,173	6,149	(24)	(0.4)
60	Membership fees to London Funders	60	60	-	-
1,599	ESF commissions	102	828	726	71.2

2018/19 Actual		2019/20 Revised Budget	2019/20 Actual	2019/20 Variance	
8,219	Total Expenditure	6,909	7,515	606	8.8
	Income				
(6,476)	Borough contributions towards commissioned services	(6,173)	(6,382)	(209)	(3.4)
(495)	Borough contributions towards the administration of commissions	(495)	(495)	-	-
(840)	ESF Grant	(58)	(471)	(413)	(712.1)
(16)	Interest on Investments	-	(9)	(9)	-
(590)	Transfer from Reserves	(183)	(256)	(73)	(47.5)
(8,417)	Total Income	(6,909)	(7,613)	(704)	(10.2)
-	Increase/(Reduction) in bad debt provision	-	-	-	-
(198)	Deficit/(Surplus)	-	(98)	(98)	-

9. The provisional surplus of £98,000 compares to a forecast surplus of £21,000 at the month 9 stage of the year, as reported to the Grants Committee in February 2020. As highlighted in the forecast monitoring reports to the Grants Committee and Executive during the course of the year, a distinction is made between the transactions relating to the borough funded S.48 commissioned services (priorities 1 and 2) and those in respect of the final year of activity of the S.48 ESF/borough matched funded commissions (priority 3). The provisional surplus of £98,000 is split between the S.48 borough commissioned services and the ESF/borough funded commissions, as detailed in Table 4 below:

Table 4 – Payments for Commissioned Services 2019/20

	S.48 borough £000	ESF/borough £000	Total £000
Payments for commissioned services	6,149	828	6,977
Plus contribution to London Funders Group	60	-	60
Sub-Total	6,209	828	7,037
Plus LC grants administration	370	108	478
Plus repayments to boroughs	-	-	-
Sub-Total	6,579	936	7,515
Less Borough subscriptions	(6,668)	(209)	(6,877)
Less ESF grants income	-	(471)	(471)
Less investment income	(9)	-	(9)
Less transfer from reserves	-	(256)	(256)
Deficit/(Surplus) for the year	(98)	-	(98)

10. For the S.48 borough funded services, a provisional underspend of £24,000 has been recorded in respect of the payments to providers of commissioned services. As reported during the month 9 forecast report, the majority of the underspend relates to a reduction in

payments made to St Mungo Community Housing Association of £22,000 along with amount being held back of £2,000 due to the fact work is still ongoing. The reduction in the amounts paid out will be recycled through the revenue account and transferred back to S.48 reserves.

11. There is a provisional underspend of £74,000 in relation to the administration of the S.48 commissions, attributable to:

- an underspend of £39,000 in respect of employee costs due to vacancies within the team, an underspend on the maternity provision and other indirect employee underspends such as training;
- an underspend of £11,000 for general running costs including central recharges; and
- an additional sum of £9,000 from investment income has been received on Committee reserves, not previously budgeted for.

12. For the S.48 ESF/borough matched funded commissions, the programme completed on 30 June 2019, subject to finalisation of claims throughout the year. Payments to providers of £828,000 have been recognised in the 2019/20 outturn figures. Due to the payment structure for ESF projects, higher levels of spend are recognised in the accounts towards the latter stages of projects, when outcomes (job entries and sustained jobs) can be verified. From 2018/19 onwards, no further borough contributions were levied; however, the remaining £209,000 of deferred income in respect of advance payments to commissioned services being held from previous borough contributions can be recognised as income in the provisional results for the year, along with £256,000 of borough contributions received before 2019/20 and held in reserves. Administrative costs, estimated to be in the region of £108,000, have been incurred in respect the programme. The provisional accumulated reserves of £1.074 million, as highlighted in Table 12 at paragraph 59 will be used to fund the No Recourse to Public Funds programme as agreed by members in March 2020.

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

13. Table 5 below summarises the provisional outturn position for TEC for 2019/20.

Table 5 – Provisional Outturn 2019/20 – Transport and Environment Committee

Actual 2018/19		Revised Budget 2019/20	Actual 2019/20	Variance 2019/20	
£000	Expenditure	£000	£000	£000	%
661	Non-operational Staffing	716	708	(8)	(1.1)

Actual 2018/19		Revised Budget 2019/20	Actual 2019/20	Variance 2019/20	
312	Running Costs	271	359	88	32.5
84	Central Recharges	77	513	436	566.2
1,057	Total Operating Expenditure	1,064	1,580	516	48.5
9,390	Direct Services	9,221	10,437	1,216	13.2
356,110	Payments in respect of Freedom Pass and Taxicard	355,105	353,291	(1,814)	(0.5)
11	Research	40	-	(40)	-
-	One off payment to boroughs	-	-	-	-
-	Debt write-off	-	-	-	-
366,568	Total Expenditure	365,430	365,308	(122)	(0.0)
	Income				
(356,993)	Contributions in respect of Freedom Pass and Taxicard	(355,254)	(352,915)	2,339	0.7
(10,829)	Charges for direct services	(9,688)	(11,175)	(1,487)	(15.3)
(97)	Core Member Subscriptions	(97)	(97)	-	-
(44)	Interest on Investments	-	(40)	(40)	-
(106)	Other Income	(71)	(54)	17	23.9%
(117)	Net transfer to/(from Reserves	(320)	(1,428)	(1,108)	(346.3)
(368,186)	Total Income	(365,430)	(365,709)	(279)	(0.1)
183	Increase/(Reduction) in bad debt provision	-	(133)	(133)	-
(1,435)	Deficit/(Surplus)	-	(534)	(534)	-

14. In addition to the transactions detailed in Table 5 above, there are costs and income associated with the London European Partnership for Transport (LEPT), which is TfL/EU funded, and shown in table 6 below. The provisional outturn indicates there was a surplus of £34,000 largely as a result of a carried forward balance from 2018/19. The surplus will be carried forward to be spent on future LEPT related activities.

Table 6 – Income and Expenditure relating to LEPT 2019/20

	£000
Employee Related Costs	77
Premises Costs	23
Running/Central Costs	47
Other Costs	9
Total Expenditure	156
Grant/Other Income including c/f	(189)
Deficit/(Surplus)	(34)

15. A provisional surplus on revenue activities of £534,000 has been posted for 2019/20, the headlines of which are summarised in Table 7 below. This compares the position reported at the end of December 2019 (Month 9) and highlights the movement between the two positions.

Table 7 – TEC – Analysis of revenue account surplus 2019/20

	Outturn	M9	Movement
	£000	£000	£000
Freedom Pass non-TfL bus services	333	300	33
Freedom Pass survey and reissue costs (net of additional replacement Freedom Passes income)	333	522	(189)
2020 Freedom Pass Renewal (funded by Specific reserves, see below)	(1,108)	-	(1,108)
Interest earned on investment of cash-balances	40	48	(8)
Research	40	35	5
Shortfall in replacement taxicard passes income	(9)	(9)	-
Net position on parking appeals	(73)	64	(137)
Net position on other traded parking services	164	6	158
Net position on London Tribunals Administration	(61)	(16)	(45)
Lorry Control Administration	100	38	62
Lorry Control PCNs	144	200	(56)
Freedom Pass Administration	(27)	(33)	6
Taxicard Administration	(8)	10	(18)
Non-operational staffing costs	7	(2)	9
Overspend on running costs/central recharges	(564)	(428)	(136)
Underspend on IT system developments	-	-	-
Net additional in Health Emergency Badge income	9	8	1
Miscellaneous Income	(27)	-	(27)
Reduction in Bad Debt provision	133	-	133
Specific Reserve to cover the 2020 Freedom Pass renewal	1,108	-	1,108
Provisional surplus for the year	534	743	(209)

16. The TEC Executive will be asked to carry forward balances amounting to £91,000 into 2020/21 (paragraphs 27). If this request is approved at its meeting on 16 July, the provisional surplus reduces to £443,000. An explanation for each of the variances is provided in subsequent paragraphs.

Freedom Pass non-TfL bus services (-£333,000)

17. In December 2018, TEC approved a budgetary provision of £1.3 million for 2019/20 to cover the cost of payments to non-TfL bus operators under the national concessionary fares scheme, the overall cost of which is demand led by eligible bus users. This was made up of projected claims of £1.1m based on mid-year 2018/19 data plus a £200,000 contingency to cover potential new bus operators joining the scheme. Claims from operators amounting to £967,000 have been received and accepted for 2019/20, which has led to an underspend of £333,000, or 25.6%, which reflects a lower take up of new bus operators compared to the contingent element of the budget along with a fall in journeys and the withdrawal of one operator from January 2020.

Net Freedom Pass survey and issue costs (-£333,000)

18. The budget for the freedom pass survey and issue processes for the year was £1.518 million. This budget covers the issuing of Freedom Passes to new applicants and for the replacement of passes which are lost, stolen or faulty. Total expenditure for 2019/20 was £1.420 million, an underspend of £98,000. In addition, a sum of £985,000 was collected during 2019/20 in respect of replacement Freedom Passes, £235,000 in excess of the £750,000 budgetary provision, which reduces by £37,000 to £198,000 once bank charges are taken into account. In net terms, therefore, there was a surplus of £296,000, which, in accordance with approved TEC practice, will be transferred from the provisional surplus to the specific reserve created to fund future freedom pass renewal processes.

Freedom Pass 2020 Freedom Pass Renewal (Net Nil)

19. During 2019/20 the 2020 freedom pass renewal process took place; the largest London Councils has undertaken since 2015. The total cost recognised during 2019/20 equated to £1.108 million, which was funded by a transfer from the specific reserve built up from previous underspends and surplus replacement pass income as detailed in paragraph 18.

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

20. Cash-flow management undertaken at the City of London, who invest London Councils cash balances on behalf of boroughs, has yielded interest receipts of £40,000 against a zero budgetary provision.

Research Budget (-£40,000)

21. No expenditure on research was recorded in 2019/20 against an annual budget of £40,000.

Taxicard (Net Nil)

22. Total payments to the contractor, City Fleet were £8.312 million, £2.544 million below the revised total budgetary provision of £10.856 million. The most significant factor is that taxicard trips are reported down by 18% from the previous year.

23. Due to the reduction in expenditure no boroughs were required to contribute to the scheme therefore boroughs will be refunded. The net refund to the Boroughs is £1.495 million. TFL now pay in arrears, based on actual trip data from the preceding quarter. Payments received from TFL have therefore reduced in line with actual claims by £1.09 million during the year. This is after taking into account the management charge for LB of Barnet of £11,730 which TFL fund.

Income from the issue of replacement Taxicards (+£9,000)

24. A sum of £9,000 was collected against a full year budgetary provision of £18,000, leading to a £9,000 shortfall.

Traded Services (-£91,000)

25. The net surplus position of £91,000 is made up of several elements, which are regularly reviewed by TEC during the year. These are listed below:

- Firstly, there are two elements where the effect on income and expenditure levels produces a neutral effect and does not change the overall net surplus position:
 - A provisional overspend of £844,000 for increased payments to Northampton County Court, which is a borough demand led service for the registration of persistent non-payers of parking PCN's in the County Court at £7 per time. The costs are fully recovered from boroughs, leading to a compensating increased level of income collected for the year.
 - Expenditure on congestion charging appeals, including the Ultra Low Emission Zone scheme (ULEZ) is estimated to be £605,000, £262,000 more than the budgetary provision of £353,000. The number of appeals represented by corresponding financial transactions posted in the accounts during the year was 17,707, which is 8,549 more than the budgeted figure of 9,158 which is largely due to the introduction of ULEZ. The throughput of appeals was calculated at 2.46 appeals per hour, compared to 1.93 per hour for 2018/19. However, as the cost of these appeals is recharged to the GLA/TfL at full cost, there was a corresponding increase in income due for the year of £262,000, which therefore has a zero effect on the Committee's provisional financial position for the year.
- Secondly, there is a net surplus of £58,000 in respect of environmental and traffic appeals. The number of appeals and statutory declarations represented by corresponding financial transactions posted in the accounts during the year was 43,995 against a budget of 41,694, generating income of £1.131 million, £48,000 more than the budget estimate of £1.083 million. In addition, there is net underspend of £10,000 in adjudicators costs and contractor costs. The throughput of appeals was 3.79 appeals per hour, compared 3.54 appeals per hour for 2018/19.
- Thirdly, the transaction volumes for other parking systems used by boroughs and TfL continue to fluctuate overall, resulting in a projected net cost of £10,000. On the expenditure side, this considers the pricing structure offered by Northgate and

expenditure was £5,000 less than the £209,000 budget. On the income side, unit cost recharges to boroughs for 2019/20 were set by the full Committee in December 2018 and amounted to £567,000, £15,000 less than the £582,000 income target.

Net position on London Tribunals Administration (+£61,000)

26. The appeals Hearing Centre overspent the budget of £2.687 million by £221,000. In April 2019 the Ultra Low Emission Zone (ULEZ) was introduced to London, the result of which is an increase in RUCA appeals being heard. As a result of the introduction of the scheme Northgate fixed costs increased by £129,000 in the year which are fully covered by additional contributions from the GLA/TfL. The remaining variance of £60,000 were due to several small overspends across various codes including staffing and central recharges.

Lorry Control Administration/PCN income (-£244,000)

27. The administration of the London Lorry Control Scheme underspent the budget of £858,000 by £100,000. This is attributable to small underspends on general office costs along with an underspend on the review of the LLC scheme of £91,000. The TEC Executive Sub-Committee will be asked to approve the carry forward of the underspend on the review of the LLC Scheme of £91,000 into 2020/21.
28. There was, however, a significant overachievement in the collection of PCN income of £144,000 above the budgetary provision of £900,000. This was due to continued effective performance of the outsourced enforcement function leading to increased transaction volumes and higher levels of debt being raised and collected. Of the £1.044 million income due for the year, £193,000 has yet to be collected and has been registered with the County Court. The bad debt provision has been decreased by £133,000 in respect of this outstanding amount, in accordance with usual accounting practice.

Freedom Pass Administration (+£27,000)

29. The administration of the freedom pass over spent the budget by £27,000, attributable to several small overspends across various budgets.

Taxicard Administration (+£8,000)

30. The administration of the taxicard scheme overspent the budget by £8,000, again attributable to several small overspends across various budgets.

Non-Operational Staffing Costs (-£7,000)

31. The non-operational employee cost budget of £715,000, including £19,000 for member's allowances plus £30,000 maternity cover, underspent by £7,000 at £708,000. This is primarily attributable to the maternity cover budget not being fully used along with other small vacancy periods.

Running Costs/Central Recharges (+£564,000)

32. As advised throughout the Revenue Forecast reports throughout 2019/20 a review of how London Councils apportions its central costs between the three committees identified some overheads, which are attributed to members of staff working on TEC related activities, which were not being fully passed on to TEC. This has now been addressed and has resulted in additional costs of approximately £420,000 being included in the TEC. The remaining variances were due to several small overspends across various codes including bank charges which are covered by income receipts and additional legal fees due to a review of TEC's governance arrangements.

Other income (+£18,000)

33. The Net impact of small reductions of miscellaneous income and additional Health Emergency Badge Receipts.

Bad Debts provision (-£133,000)

34. The Committee's bad debt provision as at 1 April 2018 was £286,000, of which £267,000 related to Lorry Control PCNs that had been registered at the County Court but which were unpaid at 31 March 2019. A review of the aged debts at the year-end has resulted in a revised year-end provision of £135,000, all of which relates to Lorry Control PCN income, a decrease of £133,000, as highlighted in paragraph 28.

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 2019/20– Joint Committee

Actual 2018/19		Revised Budget 2019/20	Actual 2019/20	Variance 2019/20	
£000	Expenditure	£000	£000	£000	%
4,139	Employee Costs	4,698	4,397	(301)	(6.4)
3,044	Running Costs	3,273	3,098	(175)	(5.3)
190	Central Recharges	187	160	(27)	(14.4)

7,373	Total Operating Expenditure	8,158	7,655	(503)	(6.2)
22	Improvement and Efficiency	201	122	(79)	(39.3)
478	Research and Commissioning	502	218	(284)	(56.6)
208	Challenge Implementation Fund	525	73	(452)	(86.1)
51	YPES Regional Activities	50	27	(23)	(46.0)
8,132	Total Expenditure	9,436	8,095	(1,341)	(14.2)
	Income				
(103)	Income for direct services	(101)	(99)	2	2.0
(5,134)	Core Member Subscriptions	(5,152)	(5,134)	18	0.3
(180)	Borough contribution towards YPES payments	(180)	(180)	-	-
(331)	Borough contribution towards LCP payments	(496)	(390)	106	21.4
(111)	Interest on Investments	(75)	(72)	3	4.0
(250)	Other Income	(214)	(380)	(166)	(77.6)
(1,902)	Central Recharges	(1,864)	(2,473)	(609)	(32.7)
(1,007)	Transfer from Reserves	(1,354)	(1,354)	-	-
(9,018)	Total Income	(9,436)	(10,082)	(646)	(6.8)
-	Increase/(Reduction) in bad debt provision	-	-	-	-
(886)	Deficit/(Surplus)	-	(1,987)	(1,987)	-

36. A provisional surplus on revenue activities of £1.987 million has been posted for 2019/20, the main constituents of which are explored in the paragraphs below.

Expenditure

Employee Costs (-£301,000)

37. Employee costs underspent by £301,000, split between the following areas:

- £251,000 on salary costs including £20,000 in respect of member allowances. The officer salary variance is largely due to staff turnover and holding off recruiting to certain vacant posts during the period; and
- £50,000 in respect of the maternity cover provision not used during the year.

Running Costs (-£175,000)

38. The running cost underspend reflects several under and overspends across a large range of functions which are broadly:

- A £21,000 saving across various Service Level Agreements London Councils has in place;
- Approximately £12,000 underspend on transport related expenditure;
- £125,000 saving on the budget allocated for suppliers and services including purchase of equipment and materials;
- £61,000 underspend on the depreciation charge for 2019/20 compared to the original budget of £253,000;

- Overspends across a number of categories of premises costs totalling approximately £28,000;
- Additional expenditure of £12,000 on consultant fees in respect of providing GLEF/ Regional Employers related training courses, along with £22,000 additional expenditure towards the Homelessness awards, both of which are matched by associated income. (see paragraph 44); and
- The remaining underspend is attributable to a number of small variances across several budget lines.

Improvement and Efficiency work (-£79,000)

39. This relates to the funding of former Capital Ambition performance and procurement legacy projects that the Leaders' Committee agreed to continue in December 2011. These are managed via a variety of borough networks and expenditure can fluctuate based on demand throughout the year. Work has continued on the Information Security for London (ISfL) network project during 2019/20 at a cost of £22,000. London Councils £100,000 contribution to the London Office of Technology and Innovation (LOTI) makes up the remaining 2019/20 expenditure against this budget.

Commissioning (-£284,000)

40. Expenditure on commissioning and other priority work amounted to £218,000 for the year, leading to an underspend of £284,000 against the revised budget of £502,000. £100,000 of this budget is committed to London Councils on going health work and will be rolled forward through reserves to be used to fund future health related priorities. The remainder of this budget is subject to developing proposals and is often impacted upon by the timing of commissioning work, the result of which has been an underspend in 2019/20.

Challenge Implementation Fund (-£452,000)

41. Expenditure was allocated against this budget to address the priorities identified during the Challenge process. A significant proportion of this related to work to be carried out on the Southwark Street building to extend agile working arrangement, as previously agreed by members. However, due in part to external factors including the Covid-19 crisis, there have been delays in progressing the agile work programme resulting in a significant underspend. There are likely to be additional future costs arising from social distancing measures likely to be required at Southwark Street prior to bringing the building back into full use. With no specific budget set aside in 2020/21 to fund these priorities, Members are asked to agree to the recommendation to carry forward the underspend on this budget in 2019/20 into 2020/21 to allow these initiative to be progressed as soon as it is practical.

Income

Contributions towards London Care Placements (+£106,000)

42. Actual contributions received from boroughs and other subscribers including amounts received in advance from previous years amounted to £822,000. However, actual LCP spend amounted to £390,000 for the year, therefore income of £432,000 has been treated as a receipt in advance and carried forward into 2020/21 to further fund the programme. This has resulted in a reduction of income against the approved budget of £106,000.

Interest on Investments (+£3,000)

43. Investment income on joint committee reserves raised £72,000 for the year, £3,000 below the budget estimate of £75,000, due to fluctuating returns being received compared throughout the year.

Other Income (-£166,000)

44. This additional income is made up of several elements however much of the surplus is the net impact of:

- Income in respect of the Homelessness Award (£22,500), which is matched by corresponding expenditure as detailed in paragraph 38 above;
- Additional income of £131,000 for the letting of meeting room facilities at Southwark Street, including room bookings by internal tenants;
- Additional Income of £24,000 for GLEF/Regional Employers related courses and other associated work, offset by the cost of consultants engaged to deliver some of the courses of £13,000, leading to net additional income of £11,000 (refer paragraph 38 above); and
- A £17,000 reduction in miscellaneous income such as charges for service.

Central Recharge Income (-£609,000)

45. As advised to Members throughout 2019/20, a detailed review of how London Councils apportions its central costs between the three committees identified an anomaly within the recharges model. This has now been rectified and has resulted additional income of approximately £420,000 to the Joint Committee. Further adding to the 2019/20 surplus was additional income above the approved budget for externally funded projects of £89,000 and additional Tenant income of £98,000.

External Projects

46. Not included in the figures detailed in Table 8 are transactions of £2.739 million relating to work or projects financed by external bodies, which have no effect of the bottom-line position.

These include:

- The ESF Borough funded commissions, amounting to £1.057 million, which fall under the purview of the Joint Committee rather than the Grants Committee;
- London Office of Technology and Innovation (LOTI) project costs of £277,000
- A range of health, child protection and worklessness projects funded by the MPS/ SFA / DfES of £306,000;
- Capital Ambition Programme Office and residual project costs, including London Ventures, of £591,000;
- Expenditure amounting to £142,000 in relation to the Borough funded Housing Directors Group; and
- Various smaller projects, totalling £366,000, which includes the London Leadership Programme (£132,000) and the London Environment Directors Network (£102,000).

47. A provision against uncommitted reserves of £272,000 has been established in respect of the prospect of not fully recovering all administration costs in respect of the current ESF borough funded commissions. During the external audit, in line with normal practice, Grant Thornton are likely to indicate that this sum should be fully reflected in the final outturn figures for the year. On that basis, it is prudent to establish a further provision to cover potential shortfalls in claiming ESF grants and borough contributions in respect of administration costs for the current programme. The current ESF borough programme will come to an end in 2020/21 and balances held in respect of previous ESF programmes will be reviewed to identify funds that can be offset against accumulated shortfalls that have arisen. This indicative provision has, therefore, been reflected in the Joint Committees short term reserves position and is included in Tables 12 and 13 at paragraphs 59-60.

Balance Sheet as at 31 March 2020

48. The provisional consolidated balance sheet position as at 31 March 2020 is shown in Table 9 below, compared to the audited position for 2018/19:

Table 9 – Balance Sheet Comparison 2019/20 and 2018/19

	As at 31 March 2020 (£000)	As at 31 March 2019 (£000)
Fixed Assets	1,107	1,324
Current Assets	24,060	24,426
Current Liabilities	(9,900)	(9,656)
Long-term Liabilities	(25,263)	(28,142)
Total Assets less	(9,996)	

Liabilities		(12,048)
Represented by:		
General Fund	10,492	9,843
Specific Funds	3,815	4,883
Pension Fund	(24,148)	(26,633)
Accumulated Absence Fund	(155)	(141)
	(9,996)	(12,048)

49. The main features of the provisional balance sheet as at 31 March 2020 are as follows:

- Fixed assets have decreased by £217,000 to £1.107 million from £1.324 million. The decrease is attributable to expenditure of £66,000 on the acquisition of assets offset by the annual depreciation charge of £283,000;
- Current assets have decreased by £366,000 to £24.06 million from £24.426 million, which is attributable to a decrease of £1.804 million in debtors offset by an increase of £1.438 million in cash balances. The decrease in debtors is due to:
 - a decrease of £1.864 million in respect of amounts owed by TfL for the Taxicard scheme;
 - a decrease of £374,000 in respect of borough contributions for the registration of PCN debts at Northampton County Court;
 - an increase of £180,000 in respect of amounts owed by the GLA for the operation Congestion Charge Appeals service;
 - an increase of £136,000 in respect of a reduction of the bad debt provision in relation to London Lorry Control Service PCN debts registered at Northampton County Court; and
 - an increase in residual variances of £118,000;
- Current liabilities have increased by £244,000 to £9.9 million from £9.656 million which is attributable to:
 - an increase of £790,000 in respect of Freedom Pass reissue costs;
 - an increase of £341,000 in respect of London Office for Technology and Innovation balances;
 - a decrease of £500,000 in respect of Capital Ambition balances;
 - a decrease of £365,000 in respect of premises costs; and
 - a decrease in residual variances of £22,000;
- Long term liabilities have decreased by £2.879 million to £25.263 million from £28.142 million which is attributable to a decrease of £2.485 million in the value of the IAS19

pension deficit and a decrease of £394,000 in respect of long-term provisions and creditors on property leases; and

- The above movements have resulted in an overall decrease in reserves to a negative balance of £9.996 million as at 31 March 2020, inclusive of the IAS19 deficit (which is explored from paragraph 50 onwards) and the balance on the accumulated absences reserve.

Effect of IAS19 Employee Benefits

50. International Accounting Standard 19 (IAS19), Employee Benefits (formerly Financial Reporting Standard 17, Retirement Benefits or FRS17), is an international accounting standard that all authorities administering pension funds must follow. London Councils, as an Admitted Body of the Local Government Pension Scheme (LGPS) administered by the London Pensions Fund Authority (LPFA), has been subject to this accounting standard since 2003/04, the first year that such disclosures were required (previously under FRS17).
51. 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.
52. 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.
53. 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.
54. 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 2019 was £26.633 million. The deficit on the Pension Fund as at 31 March 2020, as determined from the latest valuation undertaken by the actuary, is £24.148 million, a reduction of £2.485 million.

55. The reduction is due to the lower rate of inflation used in the calculation of the IAS19 defined benefit obligation and the result of the 2019 triennial valuation exercise which provides more current estimates. The reduction in the defined benefit obligation is offset by a fall in the value of scheme assets at 31 March 2020.
56. Table 9 clearly demonstrates, therefore, that the Committee's provisional reserves of £14.307 million as at 31 March 2020 are notionally reduced by £24.148 million as a result of the requirement to fully disclose the pension fund deficit on the balance sheet. Future reviews of the employers pension contribution rate are intended, over time, to reduce the overall deficit and the provisional balance on reserves is not a potential call on funding the pensions fund deficit. The London Councils' external auditor, Grant Thornton LLP will test the assumptions made by the actuary in arriving at this valuation in the course of their external audit during July/August.

Committee Reserves

57. Inclusive of the IAS19 Pension and the Accumulated Absence Reserves, the pre-audited overall position on the Committee's Reserves as at 31 March 2020 is detailed in Table 10:

Table 10 – Overall London Councils Reserves as at 31 March 2020

	General Reserve (£000)	Specific Reserve (£000)	Pension Fund (£000)	Accumulated Absences (£000)	Total (£000)
Audited balance at 1 April 2019	9,843	4,883	(26,633)	(141)	(12,048)
Transfer (to)/from Revenue Account	(1,674)	(1,364)	(1,982)	(14)	(5,034)
Movement on Pension Fund Reserve	-	-	4,467	-	4,467
(Deficit)/Surplus for Year	2,323	296	-	-	2,619

Provisional Balance at 31 March 2020	10,492	3,815	(24,148)	(155)	(9,996)
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58. The pre-audited position on the Committee's Reserves as at 31 March 2020, 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 2020

	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 2019	3,936	3,553	5,186	721	1,330	14,726
Resources committed in 2019/20	(187)	(1,108)	(1,354)	-	(256)	(2,905)
Approved reserves c/f into 2019/20	(133)	-	-	-	-	(133)
Provisional (deficit)/surplus for 2019/20	238	296	1,987	98	-	2,619
Provisional reserves as at 31 March 2020	3,854	2,741	5,819	819	1,074	14,307

59. Table 12 below details the current level of commitments arising from the current and future financial years of £4.564 million and highlights the residual forecast level of uncommitted reserves available:

Table 12– Residual balances after Current Commitments

	Transport and Environment Committee (£000)	Joint Committee (£000)	Grants Committee (£000)	Total (£000)
Estimated General Reserves at 31 March 2020	3,854	5,819	819	10,492
Estimated Specific/ESF reserves at 31 March 2020	2,741	-	1,074	3,815
Provisional reserves at 31 March 2020	6,595	5,819	1,893	14,307
Committed in setting 2020/21 budget	(579)	(400)	-	(979)
Balances c/f into 2020/21	(91)	(452)	-	(543)
Reinvestment of surplus S.48 ESF reserves	-	-	(1,074)	(1,074)
Provisional other commitments in 2020/21 - 2021/22	(1,596)	(372)	-	(1,968)
Uncommitted reserves	4,329	4,595	819	9,743

60. The current level of commitments from reserves, as detailed in Table 12, of £4.564 million over the short-to-medium term are detailed in Table 13 below:

Table 13– Commitments from Reserves

	2020/21	2021/22	Total
	£000	£000	£000
Approved resources b/f from 2019/20	543	-	543
Approved transfer from JC general reserves	300	-	300
Approved transfer from TEC general reserves	579	-	579
Use of S.48 residual ESF borough contributions to fund NRPF	1,074	-	1,074
Support to the health transition process	100	100	200
2020 Freedom Pass reissue	96	-	96
TEC priority projects	750	750	1,500
Provision for Borough ESF Programme	272	-	272
Totals	3,714	850	4,564

Conclusions

61. Tables 12 and 13 show that the approved use of reserves over the two-year period 2020/21 to 2021/22 is forecast to reduce the overall projected level of reserves by £4.564 million from £14.307 million to £9.743 million. A brief commentary on the financial position of each of the three funding streams is provided below:

- Grants Committee – The £77,000 movement for the Grants Committee is largely due to an increased underspend on employee and general/central recharge costs. Provisional reserves of £819,000 are forecast in respect of Priority 1&2 commissions as at 31 March 2020. This equates to 12.28% of on-going borough funded Priority 1&2 commissions of £6.668 million, which is in excess of the 3.5% benchmark established by the Grants Committee in 2013. The Grants Committee is currently considering options for the use of these reserves, which will be presented to the Leaders' Committee for consideration at a future meeting. Residual S.48 ESF reserves of £1.074 million covering Priority 3 are forecast following the closure of the ESF programme. These funds will be applied in support of NRPF applications, as approved by the Leaders' Committee in March 2020 following recommendations from the Grants Committee. The current COVID19 crisis is projected to have a minimal effect on the Grants Committee's future financial position.
- TEC – The £209,000 movement for TEC is highlighted in Table 7 and explored in detail in the analysis of actual income and expenditure against the approved budgets in paragraphs 17-34 below and is mainly due to an increase in additional central recharge and general running

costs. Provisional residual uncommitted general reserves of £3.184 million equates to 24.7% of operating and trading expenditure of £12.911 million for 2019/20, which exceeds the upper limit of the 10%-15% benchmark established by TEC in 2015. TEC will be considering options for the use of reserves during the autumn as part of the budget setting process. However, the current COVID19 crisis is projected to influence TECs future finances due to a reduction in enforcement activities and a reduction in income raised from the issue of replacement Freedom Passes. For the two-month period covering April and May 2020, this shortfall in income could amount to £340,000. The current level of uncommitted reserves will, therefore, provide a level of security should these projected deficits in income be realised by the year-end; and

- Joint Committee - The £456,000 movement for the Joint Committee is primarily due to further savings on staffing and general running costs along with an additional underspend on the commissioning budget. Provisional residual uncommitted reserves of £4.595 million are projected after considering all current known commitments up to 2021/22. However, the current COVID19 crisis is projected to influence the Joint Committee's future finances. Additional spend of roughly £50,000 has been incurred to date on COVID-19 related issues, although a proportion of these increased costs will be apportioned to the TEC and Grants funding streams. There is the possibility of further costs being incurred to fund specific activities that flow from the crisis recovery process to support London local government work, in accordance with member wishes. In addition, there is likely to be a reduction in room bookings income at Southwark Street due to the building closure (£12,000-£15,000 per month) and the loss of potential income from securing tenants for existing vacant office space in the building (£13,000-£14,000 per month). For the two-month period covering April and May 2020, this shortfall in income could amount to £58,000. Again, the current level of uncommitted Joint Committee reserves will provide a level of security should the projected additional expenditure and deficits in income be realised by the year-end.

Summary

62. This report summarises the provisional pre- audited consolidated financial position for London Councils for the 2019/20 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 future financial outlook. The projected position for uncommitted reserves across all three

funding streams, as illustrated in this report, stands the organisation in good stead to meet the financial challenges arising from the current COVID-19 crisis.

Recommendations

63. The Executive is asked:

- To note the provisional consolidated outturn position of a surplus of £2.619 million for 2019/20 and the provisional outturn position for each of the three funding streams;
- To note the carry forward of £91,000 into 2019/20 in respect of the review of the London Lorry Control scheme, subject to final approval by the TEC Executive on 16 July;
- To note the provisional level of reserves of £14.307 million as at 31 March 2020 (paragraphs 57-58), which reduces to £9.743 million once known commitments of £4.564 million are considered (paragraphs 59-60);
- To note the updated financial position of London Councils as detailed in paragraph 62 of this report; and
- To agree to receive a further report in November 2020 after the completion of the external audit by Grant Thornton LLP to adopt the final accounts for 2019/20. The final accounts will be signed off at the meeting of the Audit Committee on 17 September 2020, during which Grant Thornton LLP will formally present the Annual Audit Report for approval.

Background Papers

Final Accounts Working Papers File 2019/20;
Budget Monitoring Working Papers File 2019/20;
Budget Working Papers Files 2019/20 and 2020/21.

Executive

Urgency Report

Item no: 8

Report by: Lisa Dominic **Job title:** Governance Support Officer
Date: 16 June 2020
Contact Officer: Christiane Jenkins
Telephone: 020 7934 9540 **Email:** Christiane.jenkins@londoncouncils.gov.uk

Summary

London Councils' urgency procedure was used to approve:-

- The appointment of Cllr Matthew Green (City of Westminster) as the Conservative Party Group Lead Member on Business Engagement, Europe and Good Growth for the period between 1 June 2020 and the Leaders AGM on 13 October 2020
- The appointment of Cllr Gareth Roberts (LB Richmond Upon Thames) as the new Liberal Democrat Whip, Deputy Group Leader and Liberal Democrat reserve on the Executive

Recommendations

The Executive are asked to note the decision taken under the urgency procedure.

London Councils' Urgency Report

1.0 Introduction

The Urgency procedure was used to seek the Elected Officers' approval to appoint:-

(a) Cllr Matthew Green, City of Westminster as the new Conservative Party Group Lead Member on Business Engagement, Europe and Good Growth, for the period running from 1 June 2020 until the Leaders AGM on 13 October 2020.

(b) Cllr Gareth Roberts, LB Richmond Upon Thames, as the new Liberal Democrat Whip, Deputy Group Leader and Liberal Democrat reserve on the Executive

2.0 Summary

Reason for Urgency

(a) The previous Conservative Party Lead Member on Business, Europe and Good Growth, Cllr David Harvey resigned with effect from 31 May 2020.

(b) Following the Liberal Democrat AGM on 28 May 2020, Cllr Gareth Roberts (LB Richmond upon Thames) was appointed as the Group Whip with effect from 1 June 2020. Cllr Roberts will also take up the role of Deputy Group Leader and Liberal Democrat reserve on the Leaders' Committee Executive.

These urgencies sought the Elected Officers' approval to agree these changes as the next Leaders' Committee is not until 7 July 2020 so these decisions were required to be ratified by correspondence.

Elected Officers of London Councils were asked to agree the London Councils Urgencies by (a) 20th May 2020, (b) by 1st June 2020. The Urgencies were approved.

2.1 Recommendation

The Executive is asked to note the decision taken under the urgency procedure.

Financial Implications for London Councils

These are remunerated positions and payments will be met by existing budgets.

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